



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-2017-007

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 XXIII to set forth the Foreign Proprietary Trading Firm Incentive Program (“Program”). The Amendment will become effective on April 1, 2017.

The Program provides an incentive for foreign proprietary trading firms 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, a foreign proprietary trading firm must (i) agree to receive information from the Exchange and be contacted by Exchange representatives; (ii) submit to the Exchange any application form(s) and documentation required in connection with participation in the Program; (iii) be located in a foreign jurisdiction in the Northern Hemisphere approved by the Exchange pursuant to CFE Rule 305B (Foreign Trading Privilege Holders); (iv) be an effective CFE Trading Privilege Holder (“TPH”) during the time period that the firm participates in the Program; and (v) not be affiliated with the Exchange.

The Program provides for a rebate with respect to transaction fees in VX and VU futures, excluding block trade and regulatory fees, assessed for contract purchases and sales for a participating proprietary trading firm’s account(s) that are executed during the time period in which the proprietary trading firm is a participant in the Program. The participating proprietary trading firm must meet both a total monthly minimum VX and VU volume threshold and a monthly minimum threshold for trading volume in VX and VU futures during extended trading hours (“ETH”) in order for a rebate to apply. The rebate percentage is determined by a graduated rebate schedule based on trading volume. Proprietary trading firm participants in the Program are required to utilize CFE self-trade prevention functionality so that this contact volume does not include self-trades. 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 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 proprietary trading firms eligible for participation in the Program for legitimate business purposes in connection with its efforts to expand its foreign 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 foreign proprietary trading firms to trade in VX and VU futures, thus fostering increased liquidity in both those products. Additionally, CFE believes that the Program will contribute to promoting fair and equitable trading on CFE by requiring proprietary trading firms that participate in the Program to use CFE's self-trade prevention functionality, so as to not provide an incentive for self-trades in connection with receiving rebates or meeting the contract volume threshold under the Program.

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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XXIII. Foreign Proprietary Trading Firm Incentive Program

The purpose of the Foreign Proprietary Trading Firm Incentive Program ("Program") is to incentivize proprietary trading firms located in foreign 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

- There is no limit on the number of participants in the Program.
- In order for a proprietary trading firm to participate in the Program, the proprietary trading firm must:
 - agree to receive information from the Exchange and be contacted by Exchange representatives by phone, electronic mail, and postal mail;
 - submit to the Exchange any application form(s) and documentation required by the Exchange in connection with participation in the Program;
 - be located in a foreign jurisdiction approved by the Exchange pursuant to Rule 305B;
 - be an effective Trading Privilege Holder during the time period that the firm participates in the Program; and
 - not be affiliated with the Exchange.
- The Exchange shall select as Program participants those proprietary trading firms that satisfy the above eligibility criteria.

Benefits

- 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”):
 - transaction fees in VX and VU futures,
 - excluding block trade and regulatory fees,
 - assessed for contract purchases and sales for the trading firm’s designated account(s) during a calendar month,
 - executed during the time period in which the proprietary trading firm is a participant in the Program,

if the volume of VX and VU futures contracts traded for the trading firm’s designated account(s) during that calendar month meets or exceeds the applicable minimum volume thresholds for a rebate to be applicable.

- There are two minimum volume thresholds that must be satisfied during a calendar month in order for a rebate to be applicable for that calendar month:
 - a minimum threshold for total trading volume in VX and VU futures (inclusive of transactions during both regular trading hours and extended trading hours (“ETH”)), and
 - a minimum threshold for trading volume in VX and VU futures during ETH.

- If a rebate tier applies for a calendar month pursuant to the table below, the rebate percentage is applied to all Qualifying Transaction Fees during that calendar month and not just to transaction fees for transactions at or above the applicable volume thresholds. If more than one rebate tier is satisfied for a calendar month, the rebate tier with the highest rebate percentage is applied for that calendar month.

Rebate Tier	Minimum Monthly VX and VU Volume Threshold	Minimum Monthly VX and VU ETH Volume Threshold	Monthly Rebate Percentage
Tier 1	50,000	7,500	15%
Tier 2	80,000	10,000	30%
Tier 3	130,000	15,000	45%

- Contract volume for purposes of the Program shall be measured per contract side.
- If a participating proprietary trading firm does not meet the minimum volume thresholds for a rebate to be applicable for a calendar month, the firm will remain a participant in the Program and remain eligible to generate rebates for subsequent calendar months during the term of the Program if the firm meets minimum volume thresholds during those subsequent calendar months.

Other Provisions

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

- Each proprietary trading firm participant in the Program will be assessed an administrative fee of \$100.00 per month for each calendar month during which the firm is a participant in the Program.
- Each proprietary trading firm participant in the Program is required to utilize Exchange self-trade prevention functionality under Rule 406A.
- During the time period in which a proprietary trading firm is a participant in the Program, the firm and its Authorized Traders are not eligible for the application of Day Trade fees for Exchange products under the Program, are not eligible to participate in the New European Futures Commission Merchant Incentive Program and are not eligible to participate in the Southern Hemisphere New 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-2017-007 in any related correspondence.

CBOE Futures Exchange, LLC

By: 
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