



Via Portal Submission

May 31, 2018

Christopher J. Kirkpatrick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Re: OneChicago, LLC Rule Submission
Adopting an Updated Error Trade Policy
(OneChicago Submission Number 18-012)

Dear Mr. Kirkpatrick:

Pursuant to section 5c(c)(1) of the Commodity Exchange Act, as amended (the “Act”), and § 40.6(a) of the regulations promulgated by the Commodity Futures Trading Commission (“CFTC” or the “Commission”) under the Act, OneChicago, LLC (“OneChicago” or the “Exchange”) hereby submits the following updated Error Trade Policy, which will become effective on June 14, 2018. OneChicago is proposing to make the following revisions to its Error Trade Policy:

- Allow for bilateral error trades to be busted at any point on the day of execution; Exchange must be notified of the error no later than 4:05 p.m. CT
- Assess fees for busted Central Limit Order Book (“CLOB”) trades; fees are currently only assessed to busted bilateral trades
- Added additional bust/adjust examples; revised language for clarity
- Added more detailed guidance on permitted solutions to bilateral errors

These changes are consistent with the policies of other designated contract markets (“DCMs”).

The updated Error Trade Policy is enclosed as Attachment A. Additions are underlined and replacements are strikethrough.

* * *

The purpose and effect of the updated Error Trade Policy is to provide market participants with clear and rigid policies for requesting an adjustment or cancellation of an error trade. Comments on the updated Error Trade Policy have not been solicited and none have been received.

OneChicago is not aware of any substantive opposing views to this rule filing. OneChicago certifies that the Error Trade Policy complies with the Act, including the core principles, and the Commission's regulations promulgated thereunder. OneChicago further certifies that a copy of this submission has been posted on the [OneChicago website](#).

OneChicago staff has reviewed the core principles applicable to designated contract markets ("DCMs"), and has concluded that the proposed Error Trade Policy may have some bearing upon the following core principle(s):

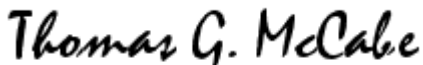
Core Principle 2: Core Principle 2 requires DCMs to establish, monitor, and enforce compliance with the rules of the exchange. The proposed Error Trade Policy supports Core Principle 2 in that it will provide OneChicago staff and market participants with a clear and enforceable policy for handling error trades on the Exchange.

Core Principle 7: Core Principle 7 requires DCMs to make available to market authorities, market participants, and the public accurate information concerning the rules and regulations for executing transactions on the contract market. The proposed Error Trade Policy supports Core Principle 7 in that it informs market participants of its policies and procedures regarding the handling of error trades.

Core Principle 12: Core Principle 12 requires DCMs to, among other things, establish and enforce rules to promote fair and equitable trading on the contract market. OneChicago's proposed Error Trade Policy is intended to balance market participants' expectation of certainty for executed trades against the deleterious effect of publishing inconsistent trade prices, thereby helping to ensure a fair and equitable marketplace for OneChicago's market participants.

If you have any questions or comments related to this filing, please feel free to contact me by telephone at 312.883.3430 or through e-mail at tmccabe@onechicago.com.

Respectfully Submitted,



Thomas G. McCabe
Chief Regulatory Officer

Encl: Attachment A

Attachment A

(See Following Page)

OneChicago Error Trade Policy

1.A. Introduction

This Error Trade Policy (the “Policy”) permits the ~~ExchangeOneChicago~~ ~~Operations Department~~ ~~(the “Operations Department”)~~, ~~upon consultation with the OneChicago Compliance Department,~~ to adjust trade prices or bust trades when such action is necessary to mitigate potentially market disrupting events, or if the ~~Operations Department~~ ~~Exchange~~ determines that allowing the trade to stand as executed may have a material, adverse effect on the integrity of the market. The purpose of this policy is to balance market participants’ expectation of certainty for executed trades against the deleterious effect of publishing inconsistent trade prices.

To report an error trade for review (each reported trade a “Questioned Trade”), contact the Operations Department at (312) 883-3411 or through e-mail at operations@onechicago.com.

2. Error Trades in B. Central Limit Order Book (“CLOB”) Transactions Trades Overview

To seek review of a CLOB ~~trade~~ ~~transaction~~, market participants must report the Questioned Trade to the Operations Department within ten (10) minutes of the time of the trade. OneChicago reserves the right to review a trade reported at any time. The ~~Exchange~~ ~~Operations Department~~ will strive to make a final decision within sixty (60) minutes from the time the trade was called under review. Only errors in the price of a CLOB trade ~~qualify as a Questioned Trade. will qualify for a bust or adjust by the Exchange.~~ Errors in entering the incorrect buy or sell designation, expiry, quantity, or product will not qualify ~~as a Questioned Trade. for a bust or adjust by the Exchange.~~

