



November 7, 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-2018-029

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 delete Policy and Procedure XVII of the Policies and Procedures Section of the CFE Rulebook, which currently sets forth the Lead Market Maker Program for Weekly (Non-Standard) Cboe Volatility Index Futures Expirations (“Program”). The Program is being replaced by a revised fee structure for CFE Trading Privilege Holder (“TPH”) transactions in Weekly (Non-Standard) Cboe Volatility Index futures expirations (“Weekly VX Expirations”). The Amendment will become effective on or after November 23, 2018, on a date to be announced by the Exchange through the issuance of an Exchange notice.

The Program provides for market performance benchmarks relating to Weekly VX Expirations that LMMs must satisfy in order to receive specified benefits. This Program provides that the Exchange may determine to extend the term of the Program, allow the Program to expire on its expiration date which is December 31, 2018, terminate the Program at any time, or replace or modify the Program at any time. Concurrent with the termination of the Program, CFE is implementing a revised fee structure for TPH transactions in Weekly VX Expirations that is set forth in a separate rule certification to the Commission.¹ This revised fee structure is a maker-taker fee structure with a base transaction fee for TPH taker transactions that remove liquidity from the market and with no base transaction fee for TPH maker transactions that add liquidity to the market.

Accordingly, CFE is replacing the Program in its entirety with the revised fee structure for TPH transactions in Weekly VX Expirations. Specifically, the Amendment deletes the Program from the Policies and Procedures Section of the CFE Rulebook and thus terminates the Program. CFE will implement the Amendment and the termination of the Program effective upon the same date that CFE implements the revised fee structure for TPH transactions in Weekly VX Expirations. CFE believes that the revised fee structure for TPH transactions in Weekly VX Expirations will serve the same

¹ See CFE Rule Certification Submission Number CFE-2018-027 dated November 7, 2018.

purpose as the Program by further incentivizing TPHs to trade in Weekly VX Expirations and thus increase liquidity in VX Weekly Expirations to the benefit of all Exchange market participants. Additionally, the revised fee structure for TPH transactions in Weekly VX Expirations will be applicable to all TPHs and TPHs will not need to submit an application and be approved as an LMM to avail themselves of this fee structure.

CFE believes that the Amendment is consistent with Designated Contract Market Core DCM Core Principle 7 (Availability of General Information) in that the Amendment reflects the deletion of the Program by removing the description of the Program from CFE's rules.

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 ~~stricken~~ text, consists of the following:

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

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XVII. ~~RESERVED~~ ~~Lead Market Maker Program for Weekly (Non-Standard) Cboe Volatility Index Futures Expirations~~

~~Trading Privilege Holder ("TPH") organizations may apply to the Exchange for appointment as a lead market maker ("LMM") in the Lead Market Maker Program for Weekly (Non-Standard) Cboe Volatility Index Futures Expirations ("Program"). The specific Cboe Volatility Index ("VX") futures covered by this Program are those contracts that have a "VX" ticker symbol followed by a number denoting the specific week of a calendar year. For symbology purposes, the first week of a calendar year is the first week of that year with a Wednesday on which a weekly VX futures contract could expire. The final settlement value of these contracts is calculated using P.M. settled S&P 500 Index ("SPX") options traded on Cboe Options, and these contracts are referred to as "Weekly (Non-Standard) VX expirations." The Program does not apply to VX futures expirations that have a "VX" ticker symbol, for which the final settlement value is calculated using A.M. settled SPX options.~~

~~The Exchange may approve up to two TPHs as LMMs 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 Rule 515(b), as applied to LMM applicants instead of with respect to DPM applicants.~~

~~The following describes the qualifications, 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 Orders.~~

Market Performance Benchmarks

- ~~Each LMM shall identify in advance to the Exchange the EFID(s) through which the LMM will provide Orders to satisfy the market performance benchmarks under the Program. Each LMM is required to utilize Exchange match trade prevention functionality under Rule 406B with respect to trading in Weekly (Non-Standard) VX expirations.~~
- ~~Throughout each trading day during regular trading hours which are from 8:30 a.m. to 3:15 p.m. (Chicago time) in VX futures, each LMM shall provide Orders at least 85% of the time that result in 2-sided quotes with:~~
 - ~~a minimum size on each side of the market of 25 contracts in the front Weekly (Non-Standard) VX expiration; and~~
 - ~~a minimum size on each side of the market of 10 contracts in each of the other Weekly (Non-Standard) VX expirations.~~

