



March 27, 2019

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-2019-006

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”) relating to the aggregation of positions for purposes of CFE position limits and CFE position accountability levels. The Amendment will become effective on or after April 10, 2019, on a date to be announced by the Exchange through the issuance of an Exchange notice.

The Amendment replaces the current provisions under CFE’s rules relating to the aggregation of positions for purposes of the position limits and position accountability levels established by CFE with rule provisions that are similar to the provisions for the aggregation of positions under the Commission’s position limit regime for futures and options contracts on certain agricultural commodities as set forth in Commission Regulation 150.4.¹

In particular, the Amendment revises CFE Rule 412 (Position Limits) and CFE Rule 412A (Position Accountability) to (i) include additional detail regarding when positions are to be aggregated for the purposes of CFE position limits and CFE position accountability levels, consistent with the provisions of Commission Regulation 150.4(a); (ii) allow for exemptions to the aggregation of positions, consistent with the aggregation exemptions recognized by the Commission under Commission Regulation 150.4(b); (iii) implement a process pursuant to which a CFE Trading Privilege Holder (“TPH”) will be required to request and receive approval from CFE in order to apply one of the aggregation exemptions, which builds upon and augments the notice requirements that the Commission applies under Commission Regulation 150.4(c); (iv) allow for CFE to request additional information from TPHs claiming aggregation exemptions, similar to the authority of the Commission under Commission Regulation 150.4(c)(3); and (v) allow CFE, in its sole discretion, not to grant or to amend, suspend, terminate, or otherwise modify a TPH’s aggregation exemption for failure to comply or adequately demonstrate compliance with CFE’s rule provisions relating to position aggregation, similar to the authority of the Commission under Commission Regulation 150.4(c)(3). The Amendment also revises the

¹ See CFTC Final Rule on Aggregation of Positions, [81 FR 91454](#) (December 16, 2016).

contract specification rule chapters in the CFE Rulebook for products currently listed for trading on CFE to cross-reference the revised provisions of Rule 412 or Rule 412A, as applicable.²

CFE Rule 308(c) provides that any Person initiating or executing a transaction on or subject to CFE rules directly or through an intermediary, and any Person for whose benefit such a transaction has been initiated or executed, expressly consents to the jurisdiction of the Exchange and agrees to be bound by and comply with CFE rules in relation to such transactions, including, but not limited to, rules requiring cooperation and participation in investigatory and disciplinary processes. Chapter 1 of CFE's Rulebook defines a "Person" as any natural person, association, partnership, limited liability company, joint venture, trust, or corporation. CFE Rule 308(d) provides that any Person subject to Rule 308(c) that is not a TPH or related party of a TPH is bound by and required to comply with certain enumerated CFE rules to the same extent that a TPH or related party of a TPH is bound by and required to comply with those rules. Rules 412 and 412A as well as every contract specification rule chapter in the CFE Rulebook are enumerated rules under Rule 308(d). Accordingly, the rule provisions provided for under the Amendment are applicable to Persons subject to Rule 308(c) to the same extent that those rule provisions are applicable to TPHs and related parties of TPHs.

CFE believes that the Amendment is consistent with Designated Contract Market Core Principles 2 (Compliance with Rules), 5 (Position Limitations and Accountability), and 7 (Availability of General Information) under Section 5 of the Act in that the provisions of the Amendment (i) provide for a CFE approval process for the use of position aggregation exemptions, the ability of CFE to request additional information with respect to claimed position aggregation exemptions, and the ability of CFE not to grant or to amend, suspend, terminate, or otherwise modify a market participant's aggregation exemption for failure to comply or adequately demonstrate compliance with CFE's rule provisions relating to position aggregation or in the interest of market integrity, all of which will assist CFE in enforcing compliance with its position aggregation rules; (ii) are similar to the position aggregation provisions under the Commission's own position limit regime, particularly with respect to the types of position aggregation exemptions that are permitted; and (iii) provide guidance to CFE market participants with respect to the aggregation of positions for purposes of CFE position limits and CFE position accountability levels.

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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² The Amendment does not apply to any security futures that may be listed for trading on CFE. CFE does not currently offer any security futures for trading.

Cboe Futures Exchange, LLC
Rules

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412. Position Limits

(a) - (d) No change.

