



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-2019-023

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 Rule 406B (Match Trade Prevention) as it applies to designated primary market makers (“DPMs”) and lead market makers (“LMMs”) and to delete an expiring LMM program from CFE’s rules. The deletion of the full terms of the expiring LMM Program is reflected in a segregated confidential Appendix A to this submission. The Amendment will become effective on January 1, 2020.

CFE’s DPM Market Performance Benchmarks Program and CFE’s LMM Programs allow for CFE to appoint CFE Trading Privilege Holder (“TPH”) organizations as DPMs and LMMs in specified CFE products. These Programs are each described in a Policy and Procedure for that Program in the Policies and Procedures Section of the CFE Rulebook. Additionally, each Program includes more detailed provisions which CFE submits to the Commission on a confidential basis regarding market performance benchmarks that DPMs or LMMs must satisfy in order to receive specified benefits under the Program. The terms of these Programs also provide that each DPM or LMM is required to utilize Exchange match trade prevention functionality under Rule 406B with respect to trading in the products for which that organization is approved as a DPM or LMM. The Amendment revises Rule 406B to reflect this existing requirement within Rule 406B in addition to having this requirement reflected in the terms of the individual Programs themselves as is currently the case. The Amendment is not changing the currently applicable rule requirement in this regard and is simply adding reference to it in an additional location within CFE’s rules.

CFE’s Cboe/CBOT 10-Year U.S. Treasury Note Volatility Index (“VXTY”) Futures LMM Program (“VXTY LMM Program”) is scheduled to expire on December 31, 2019. CFE is not renewing the VXTY LMM Program at this time so CFE is deleting the VXTY LMM Program from CFE’s rules upon its expiration. Exhibit 1 to this submission reflects the deletion of the description of the VXTY LMM Program that is currently included in Policy and Procedure IX of the Policies and Procedures Section of the CFE Rulebook. CFE may implement a new incentive program for VXTY futures at a later date through a subsequent rule amendment submission to the Commission.

CFE believes that the Amendment is consistent with Designated Contract Market Core Principles 2 (Compliance with Rules), 4 (Prevention of Market Disruption), 7 (Availability of General Information), 9 (Execution of Transactions), and 12 (Protection of Markets and Market Participants) under Section 5 of the Act. Requiring DPMs and LMMs to utilize Exchange match trade prevention functionality under Rule 406B contributes to the avoidance of inadvertent self-trades by DPMs and LMMs and is a further mechanism to inhibit the potential for wash trading by DPM and LMM Program participants in addition to CFE's surveillance for wash trading activity. This requirement also contributes to the integrity and price discovery process of CFE's market. Additionally, the Amendment furthers the availability of general information regarding CFE's market by including an additional reference to this requirement in CFE's rules (so that it is included both within the DPM and LMM Program terms and within the CFE rule relating to match trade prevention) and by reflecting the deletion of the VXTY LMM Program through the removal of the description of that 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.

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-2019-023 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)

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**Cboe Futures Exchange, LLC
Rulebook**

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406B. Match Trade Prevention

(a) - (e) No changes.

(f) *Use of MTP Functionality.* Although the use of Exchange MTP functionality is not mandatory other than as described in paragraph (g) below, the failure of a Trading Privilege Holder to utilize Exchange MTP functionality will be deemed an aggravating factor if the Trading Privilege Holder is found to have engaged in wash trading that otherwise would have been prevented by using Exchange MTP functionality.

(g) *DPMs and LMMs.* Each Trading Privilege Holder approved by the Exchange as a designated primary market maker or lead market maker is required to utilize Exchange MTP functionality with respect to trading in the product(s) for which that organization is approved as a designated primary market maker or lead market maker.

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

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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 (“VXTY”) 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 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 VXTY futures.~~
- ~~• Each LMM shall provide Orders in VXTY futures in conformity with specified criteria relating to minimum two-sided quote size and maximum quote width.~~
- ~~• 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. For example, the Exchange may reduce the applicable monthly revenue share payment to a TPH under the Program through a proration that takes into consideration the extent to which the TPH does not satisfy the market performance benchmarks under the Program during the applicable calendar month. However, failure of a TPH to satisfy the market performance benchmarks under the Program shall not be deemed a violation of Exchange rules.~~

Benefits

- ~~• An LMM is eligible to receive specified benefits in connection with acting as an LMM under the Program.~~

Term

- ~~• The Program and each LMM appointment under the Program will expire on December 31, 2019. 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.~~