Cboe

July 10, 2018

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-2018-011

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 amend certain CFE rule provisions relating to the commencement of CFE trading system ("CFE System") queuing states at the beginning of a business day and order submissions in connection with these queuing states. The Amendment will become effective on or after July 24, 2018, on a date to be announced by the Exchange through the issuance of an Exchange notice.

CFE Rule 405A (Opening Process) describes the CFE System opening process for CFE products. As is further described in Rule 405A(a), a queuing state is a period of time designated by the Exchange that precedes the opening of trading in a contract during which the CFE System accepts orders, cancel orders, and cancel replace/modify orders in that contract. Orders accepted by the CFE System during a queuing state are not executable during the queuing state. Rule 405A(a) currently provides that the queuing state at the beginning of a business day for a contract commences at the time designated by the Exchange as the start time of the queuing period plus a randomized time period from zero to three seconds. This commencement time is also reflected in Policy and Procedure XIX (Submission Time Frames) ("P&P XIX") of the Policies and Procedures Section of the CFE Rulebook.

CFE is changing the commencement time of the queuing state at the beginning of a business day for trade at settlement ("TAS") orders. As is further described in CFE Rule 404A (Trade at Settlement Transactions), a TAS transaction is a transaction in a contract at a price equal to the daily settlement price, or a specified differential above or below the daily settlement price, for the contract on a business day. The rules governing each CFE product specify whether or not TAS transactions are permitted in the product. The CFE System treats each TAS single leg expiration and each TAS spread like a unique contract from a system perspective. CFE is amending Rule 405A(a) and P&P XIX to change the commencement time of the queuing state at the beginning of a business day for any TAS single leg contract expirations and TAS spreads in a product to be at the time designated by the Exchange as the start time of the queuing period in that product plus a randomized time period from three to six seconds. The queuing state at the beginning of a business day for non-TAS single

leg contract expirations and non-TAS spreads in a product will continue to start at the time designated by the Exchange as the commencement time of the queuing period in that product plus a randomized time period from zero to three seconds. Additionally, CFE is amending Rule 405A(a) to make clear that there is no difference in potential start time as between non-TAS contracts and TAS contracts and no randomized time period for a queuing state that is not at the beginning of a business day as is currently the case.

Rule 404A(c) currently provides that during the time period between Exchange business days for a product, the entry into the CFE System of a TAS order in that product prior to the time at which the CFE System disseminates the first pre-opening notice for TAS orders in that product is prohibited. A pre-opening notice is a notice of the commencement of a queuing state. Rule 404A(c) further provides that the CFE System disseminates a pre-opening notice for each TAS contract, and the first pre-opening notice for a TAS contract in a product is the pre-opening notice that establishes the time at which TAS orders may be submitted for all TAS contacts in that product.

The Amendment supplements Rule 404A(c) to make clear that TAS contracts in a product include TAS single leg contract expirations and TAS spreads in that product and also adds the full language from Rule 404A(c) into new Rule 405A(a)(vii). Although this language is contained in Rule 404A which relates to TAS transactions, CFE believes that this language is also relevant to the CFE System opening process under Rule 405A so CFE is including the language there as well.

Finally, the Amendment also adds new Rule 405A(a)(vi) to apply the same provisions to non-TAS contracts as currently apply to TAS contracts under Rule 404A(c). Specifically, 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 for non-TAS orders in that product will be prohibited. New Rule 405A(a)(vi) also provides that this prohibition does 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 since CFE permits cancel orders to be submitted during this time frame. This exception does not apply for TAS contracts since any pending TAS orders expire at the end of a business day and cannot be carried over to the next business day.

