



November 29, 2017

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-2017-017

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 amend CFE’s rules in connection with the implementation of a new CFE trading system.

#### Overview

Cboe Global Markets, Inc. (formerly known as CBOE Holdings, Inc.) (“Cboe Global Markets”) is the parent company of CFE. On February 28, 2017, Cboe Global Markets completed the acquisition of Bats Global Markets, Inc. (“Bats”). In connection with this acquisition, all of the exchanges owned by Cboe Global Markets, including CFE, are migrating their trading platforms to trading systems based on Bats technology.

CFE’s trading system, referred to in CFE’s rules as the “CBOE System”, is currently the Cboe Command trading system. CFE is replacing the Cboe Command trading system with a new trading system based on Bats technology. This new trading system is referred to in this rule certification filing and will be referred to in CFE’s rules as the “CFE System”. The Amendment includes CFE rule changes associated with CFE’s utilization of the CFE System.

In substance, CFE’s trading rules will remain substantially similar to CFE’s existing trading rules. The primary rule changes consist of changes that simplify certain CFE trading rules and of changes relating to certain enhanced functionality. For example, CFE’s rules are being streamlined to only allow for the submission of orders and not quotes, to no longer provide for certain trade allocation methods, and to simplify market order risk controls. Examples of rule changes relating to enhanced trading functionality include the addition of a good-‘til-date time in force condition for orders; updated opening process, spread trading, and match trade prevention provisions; automation of the reporting of block trades and Exchange of Contract for Related Position (“ECRP”) transactions; additional risk controls; and automated price limits during extended trading hours. These rule changes and other rule changes included in the Amendment are further described below. The rule changes include changes both to the

CFE Rulebook and to the Policies and Procedures (“P&P”) annex to CFE’s rules, which will now be entitled “Policies and Procedures Section of Rulebook”.

### Implementation

CFE plans to implement the CFE System for all of its products on the same business date. The effective date of the Amendment will be on that business date. The effective date of the Amendment will be on or after December 13, 2017, on a date to be announced by the Exchange through the issuance of a circular. CFE has previously announced that the planned implementation date for the CFE System is Sunday, February 25, 2018 for the business date of Monday, February 26, 2018. It remains CFE’s intention to launch the CFE System at that time. If this implementation date for the CFE System and thus the effective date of the Amendment were to change, CFE will announce that change by circular.

Although CFE will have conducted extensive internal testing as well as testing with external parties such as CFE Trading Privilege Holders (“TPHs”) prior to the implementation of the CFE System, CFE will also maintain as an additional risk mitigation measure the ability during and shortly following the CFE System implementation to switch CFE’s products from trading on the CFE System under the amended CFE rules back to trading on the Cboe Command trading system under the existing CFE rules in the unlikely event that the CFE System does not function as intended. If the trading of CFE products were to be switched from trading on the CFE System back to trading on the Cboe Command trading system, that would also be announced by CFE through the issuance of a circular. Additionally, CFE will maintain on its website prior to and shortly following the CFE System implementation for reference by TPHs and other market participants both the version of the existing CFE rules applicable for use with the Cboe Command trading system and the version of the CFE rules as amended by the Amendment for use with the CFE System.

Given the nature of converting from one trading system to another, any orders residing in the trading system cannot be transferred between trading systems. As a result, when CFE products are moved from one trading system to the other, CFE will cancel any pending orders in those products which reside in the trading system and have not been canceled by the TPHs that submitted the orders. These TPHs will then need to re-enter those orders in the other trading system if they desire to maintain them.

### Description of Rule Changes

Below is a description by rule number of the substantive rule changes included in the Amendment. If a substantive rule change is being made to multiple rules, that rule change is discussed in the description relating to one of the primary rules that is impacted by the change.

CFE Rule Chapter 1 (Definitions) – CFE is amending Chapter 1 of the CFE Rulebook to eliminate the individual rule numbers for each defined term in that Chapter and to only include the definitions of the defined terms themselves without individual rule numbers for each one. This change will avoid the need to re-number the rules in this Chapter as new defined terms are added.

