



June 05, 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-2020-017

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 amend the Lead Market Maker Program (“LMM Program”) for Weekly (Non-Standard) Cboe Volatility Index Futures Expirations (“Weekly VX Futures”). The Amendment is set forth in a segregated confidential Appendix A to this submission. The Amendment will become effective on July 1, 2020.

Weekly VX Futures are Cboe Volatility Index (“VX”) futures that have a “VX” ticker symbol followed by a number denoting the specific week of a calendar year. For symbology purposes, the first week of a calendar year is the first week of that year with a Wednesday on which a Weekly VX Futures contract could expire. The final settlement value of a Weekly VX Future is calculated using P.M.-settled S&P 500 Index (“SPX”) options traded on Cboe Exchange, Inc., and these contracts are referred to as “Weekly (Non-Standard) VX expirations.” The LMM Program does not apply to VX futures expirations that have a “VX” ticker symbol, for which the final settlement value is calculated using A.M.-settled SPX options.

Any CFE Trading Privilege Holder (“TPH”) organization may apply to the Exchange for appointment as a lead market maker (“LMM”) in the LMM Program for Weekly VX Futures. The Exchange may approve up to three TPHs as LMMs for Weekly VX Futures under the LMM Program. TPHs are selected by the Exchange as LMMs under the LMM Program based on the Exchange’s judgment as to which applicants are most qualified to perform the functions of an LMM for Weekly VX Futures based on specified criteria. The Amendment makes some updates and clarifications to the existing LMM Program terms. The amended LMM Program provides for market performance benchmarks that LMMs must satisfy in order to receive specified benefits. The market performance benchmarks include parameters with respect to minimum two-sided quote size and maximum quote width. The market performance benchmarks are applicable during regular and extended trading hours for Weekly VX Futures. The benefits under the amended LMM Program are intended to attract and retain liquidity providers in Weekly VX Futures. Exhibit 1 to this submission includes the description of the amended LMM Program which CFE will include in Policy and Procedure IX of the Policies and Procedures Section of the CFE Rulebook. The

Exchange believes that the market performance benchmarks and associated benefits under the amended LMM Program strike the appropriate balance to incentivize and retain liquidity providers in Weekly VX Futures.

The amended LMM Program expires on December 31, 2021, unless the amended LMM Program is extended by the Exchange. CFE may determine to extend the term of the amended LMM Program and LMM appointments under the amended LMM Program, allow the amended LMM Program and LMM appointments under the amended LMM Program to expire, terminate the amended LMM Program and all LMM appointments under the amended LMM Program at any time, or amend or replace the amended LMM Program with a different market maker program at any time. Any of these actions, other than allowing the amended LMM Program to expire, would be done 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), 4 (Prevention of Market Disruption), 9 (Execution of Transactions), and 12 (Protection of Markets and Market Participants) under Section 5 of the Act. All LMMs in the amended LMM Program are obligated by CFE Rule 308 to comply with Exchange rules and are required under the terms of the amended LMM Program to utilize Exchange match trade prevention functionality under CFE Rule 406B with respect to trading in Weekly VX Futures. The Exchange will also surveil for wash trading by LMM Program participants. Exchange rules include prohibitions against fraudulent, non-competitive, unfair, and abusive trading practices, and the Exchange will monitor trading in Weekly VX Futures for violative activity such as manipulative trading and market abuse. The Exchange believes that the amended LMM Program will have a positive impact on the price discovery process by fostering improved liquidity, market width and size, and trading volume in Weekly VX Futures traded on CFE's centralized market and by incentivizing market participants to devote their efforts to enhancing market quality in Weekly VX Futures. Enhanced market quality benefits all participants in the Weekly VX Futures market. Accordingly, 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 it 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/](http://markets.cboe.com/us/futures/regulation/rule_filings/cfe/)) concurrent with the filing of this submission with the Commission.

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-2020-017 in any related correspondence.

Cboe Futures Exchange, LLC

[/s/ Matthew McFarland](#)

By: Matthew McFarland  
Managing Director

## EXHIBIT 1

(Additions are shown in underlined text and deletions are shown in ~~stricken~~ text)

### **Cboe Futures Exchange, LLC Policies and Procedures Section of Rulebook**

\* \* \* \* \*

#### **IX. Lead Market Maker Program for Weekly (Non-Standard) Cboe Volatility Index Futures Expirations**

The Lead Market Maker Program for Weekly (Non-Standard) Cboe Volatility Index Futures Expirations (“Program”) is applicable with respect to Cboe Volatility Index (“VX”) futures that have a “VX” ticker symbol followed by a number denoting the specific week of a calendar year (“Weekly VX Futures”). For symbology purposes, the first week of a calendar year is the first week of that year with a Wednesday on which a Weekly VX Futures contract could expire. The final settlement value of a Weekly VX Future is calculated using P.M.-settled S&P 500 Index (“SPX”) options traded on Cboe Options, and these Contracts are referred to as “Weekly (Non-Standard) VX expirations.” The Program does not apply to VX futures expirations that have a “VX” ticker symbol, for which the final settlement value is calculated using A.M.-settled SPX options.

Trading Privilege Holder (“TPH”) organizations may apply to the Exchange for appointment as a lead market maker (“LMM”) in the Program. The Exchange may approve up to three TPHs as LMMs in the Program. Any TPH that desires to apply for LMM status in the Program should submit an application in the form of a letter outlining the organization’s qualifications and commitments. TPHs shall be selected by the Exchange based on the Exchange’s judgment as to which applicants are most qualified to perform the functions of an LMM under the Program. Factors to be considered in making this selection may include, but are not limited to, satisfaction of the qualifications listed below as well as any one or more of the factors listed in Rule 515(b), as applied to LMM applicants instead of with respect to DPM applicants.

The following describes the qualifications, requirements, market performance benchmarks, benefits, and appointment term under the Program unless otherwise specified.

#### **Qualifications**

- Experience in trading futures and/or options on volatility indexes.
- Ability to automatically and systematically provide two-sided markets during regular and extended trading hours for Weekly VX Futures.

#### **Requirements**

- ~~Each LMM shall identify in advance to the Exchange the EFIDs through which the LMM will provide Orders to satisfy the market performance benchmarks under the Program.~~
- Each LMM is required to utilize Exchange match trade prevention functionality under Rule 406B with respect to trading in Weekly VX Futures.

### **Market Performance Benchmarks**

- Each LMM shall provide Orders in Weekly VX Futures in conformity with specified criteria relating to minimum two-sided quote size and maximum quote width. These criteria apply during regular and extended trading hours for Weekly VX Futures.
- The Exchange may terminate, place conditions upon or otherwise limit a TPH's appointment as an LMM under the Program if the TPH fails to satisfy the market performance benchmarks under the Program. However, failure of a TPH to satisfy the market performance benchmarks under the Program shall not be deemed a violation of Exchange rules.

### **Benefits**

- An LMM is eligible to receive specified benefits in connection with acting as an LMM under the Program.

### **Term**

- The Program and each LMM appointment under the Program will expire on December 31, 2021. The Exchange may determine to extend the term of the Program and LMM appointments under the Program, allow the Program and LMM appointments under the Program to expire, terminate the Program and all LMM appointments under the Program at any time or amend or replace the Program with a different market maker program at any time.

\* \* \* \* \*