



Via Portal Submission

December 29, 2015

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 Rules 705 (Review of Investigative Reports) and 717 (Summary
Imposition of Fines) and Issuing NTM 2015-48 (Summary Fine Schedule)
(OCX Submission Number 15-019)

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 amendments and Notice to Members (“NTM”). The proposed rule change amends OCX Rules 705 and 717 to insert a list of rule violations for which the Exchange may impose summary fines against a market participant. OneChicago is concurrently issuing NTM 2015-48 to make market participants aware of the amended summary fine schedule. The rule change and NTM will be effective on January 14, 2016.

OCX Rule 705

- OCX Rule 705 lists the actions the Chief Regulatory Officer of the Exchange may authorize upon the completion of an investigation. Those actions currently include: (i) The commencement of disciplinary proceedings; (ii) The informal disposition of the investigation (by issuing a warning letter or otherwise); and (iii) The closing of the investigation without any action. OneChicago is amending this rule to include the imposition of summary fines among such actions.

OCX Rule 717

- OCX Rule 717 establishes the Exchange’s summary fine authority. OneChicago is amending this rule to:
 - Include that the Chief Regulatory Officer may consider the severity of a violation in determining whether to impose summary fines;
 - Clarify that summary fines may be imposed against Clearing Members, Exchange Members, or Access Persons;
 - Establish summary fine schedules for each violation included in OCX Rule 717;
 - Removing the failure to make timely payments of “original or variation margin, options premiums . . . or fines” from the list of violations for which summary fines may be imposed. OneChicago is making this change because such violations are either irrelevant to the Exchange, or are financial in nature and are not appropriately dealt with by the imposition of summary fines.
 - Adding to OCX Rule 717 the following list of violations for which summary fines may be imposed: the failure to –
 - maintain front-end audit trail information for all electronic orders entered into the OneChicago System, including order modifications and cancellations,
 - comply with order form preparation and recordkeeping requirements relating to orders which cannot be immediately entered into the OneChicago System,
 - comply with the exposure requirements related to pre-execution discussions,
 - comply with Exchange of Future for Physical transaction reporting requirements,
 - identify correct account designation in order entry into the OneChicago System,
 - comply with order marking requirement for block trades or Exchange of Future for Physical trades,
 - To comply with block trade reporting requirements,
 - comply with the prohibition on netting down concurrent long and short positions during the last five days of trading,
 - identify correct account type in order entry into the OneChicago System,

- timely correct an error in the handling of an order via transfer,
 - comply with reporting requirements for reportable positions, or
 - submit ownership and control reports
- Increasing the maximum summary fine penalty from \$5,000 to \$15,000.

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The purpose and effect of the rule amendment is to enhance the Exchange’s summary fine authority, primarily by increasing the number of violations for which the Exchange may impose summary fines. The purpose of the NTM is to make market participants aware of the Exchange’s summary fine authority, and to establish a transparent summary fine schedule. Comments on this NTM have not been solicited and none have been received. OneChicago is not aware of any substantive opposing views to this NTM. OneChicago certifies that the rule 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 rule may have some bearing upon the following core principles:

Core Principle 2: Core Principle 2 (Compliance with Rules) requires DCMs to establish, monitor, and enforce compliance with its rules. This rule filing supports Core Principle 2 in that it establishes a summary fine schedule that market participants are required to comply with, and subjects violators of Exchange Rules to the penalties listed in the summary fine schedule for each listed rule violation.

Core Principle 13: Core Principle 13 (Disciplinary Procedures) requires DCMs to establish and enforce disciplinary procedures that authorize the DCM to discipline, suspend, or expel members or market participants that violate its rules. This rule filing supports Core Principle 13 in that the summary fine schedule provides an efficient means to discipline market participants for violating the Rules of the Exchange.

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

(See Following Page)

705. Review of Investigative Reports

(a) The Chief Regulatory Officer will review promptly each completed investigation report to determine whether a reasonable basis exists to believe that a violation within the Exchange's jurisdiction has occurred or is about to occur.

(b) If the Chief Regulatory Officer determines that additional investigation or evidence is needed to decide whether a reasonable basis exists to believe that a violation within the Exchange's jurisdiction has occurred or is about to occur, the Chief Regulatory Officer will direct the Department to conduct further investigation.

