



November 2, 2018

Mr. Christopher 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-2018-027

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 revise the criteria for who can act as an Authorized Reporter for Exchange of Contract for Related Position (“ECRP”) transactions and Block Trades and to allow for the assessment of summary fines for violations of two comparable ECRP and Block Trade reporting provisions. The Amendment will become effective on November 19, 2018.

The first two changes provided for in the Amendment relate to who can act as an Authorized Reporter for ECRP transactions and Block Trades. CFE Rule 414 (Exchange of Contract for Related Position) governs ECRP transactions and CFE Rule 415 (Block Trades) governs Block Trades. Rule 414(i) and Rule 415(f) provide that each CFE Trading Privilege Holder (“TPH”) executing an ECRP transaction or Block Trade, as applicable, must have at least one designated individual that is either a TPH or a Related Party¹ of a TPH and that is pre-authorized by a Clearing Member to report ECRP transactions and Block Trades on behalf of the TPH. An individual designated for this purpose is referred to as an Authorized Reporter. CFE is amending Rule 414(i) and Rule 415(f) to remove the requirement that an Authorized Reporter must be a TPH or a Related Party of a TPH. CFE is also amending Rule 414(i) and Rule 415(f) to make clear that, to the extent required by applicable law, an Authorized Reporter must be registered or otherwise permitted by the appropriate regulatory body or bodies to act in the capacity of an Authorized Reporter and to conduct related activities.

CFE understands from TPHs that there are service providers that perform reporting functions that are similar to ECRP transaction and Block Trade reporting and that there are TPHs

¹ Chapter 1 of CFE’s Rulebook provides that: The term “Related Party” means, with respect to any TPH: any partner, director, officer, branch manager, employee or agent of such TPH (or any Person occupying a similar status or performing similar functions); any Person directly or indirectly Controlling, Controlled by, or under common Control with, such TPH; or any Authorized Trader of such TPH.

that would like to utilize individuals from these service providers (who are not either a TPH or a Related Party of a TPH) to act as an Authorized Reporter for ECRP transactions and Block Trades involving CFE products. CFE also understands that these TPHs would find it easier to utilize individuals from these service providers to report ECRP transactions and Block Trades, such as because these TPHs already utilize these service providers to perform similar functions in other markets. Additionally, CFE understands that some TPHs that are active market participants find the requirement that an Authorized Reporter must be a TPH or a Related Party of a TPH to be cumbersome because the practical effect of this requirement is that those TPHs are doing their own ECRP transaction and Block Trade reporting. As a result, these TPHs need to take time away from their trading activities in order to go through the administrative steps to complete the reporting process. The Amendment will allow these TPHs to outsource this reporting to service providers and to focus on providing liquidity into the market which inures to the benefit of all market participants.

Accordingly, CFE believes that the elimination of the requirement that an Authorized Reporter be a TPH or Related Party of a TPH will improve the efficiency of CFE's reporting mechanism for ECRP transactions and Block Trades and of CFE's market while still maintaining the key elements of the current ECRP transaction and Block Trade reporting provisions under Rule 414 and Rule 415. Among these elements are that an Authorized Reporter for a TPH will still need to be designated to act in that capacity by the TPH and will still need to be pre-authorized by a Clearing Member for the TPH to act in that capacity. In providing a pre-authorization for an Authorized Reporter, a Clearing Member will also still need to accept responsibility for all ECRP transactions and Block Trades reported to the Exchange by that Authorized Reporter on behalf of the applicable TPH. Additionally, Rule 414(i) and Rule 415(f) will continue to provide that both the parties to and Authorized Reporters for an ECRP transaction or Block Trade, as applicable, are obligated to comply with the requirements of Rule 414 and Rule 415, as applicable. Similarly, Rule 414(i) and Rule 415(f) will continue to provide that any of these parties or Authorized Reporters may be held responsible by the Exchange for noncompliance with those requirements.

Additionally, the Amendment makes clear that, to the extent required by applicable law, an Authorized Reporter must be registered or otherwise permitted by the appropriate regulatory body or bodies to act in the capacity of an Authorized Reporter and to conduct related activities. For example, an Authorized Reporter may be required to be registered with the CFTC through the National Futures Association as a Floor Broker in order to act as an Authorized Reporter and to conduct related activities.