Although the CFE System rejects orders that are entered into the CFE System while a contract is in a suspended state prior to the commencement of the queuing state in the contract at the beginning of a business day (subject to the limited exception noted above for cancel orders in non-TAS contracts) and CFE has rules which prohibit disruptive trading practices (including CFE Rule 620 (Disruptive Practices) and CFE Rule 608 (Acts Detrimental to the Exchange, Acts Inconsistent with Just and Equitable Principles of Trade; Abusive Practices)), CFE believes that the Amendment will further mitigate the potential for disruptive impact to the CFE System and the market that could occur if market participants submit orders prior to the dissemination of the applicable pre-opening notice. CFE also believes that providing for separate time frames for the commencement of the queuing state for non-TAS contracts and for TAS contracts at the beginning of a business day and setting forth when CFE Trading Privilege Holders ("TPHs") can begin to submit orders in non-TAS contracts at the beginning of a business day will provide further clarity to TPHs as to when orders may be submitted to the CFE System. Accordingly, CFE believes that the Amendment is consistent with Designated Contract Market Core Principles 2 (Compliance with Rules), 4 (Prevention of Market Disruption), 7 (Availability of Information), 9 (Execution of Transactions), and 12 (Protection of Markets and Market Participants) under Section 5 of the Act.

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
Rulebook

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404A. Trade at Settlement Transactions

(a) - (b)   No changes.

(c)   During the time period between Exchange Business Days for a product, the entry into the CFE System of a TAS Order in that product prior to the time at which the CFE System disseminates the first Pre-Opening Notice under Rule 405A(a) for TAS Orders in that product is prohibited. The CFE System disseminates a Pre-Opening Notice for each TAS Contract, and the first Pre-Opening Notice for a TAS Contract in a product is the Pre-Opening Notice that establishes the time at which TAS Orders may be submitted for all TAS Contacts in that product. TAS Contracts in a product include TAS single leg Contract expirations and TAS spreads in that product.

(d) - (g)   No changes.

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405A. Opening Process

(a)   *Queuing Period.*

(i)   The Exchange shall designate a period of time that precedes the opening of trading in a Contract during which the CFE System is in a queuing state. During the queuing state, the CFE System accepts Orders, Cancel Orders and Cancel Replace/Modify Orders in that Contract, subject to the limitations set forth in paragraph (h) below.

(ii)   The queuing state at the beginning of a Business Day for [a Contract] non-TAS single leg Contract expirations and non-TAS spreads in a product commences at the time designated by the Exchange as the start time of the queuing period in that product plus a randomized time period from zero to three seconds. If TAS transactions are permitted in a product, the queuing state at the beginning of a Business Day for TAS single leg Contract expirations and TAS spreads in that product commences at the time designated by the Exchange as the start time of the queuing period in that product plus a randomized time period from three seconds to six seconds. A queuing state that is not at the beginning of a Business Day for a

Contract commences at the time designated by the Exchange as the start time of the queuing period. There is no difference in potential start time as between non-TAS Contracts and TAS Contracts and no randomized time period for a queuing state that is not at the beginning of a Business Day.

(iii) At the commencement of [the] a queuing state for [a product:] non-TAS single leg Contract expirations and non-TAS spreads in a product and at the commencement of a queuing state for any TAS single leg Contract expirations and TAS spreads in a product, the following sequence of events occurs with respect to the applicable group of instruments:

(A) The CFE System moves each single leg Contract expiration [for a product] into a queuing state in sequence by nearest to farthest expiration. Each of these single leg Contract expirations moves into a queuing state in the foregoing sequence one after the next and not at fixed time intervals. This sequence is referred to as the "Single Leg Processing Sequence".

(B) The CFE System next moves each spread [for a product] into a queuing state based on the following criteria in order of priority, assuming spread legs are arranged in nearest to furthest expiration left-to-right:

(1) lowest number of legs (e.g., 1:1 before 1:1:1);

(2) lowest total ratio sum (e.g., 1:1:1 before 1:2:1);

(3) lowest left-to-right cumulative ratio sum, stopping at the first ratio component from left-to-right when the cumulative sums differ between spreads (e.g., 1:2 before 2:1);

(4) alphabetical order, assigning each buy leg "B" and each sell leg "S" (e.g., BBBB before BSBS before BSSB); and

(5) earliest left-to-right leg expiration, stopping at the first leg component from left-to-right when the expirations differ between legs (e.g., DEC-MAR-JUN before DEC-MAR-SEP).

