OneChicago ✕

October 27, 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
        Adopting an Updated Error Trade Policy
        (OCX Submission Number 16-024)

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 updated Error Trade Policy, which will become
effective on November 11, 2016. OneChicago is proposing to make the following revisions to
its Error Trade Policy:

- Distinguish between error trades occurring on the Central Limit Order Book ("CLOB")
  and errors in bilateral trades.
- Increase the amount of time to report an error trade on the CLOB from eight minutes to
  ten minutes.
- Amend the No Bust Range for outright and spread trades on the CLOB.
- Adopt new procedures for errors in reporting bilateral trades that:
    o Provide that bilateral trades may be busted for any error in reporting the trade;
    o Provide for a 60 minute window to report errors in bilateral trades; and
    o Provide a fee schedule for busted bilateral trades.

*   *   *

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) 883-3441 or through e-mail at wbarazi@onechicago.com.

Respectfully Submitted,
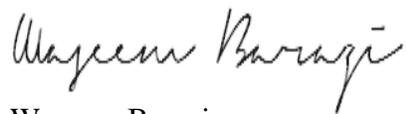
Waseem Barazi
Chief Regulatory Officer and Associate General Counsel

Encl: Attachment A

OneChicago Error Trade Policy

1.   Introduction

This Error Trade Policy (the "Policy") permits the OneChicago 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 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 Central Limit Order Book ("CLOB") Transactions

Overview

To seek review of a CLOB 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 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. Errors in entering the incorrect buy or sell designation, expiry, quantity, or product will not qualify as a Questioned 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 parties to the trade will 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**. To determine whether the trade price is outside the No Bust Range, the Operations Department will determine the reasonable fair value for the contract. The No Bust Ranges are provided in the table below:

NO BUST RANGES

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

Trade Price Inside the No Bust Range

If the Operations Department determines that the trade price was inside the No Bust Range for the Contract, the trade will stand and no further action will be taken unless a system failure is declared or a violation of OneChicago rules has been found. Parties are prohibited from agreeing to bust the trade.

Trade Price Outside the No Bust Range

If the 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 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 Operations Department will bust the trade instead.

In directing a price adjustment, the 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 value) or towards the low-end of the No Bust Range (in the case of an error trade where the trade price was below fair value).

Adjusted Price Examples

EXAMPLE	ADJUSTED PRICE
A trade is executed at $20. The fair value of the contract is $22.	Price Adjusted to $21.78
A trade is executed at $45. The fair value of the contract is $54.	Price Adjusted to $53.46.
A trade is executed at $120. The fair value of the contract is $102.	Price Adjusted to $103.02

In no event should participants take action to adjust the price or make cash payment without the knowledge and approval of the Operations Department. Additionally, the parties to the trade may not "trade out" of such trade by entering into 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.

Reporting CLOB Error Trades Later than Ten Minutes and Trade Price Outside No Bust Range

If an error trade is reported to the Operations Department later than **ten (10) minutes**, and the trade price is outside the No Bust Range, parties to the trade may agree to adjust the price,

transfer the position, or make restitution to each other to correct the trade. If the parties choose to adjust the trade price, they must inform the Operations Department which will determine the adjustment amount, and make the adjustment only on trade date (top day). 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.

3.   Error Trades in Bilateral 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 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. Alternatively, employees of OneChicago may also question a 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

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.

Fees for Bilateral Trade Busts or Adjusts

Fees will be assigned to both parties to a busted or adjusted bilateral trade 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

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.

## 4.	System Failures or Violations of OneChicago Rules

If a OneChicago system failure or partial failure occurs, the 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 the "no bust" range. The 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.	Arbitration of Disputes

If 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.

OneChicago Policy for Error Trades and Mistrades

A. General Policy

1. Introduction

This Error Trade Cancellation and Price Adjustment Policy is established pursuant to OCX Rule 418. The OCX Help Desk (Help Desk), as designated by the Chief Regulatory Officer (CRO), may adjust trade prices or cancel (bust) trades when such action is necessary to mitigate market-disrupting events. The Help Desk may adjust trade prices or cancel any trade if it determines that allowing the trade to stand as executed may have a material, adverse effect on the integrity of the market.

2. Errors and Mistrades Must Be Reported Promptly

To seek review or a bust of any trade[1] under this Policy an Access Person is required to report the trade (Questioned Trade) directly to the Help Desk as soon as possible, but in any case within **eight minutes** of the time of the trade. Alternatively, employees of OneChicago may also question a trade by bringing it to the attention of the Help Desk. In any case, if a trade is not brought to the Help Desk's attention within **eight minutes** after it was executed, such trade will stand, except as provided in Part B below. Parties to a Questioned Trade should not assume it will or will not be busted until the Help Desk announces its final decision. The Help Desk must make a final decision within sixty (60) minutes from the time the trade was executed, absent extraordinary circumstances.

Please note that the following errors do not qualify for consideration as a Questioned Trade under this Policy and will not be accepted by the Help Desk:

    a.   An error in entering a buy/sell when the intent was to enter a sell/buy.
    b.   An error caused by entering the wrong month, the wrong quantity or the wrong product.