~~The maximum width of these 2-sided quotes in all Weekly (Non-Standard) VX expirations shall be as set forth in the table below.~~

Price Range of Best Bid for Applicable Weekly (Non-Standard) VX Contract	Maximum Quote Width
0—16.00	\$0.20
16.01—24.00	\$0.40
24.01—32.00	\$0.60
32.01—40.00	\$0.80
40.01+	\$1.00

- ~~The above market performance benchmarks shall be subject to relief in the event of unusual market conditions in the VX futures or SPX options traded on Cboe Options or other extenuating circumstances to be determined solely by the Exchange. Under conditions as specified in the preceding sentence, each LMM shall use commercially reasonable efforts to provide Orders that result in a continuous two-sided quote and to provide Orders that result in a two-sided quote in response to a request from the Exchange that the LMM post a market for a Weekly (Non-Standard) VX expiration or expirations.~~
- ~~The Exchange may terminate, place conditions upon or otherwise limit a TPH's appointment as an LMM under the Program or not make payments to a TPH under the Program if the TPH fails to satisfy the market performance benchmarks under the Program. For example, the Exchange may reduce the applicable monthly incentive or revenue share payment to an LMM under the Program by the pro-rated amount attributable to any trading days during the relevant calendar month on which the LMM does not satisfy market performance benchmarks under the Program. However, failure of a TPH to satisfy the market performance~~

benchmarks under the Program shall not be deemed a violation of Exchange rules.

Benefits

Monthly Incentive Payment

- ~~Each TPH appointed as an LMM under the Program shall receive a payment from the Exchange in the amount of \$10,000 per calendar month for each calendar month during which the TPH acts as an LMM for Weekly (Non Standard) VX expirations (“Monthly Incentive Payment”). If a TPH acts as an LMM for Weekly (Non Standard) VX expirations during a portion of a calendar month, the payment to that TPH for that calendar month will be pro-rated.~~
- ~~This Monthly Incentive Payment provision of the Program shall terminate if the average daily trading volume (“ADV”) in all Weekly (Non Standard) VX expirations reaches 5,000 contracts during a calendar month. The termination of the Monthly Incentive Payment provision of the Program will occur at the end of the first calendar month in which the 5,000 ADV threshold is reached. Once the Monthly Incentive Payment provision is terminated, the Monthly Incentive Payment provision shall remain terminated, even if ADV in all Weekly (Non Standard) VX expirations subsequently falls below the 5,000 ADV threshold in a subsequent calendar month.~~
- ~~Monthly Incentive Payments to LMMs will be made following the end of the applicable calendar quarter. These payments will include any Monthly Incentive Payments accrued prior to the termination of the Monthly Incentive Payment provision of the Program, but not yet paid, if that termination has occurred during the applicable calendar quarter.~~

Revenue Share

- ~~The Revenue Share provision of the Program shall begin to apply after the calendar month in which the 5,000 ADV threshold is reached and shall not apply before the termination of the Monthly Incentive Payment provision of the Program.~~
- ~~For each calendar month during which the Revenue Share provision of the Program is applicable, the Exchange will maintain a revenue pool for any TPHs that acted as an LMM for Weekly (Non Standard) VX expirations under the Program during that month. The revenue pool will be equal to 20% of the total transaction fees (excluding regulatory fees and Day Trade fee rebates) collected by the Exchange for transactions in Weekly (Non Standard) VX expirations during that month. The revenue pool will be subject to a cap of \$200,000 per month and may not exceed the cap level for a calendar month.~~
- ~~The revenue pool will be allocated on a pro rata basis to the TPHs that acted as an LMM for Weekly (Non Standard) VX expirations during the applicable calendar month based on the contract volume of those TPHs in Weekly (Non Standard) VX expirations during that month resulting from proprietary Orders provided by those LMMs.~~
- ~~Payments from the revenue pool for a calendar month will be made to LMMs following the end of the applicable calendar quarter.~~
- ~~The Revenue Share provision of the Program shall apply for no longer than 18 months. The~~

~~Revenue Share provision of the Program will terminate at the end of the 18th calendar month in which that provision of the Program is applicable if that provision of the Program were to be applicable for 18 months during the term of the Program.~~

Term

~~The Program and each LMM appointment under the Program will expire on December 31, 2018. 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.~~

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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-2018-029 in any related correspondence.

Cboe Futures Exchange, LLC

[/s/ Matthew McFarland](#)

By: Matthew McFarland
Managing Director