Each of these spreads moves into a queuing state in the foregoing sequence one after the next and not at fixed time intervals. This sequence is referred to as the "Spread Processing Sequence".

(C) Once all single leg Contract expirations and all spreads [for a product] have moved into a queuing state:

(1) the CFE System disseminates, in the Single Leg Processing Sequence, a notice of the commencement of the queuing state ("Pre-Opening Notice") for each single leg Contract expiration; and

(2) the CFE System next disseminates, in the Spread Processing Sequence, a Pre-Opening Notice for each spread.

        (iv)   Orders accepted by the CFE System during a queuing state are not executable during a queuing state.

        (v)   A queuing period is utilized when a Contract moves from a suspended state to an open state for trading. At the determination of the senior person in charge of the Trade Desk, a queuing period may or may not be utilized when a Contract moves from a halt state to an open state for trading.

        (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.

        (vii)   As is set forth in Rule 404A(c): During the time period between Exchange Business Days for a product, the entry into the CFE System of a 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 TAS Orders in that product is prohibited. The CFE System disseminates a Pre-Opening Notice for each TAS Contract, and the first Pre-Opening Notice for a TAS Contract in a product is the Pre-Opening Notice that establishes the time at which TAS Orders may be submitted for all TAS Contacts in that product. TAS Contracts in a product include TAS single leg Contract expirations and TAS spreads in that product.

        (b) - (l)   No changes.

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Cboe Futures Exchange, LLC
Policies and Procedures Section of Rulebook

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XIX.   **Submission Time Frames (Rule 402(c))**

All times referenced in this Policy and Procedure are Chicago time.

A.   **Cboe Volatility Index ("VX") and Cboe Bitcoin (USD) ("XBT") Futures Submission Time Frames**

The time frames during which Trading Privilege Holders may submit Orders (including Cancel Orders and Cancel Replace/Modify Orders) to the CFE System for VX and XBT futures are set forth in the chart below.

Time Frame	Period Type	What May be Submitted to CFE System
4:00 p.m.* to 5:00 p.m. (Sunday)	Queuing Period	Orders (except Market Orders, Immediate or Cancel Orders and Fill or Kill Orders)**
5:00 p.m. (previous day) to 8:30 a.m. (Monday – Friday)	Extended Trading Hours	Orders (except Market Orders) Orders (except Market Orders) until 8:00 a.m. in expiring VX future on its final settlement date
8:30 a.m. to 3:15 p.m. (Monday – Friday)	Regular Trading Hours	Orders (except Market Orders in XBT Futures) Orders (except Market Orders) until 2:45 p.m. in expiring XBT future on its final settlement date
3:15 p.m. to 3:30 p.m. (Monday – Friday)	Queuing Period	Orders (except Market Orders, Immediate or Cancel Orders and Fill or Kill Orders)**
3:30 p.m. to 4:00 p.m. (Monday – Friday)	Extended Trading Hours	Orders (except Market Orders)
4:00 p.m. to 4:45 p.m. (Monday – Thursday)	Suspended	Nothing (except Cancel Orders after CFE System restart)
4:45 p.m.* to 5:00 p.m. (Monday – Thursday)	Queuing Period	Orders (except Market Orders, Immediate or Cancel Orders and Fill or Kill Orders)**
4:00 p.m. (Friday) to 4:00 p.m. (Sunday)	Suspended	Nothing (except Cancel Orders after CFE System restart)

