



November 18, 2019

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-2019-022

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 amend CFE’s DPM Market Performance Benchmarks Program (“DPM Program”). The Amendment is set forth in a segregated confidential Appendix A to this submission. The Amendment will become effective on January 1, 2020.

CFE Rule 515 allows CFE to appoint designated primary market makers (“DPMs”) and to allocate a CFE contract to a DPM for that contract. The DPM Program includes product specific market performance benchmarks that a DPM which has been allocated a CFE contract must satisfy in order to receive specified benefits under the DPM Program. The market performance benchmarks include parameters with respect to minimum two-sided quote size and maximum quote width. Exhibit 1 to this submission includes a description of the amended DPM Program which CFE will include in Policy and Procedure X of the Policies and Procedures Section of the CFE Rulebook.

The Amendment makes the following revisions to the DPM Program:

- The DPM Program currently expires on December 31, 2019. The Amendment extends the term of the DPM Program for an additional year until December 31, 2020.
- As is currently the case under the DPM Program provisions, CFE may subsequently determine to further extend the term of the DPM Program or terminate or replace the DPM Program with a different program at any time. The Amendment makes clear that this provision also allows for CFE to amend the DPM Program at any time. Any of these actions would be done through a subsequent rule amendment submission to the Commission.
- CFE is deleting a section of the DPM Program relating general market performance benchmarks that includes provisions which are not included in the provisions of CFE’s lead market maker (“LMM”) programs. This change is intended to promote greater consistency between the DPM Program and these LMM programs.

- CFE is retaining two of the current provisions from the deleted general market performance benchmarks section of the DPM Program and moving those provisions to a new requirements section of the DPM Program since those provisions set forth two requirements applicable to DPMs. These provisions require each DPM to identify to CFE the executing firm ID(s) (“EFID(s)”) through which the DPM will provide orders to satisfy the market performance benchmarks applicable to the DPM and require each DPM to utilize Exchange match trade prevention functionality with respect to trading in the contracts allocated to the DPM.
- The DPM Program currently applies to two CFE contracts: S&P 500 Variance (“VA”) futures and Cboe Russell 2000 Volatility Index (“VU”) futures. The Amendment deletes the provisions of the DPM Program related to VU futures since CFE does not currently list any VU futures for trading.
- The Amendment makes some non-substantive clarifying changes to the provisions of the DPM Program.

CFE believes that the Amendment is consistent with Designated Contract Market Core Principles 2 (Compliance with Rules), 4 (Prevention of Market Disruption), 9 (Execution of Transactions), and 12 (Protection of Markets and Market Participants) under Section 5 of the Act. All DPM Program participants are obligated by CFE Rule 308 to comply with Exchange rules and are required under the terms of the DPM Program to utilize Exchange match trade prevention functionality under CFE Rule 406B with respect to trading in allocated contracts. The Exchange also surveils for wash trading by DPM Program participants. Exchange rules include prohibitions against fraudulent, non-competitive, unfair, and abusive trading practices, and the Exchange monitors trading in CFE contracts for violative activity such as manipulative trading and market abuse. The Exchange believes that the DPM Program has a positive impact on the price discovery process by fostering improved liquidity, market width and size, and volume in products traded on CFE’s centralized market for which there are DPMs appointed and incentivizes DPMs to devote their efforts to enhancing market quality. Enhanced market quality benefits all participants in these products. Accordingly, CFE believes that the impact of the Amendment will be beneficial to the public and market participants.

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.

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-2019-022 in any related correspondence.

Cboe Futures Exchange, LLC

/s/ Matthew McFarland

By: Matthew McFarland
Managing Director

EXHIBIT 1

(Additions are shown in underlined text and deletions are shown in ~~stricken~~ text)

Cboe Futures Exchange, LLC Policies and Procedures Section of Rulebook

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X. DPM Market Performance Benchmarks Program

Each DPM that is allocated a Contract as a DPM shall comply with the general requirements and product specific DPM market performance benchmarks set forth below ~~and shall receive the DPM participation right set forth in the rules governing the relevant Contract.~~ In addition, if product specific DPM benefits are set forth below with respect to a particular Contract and if a DPM participation right is provided for in the rules governing the relevant Contract, the DPM that is allocated that Contract shall receive ~~those~~ the applicable benefits.

The Exchange may terminate, place conditions upon or otherwise limit a Trading Privilege Holder's approval to act as a DPM or a DPM's allocation of Contracts in accordance with Rule 515 if the DPM fails to satisfy the market performance benchmarks under this Policy and Procedure. For example, the Exchange may reduce a monthly benefit to a DPM under this Policy and Procedure through a proration that takes into consideration the extent to which the DPM does not satisfy the applicable market performance benchmarks during the applicable calendar month. However, failure by a DPM to satisfy the market performance benchmarks under this Policy and Procedure shall not be deemed a violation of Exchange rules.

The DPM Market Performance Benchmarks Program ("Program") under this Policy and Procedure will expire on December 31, ~~2019~~ 2020. The Exchange may determine to extend the term of the Program, allow the Program to expire, terminate the Program at any time, or amend or replace the Program with a different program at any time.

General DPM Market Performance Benchmarks

- ~~• On each trading day between 8:30 a.m. and 3:15 p.m. ("Regular Trading Hours"), each DPM shall hold itself out as being willing to buy and sell each allocated Contract for the DPM's own account on a regular basis.~~
- ~~• Subject to regulatory obligations and requirements and best execution obligations to customers, the firm will work with the Exchange to develop a significant amount of order flow in its allocated Contracts.~~
- ~~• Each DPM shall maintain records sufficient to demonstrate compliance with the Market Performance Benchmarks set forth in this Policy and Procedure that are applicable to that DPM.~~

Requirements

- Each DPM shall identify in advance to the Exchange the EFID(s) through which the DPM

will provide Orders to satisfy the market performance benchmarks applicable to the DPM under this Policy and Procedure.

- Each DPM is required to utilize Exchange match trade prevention functionality under Rule 406B with respect to trading in allocated Contracts.

Product Specific DPM Market Performance Benchmarks

S&P 500 Variance Futures

- The DPM shall provide Orders in S&P 500 Variance futures in conformity with specified criteria relating to minimum two-sided quote size and maximum quote width.

~~Cboe Russell 2000 Volatility Index (“VU”) Futures~~

- ~~• The DPM shall provide Orders in VU futures in conformity with specified criteria relating to minimum two-sided quote size and maximum quote width.~~

Product Specific DPM Benefits

S&P 500 Variance Futures

- The DPM is eligible to receive specified benefits in connection with acting as the DPM in S&P 500 Variance futures under the Program.

~~VU Futures~~

- ~~• The DPM is eligible to receive specified benefits in connection with acting as the DPM in VU futures under the Program.~~

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