FINANCIAL INFORMATION FORUM

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Via Electronic Delivery

July 18, 2014

Ms. Elizabeth M. Murphy
Secretary
U. S. Securities and Exchange Commission
100 F Street, NE,
Washington, DC 20549-1090

Re: File No. SR-CBOE-2014-040 - Chicago Board Options Exchange, Incorporated; Notice of Filing of a
Proposed Rule Change Relating to Orders That Are Tied to Stock

Dear Ms. Murphy,

The Financial Information Forum (FIF)[1] is submitting this second comment letter with respect to, SR-
CBOE-2014-040, Notice of Filing of a Proposed Rule Change Relating to Orders That Are Tied to Stock
("Current CBOE Proposal"). FIF previously commented on CBOE-2014-040 as well as the November
2013 filing, SR-CBOE-2013-107, Notice of Filing of a Proposed Rule Change to Amend Its Rules Regarding
Option Orders That Are Tied to Stock Orders that was withdrawn in February 2014 ("Original Proposal").

In our initial comment letter to the Current CBOE proposal, we requested the opportunity to comment
on the reporting format. On July 10, 2014, CBOE released Regulatory Circular RG14-110. Additionally on
July 15, CBOE responded to comments from both FIF and CHX[2]. At this time, FIF would like to make the
following additional points and recommend that the Commission designate a longer period to take
action on the proposed rule change so that it and the industry has sufficient time to further discuss the
issues presented by the Current CBOE proposal. We believe this is appropriate for the following reasons:
- Initial review of the reporting format raises implementation concerns
- Extensive effort may be required for a small number of transactions
- The proposal raised in the CHX comment letter merits additional discussion
- Evaluation of specifications is critical to the rule-making process

Each of these reasons is discussed in detail below.

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[1] FIF (www.fif.com) was formed in 1996 to provide a centralized source of information on the implementation
issues that impact the securities industry across the order lifecycle. Our participants include trading and back office
service bureaus, broker-dealers, market data vendors and exchanges. Through topic-oriented working groups, FIF
participants focus on critical issues and productive solutions to technology developments, regulatory initiatives,
and other industry changes.
[2] June 9, 2014, James Ongena, Senior Vice President and General Counsel, Chicago Stock Exchange, Chicago, Illinois
("CHX Comment Letter")

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Initial Review of Reporting Format Raises Implementation Concerns

Following the release of the reporting format just over one week ago, FIF performed a preliminary review of the reporting format including a gap analysis of the existing reporting format for CBOE Rule 8.9(b) against the reporting format for the Current CBOE proposal. FIF had expected the reporting format to be substantially similar to the Market Maker Stock Execution Layout which is the reporting format for stock transactions required pursuant to CBOE Rule 8.9(b). This expectation was based on the text of Interpretations and Policies .03 of the Current CBOE Proposal which states that "a Market-Maker (or its clearing firm) may include the information required by Rule 15.2A in the equity reports submitted to the Exchange pursuant to Rule 8.9(b)."

As demonstrated in Table 1, the reporting format for the Current CBOE Proposal includes both new data elements and different requirements for common data elements. Additional analysis will be required to thoroughly understand each new data element. Table 1 reviews each data element in the Current CBOE Proposed Rule format providing commentary including questions raised to date.

Given the differences between the Current CBOE Proposal and the existing CBOE 8.9(b) reporting format, FIF believes that the technology build will be significant. The additional fields in the Current CBOE Proposal will require detailed explanation and through business analysis at firms in order to determine how to populate these fields. At this point, we are uncertain what impact the Current CBOE Proposal reporting format will have on existing CBOE Rule 8.9(b) reporting. As clearing firms for market makers evaluate this new reporting obligation there is a possibility that they will not offer reporting of options tied to stock data to their market maker clients. If market makers are required to fulfill this obligation themselves, there are a number of implementation concerns that will need to be addressed including availability of all required information and implementation time required.

In CBOE's Response to Comment Letters,[3] CBOE stated that they are seeking an opportunity to enhance CBOE's audit trail in the short-term. We are concerned that the development effort to meet the reporting format requirements is not a short-term solution. As discussed in more detail later, FIF believes that the CHX proposal offers a more efficient implementation and should be considered in a more fulsome manner.

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[3] July 15, 2014, Laura G. Dickman, Senior Attorney, Legal Division, Chicago Board Options Exchange, Incorporated

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Table 1. Initial Data Field Analysis of Current CBOE Proposal Including Comparison to Existing CBOE Stock Reporting Requirements (CBOE 8.9(b))