In implementing the Amendment, CFE will require an Authorized Reporter that is not a TPH or Related Party of a TPH to execute the form used to designate that party as an Authorized Reporter. CFE will also require the Authorized Reporter to agree in the form to abide by CFE rules applicable to Block Trades and ECRPs, to be subject to the jurisdiction of the Exchange with respect to compliance with those provisions, and to acknowledge in the form that the Authorized Reporter must be registered or otherwise permitted by the appropriate regulatory body or bodies to act in the capacity of an Authorized Reporter and to conduct related activities if and to the extent required by applicable law.

The second two changes provided for in the Amendment revise CFE Rule 714 (Imposition of Fines for Minor Rule Violations) to include violations of Rule 414(j) and Rule 415(g) within the list of minor rule violations for which the Exchange may impose summary fines. Rule 414(j) and Rule 415(g) provide that each party to an ECRP transaction or Block Trade, as applicable, is obligated to have an Authorized Reporter notify the Exchange of the terms of the transaction after the transaction is agreed upon and that this notification must be made within a Permissible

Reporting Period by no later than the Reporting Deadline (as further defined by Rule 414 and Rule 415, as applicable). Rule 714(f)(x) already provides for a summary fine schedule for violations of two other provisions of Rule 414 with reporting requirements applicable to ECRP transactions, and the Amendment makes this summary fine schedule also applicable to violations of Rule 414(j). Similarly, Rule 714(f)(xiv) already provides for a summary fine schedule for violations of two other provisions of Rule 415 with reporting requirements applicable to Block Trades, and the Amendment makes this summary fine schedule also applicable to violations of Rule 415(g).

CFE believes that the Amendment is consistent with Designated Contract Market Core Principles 2 (Compliance with Rules), 9 (Execution of Transactions), and 13 (Disciplinary Procedures) under Section 5 the Act. CFE believes that the Amendment improves the efficiency and functioning of the reporting mechanism for ECRP transactions and Block Trades and thus CFE's market by providing TPHs with greater flexibility as to who can act as an Authorized Reporter for these transactions. Also, CFE believes that the application of summary fine schedules for violations of Rule 414(j) and Rule 415(g) provides motivation and incentive for TPHs and Authorized Reporters to comply with the ECRP transaction and Block Trade reporting requirements under those provisions in order to avoid summary fines and provides an effective and efficient means of disciplining for reporting infractions that do not warrant a regular disciplinary proceeding.

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
Rules**

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414. Exchange of Contract for Related Position

- (a) – (d) No change.
- (e) The timing of an Exchange of Contract for Related Position transaction must satisfy all of the following three requirements:
 - (i) The agreement to an Exchange of Contract for Related Position transaction may only occur during the Trading Hours, or a queuing period not in connection with a trading halt, for the Contract that comprises the Contract leg of the transaction, when that Contract is not halted or suspended (“Permissible Agreement Period”). For purposes of this Rule 414:
 - (A) Trading Hours or a queuing period for a TAS Exchange of

Contract for Related Position transaction that is permitted by the rules governing the applicable Contract shall be deemed to include the time periods during which TAS transactions may be executed or TAS Orders may be entered in that Contract (and not any other time periods).

(B) Agreement to an Exchange of Contract for Related Position transaction includes, without limitation, agreement to the quantity and actual price or premium of the Contract leg of the transaction (except in the case of a TAS Exchange of Contract for Related Position transaction that is permitted by the rules governing the applicable Contract, in which case agreement to the transaction includes, without limitation, agreement upon the quantity of the Contract leg of the transaction and whether the price or premium of the Contract leg of the transaction will be the daily settlement price or an agreed upon differential above or below the daily settlement price).

(ii) Unless otherwise specified in the rules governing the relevant Contract, an Exchange of Contract for Related Position transaction must be fully reported to the Exchange without delay and by no later than thirty minutes after the transaction is agreed upon (“Reporting Deadline”). The Reporting Deadline is measured from the time the transaction is agreed upon to the time that the full report of the transaction is received by the CFE System matching engine.

(iii) An Exchange of Contract for Related Position transaction must be fully reported to the Exchange during the Trading Hours, or a queuing period, for the Contract that comprises the Contract leg of the transaction, when that Contract is not suspended (“Permissible Reporting Period”).

Accordingly, in order to satisfy the requirements of this paragraph (e), the time periods in which an Exchange of Contract for Related Position transaction may occur are limited to those time periods in which:

- (i) the transaction is agreed to within a Permissible Agreement Period; and
- (ii) the transaction is able to be fully reported to the Exchange within a Permissible Reporting Period by no later than the Reporting Deadline.

