



October 9, 2014

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-2014-23

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 adopt new CFE Policy and Procedure XI to set forth the CBOE/CBOT 10-Year U.S. Treasury Note Volatility Index (“VXTYN”) Futures Lead Market Maker Program (“Program”). The Amendment will become effective on or after November 13, 2014 on the date that trading in VXTYN futures commences on the Exchange. The Program expires on December 31, 2016, unless the Program is extended by the Exchange through a subsequent rule amendment submission to the Commission.

The Program provides for a market performance benchmark applicable to the lead market makers (“LMMs”) under the Program and is intended to attract and retain dedicated LMM liquidity providers for VXTYN futures by establishing a VXTYN futures transaction fee waiver and a trade participation right benefit for those LMMs. The trade participation right is 30% and is applicable when one or more LMMs is quoting at the best bid/offer immediately prior to the execution of the relevant transaction. If multiple LMMs are quoting at the best bid/offer immediately prior to the execution of the relevant transaction, the trade participation right is allocated among those LMMs based on price- time priority. After the allocation of the LMM trade participation right, the base allocation method in VXTYN futures of price-time priority would then be applied across all remaining quotes and orders at the best price.

CFE believes that the Amendment is consistent with Core Principles 9 (Execution of Transactions) under Section 5 of the Act. The Exchange believes that the Program will have a positive impact on the price discovery process by fostering improved liquidity, market width and size, and volume in VXTYN futures traded on CFE’s centralized market and will incentivize LMMs to devote their efforts to enhancing market quality in VXTYN futures. 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://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:

\* \* \* \* \*

**XI. [Reserved] CBOE/CBOT 10-Year U.S. Treasury Note Volatility Index Futures Lead Market Maker Program**

Trading Privilege Holder (“TPH”) organizations may apply to the Exchange for appointment as a lead market maker (“LMM”) in the CBOE/CBOT 10-Year U.S. Treasury Note Volatility Index (“VXTYN”) Futures Lead Market Maker Program (“Program”).

The Exchange may approve one or more TPHs as lead market makers 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 CFE Rule 515(b), as applied to LMM applicants instead of with respect to DPM applicants.

The following describes the qualifications, market performance benchmark, 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 systemically provide quotations.

**Market Performance Benchmark**

- Throughout the trading day between 7:00 a.m. and 3:15 p.m. (Chicago time), each LMM in the Program shall provide at least 95% of the time a 2-sided quote for a minimum of 25 contracts within a maximum width of \$0.05 in all contract months.
- The above market performance benchmark shall be subject to relief in the event of a fast market in the VXTYN futures contract or the component options on 10-Year Treasury Note futures listed on the Chicago Board of Trade (“CBOT”) (ticker: OZN options) or other extenuating circumstances or unusual market conditions to be determined solely by the Exchange. Under conditions as specified in the foregoing sentence, each LMM in the Program shall use commercially reasonable efforts to provide a continuous quote and to respond to requests for a quote.
- 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 benchmark under the Program shall not be deemed a violation of

Exchange rules.

**Benefits**

Transaction Fee Waiver

- Transaction fees in the VXTYN futures contract (other than the CFE Regulatory Fee) shall be waived through June 30, 2015 for each LMM under the Program.
- In order to receive the transaction fee waiver, each LMM must identify to the Exchange in advance the specific login(s) that the LMM will use in connection with VXTYN futures trading.

LMM Trade Participation Right

- LMMs under the Program shall be afforded the following trade participation priority over orders and quotes placed by others in each VXTYN futures contract when one or more LMMs is quoting at the best bid/offer in that contract immediately prior to the execution of the relevant transaction.
- The LMM trade participation right will be 30%.
- If there is more than one LMM quoting at the best bid/offer, the 30% trade participation right will be allocated among those LMMs by price-time priority in the following manner:
  - If the size of the quote of the LMM that was first in time at the best/bid offer (among the LMMs quoting at the best bid/offer) is greater than or equal to the quantity attributable to the 30% trade participation right for the transaction, the entire 30% trade participation right will be allocated to that LMM for the transaction.
  - If the size of the quote of the LMM that was first in time at the best bid/offer (among the LMMs quoting at the best bid/offer) is less than the quantity attributable to the 30% trade participation right for the transaction, the remaining quantity attributable to the 30% participation right will next be allocated to the LMM that was second in time at the best bid/offer (among the LMMs quoting at the best bid/offer). This process of allocating the remaining trade participation right to the LMMs quoting at the best bid/offer in time order will continue until the quantity attributable to the 30% participation right is fully allocated or the quantity of each LMM's quote at the best bid/offer is exhausted.
  - An LMM may not be allocated a total quantity through the trade participation right that is greater than the quantity that the LMM is quoting at the best/bid offer.
- The base allocation method of price-time priority in VXTYN futures and the LMM trade participation right priority in VXTYN futures shall interact in the following manner:
  - LMMs will receive any allocation resulting from the LMM trade participation

right priority and any further allocation resulting from the subsequent application of price-time priority to an LMM's remaining quote at the best bid/offer.

- For purposes of the Program, references in the Program to quoting and quotes by an LMM shall only be deemed to include a quote from an LMM and shall not be deemed to include a proprietary order from an LMM.

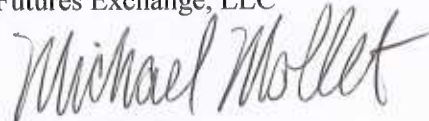
**Term**

- The Program and each LMM appointment under the Program will expire on December 31, 2016. 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 replace the Program with a different LMM program at any time.

\* \* \* \* \*

Questions regarding this submission may be directed to Arthur Reinstein at (312) 786-7570 or Jenny Golding at (312) 786-7466. Please reference our submission number CFE-2014-23 in any related correspondence.

CBOE Futures Exchange, LLC



By: Michael Mollet  
Managing Director