(c) After receiving completion of an investigation, the Chief Regulatory Officer will determine for each potential respondent whether to authorize:

(i) The commencement of disciplinary proceedings because a reasonable basis exists to believe that a violation within the Exchange's jurisdiction has occurred or is about to occur;

(ii) The summary imposition of fines;

~~(ii)~~(iii) The informal disposition of the investigation (by issuing a warning letter or otherwise) because disciplinary proceedings are unwarranted in which case the Chief Regulatory Officer shall provide a written explanation to the Regulatory Oversight Committee; or

~~(iii)~~(iv) The closing of the investigation without any action because no reasonable basis exists to believe that a violation within the Exchange's jurisdiction has occurred or is about to occur in which case the Chief Regulatory Officer shall provide a written explanation to the Regulatory Oversight Committee.

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717. Summary Imposition of Fines

(a) The Chief Regulatory Officer may, in consideration of the severity of the violation, summarily impose a fine against a Clearing Member, Exchange Member or Access Person ~~(on behalf of itself or any of its Access Persons or other Persons using any of its User IDs)~~ for failing:

(i) To make timely payments of ~~original or variation margin, options premiums, fees, costs, or charges or fines~~ to the Exchange or the Clearinghouse;

Number of Cumulative Violations in Any
Twelve (12) Month Rolling Period Fine Amount

<u>First Offense.....</u>	<u>Warning Letter</u>
<u>Second Offense</u>	<u>\$1,000</u>
<u>Third Offense</u>	<u>\$2,500</u>
<u>Subsequent Offenses.....</u>	<u>\$5,000</u>

(ii) To make timely and accurate submissions to the Exchange of notices, reports or other information required by the Rules of the Exchange; ~~and~~

Number of Cumulative Violations in Any
Twelve (12) Month Rolling Period Fine Amount

<u>First Offense.....</u>	<u>Warning Letter</u>
<u>Second Offense</u>	<u>\$2,500</u>
<u>Third Offense</u>	<u>\$5,000</u>
<u>Subsequent Offenses.....</u>	<u>Commencement of Disciplinary Proceedings</u>

(iii) To keep any books and records required by the Rules of the Exchange;

Number of Cumulative Violations in Any
Twelve (12) Month Rolling Period Fine Amount

<u>First Offense.....</u>	<u>Warning Letter</u>
<u>Second Offense</u>	<u>\$1,000</u>
<u>Third Offense</u>	<u>\$2,500</u>
<u>Subsequent Offenses.....</u>	<u>Commencement of Disciplinary Proceedings</u>

(iv) To maintain front-end audit trail information for all electronic orders entered into the OneChicago System, including order modifications and cancellations (Rule 403(c));

Number of Cumulative Violations in Any
Twelve (12) Month Rolling Period Fine Amount

<u>First Offense.....</u>	<u>Warning Letter</u>
<u>Second Offense</u>	<u>\$1,000</u>
<u>Third Offense</u>	<u>\$2,500</u>
<u>Subsequent Offenses.....</u>	<u>Commencement of Disciplinary Proceedings</u>

(v) To comply with order form preparation and recordkeeping requirements relating to orders which cannot be immediately entered into the OneChicago System (Rule 403(b));

Number of Cumulative Violations in Any

Twelve (12) Month Rolling Period Fine Amount

<u>First Offense.....</u>	<u>Warning Letter</u>
<u>Second Offense</u>	<u>\$1,000</u>
<u>Third Offense</u>	<u>\$2,500</u>
<u>Subsequent Offenses</u>	<u>Commencement of Disciplinary Proceedings</u>

(vi) To comply with the exposure requirements related to pre-execution discussions;

Number of Cumulative Violations in Any

Twelve (12) Month Rolling Period Fine Amount

<u>First Offense.....</u>	<u>Warning Letter</u>
<u>Second Offense</u>	<u>\$10,000</u>
<u>Subsequent Offenses</u>	<u>\$15,000</u>

(vii) To comply with Exchange of Future for Physical transaction reporting requirements;

Number of Cumulative Violations in Any

Twelve (12) Month Rolling Period Fine Amount

<u>First Offense.....</u>	<u>Warning Letter</u>
<u>Second Offense</u>	<u>\$7,500</u>
<u>Third Offense</u>	<u>\$15,000</u>
<u>Subsequent Offenses</u>	<u>Commencement of Disciplinary Proceedings</u>

(viii) To identify correct account designation in order entry into the OneChicago System;