Exchange of Contract for Related Position transactions in an expiring Contract on the last trading day for that Contract may not be agreed to or reported to the Exchange after the termination of Trading Hours in the expiring Contract on that trading day.

As an example of the application of the thirty minute Reporting Deadline and the Permissible Reporting Period: An Exchange of Contract for Related Position transaction involving a VX future (other than an expiring VX future on its last trading day) that is agreed upon after 3:30 p.m. and before 4:00 p.m. Monday – Friday (during the extended trading hours for VX futures that end at 4:00 p.m.) must be fully reported to the Exchange by 4:00 p.m. of the calendar day of the transaction, even though this provides less than thirty minutes to fully report the transaction. All times referenced in this example are Chicago time.

(f) – (h) No change.

(i) Each Trading Privilege Holder executing an Exchange of Contract for Related Position transaction must have at least one designated individual that is [either a Trading Privilege Holder or a Related Party of a Trading Privilege Holder and is] pre-authorized by a Clearing Member to report Exchange of Contract for Related Position transactions on behalf of the Trading Privilege Holder (“Authorized Reporter”). To the extent required by Applicable Law, an Authorized Reporter must be registered or otherwise permitted by the appropriate regulatory body or bodies to act in the capacity of an Authorized Reporter and to conduct related activities. Only an Authorized Reporter of a Trading Privilege Holder will be allowed to report an Exchange of Contract for Related Position transaction on behalf of that Trading Privilege Holder. A Clearing Member that authorizes an Authorized Reporter to report Exchange of Contract for Related Position transactions on behalf of a Trading Privilege Holder accepts responsibility for all such transactions reported to the Exchange by that Authorized Reporter on behalf of the Trading Privilege Holder. Any designation of an Authorized Reporter or revocation of a previous designation of an Authorized Reporter, including any termination of the guarantee provided for in the preceding sentence, must be made in a form and manner prescribed by the Exchange and shall become effective as soon as the Exchange is able to process the designation or revocation. If a Clearing Member authorizes an Authorized Reporter to report Exchange of Contract for Related Position transactions on behalf of a Trading Privilege Holder, the Clearing Member must also authorize the Authorized Reporter to report Block Trades on behalf of the Trading Privilege Holder pursuant to Rule 415. Both the parties to and Authorized Reporters for an Exchange of Contract for Related Position transaction are obligated to comply with the requirements set forth in Rule 414, and any of these parties or Authorized Reporters may be held responsible by the Exchange for noncompliance with those requirements.

(j) Each party to an Exchange of Contract for Related Position transaction is obligated to have an Authorized Reporter notify the Exchange of the terms of the transaction after the transaction is agreed upon. This notification must be made in accordance with paragraph (l) below within a Permissible Reporting Period by no later than the Reporting Deadline. All Exchange of Contract for Related Position transactions will be submitted for clearing on the Business Day during which the transaction is fully reported to the Exchange.

(k) – (q) No change.

415. Block Trades

(a) – (b) No change.

(c) The timing of a Block Trade must satisfy all of the following three requirements:

(i) The agreement to a Block Trade in a Contract may only occur during the Trading Hours, or a queuing period not in connection with a trading halt for that Contract, when that Contract is not halted or suspended (“Permissible Agreement Period”). For purposes of this Rule 415:

(A) Trading Hours or a queuing period for a TAS Block Trade that is permitted by the rules governing the applicable Contract shall be deemed to include the time periods during which TAS transactions may be executed or TAS Orders may be entered in that Contract (and not any other time periods).

(B) Agreement to a Block Trade includes, without limitation, agreement to the quantity and actual price or premium of the Block Trade (except

in the case of a TAS Block Trade that is permitted by the rules governing the applicable Contract, in which case agreement to the transaction includes, without limitation, agreement upon the quantity of the Block Trade and whether the price or premium of the Block Trade will be the daily settlement price or an agreed upon differential above or below the daily settlement price).

(ii) Unless otherwise specified in the rules governing the relevant Contract, a Block Trade must be fully reported to the Exchange without delay and by no later than ten minutes after the transaction is agreed upon (“Reporting Deadline”). The Reporting Deadline is measured from the time the transaction is agreed upon to the time that the full report of the transaction is received by the CFE System matching engine.

(iii) A Block Trade in a Contract must be fully reported to the Exchange during the Trading Hours, or a queuing period, for that Contract, when that Contract is not suspended (“Permissible Reporting Period”).

