

Date: June 13, 2018  
Re: Updated Error Trade Policy  
Effective Date: June 14, 2018

This Regulatory Release (“RR”) 2018-7 contains the updated OneChicago Error Trade Policy (the “Policy”). This new policy supersedes the prior OneChicago Error Trade Policy, and can also be found on the [OneChicago website](#).

The primary change to the Policy is that OneChicago now permits bilateral trades to be busted or adjusted at any point on the day of the trade, as long as the trade is brought to the attention of the OneChicago Operations Departments (the “Operations Department”, or “Operations”) by 4:05 p.m. CT. There still must be a bona fide mistake or inaccuracy in the reporting of the bilateral trade to qualify for a bust or adjust.

OneChicago has also adjusted the schedule of fees assessed for a busted or adjusted trade. Formerly, the fees only applied to bilateral trades; OneChicago has expanded the fees to include all trades on the Exchange, including for busts and adjusts of Central Limit Order Book (“CLOB”) trades.

The updated Error Trade Policy is attached below. Any questions about this notice can be directed via email to the OneChicago Compliance Department at [marketsurveillance@onechicago.com](mailto:marketsurveillance@onechicago.com) or by phone at (312) 883-3409.

\* \* \*

## OneChicago Error Trade Policy

### A. Introduction

This Error Trade Policy (the “Policy”) permits the Exchange to adjust trade prices or bust trades when such action is necessary to mitigate potentially market disrupting events, or if the 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](mailto:operations@onechicago.com).

### B. Central Limit Order Book (“CLOB”) Trades

To seek review of a CLOB trade, 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 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 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 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 Parties to the trade may be contacted. 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 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

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

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

If the Exchange determines that the trade price is within the No Bust Range for the 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 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 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 will bust the trade instead.

In directing a price adjustment, the Exchange 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.

**Bust/Adjust Price Examples**

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

In no event should participants adjust the price or make cash payment without the knowledge and approval of the Exchange. Parties to the trade may not "trade out" of such trade in a pre-arranged, offsetting transaction, unless the Parties enter into the offsetting trade by following the Exchange's rules and procedures for pre-arranged trading.

## B(1)(c). Reported Later Than Ten (10) Minutes and Trade Price Outside No Bust Range

If 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, who will determine the adjustment amount and make the adjustment 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 provided they notify the Operations Department within 24 hours of the payment.

## **C. Bilateral Trades**

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 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. Additionally, employees of OneChicago may also report a Questioned Trade by bringing it to the attention of the Operations Department.

### 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 by 4:05 p.m. CT on the day of the trade.

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**

Number of Busts or 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 per incident

## **E. System Failures or Violations of OneChicago Rules**

If a OneChicago system failure or partial failure occurs, the Exchange may bust or adjust any trades that were affected by the failure or partial failure regardless of whether the price was within the No Bust Range. The Exchange 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.

## **F. 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.