B(1). CLOB Error Trade Procedures

As soon as a Questioned Trade is brought to the attention of the Operations Department, an alert will be sent indicating that the trade has been called under review, and the ~~p~~Parties to the trade ~~will~~ ~~may~~ be contacted ~~if possible~~. For a questioned trade to qualify for a price adjustment or a bust, the trade price must be found to be outside the No Bust Range, ~~which is the range of prices up and down from fair market value in which the Exchange will not bust or adjust trades.~~ To determine whether the trade price is outside the No Bust Range, the ~~Exchange~~ ~~Operations Department~~ will determine the reasonable fair ~~market~~ value for the contract ~~at the time of the trade~~. The No Bust Ranges are provided in the table below:

NO BUST RANGES ~~No Bust Ranges~~

Trade Type	No Bust Range
Outright	Any price within 1%
Spread	25 basis points (0.25%)

B(1)(a). Trade Price ~~Inside~~ Within the No Bust Range

If the ~~Exchange Operations Department~~ determines that the trade price ~~was inside~~ is within the No Bust Range for the ~~Contract product~~, the trade will stand and no further action will be taken unless either (1) a system failure is declared, or (2) a violation of OneChicago rules has been found.

B(1)(b). Trade Price Outside the No Bust Range

If the ~~Exchange Operations Department~~ determines that the trade price was outside the No Bust Range, it will decide to either bust the trade or direct a price adjustment. The ~~Exchange Operations Department~~ will direct a price adjustment if doing so would not violate the limit price of either order. If a price adjustment would violate an order's limit price, the ~~Exchange Operations Department~~ will bust the trade instead.

In directing a price adjustment, the ~~Exchange Operations Department~~ will adjust towards the high-end of the No Bust Range ~~(in the case of an error trade where the trade price was above fair market value at the time of the trade)~~ or towards the low-end of the No Bust Range ~~(in the case of an error trade where the trade price was below fair market value at the time of the trade)~~.

Adjusted Bust/Adjust Price Examples

<u>Executed Price</u>	<u>Limit Price (Side)</u>	<u>Fair Value</u>	<u>No Bust Range</u>	<u>Action Taken</u>
<u>\$20.00</u>	<u>\$22.00 (Buy)</u>	<u>\$22.00</u>	<u>\$21.78 - \$22.22</u>	<u>Adjusted to \$21.78</u>
<u>\$20.00</u>	<u>\$21.00 (Buy)</u>	<u>\$22.00</u>	<u>\$21.78 - \$22.22</u>	<u>Busted</u>
<u>\$120.00</u>	<u>\$102.50 (Sell)</u>	<u>\$102.00</u>	<u>\$100.98 - \$103.02</u>	<u>Adjusted to \$103.02</u>
<u>\$120.00</u>	<u>\$110.00 (Sell)</u>	<u>\$102.00</u>	<u>\$100.98 - \$103.02</u>	<u>Busted</u>

<u>EXAMPLE</u>	<u>ADJUSTED PRICE</u>
<u>A trade is executed at \$20. The fair value of the contract is \$22.</u>	<u>Price Adjusted to \$21.78</u>

<p>A trade is executed at \$45. The fair value of the contract is \$54.</p>	<p>Price Adjusted to \$53.46.</p>
<p>A trade is executed at \$120. The fair value of the contract is \$102.</p>	<p>Price Adjusted to \$103.02</p>

In no event should participants ~~take action to~~ adjust the price or make cash payment without the knowledge and approval of ~~the Operations Department~~ the Exchange. ~~Additionally, Parties~~ parties to the trade may not “trade out” of such trade in a pre-arranged, offsetting transaction, ~~provided, however, that the parties may engage in pre-execution discussions with each other in accordance with procedures established by the Exchange.~~ unless the Parties enter into the offsetting trade by following the Exchange’s rules and procedures for pre-arranged trading.

Reporting CLOB Error Trades B(1)(c). Reported Later Than Ten (10) Minutes and Trade Price Outside No Bust Range

If ~~an error trade~~ a Questioned Trade is reported to the Operations Department later than ten (10) minutes after the trade, and the trade price is outside the No Bust Range, Parties to the trade may agree to (1) adjust the price, (2) transfer the position, or (3) make restitution to each other to correct the trade.

If the Parties choose to (1) adjust the trade price, they must inform the Operations Department, ~~which who~~ will determine the adjustment amount and make the adjustment only on trade date (top day) on the trade date.

If the Parties agree to (2) transfer the position between each other, any such transfer must be made for the same quantity as the original trade in the manner prescribed by the clearinghouse and must be reported to the Operations Department within 24 hours in the manner acceptable for its records.

In addition, both Parties to a Questioned Trade may agree to (3) make reasonable cash payment to compensate for any losses or costs caused by the error, but to retain the resulting futures positions. Participants may make cash payment ~~or transfer positions~~ provided they notify the Operations Department within 24 hours of the payment ~~or transfer~~.

