



June 16, 2021

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-2021-014

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (“Act”), and Regulation 40.6(a) 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 extend the Lead Market Maker Program (“LMM Program”) for Mini Cboe Volatility Index (“VXM”) futures. The Amendment amends the LMM Program by extending it for one month while CFE considers potential further extension of and amendments to the LMM Program. The Amendment is set forth in a segregated confidential Appendix A to this submission. The Amendment will become effective on July 1, 2021.

Any CFE Trading Privilege Holder (“TPH”) organization may apply to the Exchange for appointment as a lead market maker (“LMM”) in the amended LMM Program. There is no limit on the number of TPHs that the Exchange may approve as LMMs for VXM futures under the amended LMM Program. TPHs are selected by the Exchange as LMMs under the amended LMM Program based on the Exchange’s judgment as to which applicants are most qualified to perform the functions of an LMM for VXM futures based on specified criteria. 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 VXM futures. The benefits under the amended LMM Program are intended to attract and retain liquidity providers in VXM futures. Exhibit 1 to this submission includes the description of the amended LMM Program which CFE will include in Policy and Procedure XI 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 VXM futures.

The amended LMM Program expires on July 31, 2021, unless the 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 VXM futures. Exchange rules include prohibitions against fraudulent, non-competitive, unfair, and abusive trading practices, and the Exchange will monitor trading in VXM futures for violative activity such as wash trading, 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 volume in VXM futures traded on CFE's centralized market and by incentivizing market participants to devote their efforts to enhancing market quality in VXM futures. Enhanced market quality benefits all participants in the VXM 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-2021-014 in any related correspondence.

Cboe Futures Exchange, LLC

[/s/ Michael Mollet](#)

By: Michael Mollet  
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**

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#### **XI. Mini Cboe Volatility Index Futures Lead Market Maker Program**

The Mini Cboe Volatility Index (“VXM”) Futures Lead Market Maker Program (“Program”) is applicable with respect to VXM futures.

Trading Privilege Holder (“TPH”) organizations may apply to the Exchange for appointment as a lead market maker (“LMM”) in the Program. There is no limit on the number of TPHs that the Exchange may approve as LMMs under the Program. Any TPH that desires to apply for LMM status in the Program should submit an application in a form and manner prescribed by the Exchange. 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 VXM futures.

##### **Requirements**

- Each LMM is required to utilize Exchange match trade prevention functionality under Rule 406B with respect to trading in VXM futures.

##### **Market Performance Benchmarks**

- Each LMM shall provide Orders in VXM 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 VXM 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 specified market performance benchmarks under the Program. However, failure of a TPH to satisfy these 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 ~~June 30~~ July 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.

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