(e) [In determining whether any Trading Privilege Holder has exceeded or seeks to exceed the position limits established by the Exchange, all positions in accounts for which such Trading Privilege Holder, by power of attorney or otherwise, directly or indirectly controls trading (as set forth in Commission Regulation 1.3(j) and Commission Regulation 150.5(g)), whether on a proprietary basis or on behalf of Customers, shall be included. Position limits shall apply to positions held by two or more Trading Privilege Holders acting pursuant to an express or implied agreement or understanding in the same manner as if such positions were held by a single person.] The following provisions (which are equivalent to the provisions under Rule 412A(f) in relation to position accountability levels) shall be applicable with respect to the aggregation of positions for purposes of position limits established by the Exchange:

(i) For the purpose of applying position limits established by the Exchange, unless an exemption set forth in Rule 412(e)(iii) applies, all positions in accounts for which any Person, by power of attorney or otherwise, directly or indirectly controls trading or holds a 10 percent or greater ownership or equity interest must be aggregated with the positions held and trading done by that Person. For the purpose of determining the positions in accounts for which any Person controls trading or holds a 10 percent or greater ownership or equity interest, positions or ownership or equity interests held by, and trading done or controlled by, two or more Persons acting pursuant to an expressed or implied agreement or understanding shall be treated the same as if the positions or ownership or equity interests were held by, or the trading were done or controlled by, a single Person.

(ii) Notwithstanding the provisions of Rule 412(e)(iii), for the purpose of applying position limits established by the Exchange, any Person that, by power of attorney or otherwise, holds or controls the trading of positions in more than one account or pool with substantially identical trading strategies, must aggregate all such positions (determined pro rata) with all other positions held and trading done by that Person and the positions in accounts which the Person must aggregate pursuant to Rule 412(e)(i).

(iii) The following exemption provisions shall apply with respect to the aggregation of positions for the purpose of applying position limits established by the Exchange:

(A) Notwithstanding the provisions of Rule 412(e)(i), but subject to the provisions of Rule 412(e)(ii) and to compliance with the requirements of this Rule 412(e)(iii), the aggregation requirements of Rule 412(e)(i) shall not apply if and to the extent that (as further described in this Rule 412(e)(iii)):

(1) an exemption recognized by the Commission under Commission Regulation 150.4(b) to the aggregation of positions for purposes of position limits is applicable; and

(2) a Trading Privilege Holder has received approval from the Exchange to apply that exemption.

The provisions of Commission Regulation 150.4(b) are incorporated by reference into this Rule 412(e)(iii) and are applicable to positions in Exchange Contracts under the Rules of the Exchange for purposes of implementation of Rule 412(e) by the Exchange as if it were the Commission.

(B) A Trading Privilege Holder seeking an aggregation exemption from the Exchange under this Rule 412(e)(iii) to position limits established by the Exchange pursuant to any of the aggregation exemption provisions under Commission Regulation 150.4(b) shall file an exemption request (“Aggregation Exemption Request”) with the Exchange in a form and manner prescribed by the Exchange (regardless of whether or not a notice is required to be filed with the Commission under Commission Regulation 150.4(b) with respect to that type of exemption).

(C) An Aggregation Exemption Request shall include:

(1) an identification of the aggregation exemption provision under Commission Regulation 150.4(b) pursuant to which disaggregation is requested, a description of the relevant circumstances that warrant disaggregation and any other information as may be required by the Exchange; and

(2) a statement of a senior officer or representative of the Trading Privilege Holder certifying that the conditions set forth in the applicable aggregation exemption provision have been met.

(D) An aggregation exemption under this Rule 412(e)(iii) to position limits established by the Exchange pursuant to any of the aggregation exemption provisions under Commission Regulation 150.4(b) shall not become effective unless and until an Aggregation Exemption Request to apply that aggregation exemption has been approved by the Exchange.

(E) Upon request by the Exchange, any Trading Privilege Holder seeking an aggregation exemption under this Rule 412(e)(iii) or that has received an aggregation exemption under this Rule 412(e)(iii) shall provide any requested information to the Exchange in order to demonstrate that the Trading Privilege Holder meets or continues to meet the requirements of the exemption.

(F) In the event of a material change to the information provided in an Aggregation Exemption Request, an updated or amended Aggregation Exemption Request detailing the material change shall promptly be filed with the Exchange in a form and manner prescribed by the Exchange.

(G) The Exchange, in its sole discretion, may determine not to grant or to amend, suspend, terminate or otherwise modify an aggregation exemption for failure to comply, to continue to comply or to adequately demonstrate compliance with the provisions of Rule 412(e) or in the interest of market

integrity.

(H) The provisions of Rule 412(e) shall not apply to Security Futures.

(f) No change.

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412A. Position Accountability

(a) - (e) No change.

