Cboe

April 2, 2020

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-2020-008

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 update CFE's rules regarding the implementation of quoting functionality on CFE's trading system ("CFE System"). The Amendment will become effective on or after April 16, 2020, on an implementation date for the quoting functionality to be announced by the Exchange through the issuance of an Exchange notice.

CFE previously submitted a rule certification to the Commission to amend CFE's rules in order to implement quoting functionality.[1] The Amendment includes some additional rule revisions to reflect three updates that CFE is making to the quoting functionality. CFE has not yet implemented the quoting functionality. These updates will be included within the quoting functionality when it is implemented.

First, CFE is allowing for the ability to submit a quote with a size modifier and is reflecting this change in new CFE Rule 404(b)(ii)(G). A size modifier is an instruction to apply the quantity of the quote in a different manner than if a quote did not include a size modifier. Specifically, subject to some related changes with respect to cancels as they relate to quotes that are described below, quotes without a size modifier differ from quotes with a size modifier in the following manner. When a quote is submitted to replace an existing bid or offer established by a previous quote and the replacement quote does not include a size modifier, the size of the existing bid or offer is changed to the quantity of the replacement quote. When a quote is submitted to replace an existing bid or offer established by a previous quote and the replacement quote includes a size modifier, the size of the existing bid or offer is reduced by the quantity of the replacement quote. Additionally, if the resulting bid or offer size would be less than or equal to zero after applying the size modifier, the existing bid or offer is canceled.

A CFE Trading Privilege Holder ("TPH") may choose to use a size modifier to seek to avoid additional size exposure from in-flight fills and cancels. For example, assume a TPH submits a bid for

---

[1] CFE Rule Certification Submission Number CFE-2020-002 dated January 29, 2020 ("CFE-2020-002").

100 contracts in a product expiration through a quote submission and then wants to lower the size of the bid to 50 contracts with a replacement quote and to not have potential size exposure for more than 50 contracts. Also assume that as the TPH submits a replacement quote with a bid size of 50 contracts, the TPH's pending bid for 100 contracts is executed against an offer for 20 contracts (leaving a remaining pending bid size of 80 contracts) and that the fill report from this trade is in-flight to and not yet received by the TPH when the TPH submits the replacement quote. If the replacement quote does not include a size modifier, the replacement quote will change the size of the pending bid from 80 contracts to 50 contracts resulting in a total size exposure of 70 contracts (the 20 contracts that were just executed and the new pending bid size of 50 contracts). If the replacement quote includes a size modifier, the replacement quote will reduce the size of the pending bid to 30 contracts (the pending bid size of 80 contracts reduced by the replacement quote size of 50 contracts) resulting in a total size exposure of 50 contracts (the 20 contracts that were just executed and the new pending bid size of 30 contracts). Thus, in this example, the TPH could use the size modifier to limit the TPH's total size exposure to 50 contracts.

Second, as a result of the addition of the ability to submit a quote with a size modifier and because trade at settlement ("TAS") quotes can have a zero price (which is equivalent to a quote to trade at the daily settlement price), CFE is updating and expanding the types of quote submissions that will cancel an existing bid or offer established by a previous quote. The Amendment enumerates in new CFE Rule 404(b)(ii)(H), for both non-TAS quotes and TAS quotes, each type of quote submission that will cancel an existing bid or offer established by a previous quote. The Amendment also provides in new CFE Rule 404(b)(ii)(I) that references in CFE rules to a cancel order shall also be deemed to include reference to any of these types of quote submissions unless otherwise specified. Additionally, the Amendment sets forth in CFE Rule 405A(a)(vi) and in Policy and Procedure XIX of the Policies and Procedures Section of the CFE Rulebook two situations in which a cancel order does not have this meaning in relation to quotes (one during the pre-opening process at the beginning of a business day in which a cancel order does not include reference to any quote submissions and the other during a trading halt or a suspension period after CFE System restart when a cancel order has a different meaning in relation to quotes).

Third, in connection with CFE's implementation of an order rate limit for quoting match capacity allocations, CFE is further addressing the manner in which an order rate limit applies to quotes. The Amendment adds new CFE Rule 513A(h)(vii) which reflects the following in this regard. Each quote is counted as an order for purposes of counting the number of orders received during an order rate limit time interval. Also, the CFE System will reject or cancel back to the sender any bulk message (including all quotes contained in the bulk message) that is received by the CFE System during an order rate limit time interval after the applicable limit is reached, with the following exception. The CFE System will process (and not reject or cancel back) any bulk message (including all quotes contained in the bulk message) that is received during an order rate limit time interval after the applicable limit is reached if all of the quotes contained in the bulk message are particular types of quote submissions to cancel an existing bid or offer established by a previous quote specified in Rule 404(b)(ii)(H).