Current CBOE Proposal Reporting Format[4]	CBOE Rule 8.9(b) Reporting Format	Comments
1. TRADE_DATE	Trade Date	No issues
2. TRADE_TIME	Time of Execution	• CBOE Rule 8.9 Reporting Format is to the second; Proposed CBOE-2014-040 format is to the milliseconds • Not all equity exchanges provide execution time to the millisecond, e.g., NYSE via their FIX specification
3. PRODUCT_TYPE	N/A	• This field is not required in current equity reporting • It is unclear which product types other than E – Equity would be required to report the stock component of a tied to stock trade
4. TRADE_TYPE	N/A	Definitions for each trade type would be required
5. TRADE_ID	Record ID	No issues
6. ACCOUNT_CODE	N/A	This field is not required in current equity reporting
7. ACCOUNT_ORIGIN	N/A	This field is not required in current equity reporting
8. ORDER_ID	Transaction No	Optional Field in CBOE Rule 8.9 reporting
9. ORDER_ENTRY-DATE	N/A	This field is not required in current equity reporting
10. SECURITY_SYMBOL	Security Symbol	No issues
11. CLASS_SYMBOL	N/A	This field is not required in current equity reporting
12. EXPIRATION_DATE	N/A	Note: Current CBOE Proposal Reporting Format indicates that this field is not required for Tied to Stock Reporting. It is unclear why this field is included in the Current CBOE Proposal Reporting Format
13. EXERCISE_PRICE	N/A	Note: Current CBOE Proposal Reporting Format indicates that this field is not required for Tied to Stock Reporting. It is unclear why this field is included in the Current CBOE Proposal Reporting Format
14. PUT_CALL_CODE	N/A	Note: Current CBOE Proposal Reporting Format indicates that this field is not

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[4] Current CBOE Reporting Format based on CBOE Regulatory Circular RG14-110. See circular for full field descriptions.

FINANCIAL INFORMATION FORUM

Current CBOE Proposal Reporting Format[4]	CBOE Rule 8.9(b) Reporting Format	Comments
		required for Tied to Stock Reporting. It is unclear why this field is included in the Current CBOE Proposal Reporting Format
15. ORIG_ORDER_PRICE	N/A	• This field is not required in current equity reporting
16. ORIG_ORDER_QUANTITY	N/A	• This field is not required in current equity reporting
17. TRADE_PRICE	• Price (dollar amount) • Price (fractional amount)	• Different format from CBOE Rule 8.9(b) format
18. TRADE_QUANTITY	Quantity	No issues
19. TRADER_ACRONYM	Similar to Executing firm / Broker	• Firms may not have this trade acronym in all cases. Will a default value be permitted? • CBOE Rule 8.9(b) asks for the firm/broker identifier not the trader identifier
20. USER_ID	N/A	• This field is not required in current equity reporting • Firms may not have user/trader ID all cases. Will a default value be permitted?
21. FIRM_ID	Market Maker Acronym	• Additional detail is required to confirm how this ID differs from CLEAR_FIRM_CODE or if this would be the same OCC#/NSCC# for self-clearing firms and the firm's acronym in other circumstances
22. CLEAR_FIRM_CODE	Clearing Firm ID	No issues
23. CLEAR_FIRM_ACRONYM	N/A	• This field is not required in current equity reporting • Field description refers to CLEAR_FIRM_NUMBER which is not a field in the Current CBOE Proposal Record Layout. Additional information required to understand the need for this identifier given the CLEAR_FIRM_CODE and FIRM_ID above
24. CMTA_CODE	N/A	• This field is not required in current equity reporting • Field description refers just to the buyer and applies to both options and stock. How does a CMTA code apply to stock? What happens when the transaction is a sell not a buy?
25. OPEN_CLOSE_INDICATOR	N/A	• This field is not required in current equity reporting • Under what circumstances, would this field be used?

FINANCIAL INFORMATION FORUM

Current CBOE Proposal Reporting Format[4]	CBOE Rule 8.9(b) Reporting Format	Comments
26. USER_ROLE_CODE	N/A	• This field is not required in current equity reporting • Additional context required in field description in order to understand how to populate the value
27. CORRES_FIRM_CODE	N/A	• This field is not required in current equity reporting • Field description states that this field may be used for non-CBOE members. What acronym would be required – e.g., MPID? What would be required if the firm did not have an MPID?
28. BUY_SELL_INDICATOR	• Buy/Sell Code • Long/Short/Short Exempt	• Combines two fields within CBOE 8.9(b) reporting format
29. CREAT_REDEEM_TYPE	N/A	• This field is not required in current equity reporting • Note: Current CBOE Proposal Reporting Format indicates that this field is not required for Tied to Stock Reporting. It is unclear why this field is included in the Current CBOE Proposal Reporting Format
30. EXER_ASGN_TYPE	N/A	• This field is not required in current equity reporting • Note: Current CBOE Proposal Reporting Format indicates that this field is not required for Tied to Stock Reporting. It is unclear why this field is included in the Current CBOE Proposal Reporting Format
31. CRD_NUMBER	N/A	• It is unclear which firm's CRD number is required. • Given that there is no automated way to retrieve CRD numbers from FINRA this may be a difficult field to populate.
32. AGGREGATION_UNIT	N/A	• This field is not required in current equity reporting • Note: Current CBOE Proposal Reporting Format indicates that this field is not required for Tied to Stock Reporting. It is unclear why this field is included in the Current CBOE Proposal Reporting Format
33. TRANS_DRCTN	N/A	• This field is not required in current equity reporting • Note: Current CBOE Proposal Reporting Format indicates that this field is not required for Tied to Stock Reporting. It is unclear why this field is included in the Current CBOE Proposal Reporting Format
34. TRANS_SITE	N/A	• This field is not required in current equity reporting • Note: Current CBOE Proposal Reporting Format indicates that this field is