(f) [In determining whether any Trading Privilege Holder has exceeded the position accountability levels established by the Exchange, all positions in accounts for which such trading Privilege Holder, by power of attorney or otherwise, directly or indirectly controls trading (as set forth in Commission Regulation §1.3(j) and Commission Regulation §150.5(g)), whether on a proprietary basis or on behalf of Customers, shall be included. Position accountability levels shall apply to positions held by two or more Trading Privilege Holders acting pursuant to an express or implied agreement or understanding in the same manner as if such positions were held by a single Person.] The following provisions (which are equivalent to the provisions under Rule 412(e) in relation to position limits) shall be applicable with respect to the aggregation of positions for purposes of position accountability levels established by the Exchange:

(i) For the purpose of applying position accountability levels established by the Exchange, unless an exemption set forth in Rule 412A(f)(iii) applies, all positions in accounts for which any Person, by power of attorney or otherwise, directly or indirectly controls trading or holds a 10 percent or greater ownership or equity interest must be aggregated with the positions held and trading done by that Person. For the purpose of determining the positions in accounts for which any Person controls trading or holds a 10 percent or greater ownership or equity interest, positions or ownership or equity interests held by, and trading done or controlled by, two or more Persons acting pursuant to an expressed or implied agreement or understanding shall be treated the same as if the positions or ownership or equity interests were held by, or the trading were done or controlled by, a single Person.

(ii) Notwithstanding the provisions of Rule 412A(f)(iii), for the purpose of applying position accountability levels established by the Exchange, any Person that, by power of attorney or otherwise, holds or controls the trading of positions in more than one account or pool with substantially identical trading strategies, must aggregate all such positions (determined pro rata) with all other positions held and trading done by that Person and the positions in accounts which the Person must aggregate pursuant to Rule 412A(f)(i).

(iii) The following exemption provisions shall apply with respect to the aggregation of positions for the purpose of applying position accountability levels established by the Exchange:

(A) Notwithstanding the provisions of Rule 412A(f)(i), but subject to the provisions of Rule 412A(f)(ii) and to compliance with the requirements of this Rule 412A(f)(iii), the aggregation requirements of Rule 412A(f)(i) shall not

apply if and to the extent that (as further described in this Rule 412A(f)(iii)):

(1) an exemption recognized by the Commission under Commission Regulation 150.4(b) to the aggregation of positions for purposes of position limits is applicable; and

(2) a Trading Privilege Holder has received approval from the Exchange to apply that exemption.

The provisions of Commission Regulation 150.4(b) are incorporated by reference into this Rule 412A(f)(iii) and are applicable to positions in Exchange Contracts under the Rules of the Exchange for purposes of implementation of Rule 412A(f) by the Exchange as if it were the Commission.

(B) A Trading Privilege Holder seeking an aggregation exemption from the Exchange under this Rule 412A(f)(iii) to position accountability levels established by the Exchange pursuant to any of the aggregation exemption provisions under Commission Regulation 150.4(b) shall file an exemption request (“Aggregation Exemption Request”) with the Exchange in a form and manner prescribed by the Exchange (regardless of whether or not a notice is required to be filed with the Commission under Commission Regulation 150.4(b) with respect to that type of exemption).

(C) An Aggregation Exemption Request shall include:

(1) an identification of the aggregation exemption provision under Commission Regulation 150.4(b) pursuant to which disaggregation is requested, a description of the relevant circumstances that warrant disaggregation and any other information as may be required by the Exchange; and

(2) a statement of a senior officer or representative of the Trading Privilege Holder certifying that the conditions set forth in the applicable aggregation exemption provision have been met.

(D) An aggregation exemption under this Rule 412A(f)(iii) to position accountability levels established by the Exchange pursuant to any of the aggregation exemption provisions under Commission Regulation 150.4(b) shall not become effective unless and until an Aggregation Exemption Request to apply that aggregation exemption has been approved by the Exchange.

(E) Upon request by the Exchange, any Trading Privilege Holder seeking an aggregation exemption under this Rule 412A(f)(iii) or that has received an aggregation exemption under this Rule 412A(f)(iii) shall provide any requested information to the Exchange in order to demonstrate that the Trading Privilege Holder meets or continues to meet the requirements of the exemption.

(F) In the event of a material change to the information provided in an Aggregation Exemption Request, an updated or amended Aggregation Exemption Request detailing the material change shall promptly be filed with the Exchange in a form and manner prescribed by the Exchange.

(G) The Exchange, in its sole discretion, may determine not to grant or to amend, suspend, terminate or otherwise modify an aggregation exemption for failure to comply, to continue to comply or to adequately demonstrate compliance with the provisions of Rule 412A(f) or in the interest of market integrity.

(H) The provisions of Rule 412A(f) shall not apply to Security Futures.