The Amendment also makes some non-substantive wording changes to a few of the rule provisions that relate to the above topics.

CFE believes that the Amendment is consistent with the Designated Contract Market ("DCM") Core Principles under Section 5 of the Act. In particular, CFE believes that the Amendment is consistent with: (i) DCM Core Principle 4 (Prevention of Market Disruption) in that the Amendment allows for the use of a size modifier to assist in managing size exposure and addresses the manner in which order rate limits apply to quotes; (ii) DCM Core Principle 7 (Availability of General Information) because the Amendment describes in CFE's rules the manner of operation of the quoting functionality,

including with respect the use of a size modifier, quote submissions that will cancel an existing bid or offer established by a previous quote, and how order rate limits apply to quotes; (iii) DCM Core Principle 9 (Execution of Transactions) in that the updated quoting functionality will contribute 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; and (iv) DCM Core Principle 20 (System Safeguards) because CFE will have conducted internal testing as well as testing with external parties prior to the implementation of the updated quoting functionality.

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 rule changes included in the Amendment are shown below as changes to CFE's rules as set forth in CFE-2020-002. Additions are marked in underlined text and deletions are marked in strikethrough text.

* * * * *

Cboe Futures Exchange, LLC Rules

* * * * *

404. Acceptable Orders

(a)   No changes.

(b)   *Bulk Messages and Quotes*. Any Trading Privilege Holder may submit Bulk Messages and Quotes to the CFE System in a form and manner prescribed and provided by the Exchange.

(i)   *Bulk Message*. A "Bulk Message" is a message type that may be utilized to submit multiple Quotes to the CFE System in a single message. Bulk Messages are subject to the following parameters:

(A)   The Exchange may designate a maximum number of Quotes that may be submitted in a Bulk Message.

(B)   Subject to the exceptions below, a Bulk Message may be utilized to submit Quotes in multiple Contracts with the same trading symbol root and may not be utilized to submit Quotes for different trading symbol roots in the same Exchange product or in different Exchange products.

For example, a single Bulk Message may not be utilized to submit Quotes in non-TAS Cboe Volatility Index futures expirations (which have a VX trading symbol root) and in TAS Cboe Volatility Index futures expirations (which have a VXT trading symbol root) since these Quotes would be for different trading symbol roots.

The ability to utilize a Bulk Message to submit Quotes in multiple Contracts with the same trading symbol root is subject to the following exceptions:

(1)　　A Bulk Message may be utilized to enter, modify or cancel only one bid and/or one offer in a Contract. A Bulk Message may not be utilized to enter, modify or cancel bids in a Contract at multiple price levels and/or offers in a Contract at multiple price levels. In order to simultaneously maintain bids at multiple price levels and/or offers at multiple price levels in a Contract through the use of Bulk Messages, the Bulk Messages to enter, modify or cancel the bids and/or offers at the multiple price levels must be submitted with a different EFID or through a different quoting match capacity allocation for each price level.

(2)　　Any Bulk Message submitted during a queuing period may not be utilized to enter, modify or cancel a bid and/or offer in more than one TAS single leg expiration. In order to utilize Bulk Messages to enter, modify or cancel bids and/or offers in more than one TAS single leg expiration during a queuing period, multiple Bulk Messages must be used.

(C)　　The Exchange may allow for the use of different types of Bulk Messages. For example, the Exchange may allow for Bulk Message types with respect to which:

(1)　　the information for certain information fields designated by the Exchange is provided as a default at the match capacity allocation level instead of being provided in each Bulk Message;

(2)　　the Bulk Message does not include certain non-required information fields; and/or

(3)　　the Bulk Message uses a smaller format for certain information fields.

(ii)　　*Quote*. A Quote is the entry, modification or cancellation of a bid or offer for a Contract through a Bulk Message. Quotes are subject to the following parameters:

(A)　　A Quote is treated the same as an Order, and the term "Order" shall encompass a Quote, unless the Rules of the Exchange specify otherwise.

(B)　　A bid or offer submitted through a Quote is treated the same as a Limit Order. A Quote may not be utilized to submit a Market Order or a Stop Limit Order.

(C)　　A bid or offer submitted through a Quote is treated the same as a Day Order. A Quote may not have any Time in Force condition other than Day.

(D)   A Quote may only be submitted for a single Contract leg. A Quote may not be utilized to submit a Spread Order.

(E)   For purposes of time priority in the Order book, each Quote submitted in a Bulk Message receives as its time stamp the time stamp for the time at which the Bulk Message was received by the CFE System matching engine. Accordingly, each Quote submitted in a Bulk Message receives the same time stamp for its receipt by the matching engine. Each Quote is then processed by the matching engine as a separate Order.

