

March 17, 2017

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-2017-006

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 (“CFTC” or “Commission”) under the Act, CBOE Futures Exchange, LLC (“CFE” or “Exchange”) hereby submits a CFE rule amendment (“Amendment”) to adopt new CFE Policy and Procedure XXII to set forth the New European Futures Commission Merchant Incentive Program (“Program”). The Amendment will become effective on April 1, 2017.

The Program provides an incentive for new futures commission merchants (“FCMs”) and their customers that are located in Europe that have not previously traded in CFE products to trade on the Exchange in designated products and thus increase liquidity in those products to the benefit of all CFE market participants. The designated CFE products under the Program are CBOE Volatility Index (“VX”) futures and CBOE Russell 2000 Volatility Index (“VU”) futures.

In order to be eligible to participate in the Program, an FCM must (i) be located in a European jurisdiction approved by the Exchange pursuant to CFE Rule 305B (Foreign Trading Privilege Holders); (ii) submit any application form(s) and documentation required by the Exchange in connection with participation in the Program; (iii) become effective as a CFE Trading Privilege Holder (“TPH”) on or after April 1, 2017 and not have been an effective TPH prior to that date; (iv) remain effective as a TPH during the time period that the FCM participates in the Program; and (v) not be affiliated with CFE. Additionally, in order to participate in the Program, a customer must (i) be a customer of an FCM participant in the Program; (ii) be located in a European jurisdiction approved by the Exchange pursuant to Rule 305B; (iii) not have previously traded in any product listed on the Exchange; (iv) agree to receive information from the Exchange and be contacted by Exchange representatives; and (v) submit any required application form(s) and documentation in connection with participation in the Program.

The Program provides a rebate with respect to customer transaction fees in VX and VU futures, excluding block trade and regulatory fees, assessed for contract purchases and sales for the designated subaccount(s) of a customer of an FCM participant in the Program with that FCM that are executed during the time period in which the customer and FCM are participants in the Program. A customer of an FCM participant must meet a quarterly minimum VX and VU volume threshold in order for a rebate to apply. The rebate amount is determined by a graduated rebate schedule based on trading volume. Rebates under the Program are made to the CFE Clearing Member that was originally assessed the transaction fees for the qualifying transactions.

The Program also provides for the waiver of a market data redistribution fee and the assessment of an administration fee.

The term of the Program shall be from April 1, 2017 through December 31, 2017. The Exchange may determine to extend the term of the Program or replace or modify the Program at any time through a subsequent rule amendment submission to the Commission.

CFE believes that the Amendment is consistent with Designated Contract Market Core Principles 2 (Compliance with Rules), 9 (Execution of Transactions), and 12 (Protection of Markets and Market Participants) under Section 5 of the Act. CFE has established the category of foreign market participants eligible for participation in the Program for legitimate business purposes in connection with its efforts to expand its European user base and to compete internationally with domestic and foreign exchanges. The Program treats all parties eligible for the Program equally. CFE believes that the Program will contribute to the provision of a competitive, open, and efficient market and the price discovery process on CFE by incentivizing the customers of European FCMs to trade in VX and VU futures, thus fostering increased liquidity in those products. Additionally, CFE Regulation and its regulatory services provider monitor for wash trading activity.

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://cfe.cboe.com/aboutcfe/rules.aspx>) concurrent with the filing of this submission with the Commission.

The Amendment, marked to show additions in underlined text and deletions in [bracketed] text, consists of the following:

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**CBOE Futures Exchange, LLC
Rules**

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XXII. New European Futures Commission Merchant Incentive Program

The purpose of the New European Futures Commission Merchant Incentive Program ("Program") is to incentivize new futures commission merchants ("FCMs") and their customers located in European jurisdictions to trade designated Exchange products and thus increase liquidity in those products to the benefit of all Exchange market participants.

Products

- The Program is applicable with respect to the following products listed on the Exchange:
 - CBOE Volatility Index ("VX") Futures; and
 - CBOE Russell 2000 Volatility Index ("VU") Futures.

Eligibility

- The Program is limited to five FCM participants.
- In order for an FCM to participate in the Program, the FCM must:
 - be located in a European jurisdiction approved by the Exchange pursuant to Rule 305B;
 - submit to the Exchange any application form(s) and documentation required by the Exchange in connection with participation in the Program;
 - become effective as a Trading Privilege Holder on or after April 1, 2017 and not have been an effective Trading Privilege Holder prior to that date;
 - remain effective as a Trading Privilege Holder during the time period that the FCM participates in the Program; and
 - not be affiliated with the Exchange.
- The Exchange shall select as Program participants the first five FCMs that satisfy the above eligibility criteria.
- In order for a customer to participate in the Program, the customer must:
 - be a customer of an FCM participant in the Program;
 - be located in a European jurisdiction approved by the Exchange pursuant to Rule 305B;
 - not have previously traded in any product listed on the Exchange;
 - agree to receive information from the Exchange and be contacted by Exchange representatives by phone, electronic mail, and postal mail; and
 - submit to the Exchange any application form(s) and documentation required by the Exchange in connection with participation in the Program.

