

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-91308; File No. SR-CFE-2021-004)

March 12, 2021

Self-Regulatory Organizations; Cboe Futures Exchange, LLC; Notice of a Filing of a Proposed Rule Change Regarding Order Information

Pursuant to Section 19(b)(7) of the Securities Exchange Act of 1934 (“Act”),¹ notice is hereby given that on March 4, 2021 Cboe Futures Exchange, LLC (“CFE” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change described in Items I, II, and III below, which Items have been prepared by CFE.² The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons. CFE also has filed this proposed rule change with the Commodity Futures Trading Commission (“CFTC”). CFE filed a written certification with the CFTC under Section 5c(c) of the Commodity Exchange Act (“CEA”)³ on March 1, 2021.

I. Self-Regulatory Organization’s Description of the Proposed Rule Change

CFE Trading Privilege Holders (“TPHs”) may interface with CFE’s trading system (“CFE System”) by utilizing either the Financial Information Exchange (“FIX”) protocol or the Binary Order Entry (“BOE”) protocol. CFE plans to enhance the BOE protocol by implementing a new version of the Binary Order Entry protocol (“BOE Version 3”). In reviewing its rules in connection with the preparation for the implementation of BOE Version 3, the Exchange identified proposed rule updates to further clarify how certain existing system

¹ 15 U.S.C. 78s(b)(7).

² The Commission notes that the Exchange originally filed its proposed rule change regarding order information on March 1, 2021 (SR-CFE-2021-003). SR-CFE-2021-003 was subsequently withdrawn and replaced by this filing in order to correct certain technical errors with the filing and typographical errors in the Exhibit 1.

³ 7 U.S.C. 7a-2(c).

attributes function which are not changing as a result of the implementation of BOE Version 3. The proposed rule change includes rule updates of this type that the Exchange is making in connection with CFE's implementation of BOE Version 3.

The scope of this filing is limited solely to the application of the rule amendments to security futures that may be traded on CFE. Although no security futures are currently listed for trading on CFE, CFE may list security futures for trading in the future.

CFE is making the rule amendments included in this proposed rule change in conjunction with other rule amendments being made by CFE in connection with its implementation of the BOE Version 3 that are not required to be submitted to the Commission pursuant to Section 19(b)(7) of the Act⁴ and thus are not included as part of this rule change.

The rule amendments included as part of this proposed rule change are to apply to all products traded on CFE, including both non-security futures and any security futures that may be listed for trading on CFE. CFE is submitting these rule amendments to the Commission under Section 19(b)(7) of the Act⁵ because they relate to reporting requirements that would apply with respect to any security futures that may be traded on CFE.

The text of the proposed rule change is attached as Exhibit 4 to the filing but is not attached to the publication of this notice.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, CFE included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV

⁴ 15 U.S.C. 78s(b)(7).

⁵ 15 U.S.C. 78s(b)(7).

below. CFE has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

CFE Rule 403 (Order Entry and Maintenance of Front-End Audit Trail Information) currently requires that single Orders, Bulk Messages, and Quotes submitted to the CFE System must contain specified information or they will be rejected or canceled back to the sender. CFE is proposing to amend Rule 403 to further clarify certain of its provisions.

Specifically, CFE is proposing to amend Rule 403 in the following ways:

Current Rule 403(b) enumerates the information that a single Order is required to contain. CFE is proposing to revise Rule 403(b) to clarify that the provisions of Rule 403(b) do not apply to Cancel Orders or to Cancel Replace/Modify Orders.

CFE is proposing to add new Rule 403(c) to address the information that a Cancel Order is required to contain. Specifically, proposed new Rule 403(c) provides that each Cancel Order must contain (i) the Client Order ID of the Order to be canceled; (ii) the Executing Firm ID (“EFID”); (iii) the Order Entry Operator ID; (iv) a manual Order indicator; and (v) any additional information as may be prescribed from time to time by the Exchange.

Similarly, CFE is proposing to add new Rule 403(d) to address the information that a Cancel Replace/Modify Order is required to contain. In particular, proposed new Rule 403(d) provides that each Cancel Replace/Modify Order must contain (i) a Client Order ID; (ii) the Client Order ID of the Order to be canceled; (iii) the EFID; (iv) the Order Entry Operator ID; (v) a manual Order indicator; (vi) the Order type; (vii) the price or premium; (viii) the quantity; and (ix) any additional information as may be prescribed from time to time by the Exchange.