CFE is adding certain defined terms to Chapter 1 which are utilized within CFE’s rules along with a cross-reference to the CFE rule number in which that term is defined. These additional terms include “Authorized Reporter”, “Credentials”, “EFID”, “Implied Spread Bid”, “Implied Spread Offer”, “Lower Limit”, “Market Data”, “Maximum Price”, “Minimum Price”, “Portal”, “Pre-Opening Notice”, “Spread Processing Sequence”, “Upper Limit”, “Volume-Based Tie Breaker”.

CFE is also adding definitions to Chapter 1, or making substantive amendments to the current definitions in Chapter 1, for the following terms:

CFE is adding the terms “BOE” and “FIX” to Chapter 1 which reference the Binary Options Entry and Financial Information Exchange protocols for interfacing with the CFE System.

CFE is amending the definition of the term “Contract” to make clear that each single leg expiration is a separate Contract under CFE rules and that each spread for a product is treated like a separate Contract from a system perspective. Additionally, if Trade at Settlement (“TAS”) transactions are permitted in a product, the Amendment makes clear that each TAS single leg expiration and TAS spread for the product is treated like a separate Contract from a system perspective.

CFE is adding the term “Port” to Chapter 1 along with a description of the types of ports that exist within the CFE System. These ports include “physical ports” which are physical connections to the CFE System; “logical ports” which provide the ability within the CFE System to accomplish a specific function, such as order entry; and “purge ports” which enable the cancelation of orders that were submitted through multiple logical ports with a single request.

The terms “Trade Desk” and “Senior Person in Charge of the Trade Desk” are replacing the terms “Help Desk” and “Senior Person in Charge of the Help Desk” under CFE rules. The Trade Desk is the office established by CFE to assist TPHs and Authorized Traders in connection with their trading on CFE, and the Senior Person in Charge of the Trade Desk means the individual in charge of the Trade Desk at the applicable time.

CFE is moving the definition of the term “Threshold Width” from current P&P I to Chapter 1 to describe how a Threshold Width is determined by the CFE System. A Threshold Width is a measurement relating to the width between the highest bid and lowest offer in a contract that applies in the context of market order risk controls and spread order processing.

CFE Rule 302 (Trading Privilege Holders) – CFE is revising Rule 302(f) to describe how EFIDs are utilized within the CFE System. An EFID is a unique identifier assigned by CFE to a TPH that is utilized by the CFE System to identify the clearing number for the execution of orders, block trades, and ECRP transactions submitted to CFE with that EFID.

CFE is also clarifying the definition of Independent Software Vendor (“ISV”) (also referred to as a Service Bureau) in Rule 302(g) to provide that an ISV is an organization that desires to provide or provides connectivity to the CFE System on behalf of one or more TPHs for trading activities of the TPH(s). Consistent with the current provisions of Rule 302(g), a TPH that accesses the CFE System through the services of an ISV is subject to all CFE rules that apply to TPHs, including without limitation, audit trail and order entry requirements with respect to orders submitted through the connectivity provided by the ISV. In addition, CFE is revising Rule 302(g) to clarify that an ISV that is also a TPH must access CFE through its own EFID(s) and logical port(s) when acting in its capacity as a TPH

CFE is also adding Rule 302(h) to provide that each TPH that receives connectivity to the CFE System through an ISV for trading activities must do so through its own EFID(s) and one or more logical ports that are not utilized by any other TPH. Rule 302(h) also provides that in order for a TPH to utilize its own EFID for an order that is submitted to the CFE System through connectivity to the CFE System provided by another Person, that other Person must be an ISV and the order must be submitted through the connectivity provided by that other Person in its capacity as an ISV.

CFE Rule 303A (Order Entry Operator IDs) – CFE is amending Rule 303A(a) to provide that an Order Entry Operator ID must be included on every cancel order and cancel replace/modify order and to provide that any order that does not contain an Order Entry Operator ID will be rejected or

canceled back to the sender by the CFE System.