(F)   A Quote is unique per quoting match capacity allocation, EFID, and side. A Quote with a bid for a Contract replaces any existing bid for that Contract established by a previous Quote submitted with the same EFID through the same quoting match capacity allocation, and a Quote with an offer for a Contract replaces any existing offer for that Contract established by a previous Quote submitted with the same EFID through the same quoting match capacity allocation. Accordingly, a bid or offer submitted through a Quote may be modified or canceled by submitting a subsequent Quote that replaces the existing bid or offer.

(G)   A Quote may be submitted with or without a size modifier. As further described below, a size modifier is an instruction to apply the quantity of a Quote in a different manner than if a Quote does not include a size modifier. Specifically, subject to the provisions of Rule 404(b)(ii)(H) below relating to Quote submissions that will a cancel an existing bid or offer established by a previous Quote:

(1)   When a Quote is submitted to replace an existing bid or offer established by a previous Quote and the replacement Quote does not include a size modifier, the size of the existing bid or offer is changed to the quantity of the replacement Quote.

(2)   When a Quote is submitted to replace an existing bid or offer established by a previous Quote and the replacement Quote includes a size modifier, the size of the existing bid or offer is reduced by the quantity of the replacement Quote. If the resulting bid or offer size would be less than or equal to zero after applying the size modifier, the existing bid or offer is canceled.

(H)   ~~For example, a bid or offer submitted through a Quote may be cancelled by submitting a subsequent Quote that changes the existing bid or offer size to zero or the existing bid or offer price to zero.~~ The following types of Quote submissions will cancel an existing bid or offer established by a previous Quote.

(1)   An existing bid or offer in a non-TAS Contract established by a previous Quote will be canceled by:

(aa)   the submission of a replacement Quote with a zero size or zero price and without a size modifier;

5

(bb)   the submission of a replacement Quote with both a zero price and a size modifier; or

(cc)   the submission of a replacement Quote with both a non-zero size and a size modifier that would cause the resulting Quote size to be less than or equal to zero.

(2)   An existing bid or offer in a TAS Contract established by a previous Quote will be canceled by:

(aa)   the submission of a replacement Quote with a zero size and without a size modifier; or

(bb)   the submission of a replacement Quote with both a non-zero size and a size modifier that would cause the resulting Quote size to be less than or equal to zero.

(I)   Unless otherwise specified, any reference in the Rules of the Exchange to a Cancel Order shall also be deemed to include reference to a Quote with a bid size or price of zero or with an offer size or price of zero any of the types of Quote submissions described in Rule 404(b)(ii)(H) above that will a cancel an existing bid or offer established by a previous Quote. Any reference in the Rules of the Exchange to a Cancel Replace/Modify Order shall not be deemed to include reference to a Quote.

(GJ)   A mass cancel, purge request, Portal cancel request or Kill Switch request submitted through the use of CFE System functionality that enables the cancellation of all or a subset of a Trading Privilege Holder's pending Orders with a single message may be utilized to cancel existing bids and offers submitted through Quotes.

* * * * *

405A. Opening Process

(a)(i) - (a)(v)   No changes.

(a)(vi) During the time period between Exchange Business Days for a product, the entry into the CFE System of a non-TAS Order in that product prior to the time at which the CFE System disseminates the first Pre-Opening Notice under Rule 405A(a)(iii)(C) for non-TAS Orders in that product is prohibited. The CFE System disseminates a Pre-Opening Notice for each non-TAS Contract and the first Pre-Opening Notice for a non-TAS Contract in a product is the Pre-Opening Notice that establishes the time at which non-TAS Orders may be submitted for all non-TAS Contacts in that product. Non-TAS Contracts in a product include non-TAS single leg Contract expirations and non-TAS spreads in that product. The provisions of this Rule 405A(a)(vi) do not apply to Cancel Orders for non-TAS Contracts submitted while the CFE System is in a suspended state between Exchange Business Days after the restart of the CFE System during the suspended state. The reference to Cancel Orders in the preceding sentence does not include reference to any types of Quote submissions.

(a)(vii)   No changes.

(b) - (l)   No changes.

* * * * *

513A. Risk Controls

(a) - (g)   No changes.

(h)   *Order Rate Limits*.

(i)   The Exchange may designate Order rate limits for order match capacity allocations and/or quoting match capacity allocations. The Exchange shall disseminate to Trading Privilege Holders in a form and manner determined by the Exchange any Order rate limits designated by the Exchange. The Exchange may permit Trading Privilege Holders to designate Order rate limits for order match capacity allocations and/or quoting match capacity allocations that are lower than any Order rate limit designated by the Exchange for that type of match capacity allocation.

(ii)   An Order rate limit is a maximum number of Orders that may be received by the CFE System per time interval.

(iii)   If the applicable Order rate limit is exceeded, the CFE System will reject or cancel back to the sender those Orders received by the CFE System during the applicable time interval after the Order rate limit is reached during that time interval.