Number of Cumulative Violations in Any

Twelve (12) Month Rolling Period Fine Amount

<u>First Offense.....</u>	<u>Warning Letter</u>
<u>Second Offense</u>	<u>\$1,000</u>
<u>Third Offense</u>	<u>\$2,500</u>
<u>Subsequent Offenses</u>	<u>Commencement of Disciplinary Proceedings</u>

(ix) To comply with order marking requirement for block trades (Rule 417(c)) or Exchange of Future for Physical trades (Rule 416(c));

Number of Cumulative Violations in Any

Twelve (12) Month Rolling Period Fine Amount

<u>First Offense.....</u>	<u>Warning Letter</u>
<u>Second Offense</u>	<u>\$1,000</u>

Third Offense\$2,500
Subsequent OffensesCommencement of Disciplinary Proceedings

(x) To comply with block trade reporting requirements (Rule 417(c));

Number of Cumulative Violations in Any
Twelve (12) Month Rolling Period Fine Amount

First Offense.....Warning Letter
Second Offense\$7,500
Third Offense\$15,000
Subsequent OffensesCommencement of Disciplinary Proceedings

(xi) To comply with the prohibition on netting down concurrent long and short positions during the last five days of trading (Rule 424(b));

Number of Cumulative Violations in Any
Twelve (12) Month Rolling Period Fine Amount

First Offense.....Warning Letter
Second Offense\$2,500
Third Offense\$5,000
Subsequent OffensesCommencement of Disciplinary Proceedings

(xii) To identify correct account type in order entry into the OneChicago System (Rule 403(a));

Number of Cumulative Violations in Any
Twelve (12) Month Rolling Period Fine Amount

First Offense.....Warning Letter
Second Offense\$1,000
Third Offense\$2,500
Subsequent OffensesCommencement of Disciplinary Proceedings

(xiii) To timely correct an error in the handling of an order via transfer (Rule 423);

Number of Cumulative Violations in Any
Twelve (12) Month Rolling Period Fine Amount

First Offense.....Warning Letter
Second Offense\$1,000
Third Offense\$2,500
Subsequent OffensesCommencement of Disciplinary Proceedings

(xiv) To comply with reporting requirements for reportable positions; or

<u>Number of Cumulative Violations in Any</u> <u>Twelve (12) Month Rolling Period</u>	<u>Fine Amount</u>
<u>First Offense.....</u>	<u>Warning Letter</u>
<u>Second Offense</u>	<u>\$2,500</u>
<u>Third Offense</u>	<u>\$5,000</u>
<u>Subsequent Offenses</u>	<u>Commencement of Disciplinary Proceedings</u>

(xv) To submit ownership and control reports (Rule 516);

<u>Number of Cumulative Violations in Any</u> <u>Twelve (12) Month Rolling Period</u>	<u>Fine Amount</u>
<u>First Offense.....</u>	<u>Warning Letter</u>
<u>Second Offense</u>	<u>\$2,500</u>
<u>Third Offense</u>	<u>\$5,000</u>
<u>Subsequent Offenses</u>	<u>Commencement of Disciplinary Proceedings</u>

(b) The Department, acting on behalf of the Chief Regulatory Officer, will give notice of any fine imposed pursuant to this Rule 717 to each Member or Access Person subject thereto. The notice will specify

(i) The violations of the Rules of the Exchange for which the fine is being imposed,

(ii) The violation date and the amount of the fine.

(c) Within 20 days of serving the notice of fine, the Member or Access Person, as the case may be, must either pay or cause the payment of the fine or file notice of an appeal pursuant to Rule 716. Unless timely notice of appeal is filed pursuant to Rule 716, the fine will become final upon the expiration of 20 days after the notice of fine is served on the Member or Access Person, as the case may be.

The Exchange will set the amount of any fines imposed pursuant to this Rule 717, with the maximum fine for each violation not to exceed \$515,000. Summary imposition of fines pursuant to this Rule 717 will not preclude the Exchange from bringing any other action against the Clearing Member, Exchange Member (or any of its Access Persons), as the case may be.

Attachment B

(See Following Page)

Date: December 29, 2015
 Re: Summary Imposition of Fines
 Effective Date: January 14, 2016

OneChicago, LLC (“OneChicago” or “OCX”) is issuing this Notice to Members (“NTM”) 2015-48 to inform market participants that OneChicago is amending OCX Rule 717 (Summary Imposition of Fines). OCX Rule 717 grants the Chief Regulatory Officer of OneChicago the authority to summarily impose a fine against a Clearing Member, Exchange Member or Access Person for committing certain violations of Exchange Rules.