(g) - (h) No change.

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1202. Contract Specifications

(a) - (c) No change.

(d) *Position Accountability.* VX futures are subject to position accountability under Rule 412A.

The position accountability levels for VX futures are: (i) ownership or control at any time of more than 50,000 contracts net long or net short in all VX futures contracts combined, (ii) ownership or control of more than 30,000 contracts net long or net short in the expiring VX futures contract, commencing at the start of trading hours for the Friday prior to the final settlement date of the expiring VX futures or (iii) ownership or control of more than 10,000 contracts net long or net short in the expiring VX futures contract, commencing at the start of trading hours for the Business Day immediately preceding the final settlement date of the expiring VX futures.

For purposes of this Rule, the start of trading hours for the Friday prior to the final settlement date of expiring VX futures and the start of trading hours for the Business Day immediately preceding the final settlement date of expiring VX futures shall occur upon commencement of the first period of extended trading hours for the trading session for that Business Day.

For the purposes of this Rule, [the] positions [of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding] shall be [cumulated] aggregated in accordance with Rule 412A(f).

(e) - (r) No change.

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1302. Contract Specifications

(a) - (c) No change.

(d) *Position Limits.* XBT futures are subject to position limits under Rule 412.

A person: (i) may not own or control more than 25,000 contracts net long or net short in all XBT

futures contract expirations combined; (ii) may not own or control more than 5,000 contracts net long or net short in the expiring XBT futures contract, commencing at the start of trading hours 5 business days prior to the final settlement date of the expiring XBT futures contract; and (iii) may not own or control more than 2,500 contracts net long or net short in the expiring XBT futures contract, commencing at the start of trading hours on the business day of final settlement date of the expiring XBT futures contract.

For the purposes of this Rule, [the] positions [of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding] shall be [cumulated] aggregated in accordance with Rule 412(e).

The foregoing position limits shall not apply to positions that are subject to a position limit exemption meeting the requirements of Commission Regulations and CFE Rules.

(e) - (r) No change.

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1402. Contract Specifications

(a) - (c) No change.

(d) *Position Limits.* VXTY futures are subject to position limits under Rule 412.

A person: (i) may not own or control more than 5,000 contracts net long or net short in all VXTY futures contract expirations combined; and (ii) may not own or control more than 5,000 contracts net long or net short in the expiring VXTY futures contract held during the last 5 trading days for the expiring VXTY futures contract.

For the purposes of this rule, [the] positions [of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding] shall be [cumulated] aggregated in accordance with Rule 412(e).

The foregoing position limit shall not apply to positions that are subject to a position limit exemption meeting the requirements of Commission Regulations and CFE Rules.

(f) - (r) No change.

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1502. Contract Specifications

(a) - (c) No change.

(d) *Position Limits.* CB Index futures are subject to position limits under Rule 412.

A person may not own or control more than 10,000 contracts net long or net short in all expirations combined for each CB Index futures product.

For the purposes of this rule, [the] positions [of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding] shall be [cumulated] aggregated in accordance with Rule 412(e).

The foregoing position limit shall not apply to positions that are subject to a position limit exemption meeting the requirements of Commission Regulations and CFE Rules.

(e) - (r) No change.

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2102. Contract Specifications

(a) - (c) No change.

(d) *Position Limits.* VU futures are subject to position limits under Rule 412.

A person may not own or control: (1) more than 5,000 contracts net long or net short in all VU futures contracts combined; and (2) more than 2,500 contracts net long or net short in the expiring VU futures contract, commencing at the start of trading hours for the Business Day immediately preceding the final settlement date of the expiring VU futures contract.

For the purposes of this rule, [the] positions [of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding] shall be [cumulated] aggregated in accordance with Rule 412(e).

The foregoing position limit shall not apply to positions that are subject to a position limit exemption meeting the requirements of Commission Regulations and CFE Rules.

(e) - (r) No change.

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2302. Contract Specifications

(a) - (c) No change.

(d) *Position Limits.* S&P 500 Variance futures are subject to position limits under Rule 412. A person may not own or control contracts exceeding 125,000 units of variance notional net long or net short in all contract months of an S&P 500 Variance futures contract combined.

For the purposes of this rule, [the] positions [of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding] shall be [cumulated] aggregated in accordance with Rule 412(e).

The foregoing position limit shall not apply to positions that are subject to a position limit exemption meeting the requirements of Commission Regulations and CFE Rules.

(e) - (s) No change.

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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-2019-006 in any related correspondence.

Cboe Futures Exchange, LLC

[/s/ Matthew McFarland](#)

By: Matthew McFarland
Managing Director