CFE is also amending Rule 303A and a number of other rules to remove references to quotes. A quote is a two-sided order that includes both a bid and an offer whereas an order only includes a bid or an offer. Most TPHs submit orders instead of quotes, and CFE will no longer accept quotes with the implementation of the CFE System.

CFE Rule 308 (Consent to Exchange Jurisdiction) – Rule 308(d) contains a list of CFE rules that apply to parties that are subject to CFE jurisdiction which are not TPHs or related parties of TPHs. CFE is updating Rule 308(d) to clarify that CFE Rule 405A (Opening Process), CFE Rule 406A (Trading of Spread Orders), CFE Policy and Procedure XII (Confidentiality Policy for Information Received or Reviewed in a Regulatory Capacity), CFE Policy and Procedure XIX (Submission Time Frames), and CFE Policy and Procedure XX (New Foreign Trader Incentive Program) also apply with respect to these parties.

CFE Rule 403 (Order Entry and Maintenance of Front-End Audit Trail Information) – CFE is updating Rule 403(a) to further describe the information that CFE will require to be included with every order that is submitted to the CFE System. The revisions to Rule 403(a) reference more specifically that every order submitted to the CFE System must include the following items of information in addition to the other items of information currently listed in Rule 403(a): (i) the price or premium (if the order is not a market order); (ii) the contract identifier, or instead, the product and contract expiration for a future or the strike price, type of option (put or call), and expiration for an option on a future; (iii) the Client Order ID; (iv) the EFID; (v) the Order Entry Operator ID; (vi) the applicable Clearing Corporation origin code (C for Customer or F for Firm (i.e., clearing firm)) based on the origin codes used by The Options Clearing Corporation, CFE's clearing organization; (vii) the Customer Type Indicator Code; and (viii) a manual order indicator. CFE is also revising Rule 403(a) to make clear that any order that does not contain required information in a form and manner prescribed by the Exchange will be rejected or canceled back to the sender by the CFE System.

CFE is also replacing the reference in Rule 403(c) to the CBOE Market Interface (“CMi”) with a reference to BOE since the BOE protocol for interfacing with the CFE System will be replacing CMi. CFE is retaining the reference in Rule 403(c) to the FIX protocol since TPHs will be able to access the CFE System either through FIX or BOE.

CFE Rule 404 (Acceptable Orders) – CFE is amending Rule 404 to describe the attributes of each of CFE's order types and time in force conditions for orders as those order types and time in force conditions will function in the CFE System. The available order types in the CFE System include a market order, limit order, spread order, stop limit order, cancel order, and cancel replace/modify order. The available time in force conditions for orders in the CFE System include a day order, good-'til-canceled order, good-'til-date order, immediate or cancel order, and fill or kill order.

All of the foregoing order types and time in force conditions are available for use in CFE's current trading system except for the good-'til-date time in force condition. A good-'til-date order is an order that, unless executed, remains in the CFE System until the earlier to occur of the date and time specified in the order, the order is canceled, or the contract to which the order relates expires.

CFE Rule 404A (Trade at Settlement Transactions) – CFE is revising the restriction in Rule 404A(c) regarding the submission of TAS orders between business days for a product in which TAS orders may be submitted. CFE is amending Rule 404A(c) to provide that the first pre-opening notice for a TAS contract in a product establishes the time at which TAS orders may be submitted for all TAS contracts in that product. As described in CFE Rule 405A(a)(iii)(C), a pre-opening notice is a

notice disseminated by CFE of the commencement of a queuing state in a contract during which orders may be submitted to the CFE System prior to the commencement of trading hours for that contract.

CFE is also amending Rule 404A(e) to make clear that TAS orders are required to be day orders, immediate or cancel orders, or fill or kill orders and may not be market orders, stop limit orders, good-'til-canceled orders, or good-'til-date orders.

CFE Rule 405 (Modification and Cancellation of Orders) – CFE is revising Rule 405 to clarify that orders may be modified or canceled, unless and until the Order has been fully executed, by any means allowed by the CFE System (such as by means of a cancel replace/modify order, cancel order, CFE risk controls, or CFE match trade prevention functionality, to the extent allowed by the CFE System).