To account for the proposed addition of paragraphs (c) and (d) to Rule 403, CFE proposes to change the paragraph lettering of current paragraphs (c) through (g) of Rule 403 to be paragraphs (e) through (i) of Rule 403.

Current Rule 403(e) (which is now proposed to be Rule 403(g)) provides that any single Order, Bulk Message, or Quote that does not contain required information in a form and manner prescribed by the Exchange will be rejected or canceled back to the sender by the CFE System. CFE proposes to revise this provision to make clear that any single Order, Bulk Message, or Quote that does not contain required or permitted information in a form and manner prescribed by the Exchange will be rejected or canceled back to the sender by the CFE System or the match capacity allocation through which the single Order, Bulk Message, or Quote was submitted will be disconnected by the CFE System.

For example, with the implementation of BOE Version 3, any Order submitted through a unit match capacity allocation must be for a CFE contract processed by the matching unit for that unit match capacity allocation. If the Order contains a contract identifier for a contract processed by a different matching unit, it would contain information that is not permitted to be included in an Order from that unit match capacity allocation. Accordingly, the Order would be rejected or canceled back to the sender by the CFE System.

In other more limited situations, there may be invalid information included in an Order message submitted by a TPH which triggers the match capacity allocation through which the Order was submitted to be disconnected by the CFE System. For example, if a TPH submits an Order with a message type that is not a documented message type for CFE, the match capacity allocation through which the Order was submitted would be disconnected. Disconnecting a match capacity allocation in these situations allows the TPH to ascertain why an invalid message

was submitted before the TPH reconnects the match capacity allocation and recommences sending Orders through the match capacity allocation.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,⁶ in general, and furthers the objectives of Sections 6(b)(1)⁷ and 6(b)(5)⁸ in particular in that it is designed:

- to enable the Exchange to enforce compliance by its TPHs and persons associated with its TPHs with the provisions of the rules of the Exchange,
- to prevent fraudulent and manipulative acts and practices,
- to promote just and equitable principles of trade,
- to foster cooperation and coordination with persons engaged in facilitating transactions in securities,
- to remove impediments to and perfect the mechanism of a free and open market and a national market system,
- and in general, to protect investors and the public interest.

The Exchange believes that the proposed rule change serves to strengthen CFE's ability to carry out its responsibilities as a self-regulatory organization. First, the proposed rule change provides guidance to TPHs regarding the type of information that must be included within Cancel Orders and Cancel Replace/Modify Orders. Second, the proposed rule change contributes to enhancing the effectiveness of CFE's audit trail program by helping to assure that

⁶ 15 U.S.C. 78f(b).

⁷ 15 U.S.C. 78f(b)(1).

⁸ 15 U.S.C. 78f(b)(5).

required information is included within Cancel Orders and Cancel Replace/Modify Orders and that single Orders, Bulk Messages, and Quotes without required information or with non-permitted information are not accepted by the CFE System. Third, the proposed rule change furthers CFE's ability to enforce compliance with CFE rules since the Exchange plans to utilize this audit trail information in connection with its surveillance of CFE's market and in connection with reviewing trading activity on CFE's market for rule compliance. The Exchange believes that the proposed rule change is equitable and not unfairly discriminatory in that the rule amendments included in the proposed rule change would apply equally to all TPHs.

B. Self-Regulatory Organization's Statement on Burden on Competition

CFE does not believe that the proposed rule change will impose any burden on inter-market competition not necessary or appropriate in furtherance of the purposes of the Act, in that the proposed rule change will enhance CFE's ability to carry out its responsibilities as a self-regulatory organization. The Exchange believes that the proposed rule change will not impose any undue burden on intra-market competition because the rule amendments included in the proposed rule change would apply equally to all TPHs.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The proposed rule change will become operative on March 15, 2021. At any time within 60 days of the date of effectiveness of the proposed rule change, the Commission, after consultation with the CFTC, may summarily abrogate the proposed rule change and require that

the proposed rule change be refiled in accordance with the provisions of Section 19(b)(1) of the Act.⁹

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CFE-2021-004 on the subject line.

Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-CFE-2021-004. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F

⁹ 15 U.S.C. 78s(b)(1).

Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CFE-2021-004, and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁰

J. Matthew DeLesDernier
Assistant Secretary

¹⁰ 17 CFR 200.30-3(a)(73).