Please see below for a list of the rule violations for which a summary fine may be imposed:

- **Failure to make timely payments of fees, costs, or charges to the Exchange or the Clearinghouse**

<i>Number of Cumulative Violations in Any Twelve (12) Month Rolling Period</i>	<i>Fine Amount</i>
First Offense.....	Warning Letter
Second Offense	\$1,000
Third Offense	\$2,500
Subsequent Offenses.....	\$5,000

- **Failure to make timely and accurate submissions to the Exchange of notices, reports or other information required by the Rules of the Exchange**

- The Rules of the Exchange may require Clearing Members to submit certain information to the Exchange or Clearing Corporation. This information includes open interest and gross customer margins. Summary fines may be imposed against a Clearing Member for failing to submit this information in a timely or accurate manner.

<i>Number of Cumulative Violations in Any Twelve (12) Month Rolling Period</i>	<i>Fine Amount</i>
First Offense.....	Warning Letter
Second Offense	\$2,500
Third Offense	\$5,000
Subsequent Offenses.....	Commencement of Disciplinary Proceedings

- **Failure to keep any books and records required by the Rules of the Exchange**

<i>Number of Cumulative Violations in Any Twelve (12) Month Rolling Period</i>	<i>Fine Amount</i>
First Offense.....	Warning Letter
Second Offense	\$1,000
Third Offense	\$2,500
Subsequent Offenses.....	Commencement of Disciplinary Proceedings

- **Failure to maintain front-end audit trail information for all electronic orders entered into the OneChicago System, including order modifications and cancellations (Rule 403(c))**

<i>Number of Cumulative Violations in Any Twelve (12) Month Rolling Period</i>	<i>Fine Amount</i>
First Offense.....	Warning Letter
Second Offense	\$1,000
Third Offense	\$2,500
Subsequent Offenses.....	Commencement of Disciplinary Proceedings

- **Failure to comply with order form preparation and recordkeeping requirements relating to orders which cannot be immediately entered into the OneChicago System (Rule 403(b))**

- Orders that are not immediately enterable into the OneChicago System (for example because the order's limit price is outside the OneChicago System price bands) must be reduced to writing as an office order ticket. The office order ticket must comply with the requirements of Rule 403 in that it must contain the required fields and must be timestamped. An e-mail or instant message communication may satisfy this order ticket requirement so long as it contains the required fields and timestamps.

<i>Number of Cumulative Violations in Any Twelve (12) Month Rolling Period</i>	<i>Fine Amount</i>
First Offense.....	Warning Letter
Second Offense	\$1,000
Third Offense	\$2,500
Subsequent Offenses.....	Commencement of Disciplinary Proceedings

- **Failure to comply with exposure requirements related to pre-execution discussions**

- OCX Rule 614 prohibits the entry of any orders that are pre-arranged, except as expressly permitted by Rules 416 and 417 or in accordance with any policies or procedures for pre-execution discussions from time to time adopted by the Exchange. Pursuant to NTM 2012-26, pre-execution discussions pursuant to which one party may agree in advance to take the opposite side of the other party's order for a transaction to be executed on the Exchange is permissible so long as a period of four seconds elapses between entering the first order or quote and entering the second order for the opposite side.

*Number of Cumulative Violations in Any
Twelve (12) Month Rolling Period* *Fine Amount*

First Offense.....	Warning Letter
Second Offense	\$10,000
Third Offense	\$15,000

- **Failure to comply with Exchange of Future for Physical transaction reporting requirements**

- Exchange of Future for Physical transactions must be timely reported. Failure to report an Exchange of Future for Physical transaction in accordance with the timely reporting requirements, as established by the Exchange from time to time may result in a violation of Rule 416.

*Number of Cumulative Violations in Any
Twelve (12) Month Rolling Period* *Fine Amount*

First Offense.....	Warning Letter
Second Offense	\$7,500
Third Offense	\$15,000
Subsequent Offenses	Commencement of Disciplinary Proceedings

- **Failure to identify correct account designation in order entry into the OneChicago System (Rule 403(a))**

- Pursuant to Rule 403, market participants entering orders into the OneChicago System must include in the order, among other things, account designation. A pattern or practice of failure to identify the correct account designation in orders submitted to the OneChicago System may result in a violation of Rule 403.