CFE Rule 405A (Opening Process) – The CFE System will utilize a different opening process to open CFE products than CFE's current opening process. CFE is re-numbering Rule 405B regarding the opening process as Rule 405A and amending the rule to describe the new opening process. The new opening process for a CFE product consists of the following steps, each of which is described in Rule 405A:

- (i) there is a queuing period prior to the opening time for the product during which the CFE System accepts orders but orders are not executable;
- (ii) the opening processing commences at the opening time for the product and occurs in the order below;
- (iii) the CFE System matches simple (single-leg) orders and determines an opening trade price for each single leg contract expiration for the product;
- (iv) the CFE System matches spread orders with other spread orders and determines an opening trade price for each spread for the product;
- (v) the CFE System disseminates for each single leg contract expiration in the product a notice of commencement of an open state for trading and all opening prints, if any;
- (vi) the CFE System disseminates for each spread in the product a notice of commencement of an open state for trading and all opening prints for the spread trades and the individual leg trades that comprise the spread trades, if any;
- (vii) the CFE System releases remaining spread orders for spreads in an open state for trading with executable quantity not executed as part of an opening trade and allows for matching between those spread orders and simple orders; and
- (viii) the CFE system processes triggered stop limit orders.

Following the completion of the opening process, the CFE System opens any spreads that remain in a queuing state because the price of the spread generated by the opening process would be below the Implied Spread Bid or above the Implied Spread Offer (which are implied values for a spread based upon the prices of the individual legs of the spread).

The CFE System does not accept market orders, immediate or cancel orders, or fill or kill orders in a contract until the contract is in an open state for trading.

The opening process is also utilized throughout trading hours for spreads that remain in or go into a queuing state because the width of the prevailing market of an individual leg of the spread exceeds the applicable Threshold Width for the relevant contract. When this condition no longer exists, the opening process is used to open and re-open these spreads. Additionally, the opening process is used whenever CFE reopens trading in a contract within the same business day (such as following a trading halt) or if there is a delayed opening of a contract.

CFE Rule 406 (Execution of Orders by CFE System) – CFE is amending Rule 406 to reflect how the execution process functions within the CFE System.

Rule 406(a) makes clear that an order that is executable upon receipt by the CFE System will execute at the best price then available in the Order book in accordance with the applicable allocation method.

Rule 406(a) includes revisions to set forth how the pro rata priority functions if that allocation method is utilized for a product.

Rule 406(b) sets forth how the trade participation right priority overlay functions in the context of both a trade participation right granted to a single Designated Primary Market Maker (“DPM”) and in the context of a trade participation right granted to multiple Lead Market Makers (“LMMs”) under a market maker program.

Rule 406 no longer allows for a public customer priority overlay or a market turner priority overlay in a product. The potential allocation methods that CFE may utilize in a product under Rule 406 now only include the base allocation methods of price-time priority or pro rata priority and the potential priority overlay of a trade participation right.

Although Rule 406 allows for the use of a pro rata priority allocation method and a trade participation right priority overlay, CFE will initially be utilizing the price-time priority allocation method without a trade participation right overlay for all of its currently listed products following the implementation of the CFE System. CFE currently uses a trade participation right overlay for one of its products (the S&P 500 Variance future) and anticipates utilizing the trade participation right overlay for certain products in the future. The contract specification rule chapter for each product sets forth which allocation method applies for that product and if there is a trade participation right overlay for that product. Accordingly, any change to the allocation method or any implementation of a trade participation right overlay would be effectuated by a rule change through a rule certification filing with the Commission.

Rule 406(c) provides that the CFE System will reject or cancel back to the sender any market order for a contract if the market order is received by the CFE System when the contract is not in an open state for trading or outside of regular trading hours for the contract.

Rule 406(d) describes how priority is impacted when orders are modified by means of a cancel replace/modify order. Rule 406(d) also describes how CFE’s trading system addresses situations in which the actual size of an existing order does not match the expected size of that existing order that is designated in a cancel replace/modify order for that existing order.

