



September 23, 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-2020-028

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 change the time in relation to which daily settlement prices are calculated for standard-sized Cboe Volatility Index (“VX”) futures and Mini Cboe Volatility Index (“VXM”) futures and to make a related change to the trading hours for Trade at Settlement (“TAS”) transactions in VX and VXM futures. Exhibit 1 to this submission sets forth the rule changes included in the Amendment. The Amendment will become effective on or after October 7, 2020, on an implementation date to be announced by the Exchange through the issuance of an Exchange notice.

Background

The time in relation to which the daily settlement price of a VX futures contract is currently determined is the close of regular trading hours in VX futures. On a normal business day, VX futures have extended trading hours from 5:00 p.m. (previous day) to 8:30 a.m., regular trading hours from 8:30 a.m. to 3:15 p.m., and extended trading hours from 3:30 p.m. to 4:00 p.m. Accordingly, the time in relation to which the daily settlement price of a VX futures contract is currently determined is 3:15 p.m. 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 trading hours for TAS transactions in VX futures on a normal business day are during extended trading hours for VX futures, except from 3:30 p.m. to 4:00 p.m., and during regular trading hours for VX futures until two minutes prior to the close of regular trading hours. Accordingly, the trading hours for TAS transactions in VX futures end at 3:13 p.m. on a normal business day. For reference, TAS transactions are not permitted in an expiring VX futures contract on the business day of its final settlement date, and all trading in an expiring VX futures contract end at 8:00 a.m. on its final settlement date. All times referenced in this submission are Chicago time.

CFE Rule 1202(p) (Daily Settlement Price) provides for a three step hierarchy to determine the daily settlement price for each VX futures contract. Under the first step of the hierarchy, the daily

settlement price is generally the average of the bid and the offer from the last best two-sided market in the contract during the applicable business day prior to the close of regular trading hours which simultaneously includes both a pending bid with a non-zero value and a pending offer with a non-zero value. If there is not a two-sided market meeting this criteria, the second step of the hierarchy provides that the daily settlement price utilized for the contract is the daily settlement price of the VX futures contract with the nearest expiration date in calendar days to the expiration date of the contract for which the daily settlement price is being determined. In that event and if there are two contracts equidistant in calendar days to the contract for which the daily settlement price is being determined, the daily settlement price of the contract with the earlier expiration date is utilized. Under the third step of the hierarchy, the Exchange may in its sole discretion establish a daily settlement price for a VX futures contract that it deems to be a fair and reasonable reflection of the market under certain conditions. In particular, the Exchange may exercise this authority if it determines in its sole discretion that the daily settlement price established by the above parameters is not a fair and reasonable reflection of the market or if there is a trading halt in the contract or other unusual circumstance at the scheduled close of regular trading hours for VX futures.

CFE Rule 1702(p) (Daily Settlement Price) provides that the daily settlement price for a VXM futures contract is the daily settlement price of the VX futures contract with the same final settlement date. Additionally, the trading hours for VXM futures are the same as the trading hours for VX futures in relation to both non-TAS transactions and TAS transactions.

VX and VXM futures are futures on the Cboe Volatility Index (“VIX Index”). The VIX Index is a financial benchmark designed to be an up-to-the-minute market estimate of expected volatility of the S&P 500 Index. The S&P 500 Index is a broad-based security index composed of a basket of 500 U.S. stocks weighted by market capitalization which is a measure of overall stock market performance across a broad set of industries and companies. The component securities included in the VIX Index are options on the S&P 500 Index (“SPX options”) listed for trading on Cboe Exchange, Inc. (“Cboe Options”), a national securities exchange that is an affiliate of CFE. Cboe Options also lists for trading options on the Cboe Volatility Index (“VIX options”). The registered clearing agency for SPX and VIX options is The Options Clearing Corporation (“OCC”).

Purpose of Amendment

Cboe Options and OCC plan to change the time in relation to which the current market value of each SPX and VIX options series is determined for margin purposes. Currently, the closing prices of SPX and VIX option series are used as the current market values of those option series for margin purposes. Thus, on a normal business day, the current market values of SPX and VIX options series are determined at 3:15 p.m. at the end of trading hours for SPX and VIX options. Going forward, Cboe Options and OCC plan to determine the current market value of SPX and VIX option series for margin purposes fifteen minutes prior to the close of trading hours for SPX and VIX options. Accordingly, the current market values of SPX and VIX option series will be determined at 3:00 p.m. instead of at 3:15 p.m. on a normal business day. CFE also understands that Chicago Mercantile Exchange Inc. (“CME”) plans to make a similar change. In relation to futures based on the S&P 500 Index offered for trading on CME, CFE understands that CME plans to change the time in relation to which CME determines the daily settlement prices of those futures from 3:15 p.m. to 3:00 p.m. on a normal business day.

