



January 21, 2021

Christopher J. Kirkpatrick
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Re: Cboe Futures Exchange, LLC Rule Certification
Submission Number CFE-2021-003

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (“Act”), and § 40.6(a) of the regulations promulgated by the Commodity Futures Trading Commission (“Commission”) under the Act, Cboe Futures Exchange, LLC (“CFE” or “Exchange”) hereby submits a CFE rule amendment (“Amendment”) to clarify CFE’s requirements related to the private negotiation of Exchange of Contract for Related Position (“ECRP”) transactions and Block Trades in CFE products. The Amendment will become effective on February 4, 2021.

CFE Rule 414 (Exchange of Contract for Related Position) allows for ECRP transactions to be executed in designated products in accordance with the requirements set forth in Rule 414. Similarly, CFE Rule 415 allows for Block Trades to be executed in designated products in accordance with the requirements set forth in Rule 415. Both ECRP transactions and Block Trades are privately negotiated transactions that meet certain conditions which are permitted to be executed off of the Exchange.

The Amendment makes clear that it is not permissible to facilitate the execution of ECRP transactions and Block Trades on a system or facility accessible to multiple parties that allows for the electronic matching or electronic acceptance of bids and offers. The Amendment also clarifies that parties are permitted to use communication technologies to bilaterally request ECRP or Block Trade quotes from one or more parties and to conduct privately negotiated ECRP transactions and Block Trades. Additionally, the Amendment clarifies that parties may utilize technologies supported by third parties which allow for the electronic posting of indicative ECRP or Block Trade markets displayed to multiple parties. However, the Amendment makes clear that ECRP transactions or Block Trades executed between parties based on such electronically displayed indicative markets may be transacted only through direct bilateral communications involving a broker, where applicable, and the parties to the ECRP transaction or Block Trade.

The Amendment also provides that to demonstrate that an ECRP transaction or Block Trade based on the above technologies was privately negotiated, the broker(s) or parties involved in the transaction must maintain and provide to the Exchange, when requested, documentation or correspondence that clearly evidences direct bilateral communications between the broker(s) and the parties to the transaction. Failure to provide this documentation or communication would render the

ECRP transaction or Block Trade in violation of the above private negotiation standard.

The provisions of the Amendment are substantially similar to the rule provisions of other designated contract markets (“DCMs”).¹

CFE believes that the Amendment is consistent with the DCM Core Principles under Section 5 of the Act. In particular, CFE believes that the Amendment is consistent with: (i) DCM Core Principle 2 (Compliance with Rules) in that the Amendment will contribute to furthering compliance with the private negotiation standard applicable to ECRP transactions and Block Trades and to CFE’s enforcement of that standard; (ii) DCM Core Principle 7 (Availability of General Information) because the Amendment clarifies and describes within CFE’s rules the application of the private negotiation standard applicable to ECRP transactions and Block Trades; and (iii) DCM Core Principle 9 (Execution of Transactions) in that the Amendment contributes to the provision by CFE of a competitive, open, and efficient market and mechanism for executing transactions that protects the price discovery process of trading on CFE’s centralized market.

CFE believes that the impact of the Amendment will be beneficial to the public and market participants. CFE is not aware of any substantive opposing views to the Amendment. CFE hereby certifies that the Amendment complies with the Act and the regulations thereunder. CFE further certifies that CFE has posted a notice of pending certification with the Commission and a copy of this submission on CFE’s Web site (http://markets.cboe.com/us/futures/regulation/rule_filings/cfe/) concurrent with the filing of this submission with the Commission.

The Amendment, marked to show additions in underlined text and deletions in ~~stricken~~ text, consists of the following:

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**Cboe Futures Exchange, LLC
Rulebook**

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414. Exchange of Contract for Related Position

(a) - (p) No changes.

(q) It is not permissible to facilitate the execution of an Exchange of Contract for Related Position transaction in an Exchange product on a system or facility accessible to multiple parties that allows for the electronic matching or electronic acceptance of bids and offers. Parties may use communication technologies to bilaterally request Exchange of Contract for

¹ See, e.g., [CME Group Market Regulation Advisory Notice RA2016-5](#) relating to Exchange for Related Positions, dated October 26, 2020, applicable to Chicago Mercantile Exchange Inc. (“CME”), The Board of Trade of the City of Chicago, Inc. (“CBOT”), New York Mercantile Exchange, Inc. (“NYMEX”), and Commodity Exchange, Inc. (“COMEX”), on page 5; [CME Group Market Regulation Advisory Notice RA2013-5](#) relating to Block Trades, dated September 4, 2020, applicable to CME, CBOT, NYMEX, and COMEX, on page 2; [ICE Futures U.S. EFRP FAQs](#), dated November 30, 2020, on page 11; and [ICE Futures U.S. Block Trade – FAQs](#), dated December 1, 2020, on page 14.

Related Position quotes from one or more parties and to conduct privately negotiated Exchange of Contract for Related Position transactions. Parties may also utilize technologies supported by third parties which allow for the electronic posting of indicative Exchange of Contract for Related Position markets displayed to multiple parties. However, Exchange of Contract for Related Position transactions executed between parties based on such electronically displayed indicative markets may be transacted only through direct bilateral communications involving a broker, where applicable, and the parties to the transaction. To demonstrate that an Exchange of Contract for Related Position transaction based on such technologies was privately negotiated, the broker(s) or parties involved in the transaction must maintain and provide to the Exchange, when requested, documentation or correspondence that clearly evidences direct bilateral communications between the broker(s) and the parties to the transaction. Failure to provide such documentation or communication would render the Exchange of Contract for Related Position transaction in violation of the private negotiation standard of this Rule 414(q).

(q) Any Exchange of Contract for Related Position transaction in violation of the requirements of this Rule shall constitute conduct which is inconsistent with just and equitable principles of trade; provided, however, if the Exchange imposes a minor rule violation fine pursuant to Rule 714 for violation of this Rule, that minor rule violation shall not be considered to constitute conduct which is inconsistent with just and equitable principles of trade.

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415. Block Trades

(a) - (p) No changes.

(r) It is not permissible to facilitate the execution of a Block Trade in an Exchange product on a system or facility accessible to multiple parties that allows for the electronic matching or electronic acceptance of bids and offers. Parties may use communication technologies to bilaterally request Block Trade quotes from one or more parties and to conduct privately negotiated Block Trades. Parties may also utilize technologies supported by third parties which allow for the electronic posting of indicative Block Trade markets displayed to multiple parties. However, Block Trades executed between parties based on such electronically displayed indicative markets may be transacted only through direct bilateral communications involving a broker, where applicable, and the parties to the Block Trade. To demonstrate that a Block Trade based on such technologies was privately negotiated, the broker(s) or parties involved in the Block Trade must maintain and provide to the Exchange, when requested, documentation or correspondence that clearly evidences direct bilateral communications between the broker(s) and the parties to the Block Trade. Failure to provide such documentation or communication would render the Block Trade in violation of the private negotiation standard of this Rule 415(r).

(s) Any Block Trade in violation of the requirements of this Rule shall constitute conduct which is inconsistent with just and equitable principles of trade; provided, however, if the Exchange imposes a minor rule violation fine pursuant to Rule 714 for violation of this Rule, that minor rule violation shall not be considered to constitute conduct which is inconsistent with just and equitable principles of trade.

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Questions regarding this submission may be directed to Arthur Reinstein at (312) 786-7570 or Michael Margolis at (312) 786-7153. Please reference our submission number CFE-2021-003 in any related correspondence.

Cboe Futures Exchange, LLC

/s/ Michael Mollet

By: Michael Mollet
Managing Director