Rule 406(e) provides that a simple order may trade with one or more other simple orders upon its receipt (or in the case of a stop limit order upon being triggered); that any portion of a simple order that is not executed with one or more other simple orders upon its receipt (or in the case of a stop limit order upon being triggered) and that rests in the order book is then eligible to trade with

either simple orders or spread orders; and that a simple market order, simple immediate or cancel order, and simple fill or kill order may only execute against other simple orders and will not execute against any spread orders.

Rule 406(f) describes how each CFE product will have a designated minimum price and maximum price as a CFE System limitation. The minimum price is the minimum limit price of an order, and the maximum price is the maximum limit price of an order.

Rule 406(h) provides that the parties to a trade will each receive a trade acknowledgment. This provision already exists in Rule 408 (Market Data and Market Data Agreements) and is being moved to Rule 406 since it relates more to order execution than to market data.

CFE Rule 406A (Spread Order Processing) – CFE is replacing CFE P&P II regarding spread order processing with Rule 406A to reflect how the CFE System processes spread orders.

Rule 406A(a) describes the permissible ratios of spread orders that may be submitted to the CFE System. Spreads that are processed as block trades or ECRPs are not required to satisfy these permissible ratios. Rule 406A(a) also notes that spread orders may only include contract legs of the same CFE product; that spread orders may not be submitted as market orders, stop limit orders, or fill or kill orders; that the CFE System disseminates spread order bids and offers as net prices; and how the CFE System disseminates spread trade information. Additionally, Rule 406A(a) describes how spreads will remain in a queuing state during any time period in which the width of the prevailing market for any individual leg of the spread exceeds the applicable Threshold Width for the relevant contract.

Rule 406A(b) provides that the base allocation method and priority overlay for a contract applies to spread orders in that contract unless otherwise specified in CFE's rules. Rule 406A(b) also describes how a spread order will first seek to execute against opposite side spread orders subject to specified conditions and then seek to execute against simple orders in the individual legs of the spread subject to specified conditions. Rule 406A(b) notes that if more than one spread order is able to execute against an individual leg order, the determination of which spread order will execute against the leg order is based on priority as determined by a defined spread processing sequence as applied to the applicable spreads and in order of time priority within each of the applicable spreads. Rule 406A(b) also notes that spread orders always trade in ratio and that spread orders only trade with opposite side spread orders with the same components and ratios when trading with other spread orders. Finally, Rule 406A(b) describes how a spread order will be treated as having an adjusted limit price in specified circumstances in which the limit price of the spread order is crossed with the opposite side Implied Spread Bid or Implied Spread Offer or is crossed with an Implied Spread Bid or Implied Spread Offer calculated using a Lower Price Limit or an Upper Price Limit.

CFE Rule 406B (Match Trade Prevention) – CFE is re-numbering current Rule 406A as Rule 406B and changing the title of the Rule from “Self-Trade Prevention” to “Match Trade Prevention” to reflect how this functionality is referenced within the Bats technology.

Rule 406B describes how match trade prevention functions within the CFE System. Under Rule 406B, any order designated with a Match Trade Prevention (“MTP”) modifier is prevented from executing against a resting opposite side order also designated with an MTP modifier and originating from the same EFID, TPH identifier, or trading group identifier. The MTP modifier on the incoming order controls the interaction between two orders marked with MTP modifiers. The MTP modifiers under Rule 406B are cancel newest, cancel oldest, and cancel both. Rule 406B describes how each MTP modifier applies to prevent an execution of a simple order against a simple order, a spread order against a spread order, and a spread order against a simple order.

CFE Rule 414 (Exchange of Contract for Related Position) – CFE is making eleven substantive revisions to Rule 414 relating to ECRP transactions.

First, CFE is making clear in Rule 414(b) that the related position being exchanged in an ECRP transaction may not be a contract traded on or subject to CFE's rules.

Second, CFE is making clear in Rule 414(d) that the execution of an ECRP transaction may not be contingent upon the execution of another ECRP or related position transaction between the parties where the transactions result in the offset of the related position without the incurrence of market risk that is material in the context of the related position transactions.