5:00 p.m. (previous day) to 3:13 p.m. (Monday – Friday) (Solely for Trade at Settlement ("TAS") transactions in VX futures)	Extended and Regular Trading Hours for all types of TAS transactions in VX futures	TAS Orders are accepted until 3:13 p.m. No TAS Orders are accepted from 3:13 p.m. to 4:45 p.m. (Monday – Thursday) No TAS Orders are accepted from 3:13 p.m. to 4:00 p.m. (Friday) TAS Orders are accepted from 4:00 p.m.*** to 5:00 p.m. during Queuing Period (Sunday) and from 4:45 p.m.*** to 5:00 p.m. during Queuing Period (Monday – Thursday)**
Whenever VX or XBT futures are in a queuing period	Queuing Period	Orders (except Market Orders, Immediate or Cancel Orders and Fill or Kill Orders)**
Whenever trading in VX or XBT futures is halted	Halted	Nothing (except Cancel Orders)
Whenever trading in VX or XBT futures is suspended	Suspended	Nothing (except Cancel Orders after CFE System restart)

*The queuing period at the beginning of a Business Day for VX and XBT [futures] non-TAS single leg Contract expirations and non-TAS spreads commences at the referenced start time for the queuing period plus a randomized time period from zero to three seconds.

**Orders permitted to be submitted to the CFE System during these times are not executable until extended or regular trading hours next commence or open trading resumes following a trading halt or suspension.

***The queuing period at the beginning of a Business Day for VX and XBT TAS single leg Contract expirations and TAS spreads commences at the referenced start time for the queuing period plus a randomized time period from three to six seconds.

B.   Submission Time Frames for All Exchange Contracts Other Than VX and XBT Futures

The queuing period for non-TAS single leg Contract expirations and non-TAS spreads in Exchange Contracts other than VX and XBT futures commences on each weekday at 6:00 a.m. plus a

randomized time period from zero to three seconds. <u>The queuing period for any TAS single leg Contract expirations and TAS spreads in Exchange Contracts other than VX and XBT futures commences on each weekday at 6:00 a.m. plus a randomized time period from three to six seconds.</u>

The CFE System accepts Orders (including Cancel Orders and Cancel Replace/Modify Orders) for Exchange Contracts other than VX and XBT futures during the queuing period (except for Market Orders, Immediate or Cancel Orders and Fill or Kill Orders). Orders permitted to be submitted to the CFE System during the queuing period are not executable until trading hours next commence.

The trading hours for Exchange Contracts other than VX and XBT futures are set forth in the rules governing the applicable Contract. The CFE System accepts Orders (including Cancel Orders and Cancel Replace/Modify Orders) for Exchange Contracts other than VX and XBT futures during the respective trading hours for these Contracts (except to the extent set forth in the rules governing the applicable Contract).

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 Replace/Modify Orders) whenever the Contract is suspended except Cancel Orders after the restart of the CFE System.

D.   Submissions Made Prior to Applicable Pre-Open Start Times

Orders (including Cancel Orders and Cancel Replace/Modify Orders) that are received prior to the applicable queuing period start time while the CFE System is in a suspended state will be rejected, with the following exceptions:

(i)   The CFE System accepts Cancel Orders while the CFE System is in a suspended state after the restart of the CFE System during the suspended state.

(ii)   Other Exchange rule provisions also address submissions prior to the start of a queuing period during the time period between Exchange Business Days for a Contract, including without limitation, <u>Rule 405A(a)(vii),</u> Rule 404A(c) and Policy and Procedure XVIII(R).

E.   Modified Trading Hours

Trading hours may be modified or shortened in connection with a holiday or period of mourning. In those instances, the time frames for submission of Orders (including Cancel Orders and Cancel Replace/Modify Orders) will be modified accordingly.

F.   Opening Process

Rule 405A contains additional provisions relating to the opening process for Exchange Contacts.

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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-2018-011 in any related correspondence.

Cboe Futures Exchange, LLC

/s/ Matthew McFarland

By: Matthew McFarland
        Managing Director