Benefits

Transaction Fee Rebates

- The Exchange will issue a rebate in accordance with the table below with respect to transaction fees that satisfy all of the following criteria (“Qualifying Transaction Fees”):
 - customer transaction fees in VX and VU futures,
 - excluding block trade and regulatory fees,
 - assessed for contract purchases and sales during a calendar quarter for the

designated subaccount(s) of a customer of an FCM participant in the Program with that FCM,

- executed during a time period in which both the FCM and the customer are participants in the Program,
- subject to the minimum quarterly volume threshold below.
- The rebate tiers in the table below apply with respect to the contract volume within the applicable tier.

<u>Rebate Tier</u>	<u>Quarterly VX and VU Volume of a Customer Participant</u>	<u>Quarterly Rebate Per Contract</u>
<u>Tier 1</u>	<u>0 - 19,999</u>	<u>\$1.40</u>
<u>Tier 2</u>	<u>20,000 and above</u>	<u>\$0.40</u>

- Contract purchases and sales for the designated subaccount(s) of a customer of an FCM participant in the Program with that FCM must collectively total at least 3,000 contracts in VX and VU futures during a calendar quarter in order for the customer to remain a Program participant and for rebates to apply with respect to transactions for that customer in that calendar quarter. If this threshold is not met for a calendar quarter, rebates will not apply with respect to transactions for that customer in that calendar quarter and the customer will be removed from the Program. If a customer becomes a Program participant during a calendar quarter after the beginning of the calendar quarter, this threshold will not be applicable for that calendar quarter.
- Contract volume for purposes of the Program shall be measured per contract side.

Market Data Redistribution Fee Waiver

- The Exchange will waive the Market Data Redistribution Fee for each participating FCM during the time period in which the FCM is a participant in the Program.

Other Provisions

- A customer participant in the Program is required to provide written notification to the Exchange in a form and manner prescribed by the Exchange of the subaccount(s) in which the customer will execute transactions in Exchange products under the Program. The application of rebates with respect to transactions for the subaccount of a customer participant in the Program begins on the date of receipt by the Exchange of written notification of that subaccount as specified above.
- Any subaccount identified by a customer for the application of rebates under the Program may not be used by any party other than that customer to execute transactions in Exchange products under the Program. Transactions made by any party other than the participating FCM on behalf of the customer do not qualify for rebates or the satisfaction of the trading volume threshold under the Program in relation to that customer.
- A customer participant in the Program and that customer's FCM shall provide any supplemental documentation requested by the Exchange to substantiate that transactions qualify for satisfaction of trading volume thresholds and rebates under the Program.

Failure to promptly provide notice of any changes to information provided to the Exchange for purposes of the Program, including subaccount number changes and additions, and supplemental documentation requested by the Exchange may result in ineligibility for the applicable rebates.

- Rebates under the Program are made to the Clearing Member that was originally assessed the transaction fees for the qualifying transactions through the payment of the rebates to that Clearing Member.
- Rebates will be made following the end of the applicable calendar quarter. Rebates accrued but not yet paid prior to the expiration of the Program will be made on this schedule following the expiration of the Program.
- Each FCM participant in the Program will be assessed an administrative fee of:
 - \$200 per month for each customer of the FCM that is a participant in the Program which is not a proprietary trading firm and is not affiliated with a proprietary trading firm; and
 - \$2,000 per month for each customer of the FCM that is a participant in the Program which is a proprietary trading firm or is affiliated with a proprietary trading firm.
- During the time period in which an FCM or customer is a participant in the Program, the FCM or customer is not eligible for the application of Day Trade fees for Exchange products under the Program, is not eligible to participate in the New Foreign Trader Incentive Program, and is not eligible to participate in the Foreign Proprietary Trading Firm Incentive Program.

Term

The term of the Program shall be from April 1, 2017 through December 31, 2017. The Exchange may determine to allow the Program to expire, extend the term of the Program, or replace or modify the Program at any time.

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Questions regarding this submission may be directed to Arthur Reinstein at (312) 786-7570 or Nicole Gordon at (312) 786-8109. Please reference our submission number CFE-2017-006 in any related correspondence.

CBOE Futures Exchange, LLC



By: Andrew Lowenthal
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