3. Error Trades in C. Bilateral Trades Transactions
Overview

Bilateral trades may be busted or adjusted due to a bona fide mistake in reporting of the trade, and not solely due to price errors. In other words, bilateral trades may be busted or adjusted due to errors in price, expiry, quantity, product, or errors in entering a buy (sell) with the intent to enter a sell (buy). An Authorized Trade Reporter or party to the transaction must notify the Operations Department of the mistake or error ~~within sixty (60) minutes from the time the bilateral trade is posted.~~ by 4:05 p.m. CT on the day of the trade. No trade will be busted or adjusted if brought to the attention of the Exchange after 4:05 p.m. CT on the day of the trade. Alternatively Additionally, employees of OneChicago may also report a Questioned Trade by bringing it to the attention of the Operations Department. ~~The Operations Department reserves the right to review a trade reported at any time.~~

Procedures C(1). Bilateral Bust or Adjust Requirements

Bilateral trades may be busted or adjusted so long as:

- (i) There was a bona fide mistake or inaccuracy in the reporting of the trade;
- (ii) Both parties to the trade agree that there was a bona fide mistake or inaccuracy in the reporting of the trade; and
- (iii) An Authorized Trade Reporter or party to the transaction notified the Operations Department of the mistake or error ~~within sixty (60) minutes from the time the bilateral trade is posted.~~ by 4:05 p.m. CT on the day of the trade.

Fees for Bilateral Trade Busts or Adjusts

~~Fees will be assigned to both parties to a busted or adjusted trades in accordance with the following table:~~

~~Bust Fee Policy for Bilateral Trades~~

NUMBER OF BUSTS/ADJUSTS WITHIN ROLLING THREE MONTH PERIOD	FEE
1	Party will receive a warning
2	Party must pay a \$500 fee

3 or greater	Party must pay a \$1,000 fee
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Reporting Bilateral Error Trades Later than Sixty Minutes

~~If a bilateral trade is not brought to the attention of the Operations Department within sixty (60) minutes, the parties may agree to transfer the position or to make a reasonable cash payment to compensate each other for any losses incurred as a result of the error. If the parties agree to transfer the position between each other, any such transfer must be made for the same quantity as the original trade in the manner prescribed by the clearinghouse and must be reported to the Operations Department in the manner acceptable for its records. In addition, both parties to a Questioned Trade may agree to make reasonable cash payment to compensate for any losses or costs caused by the error, but to retain the resulting futures positions. Participants may make cash payment or transfer positions provided they notify the Operations Department within 24 hours of the payment or transfer.~~

C(2). Trading Out of a Bilateral Error Trade

If market participants determine to trade out of a bilateral error trade rather than request a bust or adjust, the correcting trade and any subsequent trade must be reasonably priced. In other words, such trades must be priced based on reasonable factors, such as the price of the underlying security, interest rates, hard to borrow rate, or other factors which can be found in OneChicago Regulatory Release 2018-3 (Block Trading). Market participants may not reverse a bilateral error trade by posting an offsetting bilateral trade at the same price in an attempt to offset the initial error trade with no gain or loss. CD reserves the right to investigate any trade that appears to be priced solely to offset an error trade; pricing bilateral trades to offset errors is a violation of the Rules of the Exchange.

Additionally, Parties can agree to transfer the position between each other. Parties can also make reasonable cash payment to compensate for any losses incurred, but must retain the futures position. Parties must notify the Operations Department within 24 hours of any transfer or cash payment made in relation to an error trade.

D. Fees for Trade Busts or Adjusts

When the Exchange busts or adjusts a bilateral trade, the fees in the following table will apply to both Parties to the transaction. When the Exchange busts or adjusts a CLOB trade, the fee will be assigned to the party responsible for entering the initial order that led to the busted or adjusted transaction.

Fees will be assigned in accordance with the following table:

Bust/Adjust Fees

<u>Number of Busts or Adjusts Within Rolling Three Month Period</u>	<u>Fee</u>
1	<u>Party will receive a warning</u>
2	<u>Party must pay a \$500 fee</u>
3 or greater	<u>Party must pay a \$1,000 fee per incident</u>

4. E. System Failures or Violations of OneChicago Rules

If a OneChicago system failure or partial failure occurs, the ~~Exchange Operations Department~~ may bust or adjust any trades that were affected by the failure or partial failure regardless of whether the price was ~~inside or outside of within~~ the “no bust” ~~No Bust~~ Range. The ~~Exchange Operations Department~~ will determine whether to bust or adjust any affected trades after reviewing all of the relevant facts and circumstances. OneChicago reserves the right, at its sole discretion, to bust or adjust any trades that are in violation of OneChicago Rules.

5. F. Arbitration of Disputes

If ~~P~~parties to a Questioned Trade cannot agree to transfer the position and/or make cash restitution, then either party to the trade may file an arbitration claim against the other side in accordance with Chapter 8 of the OneChicago Rulebook.