3. Help Desk Procedures

As soon as a trade is brought to the attention of the Help Desk pursuant to this policy, the Help Desk will send an alert indicating that the trade has been questioned and also attempt to contact all parties to such trade. The Help Desk will then determine whether the trade price is in the "no bust" range for the relevant Contract. To ascertain whether the trade price is within the "no bust" range, the Help Desk will determine the reasonable fair value for the Contract considering all factors. Those factors may include, depending on the type of transaction, news, market volatility, last trade price

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[1] This Policy applies as well to exchange for physical transactions and block trades executed bilaterally and through the OCX.BETS system, except as otherwise specifically noted.

for such Contract, a better bid or offer price, a more recent price in a different contract month and the prices of related Contracts trading in other markets, including the securities lending markets. For EFPs, the Help Desk may also include the implied interest rate in its analysis.

If the Help Desk determines that the reasonable fair value, for all trades other than EFPs, is less than $25, the "no bust" range will include any price that is not greater than $0.50 away from the fair value. If the Help Desk determines that the fair value is equal to or higher than $25 but less than $100, the "no bust" range will include any price that is no greater than $1.00 from the fair value. For values at or above $100, the "no bust" range will be any price that is within one percent of fair value.

NO BUST RANGE

FAIR VALUE	RANGE FROM FAIR VALUE
> $25	= to or < $0.50
= to or > $25, But <$100	= to or < $1.00
= to or > $100	Any price within 1%

For EFPs, the "No Bust" range will plus/minus 100 (one hundred) basis points from the fair value. Additionally, the Help Desk may determine that the Questioned Trade was executed at a clearly erroneous price that is substantially inconsistent with the current trading pattern of the product or the underlying security. OneChicago will review the price thresholds and spreads of the "no bust" range periodically to maintain levels appropriate for its market and products.

In the setting or allowing of a price adjustment the Help Desk may consider adjustments at or near the fair value plus (in the case of a buy-side error) or minus (in the case of a sell-side error) an amount up to and including the relevant "no bust" range for the Contract.

4. Trade Price Inside the "No Bust" Range

If the Help Desk determines that the trade price was inside the "no bust" range for the Contract, the trade will stand and no further action will be taken unless a system failure is declared pursuant to paragraph D or violation of OneChicago rules under paragraph E. Parties are prohibited from agreeing to bust the trade.

5. Trade Price Outside the "No Bust" Range

If, based on relevant factors surrounding the trade, the Help Desk determines that the trade price was outside the "no bust" range, the Help Desk will decide to either bust the trade or direct a price adjustment.

Absent extraordinary circumstances, the Questioned Trade will be adjusted rather than busted. If a trade is not adjusted or busted, the parties cannot reverse the trade, except as provided in Part B below. Additionally, the parties to the trade may not "trade out" of such trade by entering into 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. [2]

If the Help Desk directs a price adjustment, such adjustment will either be (i) made by the Help Desk canceling (busting) the original trade(s) and reentering the trade(s) at the adjusted price(s) or (ii) with a cash payment directly between the parties on either side of the trade. In any case, the member(s) are responsible to and for their respective customers, if any, involved in the trade. In no event should participants take action to adjust the price or make cash payment without the knowledge and approval of the Help Desk.

6. Contingency Orders Triggered by Busted Trade

If contingency orders have already been triggered by a trade that is questioned pursuant to this policy, then the traders or customers on either side of the contingent trades must call the Help Desk to request busting such trades no later than five minutes after the Help Desk initially notified the market that the triggering trade was in question. The Help Desk will apply the same "no bust" criteria to such contingency orders to decide whether to bust or adjust the resulting trades.

7. Notice of Final Action

As soon as a decision regarding a Questioned Trade has been made, the Help Desk will disseminate a notice, indicating whether such trade has been busted, will stand or have its price adjusted.

B. Reporting the Error Trades or Mistrades Later than Eight Minutes after the Trade

This Part B applies only to any Questioned Trade that cannot be busted or adjusted under Part A above because it was not brought to the Help Desk's attention within the eight-minute time limit in Part A.1 or the five-minute time limit in Part A.56. The procedures described in this Part B cannot be used if the trade price of the Questioned Trade was within the "no bust" range for the relevant Contract at the relevant time.

1. Both Parties Agree to Adjust Price, Transfer Position and/or Restitution

If the parties to a Questioned Trade agree to a price adjustment, the Help Desk may make that adjustment on the trade date (top day). The Help Desk has no ability to adjust the price beyond the trade date.

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[2] See Rule 614 and the OneChicago Policies on Block Trades, Pre-Execution Discussions and Cross Trades at http://www.onechicago.com/wp-content/uploads/content2009/onechicago-policies-block-trades-pre-execution-discussions.pdf

The parties to a Questioned Trade may agree to transfer the entire position resulting from such trade between each other and/or make reasonable cash payment to compensate for any losses or costs directly incurred as result of the error. 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 Help Desk 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 Help Desk within 24 hours of the payment or transfer.

2. *Arbitration of Disputes*

If the 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. Written notice of such claim must be given to the National Futures Association ("NFA") and the Help Desk not later than by the close of business on the Business Day immediately following the day on which such trade occurred. See OCX Rulebook Chapter 8.

C. *Schedule of Administrative Fees*

The party responsible for the Questioned Trade may be required to pay an administration fee in accordance with the fee schedule published by OCX.

D. *System Failure*

If a OneChicago system failure or partial failure occurs, the Help Desk 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 the "no bust" range. The Help Desk will determine whether to bust or adjust any affected trades after reviewing all of the relevant facts and circumstances.

E. *Violations of OneChicago Rules*

OneChicago reserves the right, at its sole discretion, to bust or adjust any trades that are in violation of OneChicago Rules.

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