



Via Portal Submission

September 21, 2016

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
Amending OCX Rule 414 (Position Limits and Position Accountability)
(OCX Submission Number 16-021)

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,” “OCX,” or the “Exchange”) hereby submits the following rule amendment. OneChicago is amending its Rule 414 (Position Limits and Position Accountability) to provide for a one business day “look back” period in which a market participant who exceeds position limits and qualifies for a position limits exemption may file an exemption application without being in violation of the Exchange’s position limits.

Rule 414(a) prohibits market participants from owning or controlling a number of Contracts that exceeds position limits established by the Exchange. The rule further prohibits a market participant from entering into any transaction that would cause the participant to exceed any position limits. Rule 414(b) permits market participants to exceed position limits upon approval of a position limits exemption application for certain qualified transactions. Rule 414(c) states that the position limits exemption application must be made in the form and manner as the Exchange may prescribe from time to time. OneChicago proposes to amend Rule 414(c) to permit a market participant who exceeds position limits and qualifies for a position limits exemption to file such exemption without being in violation of the Exchange’s position limits, so long as such exemption application is filed within one business day of the position limits breach.

This rule change would ensure that market participants remain compliant with Exchange position limits, but would permit market participants with bona fide exemptions to the position limits to put on such positions during the normal course of business without concern of violating an

Exchange rule by not filing the position limit exemption application preemptively. Market participants may find it beneficial to enter positions that qualify for a position limit exemption, and the trading opportunities that lead to such positions might not always permit the participant to request an exemption from the Exchange before establishing the position. This rule change will permit the free flow of liquidity that might otherwise be hampered by the requirement for a market participant to wait for an exemption request to be filed and approved before being permitted to take on the desired position.

The text of the proposed rule amendment is enclosed as Attachment A. The Regulatory Release accompanying this rule amendment is enclosed as Attachment B. The rule amendment will be effective on October 5, 2016.

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The purpose and effect of the rule amendment is to permit market participants to establish positions that qualify for position limits exemptions before applying for the exemption. This rule amendment will ensure that market participants comply with position limits, but are also not prevented from establishing positions that are otherwise compliant with position limits. Comments on the rule amendment have not been solicited and none have been received. OneChicago is not aware of any substantive opposing views to these rule amendments. OneChicago certifies that the rule amendment 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 rule amendments may have some bearing upon the following core principle(s):

Core Principle 5: Core Principle 5 requires that a DCM adopt position limitations or position accountability to reduce the potential threat of market manipulation or congestion. This rule amendment supports Core Principle 5 in that it ensures that only firms carrying qualified transactions may be exempt from position limits, but does not prohibit a market participant from taking on an otherwise permissible position simply because a position limits exemption application has yet to be filed and approved.

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. This rule amendment supports Core Principle 7 in that it updates the rules applicable to trading on OneChicago and makes participants aware of those updates.

If you have any questions or comments related to this filing, please feel free to contact me by telephone at (312) 883-3441 or through e-mail at wbarazi@onechicago.com.

Respectfully Submitted,



Waseem Barazi
Chief Regulatory Officer and Associate General Counsel

Encl: Attachment A
Attachment B

Attachment A

414. Position Limits and Position Accountability

(a) Position limits shall be as established by the Exchange from time to time as permitted by Commission Regulation § 41.25 and as set forth in Schedule A to Chapter 4. Such position limits shall be aggregated among contracts that overlay the same commodity and expire on the same day. Position limits for weekly contracts are always in effect. Except as specified in paragraph (b) below, no Clearing Member, Exchange Member or Access Person shall control, or trade in, any number of Contracts that exceed any position limits so established by the Exchange. Except as specified in paragraph (b) below, no Clearing Member, Exchange Member or Access Person shall be permitted to enter into any transaction on the Exchange that would cause such Clearing Member, Exchange Member or Access Person to exceed any position limits.

(b) Upon application to the Exchange in accordance with paragraph (c) below and the subsequent approval by the Exchange, qualified hedge transactions shall be exempt from the position limits. For purposes of this Rule 414, the term “qualified hedge transaction” shall include:

- (i) Substituting futures positions for existing cash equity positions (e.g., selling (buying) an established cash equity position and buying (selling) the corresponding security futures position)**
- (ii) any transaction or position in a particular Contract that represents a substitute for transactions to be made or positions to be taken at a later time in the commodity underlying such Contract, provided the transaction entered into or position taken on the Exchange is economically appropriate to reduce risks arising from:
 - (A) any potential change in the value of assets that a Person owns, produces, manufactures, processes or merchandises or anticipates owning, producing, manufacturing, processing or merchandising;
 - (B) any potential change in the amount of liabilities that a Person owes or anticipates incurring;
 - (C) any potential change in the value of services that a Person provides, purchases or anticipates providing or purchasing; or
 - (D) any other good cause shown, as determined by the Exchange in its sole discretion

(c) Any application for an exemption from position limits for hedging purposes must be made by the Clearing Member, Exchange Member or Access Person wishing to enter into the transaction or wishing to take the position at issue, to the Exchange in such form as the Exchange may from time to time prescribe. A Clearing Member, Exchange Member or Access Person intending to exceed position limits, including limits established pursuant to a position limits exemption that has already been approved, must file the required application and must receive approval from the Exchange prior to exceeding such position limits. However, a Clearing Member, Exchange Member or Access Person who establishes a position eligible for an exemption in excess of position limits, and who files the required application with the Exchange, shall not be in violation of position limits provided the filing occurs within one Business Day after assuming the position. Without limiting the generality of the foregoing, any such application must include the following:

(c)(i) – (g) No Change

Attachment B

(See Following Page)

Date: September 21, 2016
Re: Position Limit Exemption Look Back Period
Effective Date: October 5, 2016

OneChicago, LLC (“OneChicago” or “OCX”) is issuing this Regulatory Release (“RR”) 2016-22 to inform market participants that OneChicago has amended its rules to permit a one business day look back period when determining eligibility for a position limit exemption.

OCX Rule 414(a) prohibits market participants from owning or controlling a number of Contracts that exceeds position limits established by the Exchange. The rule further prohibits a market participant from entering into any transaction that would cause the participant to exceed any position limits. Rule 414(b) permits market participants to exceed position limits upon approval of a position limits exemption application for certain qualified transactions. Rule 414(c) states that the position limit exemptions application must be made in the form and manner as the Exchange may prescribe from time to time.

Pending regulatory review, OneChicago is amending Rule 414(c) to permit a market participant who exceeds position limits and qualifies for a position limits exemption to file such exemption without being in violation of the Exchange’s position limits, so long as such exemption application is filed within one business day of the position limits breach. For example, if a market participant executed a trade on the Tuesday of expiry week that put the participant above position limits, the participant would have until the close of business on Wednesday to submit a position limit exemption application. Only firms whose position limit exemptions are approved may avail themselves of the look back period. A market participant who exceeds position limits and whose exemption is denied would be in violation of position limits.

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Any questions regarding this Regulatory Release can be directed to the OneChicago Compliance Department at (312) 883-3409 or through e-mail at marketsurveillance@onechicago.com.