



November 24, 2015

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-2015-033

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 under the Act, CBOE Futures Exchange, LLC (“CFE” or “Exchange”) hereby submits an amendment (“Amendment”) to delete CFE’s Volatility Index Security Futures Lead Market Maker (“LMM”) Program (“LMM Program”) and to extend the term of CFE’s DPM Market Performance Benchmarks Program (“DPM Program”). The Amendment will become effective on December 9, 2015.

First, the Amendment deletes CFE Policy and Procedure IX in its entirety, which sets forth CFE’s Volatility Index Security Futures LMM Program. CFE does not currently offer any Volatility Index Security Futures for trading. As a result, CFE is terminating the LMM Program. CFE may subsequently determine to re-adopt the LMM Program or to adopt a different lead market maker program for these products.

Second, the Amendment extends the DPM Program for an additional year so that general and product specific market performance benchmarks and product specific DPM benefits will now expire on December 31, 2016. As was the case previously, CFE may subsequently determine to further extend the DPM Program, allow the DPM Program to expire, terminate the DPM Program at any time, or replace the DPM Program with a different program at any time.

CFE believes that the Amendment is consistent with DCM Core Principles 7 (Availability of General Information) and 9 (Execution of Transactions) under Section 5 of the Act. The Amendment makes clear that the LMM Program is no longer in place and sets forth in a clear and transparent way the provisions of the DPM Program. Additionally, 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.

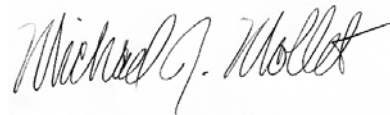
CFE believes that the impact of the Amendment will be beneficial to the public and market participants. CFE is not aware of any substantive opposing views to the Amendment.

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 is attached and is marked to show additions in double underlined text and deletions in [bracketed] text.

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-2015-033 in any related correspondence.

CBOE Futures Exchange, LLC

A handwritten signature in black ink that reads "Michael J. Mollet". The signature is written in a cursive style with a large, sweeping initial "M".

By: Michael J. Mollet  
Managing Director

## CBOE Futures Exchange, LLC Policies and Procedures

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### **Policy and Procedure IX. Reserved. [Volatility Index Security Futures Lead Market Maker Program**

Trading Privilege Holders ("TPHs") may apply to the Exchange for appointment as a lead market maker in a Volatility Index security futures contract. The specific Volatility Indexes on which the Exchange may list security futures are identified in CFE Rule 1601. This Volatility Index Lead Market Maker Program is in addition to the Security Futures Market Maker Program under CFE Policy and Procedure VII, and any lead market maker under the Volatility Index Lead Market Maker Program must also be a market maker under the Security Futures Market Maker Program.

The Exchange may approve one or more TPHs as lead market makers in the Volatility Index Lead Market Maker Program for one or more Volatility Index security futures contracts. Any TPH that desires to apply for lead market maker status in a Volatility Index security futures contract 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 a lead market maker 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 lead market maker applicants instead of with respect to DPM applicants.

The following describes the qualifications, market performance benchmarks, benefits, and appointment term under the Volatility Index Security Futures Lead Market Maker 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 8:30 a.m. and 3:00 p.m. (or 3:15 p.m., as applicable), the TPH shall provide at least 95% of the time a 2-sided quote for a minimum of 50 contracts within a maximum width of \$0.20 in all contract months in the applicable Volatility Index security futures contract.
- The above market performance benchmark shall be subject to relief in the event of a fast market in the applicable Volatility Index security futures contract or the component options of the Volatility Index traded on CBOE or other extenuating circumstances or unusual market conditions to be determined solely by the Exchange. Under conditions as specified in the foregoing sentence, the TPH 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 a lead market maker 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 benchmarks under the Program shall not be deemed a violation of Exchange rules.

**Benefits**

- Through December 31, 2015, the Exchange will maintain a revenue pool for each Volatility Index security futures contract equal to 20% of all transaction fees (excluding regulatory fees) collected by the Exchange in that contract for TPHs appointed as lead market makers under the Program in that contract. The revenue pool will be allocated quarterly to TPHs appointed as lead market makers under the Program in the applicable Volatility Index security futures contract on a pro-rata basis based on the contract volume in that contract of those TPHs during the prior quarter resulting from quotes and proprietary orders provided by those TPHs. Payment to TPHs appointed as lead market makers will be made following the end of the calendar quarter.

**Term**

- The Program and each lead market maker appointment under the Program will expire on December 31, 2015. The Exchange may determine to extend the term of the Program and lead market maker appointments under the Program, allow the Program and lead market maker appointments under the Program to expire, terminate the Program and all lead market maker appointments under the Program at any time, or replace the Program with a different lead market maker program at any time.]

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**Policy and Procedure X. DPM Market Performance Benchmarks Program**

Each DPM that is allocated a Contract as a DPM shall comply with the general 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, the DPM that is allocated that Contract shall receive those 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. 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 under this Policy and Procedure will expire on December 31, [2015] 2016. The Exchange may determine to extend the term of the Program, allow the Program to expire, terminate the Program at any time, 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.