*Number of Cumulative Violations in Any
Twelve (12) Month Rolling Period* *Fine Amount*

First Offense.....	Warning Letter
Second Offense	\$1,000
Third Offense	\$2,500
Subsequent Offenses	Commencement of Disciplinary Proceedings

- **Failure to comply with order marking requirement for block trades (Rule 417(c)) or Exchange of Future for Physical trades (Rule 416(c))**

- Market participants must designate block trades and Exchange of Future for Physical trades as such when entering orders or reporting trades to the Exchange.

*Number of Cumulative Violations in Any
Twelve (12) Month Rolling Period* *Fine Amount*

First Offense.....	Warning Letter
Second Offense	\$1,000
Third Offense	\$2,500
Subsequent Offenses	Commencement of Disciplinary Proceedings

- **Failure to comply with block trade reporting requirements (Rule 417(c))**

- Block trades must be timely reported. Failure to report (or accept) a block trade in accordance with the timely reporting requirements, as established by the Exchange from time to time may result in a violation of Rule 417.

*Number of Cumulative Violations in Any
Twelve (12) Month Rolling Period* *Fine Amount*

First Offense.....	Warning Letter
Second Offense	\$7,500
Third Offense	\$15,000
Subsequent Offenses	Commencement of Disciplinary Proceedings

- **Failure to comply with the prohibition on netting down concurrent long and short positions during the last five days of trading (Rule 424(b))**

- During the last five days of trading for a contract, concurrent long and short positions held by the same owner may not be offset via netting, transfer, or position adjustment except to correct a bona fide clerical or operational error and the correction of such error is completed within one business day after the error is discovered.

Number of Cumulative Violations in Any

<i>Twelve (12) Month Rolling Period</i>	<i>Fine Amount</i>
First Offense.....	Warning Letter
Second Offense	\$2,500
Third Offense	\$5,000
Subsequent Offenses	Commencement of Disciplinary Proceedings

- **Failure to identify correct account type in order entry into the OneChicago System (Rule 403(a))**

- Pursuant to Rule 403, market participants entering orders into the OneChicago System must include in the order, among other things, account type. Entering the correct account type includes entering both the correct CTI code and account origin code. A pattern or practice of entering incorrect account types for orders submitted to the OneChicago System may result in a violation of Rule 403.

<i>Number of Cumulative Violations in Any</i>	
<i>Twelve (12) Month Rolling Period</i>	<i>Fine Amount</i>
First Offense.....	Warning Letter
Second Offense	\$1,000
Third Offense	\$2,500
Subsequent Offenses	Commencement of Disciplinary Proceedings

- **Failure to timely correct an error in the handling of an order via transfer (Rule 423)**

- Rule 423 permits existing trades to be transferred either on the books of a clearing member or from one clearing member to another clearing member, provided that an error has been made in the reporting or clearing of a trade and the error is discovered and the transfer is completed within two business days after the trade date. A pattern or practice of failing to meet this requirement for error trades may result in a violation of Rule 423.

<i>Number of Cumulative Violations in Any</i>	
<i>Twelve (12) Month Rolling Period</i>	<i>Fine Amount</i>
First Offense.....	Warning Letter
Second Offense	\$1,000
Third Offense	\$2,500
Subsequent Offenses	Commencement of Disciplinary Proceedings

- **Failure to comply with reporting requirements for reportable positions**

- OneChicago's large trader program requires all Clearing Members to identify and continually report accounts with reportable positions. A pattern or practice of failing to so identify such accounts may result in a summary fine.

Number of Cumulative Violations in Any

Twelve (12) Month Rolling Period

Fine Amount

First Offense.....Warning Letter

Second Offense\$2,500

Third Offense\$5,000

Subsequent Offenses.....Commencement of Disciplinary Proceedings

- **Failure to submit ownership and control reports**

- OneChicago requires all Clearing Members to provide the Exchange with certain account information for accounts with reportable position. Such account information is transmitted to the Exchange via Forms 102A or 102B. Failure to provide the Exchange with 102A or 102B data may result in a summary fine.

Number of Cumulative Violations in Any

Twelve (12) Month Rolling Period

Fine Amount

First Offense.....Warning Letter

Second Offense\$2,500

Third Offense\$5,000

Subsequent Offenses.....Commencement of Disciplinary Proceedings

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Any questions regarding this NTM should be directed to Waseem Barazi, Chief Regulatory Officer and Associate General Counsel, at (312) 883-3441 or wbarazi@onechicago.com.