The purpose of the Amendment is to align the time at which the current market values of SPX and VIX options series are determined for margin purposes with the time that the daily settlement prices are determined for VX and VXM futures. Because SPX options are components of the VIX Index which underlies VX and VXM futures and because VIX options reference the same underlying index as VX and VXM futures, these products are interrelated with one another. Given the interrelationships

between the products, market participants may trade between the option products and the futures products and hedge positions in either the options products or the futures products by holding positions in one or both of the other products. Additionally, market participants may utilize futures based on the S&P 500 Index in conjunction with their trading in VX futures and VXM futures. As a result, CFE believes that it is important to continue to calculate the daily settlement prices for VX and VXM futures in relation to the same time that the current market values for SPX and VIX options are calculated for margin and net capital purposes and that daily settlement prices for S&P 500 Index futures are calculated. Otherwise, there is an increased risk of a material disconnect between these values. For example, if CFE were to continue to determine the daily settlement prices for VX and VXM futures in relation to a 3:15 p.m. reference point while the current market values of SPX and VIX options are to be determined in relation to a 3:00 p.m. reference point, there could be a significant misalignment between these values, particularly if there were to be a large price move in the equity markets between 3:00 p.m. and 3:15 p.m. CFE believes that retaining the alignment between the times at which these values are determined will be beneficial to market participants. Among other things, CFE believes that retaining this alignment will reduce the risk to market participants that hold positions across these products in light of disparities that could occur in relation to factors such as margin requirements, pay/collect obligations, synchronization of hedges, and the level of end-of-day risk if positions in these products were marked to market at different times since these factors may provide offsetting impacts across the products depending upon the applicable facts and circumstances.

Rule Changes

The Amendment consists of the following rule changes.

CFE is amending Rule 1202(p) to include a new defined term referred to as the Daily Settlement Time for VX futures. Amended Rule 1202(p) defines the Daily Settlement Time for VX futures as the point in time in relation to which the daily settlement price of a VX futures contract is calculated and states that the Daily Settlement Time for VX futures is 15 minutes prior to the close of regular trading hours in VX futures on a business day. Accordingly, amended Rule 1202(p) states that the Daily Settlement Time for VX futures will be 3:00 p.m. on a normal business day. The Amendment then replaces references in Rule 1202(p) to the close of regular trading hours on a business day with references to the Daily Settlement Time in the provisions that describe the three step hierarchy for determining the daily settlement price of a VX futures contract so that those determinations will now be made in relation to the Daily Settlement Time instead of in relation to the time of the close of regular trading hours. CFE is not amending the provision in Rule 1702(p) which states that the daily settlement price for a VXM futures contract is the daily settlement price of the VX futures contract with the same final settlement date. Because a VXM futures contract will continue to have the same daily settlement price as the corollary VX futures contract, the change to the Daily Settlement Time for VX futures is automatically reflected in the determination of the daily settlement price for a VXM future contract.

CFE is also amending CFE Rule 1202(q) (Trade at Settlement Transactions) and CFE Rule 1702(q) (Trade at Settlement Transactions) to make a corresponding adjustment to the close of trading hours for TAS transactions in VX and VXM futures based on the change to the Daily Settlement Time for VX futures. Trading hours for TAS transactions in VX futures currently end two minutes prior to the time in relation to which the daily settlement price of each VX futures contract is determined (which is currently two minutes prior to the close of regular trading hours in VX futures at the end of a business day). CFE is retaining this approach by amending Rule 1202(q) to provide that trading hours for TAS transactions in VX futures will end two minutes prior to the Daily Settlement Time for VX futures. The effect of this change will be that trading hours for TAS transactions in VX futures will end at 2:58 p.m. instead of at 3:13 p.m. on a normal business day. CFE is making the same amendments to Rule 1702(q) in relation to TAS transactions in VXM futures given the linkage between the daily settlement

price of a VXM futures contract and a corollary VX futures contract.