Current CBOE Proposal Reporting Format[4]	CBOE Rule 8.9(b) Reporting Format	Comments
		not required for Tied to Stock Reporting. It is unclear why this field is included in the Current CBOE Proposal Reporting Format
35. EXEC_VENUE	Executing exchange	• Codes for executing exchange are different from CBOE 8.9(b) • Note: Current CBOE Proposal Reporting Format indicates that this field is not required for Tied to Stock Reporting. It is unclear why this field is included in the Current CBOE Proposal Reporting Format
N/A	Execution code	• CBOE Rule 8.9(b) Reporting Format requires an indication of whether the order was executed, partially executed or cancelled. Current CBOE Proposal Reporting Format would capture this based on a comparison of ORIG_ORDER_QUANTITY and TRADE_QUANTITY
N/A	Trade code	• Indicates if trade was part of a basket or program trade • Not required for Current CBOE Proposal Reporting

Extensive Effort May Be Required For Relatively Small Number of Transactions

In our prior conversations with CBOE, we reviewed a number of scenarios that indicate that the reporting responsibility will fall on the parties executing the trade, e.g., the floor broker or market maker. We request that an amended filing discuss these scenarios in detail as floor brokers may not fully understand their reporting obligation and it is our understanding that they have the bulk of the obligation with respect to this rule. Additionally, we understand that reporting is only required for tied to stock orders where the stock order is coupled with the option order. Because these "tied to stock" orders are not segregated today, we do not have the exact number of transactions that they represent. However based on feedback from FIF members, we do not believe the transactions in scope are a material amount of order flow based upon the total number of orders executed. [5] Additionally, with respect to QCC orders that are required to be reported, CBOE already has a reporting requirement as discussed in CBOE Regulatory Circular 13-102. We question the need for an extensive implementation effort to only incrementally improve CBOE's audit trail.

CHX Proposal Merits Additional Discussion

Given the implementation impact on firms, FIF recommends a more thorough review of the proposal outlined in the CHX comment letter. Based on our understanding of the CHX proposal, we believe this option would afford the following benefits:

- Centralize reporting by making information on tied to stock available directly to CBOE and other market participants.[6] If the options indicator was the stock order ID, we believe there would be a link between the stock and option components and that would address more complex scenarios where there are multiple options legs tied to a single equity.
- Reduce complexity or minimize post-trade reporting by the myriad of market makers, clearing firms, floor brokers and other TPH holders impacted by this rule. The tied to stock indicator is essentially an order/quote attribute. Rather than creating end of day reporting, adding an indicator to the order/quote may be an easier implementation effort.
- Opportunities for transparency. Possible dissemination of this data to the public using existing mechanisms may increase market transparency.

We believe the CHX proposal merits further discussion and has the potential to achieve CBOE's goals as well as Commission goals for increased market transparency. From an implementation perspective, the effort required to achieve the CHX proposal may not be significantly different and may even be simpler than the Current CBOE Proposal.

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[5] One FIF member has indicated that less than .1% of their total volume is done tied-to-stock
[6] While not discussed in the CHX comment letter, options to consider include the SIP or the ISG ECAT (Enhanced Consolidated Audit Trail).
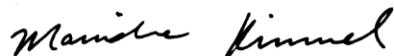
Release of Specifications Critical to Rule-Making Process

In CBOE's Response to Comments they indicated that it is common practice for "the form and manner of the reports required" via Regulatory Circulars **after** a rule is approved. While we agree that this is current practice, we strongly urge the Commission to consider the merits of allowing this practice to continue in light of the technology implications of most rule-making. The role of technology in our marketplace has been acknowledged in many Commissioner speeches including Chair White's June 20, 2014 speech entitled, *Intermediation in the Modern Securities Markets: Putting Technology and Competition to Work for Investors*, where she stated: "It is important to recognize that this "structure" does not just mean regulation, but also the much more complex interaction among regulation and other factors like competition and technology." FIF urges the Commission to consider requiring the release of specifications prior to rule adoption in order to allow for a more comprehensive evaluation of the implementation impact of rule-making as part of the comment period process.

Conclusion

We believe the Commission should designate a longer period to take action on the proposed rule change. Market participants could use this time for additional dialogue on both the CHX proposal and the Current CBOE proposal reporting format to identify the most efficient and optimal solution.

Regards,

Manisha Kimmel
Managing Director
Financial Information Forum

cc: The Honorable Mary Jo White, Chair
        The Honorable Luis A. Aguilar, Commissioner
        The Honorable Daniel J. Gallagher, Commissioner
        The Honorable Kara M. Stein, Commissioner
        The Honorable Michael S. Piwowar, Commissioner

        Stephen Luparello, Director, Division of Trading and Markets
        James R. Burns, Deputy Director, Division of Trading and Markets
        David S. Shillman, Associate Director, Division of Trading and Markets
        Heather Seidel, Associate Director, Division of Trading and Markets
        David Hsu, Assistant Director, Division of Trading and Markets