Accordingly, in order to satisfy the requirements of this paragraph (c), the time periods in which a Block Trade may occur are limited to those time periods in which:

(i) the transaction is agreed to within a Permissible Agreement Period; and

(ii) the transaction is able to be fully reported to the Exchange within a Permissible Reporting Period by no later than the Reporting Deadline.

Block Trades in an expiring Contract on the last trading day for that Contract may not be agreed to or reported to the Exchange after the termination of Trading Hours in the expiring Contract on that trading day.

As an example of the application of the ten minute Reporting Deadline and the Permissible Reporting Period: A Block Trade involving a VX future (other than an expiring VX future on its last trading day) that is agreed upon after 3:50 p.m. and before 4:00 p.m. Monday – Friday (during the extended trading hours for VX futures that end at 4:00 p.m.) must be fully reported to the Exchange by 4:00 p.m. of the calendar day of the transaction even though this provides less than ten minutes to fully report the transaction. All times referenced in this example are Chicago time.

(d) – (e) No change.

(f) Each Trading Privilege Holder executing a Block Trade must have at least one designated individual that is [either a Trading Privilege Holder or a Related Party of a Trading Privilege Holder and is] pre-authorized by a Clearing Member to report Block Trades on behalf of the Trading Privilege Holder (“Authorized Reporter”). To the extent required by Applicable Law, an Authorized Reporter must be registered or otherwise permitted by the appropriate regulatory body or bodies to act in the capacity of an Authorized Reporter and to conduct related activities. Only an Authorized Reporter of a Trading Privilege Holder will be allowed to report a Block Trade on behalf of that Trading Privilege Holder. A Clearing Member that authorizes an Authorized Reporter to report Block Trades on behalf of a Trading Privilege Holder accepts responsibility for all such transactions reported to the Exchange by that Authorized Reporter on behalf of the Trading Privilege Holder. Any designation of an Authorized Reporter or revocation of a previous designation of an Authorized Reporter, including any termination of the guarantee provided for in the preceding sentence, must be made in a form and manner prescribed by the Exchange and shall

become effective as soon as the Exchange is able to process the designation or revocation. If a Clearing Member authorizes an Authorized Reporter to report Block Trades on behalf of a Trading Privilege Holder, the Clearing Member must also authorize the Authorized Reporter to report Exchange of Contract for Related Position transactions on behalf of the Trading Privilege Holder pursuant to Rule 414. Both the parties to and Authorized Reporters for a Block Trade are obligated to comply with the requirements set forth in Rule 415, and any of these parties or Authorized Reporters may be held responsible by the Exchange for noncompliance with those requirements.

(g) Each party to a Block Trade is obligated to have an Authorized Reporter notify the Exchange of the terms of the Block Trade after the transaction is agreed upon. This notification must be made in accordance with paragraph (i) below within a Permissible Reporting Period by no later than the Reporting Deadline. All Block Trades will be submitted for clearing on the Business Day during which the transaction is fully reported to the Exchange.

(h) – (r) No change.

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714. Imposition of Fines for Minor Rule Violations

(a) – (e) No change.

(f) The following is a list of the rule violations subject to, and the applicable fines that may be imposed by the Exchange pursuant, this Rule 714:

(i) – (ix) No change.

(x) Failure to Comply with Exchange of Contract for Related Position Transaction Reporting Requirements. (Rules 414(j), 414(k) and 414(l))

<i>Number of Cumulative Violations in Any Twelve (12) Month Rolling Period</i>	<i>Fine Amount</i>
First Offense.....	Letter of Caution
Second Offense.....	\$7,500
Third Offense.....	\$15,000
Subsequent Offenses.....	Referral to Business Conduct Committee

(xi) – (xiii) No change.

(xiv) Failure to Comply with Block Trade Reporting Requirements. (Rules 415(g), 415(h) and 415(i))

<i>Number of Cumulative Violations in Any Twelve (12) Month Rolling Period</i>	<i>Fine Amount</i>
First Offense.....	Letter of Caution
Second Offense.....	\$7,500
Third Offense.....	\$15,000
Subsequent Offenses.....	Referral to Business Conduct Committee

(xv) – (xvii) No change.

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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-2018-027 in any related correspondence.

Cboe Futures Exchange, LLC

[/s/ Matthew McFarland](#)

By: Matthew McFarland
Managing Director