Finally, CFE is amending Policy and Procedure XIX (Submission Time Frames) (“P&P XIX”) of the Policies and Procedures Section of the CFE Rulebook to reflect the changes that CFE is making to the trading hours for TAS transactions in VX and VXM futures and the resulting changes to the time periods during which TAS orders will be accepted by CFE’s trading system. Because trading hours for TAS transactions in VX and VXM futures will end at 2:58 p.m. instead of 3:13 p.m. on a normal business day, the Amendment revises P&P XIX to provide that TAS orders in VX and VXM futures will be accepted by CFE’s trading system until 2:58 p.m. instead of until 3:13 p.m. on a normal business day.

DCM Core Principles

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 2 (Compliance with Rules) in that CFE will continue to monitor and enforce compliance with its rules in connection with the implementation of the Amendment, including among others, CFE rules prohibiting abusive trade practices; (ii) DCM Core Principle 3 (Contracts Not Readily Subject to Manipulation) in that the Amendment serves to retain risk management features of VX and VXM futures and their utility when they are used in conjunction with SPX and VIX options; (iii) DCM Core Principle 4 (Prevention of Market Disruption) because the Amendment contributes to the prevention of potential price distortions as between VX and VXM futures and SPX and VIX options and to the prevention of increased risks to market participants that hold positions in both the futures and options that may exist if the daily valuation time for VX and VXM futures were to be different from the daily valuation time for SPX and VIX options; (iv) DCM Core Principle 7 (Availability of General Information) because the Amendment describes in CFE’s rules the time in relation to which, as well as the manner in which, the daily settlement prices of VX and VXM futures contracts will be determined; (v) DCM Core Principle 8 (Daily Publication of Trading Information) in that daily settlement prices of VX and VXM futures contracts will continue to be provided to the Commission and made available publicly on a daily basis on CFE’s website consistent with Commission Regulation 16.01; and (vi) DCM Core Principle 12 (Protection of Markets and Market Participants) because CFE has rules that include prohibitions against market manipulation and fraudulent, non-competitive, and disruptive trading practices that apply to trading activities on CFE and related conduct, including during a closing period when a daily settlement price is being determined.

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://markets.cboe.com/us/futures/regulation/rule_filings/cfe/) concurrent with the filing of this submission with the Commission.

* * *

Contact Information

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-2020-028 in any related correspondence.

Cboe Futures Exchange, LLC

[/s/ Matthew McFarland](#)

By: Matthew McFarland
Managing Director

EXHIBIT 1

The Amendment, marked to show additions in underlined text and deletions in ~~stricken~~ text, consists of the following:

* * * * *

Cboe Futures Exchange, LLC Rules

* * * * *

1202. Contract Specifications

(a) - (o) No changes.

(p) *Daily Settlement Price.* The daily settlement price for a VX futures Contract is calculated in the following manner for each Business Day:

(i) The Daily Settlement Time for VX futures is the point in time in relation to which the daily settlement price of a VX futures Contract is calculated. The Daily Settlement Time for VX futures is 15 minutes prior to the close of regular trading hours in VX futures on a Business Day. Accordingly, on a normal Business Day, the Daily Settlement Time for VX futures is 3:00 p.m. Chicago time.

(~~ii~~) The daily settlement price for a VX futures Contract is the average of the bid and the offer from the last best two-sided market in that VX futures Contract during the applicable Business Day prior to the ~~close of regular trading hours on that Business Day~~ Daily Settlement Time which simultaneously includes both a pending bid with a non-zero value and a pending offer with a non-zero value. If a two-sided market includes either no bid or no offer, the bid or offer would be considered to have a zero value and that two-sided market would not be used for this purpose.

(~~iii~~) If there is no two-sided market in the VX futures Contract during the applicable Business Day prior to the ~~close of regular trading hours on that Business Day~~ Daily Settlement Time which simultaneously includes both a pending bid with a non-zero value and a pending offer with a non-zero value, the daily settlement price for the VX futures Contract will be the daily settlement price of the VX futures Contract with the nearest expiration date in calendar days to the expiration date of the VX futures Contract for which the daily settlement price is being determined. If there is a VX futures Contract with an earlier expiration date and a VX futures Contract with a later expiration date that each meet this criterion, the daily settlement price of the VX futures Contract with the earlier expiration date will be utilized.

(~~iv~~) The daily settlement price may go out to four decimal places and may be a price that is not at a minimum increment for the VX futures Contract.

(~~v~~) The Exchange may in its sole discretion establish a daily settlement price for a VX futures Contract that it deems to be a fair and reasonable reflection of the market if:

(A) the Exchange determines in its sole discretion that the daily

settlement price determined by the parameters set forth in paragraphs (p)(~~iii~~) - (p)(~~iii~~) above is not a fair and reasonable reflection of the market; or

(B) there is a trading halt in the VX futures Contract or other unusual circumstance at ~~the scheduled close of regular trading hours for the VX futures Contract on the applicable Business Day~~ the Daily Settlement Time.