**Product Specific DPM Market Performance Benchmarks**

**S&P 500 Variance Futures**

- Throughout the trading day during Regular Trading Hours, the DPM shall use commercially reasonable efforts to provide continuous two-way quotes in S&P 500 Variance futures contract months as set forth in the table below.

Continuous Two-Way Quote	
Months to Maturity	Maximum Quote Width
0 - 1	300 basis points
2-3	150 basis points
4-9	100 basis points
10-18	125 basis points
Months to Maturity	Maximum Quote Width
Over 18	150 basis points

- The above maximum quote width market performance benchmarks shall not apply during the expiration week of an S&P 500 Variance futures contract.
- The above market performance benchmarks shall be subject to relief in the event of a fast market in S&P 500 Variance futures or SPX options traded on CBOE or other extenuating circumstances or unusual market conditions to be determined solely by the Exchange. Under conditions as specified in the foregoing sentence, the DPM shall use commercially reasonable efforts to provide a continuous quote and to respond to requests for a quote.
- The above market performance benchmarks do not apply with respect to stub positions in the S&P 500 Variance futures contract, which are positions that when converted from variance units (number of contracts) to vega notional are equal to an amount that is less than 1 notional equivalent of 1,000 vega notional. The DPM shall respond to requests for a quote in S&P 500 Variance stub positions.

**CBOE Russell 2000 Volatility Index ("RVX") Futures**

- Throughout the trading day during Regular Trading Hours, the DPM shall provide at least 95% of the time in each RVX futures contract with 9 months or less until expiration three two-way minimum quotes with minimum quote sizes and maximum quote widths as set forth in the table below.

First Continuous Two-Way Quote	
Minimum Quote Size	Maximum Quote Width Calculated as a Percentage of Offer Price
5 x 5	2%
Second Continuous Two-Way Quote	
Minimum Quote Size	Maximum Quote Width Calculated as a Percentage of Offer Price
10 x 10	5%
Third Continuous Two-Way Quote	
Minimum Quote Size	Maximum Quote Width Calculated as a Percentage of Offer Price
20 x 20	10%

- The DPM shall provide a two-way quote during Regular Trading Hours in response to a request from the Exchange that the DPM post a market for an RVX future or futures.
- The above market performance benchmarks shall be subject to relief in the event of a fast market in RVX futures or Russell 2000 ("RUT") options traded on CBOE or other extenuating circumstances or unusual market conditions to be determined solely by the Exchange. Under conditions as specified in the foregoing sentence, the DPM shall use commercially reasonable efforts during Regular Trading Hours to provide a continuous quote and to respond to requests for a quote from the Exchange.
- The DPM may satisfy above market performance benchmarks relating to the provision of quotes through the equivalent provision of orders instead of quotes.

### **Product Specific DPM Benefits**

#### **S&P 500 Variance Futures**

- For each calendar quarter (including any partial calendar quarter) during which a Trading Privilege Holder acts as the DPM for S&P 500 Variance futures, the Exchange will maintain a DPM Revenue Pool for the DPM for that quarter.
- The percentage of transaction fees (excluding regulatory fees) collected by the Exchange for transactions in S&P 500 Variance futures that will be included in the DPM Revenue Pool for a calendar quarter will be based upon the average daily contract volume in S&P 500 Variance futures, measured in "vega notional" amounts, traded on the Exchange during that quarter, as set forth in the table below. Each percentage in the table shall be applicable with respect to that portion of the average daily contract volume that is within the applicable volume range.

Average Daily "Vega Notional" Contract Volume During Calendar Quarter	Percentage of Transaction Fees Included in DPM Revenue Pool
0 – 5,000,000	30%
5,000,001 – 10,000,000	20%
10,000,001 – 20,000,000	15%

Average Daily “Vega Notional” Contract Volume During Calendar Quarter	Percentage of Transaction Fees Included in DPM Revenue Pool
20,000,001 – 50,000,000	11.7%
50,000,001 or greater	8%

- For example, if the average daily contract volume during a calendar quarter is 15,000,000 vega notional, 30% of the transaction fees attributable to the volume between 0 vega notional and 5,000,000 vega notional would be included in the DPM Revenue Pool, 20% of the transaction fees attributable to the volume between 5,000,001 vega notional and 10,000,000 vega notional would be included in the DPM Revenue Pool, and 15% of the transaction fees attributable to the volume between 10,000,001 vega notional and 15,000,000 vega notional would be included in the DPM Revenue Pool.
- Payment to the DPM from the DPM Revenue Pool for a calendar quarter will be made following the end of the calendar quarter.

### **RVX Futures**

- Beginning January 1, 2014, for each calendar quarter (including any partial calendar quarter) during which a Trading Privilege Holder acts as the DPM for RVX futures, the Exchange will maintain a DPM Revenue Pool for the DPM for that quarter equal to 15% of all transaction fees (excluding regulatory fees) collected by the Exchange for transactions in RVX futures.
- Payment to the DPM from the DPM Revenue Pool for a calendar quarter will be made following the end of the calendar quarter.

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