

# FIA PTG

## PRINCIPAL TRADERS GROUP

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September 18, 2020

Vanessa Countryman  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549-0609

Re: Cboe Exchange, Inc.; Notice of Filing of a Proposed Rule Change Relating to Adopt Compression Orders (Release No. 34-89707; File No. SR-CBOE-2020-074)

Dear Ms. Countryman:

The FIA Principal Traders Group (“FIA PTG”)<sup>1</sup> appreciates the opportunity to submit this letter to the Securities and Exchange Commission (the “Commission”) in support of the Cboe Exchange, Inc. (“Cboe” or the “Exchange”) Proposal to Adopt Compression Orders (the “Proposal”).<sup>2</sup>

As active liquidity providers in centrally cleared products, our members are severely impacted by any capital constraints imposed on regulated bank clearing firms who clear and carry liquidity providers’ positions. Any constraints applied to our clearing firms are passed on to liquidity providers and have a causal impact on the amount of liquidity our members can provide and the prices at which they are able to provide it. Specifically, the bank regulatory capital requirements implemented by The Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation pursuant to rulemaking required under the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”), have been particularly impactful on our members.

It is not uncommon for our members who are liquidity providers, especially those active in options, to generate large portfolios of positions with relatively little unhedged market exposure. One of

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<sup>1</sup> FIA PTG is an association of firms, many of whom are broker-dealers, who trade their own capital on exchanges in futures, options and equities markets worldwide. FIA PTG members engage in manual, automated and hybrid methods of trading, and they are active in a wide variety of asset classes, including equities, fixed income, foreign exchange and commodities. FIA PTG member firms serve as a critical source of liquidity, allowing those who use the markets, including individual investors, to manage their risks and invest effectively. The presence of competitive professional traders contributing to price discovery and the provision of liquidity is a hallmark of well-functioning markets. FIA PTG advocates for open access to markets, transparency and data-driven policy and has previously made recommendations about a variety of equity market structure issues, including Regulation NMS.

<sup>2</sup> <https://www.sec.gov/rules/sro/cboe/2020/34-89707.pdf>

the capital charges implemented by Dodd-Frank is based on the aggregate notional value of short positions regardless of offsets. The impact of this methodology is compounded in the SPX options market due to the large notional value of SPX contracts and the significant number of open SPX strikes and positions.

Cboe's compression forum offers market participants an opportunity to reduce their open positions in SPX options and the associated capital constraints, but the existing process contains numerous inefficiencies. If enacted, the Proposal will reduce a number of these inefficiencies by including an electronic compression component, allowing increased pricing granularity, and permitting the inclusion of certain positions and complex structures within the Cboe options product set. The Proposal will also provide market makers of all sizes greater risk management tools to actively reduce risk weighted assets ("RWA") and overall balance sheet risk on a more frequent basis than just at month-end. These market leading developments by the Exchange will allow our market making members to quote at tighter bid-ask spreads and larger quote sizes to investors, keep the US market at the forefront of industry thought leadership, and help ensure the overall long-term health of the market.

For these reasons, FIA PTG encourages the Commission to approve and designate the Proposal as immediately operative, as it is consistent with the protection of investors and the public interest.

If you have any questions about these comments, or if we can provide further information, please contact Joanna Mallers ([jmallers@fia.org](mailto:jmallers@fia.org)).

Respectfully,

FIA Principal Traders Group



Joanna Mallers  
Secretary

cc: Walter J. Clayton, Chairman  
Hester M. Peirce, Commissioner  
Elad L. Roisman, Commissioner  
Allison H. Lee, Commissioner  
Caroline A. Crenshaw, Commissioner

Brett W. Redfearn, Director of the Division of Trading and Markets