(iv)   A Spread Order will be counted as one Order for purposes of computing the number of Orders received during a̶ an Order rate limit time interval.

(v)   A Cancel Order is counted for purposes of computing the number of Orders received during a̶ an Order rate limit time interval, except that a mass cancel or purge request is not counted for these purposes. If a Cancel Order (including a mass cancel or purge request) is received by the CFE System during a̶ an Order rate limit time interval in̶ w̶h̶i̶c̶h̶ after the applicable O̶r̶d̶e̶r̶ r̶a̶t̶e̶ limit h̶a̶s̶ b̶e̶e̶n̶ e̶x̶c̶e̶e̶d̶e̶d̶ is reached, the CFE System will process (and not reject or cancel back) the Cancel Order (subject to the following sentence and to Rule 513A(h)(vii)(B) below). Mass cancel and purge requests may be subject to separate Order rate limits pursuant to which the CFE System will reject or cancel back to the sender mass cancel and purge requests in excess of the applicable limit that are received by the CFE System during the applicable time interval for that limit.

(vi)   A Cancel Replace/Modify Order is counted for purposes of counting the number of Orders received during a̶ an Order rate limit time interval. If a Cancel Replace/Modify Order is received by the CFE System during a̶ an Order rate limit time interval after i̶n̶ w̶h̶i̶c̶h̶ the applicable O̶r̶d̶e̶r̶ r̶a̶t̶e̶ limit h̶a̶s̶ b̶e̶e̶n̶ e̶x̶c̶e̶e̶d̶e̶d̶ is reached, the CFE System will:

(A)   reject or cancel back to the sender the replacement Order portion of the Cancel Replace/Modify Order; and

7

(B)   process (and not reject or cancel back) the Cancel Order portion of the Cancel Replace/Modify Order.

(vii)   For purposes of Order rate limits as they relate to Quotes:

(A)   Each Quote is counted as an Order for purposes of counting the number of Orders received during an Order rate limit time interval.

(B)   Except as provided in Rule 513A(h)(vii)(C) below, the CFE System will reject or cancel back to the sender any Bulk Message (including all Quotes contained in the Bulk Message) that is received by the CFE System during an Order rate limit time interval after the applicable limit is reached.

(C)   The CFE System will process (and not reject or cancel back) any Bulk Message (including all Quotes contained in the Bulk Message) that is received during an Order rate limit time interval after the applicable limit is reached if the Bulk Message satisfies the following condition. All of the Quotes contained in the Bulk Message must be Quote submissions to cancel an existing bid or offer established by a previous Quote as described in Rule 404(b)(ii)(H)(1)(aa), Rule 404(b)(ii)(H)(1)(bb) or Rule 404(b)(ii)(H)(2)(aa).

(viii)   Block Trades and Exchange of Contract for Related Position transactions shall not be subject to order rate limits.

(i) - (m)   No changes.

* * * * *

Cboe Futures Exchange, LLC
Policies and Procedures Section of Rulebook

* * * * *

XIX.   Submission Time Frames (Rule 402(c)

A. - B.   No changes.

C.   Submissions Made During Other Queuing, Halt or Suspension Periods

For any Exchange Contract, whenever the Contract is in a queuing period other than a queuing period as described above, the CFE System accepts Orders (including Cancel Orders and Cancel Replace/Modify Orders) except for Market Orders, Immediate or Cancel Orders and Fill or Kill Orders.

For any Exchange Contract, the CFE System does not accept any Orders (including Cancel Replace/Modify Orders) except Cancel Orders whenever the Contract is halted.

For any Exchange Contract, the CFE System does not accept any Orders (including Cancel Orders and Cancel Replace/Modify Orders) whenever the Contract is suspended except Cancel Orders after the restart of the CFE System.

In relation to Quotes, references to CFE System acceptance of Cancel Orders when a Contract is halted or suspended mean that (i) during a halt or during a suspension period after the restart of the CFE System, the CFE System will not accept any Quote that would cause the price/premium, quantity or open/close indication of an existing bid or offer established by a previous Quote to be changed and (ii) as a result, if such a Quote is submitted during the halt or suspension, the CFE System will cancel the existing bid or offer pursuant to the Cancel on Reject Functionality under Rule 513A(l). When a Contract is halted or is in a suspension period after the restart of the CFE System, the CFE System accepts any Quote that would not cause the price/premium, quantity or open/close indication of an existing bid or offer established by a previous Quote to be changed. Notwithstanding the other provisions of this paragraph, all Quote submissions are prohibited and may not be submitted during a suspension period between Exchange Business Days.

D. - F.   No changes.

* * * * *

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-2020-008 in any related correspondence.

Cboe Futures Exchange, LLC

/s/ Matthew McFarland

By: Matthew McFarland
       Managing Director