(q) *Trade at Settlement Transactions.* Trade at Settlement (“TAS”) transactions pursuant to Rule 404A are permitted in VX futures and may be transacted on the CFE System, as spread transactions, as Block Trades (including as spread transactions) and as Exchange of Contract for Related Position transactions. The trading hours for all types of TAS transactions in VX futures are (i) during extended trading hours, except during the extended trading hours period from 3:30 p.m. Chicago time to 4:00 p.m. Chicago time on a normal Business Day; and (ii) during regular trading hours until two minutes prior to the ~~close of regular trading hours at the end of a Business Day~~ Daily Settlement Time for VX futures. Accordingly, on a normal Business Day, the trading hours for all types of TAS transactions in VX futures end at 2:58 p.m. Chicago time. TAS transactions in an expiring VX futures contract are not permitted during the Business Day of its final settlement date.

The permissible price range for all types of TAS transactions in VX futures is from 0.50 index points below the daily settlement price to 0.50 index points above the daily settlement price. The permissible minimum increment for a TAS single leg transaction and a TAS spread transaction in VX futures that is not a Block Trade or an Exchange of Contract for Related Position transaction is 0.01 index points. The permissible minimum increment for a TAS Block Trade (including as a spread transaction) and a TAS Exchange of Contract for Related Position transaction in VX futures is 0.005 index points.

(r) No changes.

* * * * *

1702. Contract Specifications

(a) - (o) No changes.

(p) *Daily Settlement Price.* The daily settlement price for a VXM futures Contract is the daily settlement price of the VX futures Contract that has the same final settlement date as the VXM futures Contract.

(q) *Trade at Settlement Transactions.* Trade at Settlement (“TAS”) transactions pursuant to Rule 404A are permitted in VXM futures and may be transacted on the CFE System, as spread transactions, as Block Trades (including as spread transactions) and as Exchange of Contract for Related Position transactions. The trading hours for all types of TAS transactions in VXM futures are (i) during extended trading hours, except during the extended trading hours period from 3:30 p.m. Chicago time to 4:00 p.m. Chicago time on a normal Business Day; and (ii) during regular trading hours until two minutes prior to the ~~close of regular trading hours at the end of a Business Day~~ Daily Settlement Time for VX futures. Accordingly, on a normal Business Day, the trading hours for all types of TAS transactions in VXM futures end at 2:58 p.m. Chicago time. TAS transactions in an expiring VXM futures contract are not permitted during the Business Day of its final settlement date.

The permissible price range for all types of TAS transactions in VXM futures is from 0.50 index points below the daily settlement price to 0.50 index points above the daily settlement price. The permissible minimum increment for a TAS single leg transaction and a TAS spread transaction in VXM futures that is not a Block Trade or an Exchange of Contract for Related Position transaction is 0.01 index points. The permissible minimum increment for a TAS Block Trade (including as a spread transaction) and a TAS Exchange of Contract for Related Position transaction in VXM futures is 0.005 index points.

(r) No changes.

* * * * *

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

* * * * *

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

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

A. Cboe Volatility Index (“VX”), Mini Cboe Volatility Index (“VXM”), Cboe Bitcoin (USD) (“XBT”) and AMERIBOR 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, VXM, XBT and AMERIBOR 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 or VXM 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 and AMERIBOR 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 <u>2:58</u> p.m. (Monday – Friday) (Solely for Trade at Settlement (“TAS”) transactions in VX and VXM futures)	Extended and Regular Trading Hours for all types of TAS transactions in VX and VXM futures	TAS Orders are accepted until 3:13 <u>2:58</u> p.m. No TAS Orders are accepted from 3:13 <u>2:58</u> p.m. to 4:45 p.m. (Monday – Thursday) No TAS Orders are accepted from 3:13 <u>2:58</u> 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, VXM, XBT or AMERIBOR 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, VXM, XBT or AMERIBOR futures is halted	Halted	Nothing (except Cancel Orders)
Whenever trading in VX, VXM, XBT or AMERIBOR futures is suspended	Suspended	Nothing (except Cancel Orders after CFE System restart)

*The queuing period at the beginning of a Business Day for VX, VXM, XBT and AMERIBOR 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 any VX, VXM, XBT and AMERIBOR 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.

Sections B. - F. of Policy and Procedure XIX No changes.

* * * * *