Third, CFE is revising the timing requirements for ECRP transactions to provide in Rule 414(e) that ECRP transactions must satisfy all of the following three requirements: (i) the agreement to an ECRP transaction may only occur during trading hours, or a queuing period not in connection with a trading halt, for the contract that comprises the contract leg of the ECRP transaction, when that contract is not halted or suspended; (ii) an ECRP transaction must be reported to CFE without delay and by no later than thirty minutes after the transaction is agreed upon; and (iii) an ECRP transaction must be fully reported to CFE during trading hours, or a queuing period, for the contract that comprises the contract leg of the ECRP transaction, when the contract is not suspended.

Fourth, CFE is adding the arrangement time, if any, as one of the items that is required by Rule 414(g) to be recorded on an order ticket for an ECRP transaction. An arrangement time is the time at which the parties to an ECRP transaction agreed to enter into the transaction at a later time.

Fifth, CFE is amending Rule 414(i) to provide that an Authorized Reporter must be a specified individual. As a result of this change, an entity may no longer be designated as an Authorized Reporter.

Sixth, CFE is also amending Rule 414(i) to provide that Authorized Reporters may only be authorized to report both ECRP transactions and block trades for a TPH and may not be authorized to only report ECRP transactions or to only report block trades for a TPH.

Seventh, CFE is amending Rule 414(j) to only provide for ECRP transactions to be submitted for clearing on the business day during which the transaction is fully reported to CFE and to no longer allow for the ability to submit ECRP transactions for clearing on the next business day when they are reported to CFE after the close of trading on Monday through Thursday.

Eighth, CFE is revising Rule 414(k) to update the list of items of information that must be included in a notification to CFE of an ECRP transaction.

Ninth, CFE is amending Rule 414(l) to provide for a CFE System mechanism for Authorized Reporters to report ECRP transactions to CFE. This new mechanism will replace the current notification process under which CFE permits Authorized Reporters to notify CFE of ECRP transactions by e-mail, or in the case of Cboe Volatility Index ("VX") futures, either by e-mail or an automated reporting mechanism. Under the new reporting mechanism, the Authorized Reporter that is the initiator of the notification enters information regarding the ECRP transaction into the CFE System and provides a reference ID to the Authorized Reporter for the contra side of the transaction. The contra side Authorized Reporter then accepts the notification and enters contra side information for the transaction into the CFE System.

Tenth, Rule 414(n) provides that CFE may modify the timing requirements for and



permissible manner of notification to CFE for ECRP transactions in the event of unusual circumstances. For example, this provision could be invoked if the CFE System is not accepting notifications of ECRP transactions due to a system malfunction.

Eleventh, Rule 414(o) provides that the CFE System will reject the submission of an ECRP transaction if the transaction would cause a net long (short) risk control under Rule 513A(c) to be exceeded on either side of the transaction.

CFE Rule 415 (Block Trades) – CFE is making corollary changes to Rule 415 that are equivalent to the changes being made to Rule 414 as described above, except that the changes are applicable in relation to block trades instead of to ECRP transactions. Although the timing requirements for block trades and ECRP transactions are equivalent in terms of the various parameters for when block trades and ECRPs may be consummated and reported to the CFE System, block trades have a ten minute reporting deadline instead of the thirty minute reporting deadline that applies to ECRPs consistent with CFE’s current rules. There are two substantive differences to the changes being made to Rule 414 in relation to ECRPs and the changes being made to Rule 415 in relation to block trades. First, the clarification included in Rule 414(d) relating to transitory ECRP transactions is not included in Rule 415 because it is only applicable to ECRP transactions. Second, Rule 415(o) makes clear when block trades may be executed between affiliated parties, and a corollary provision to Rule 415(o) is not included in Rule 414 because this provisions is not applicable in relation to ECRP transactions.

CFE Rule 418 (Emergencies) – CFE is amending Rule 418 to delete reference to declaring a fast market since that form of declaration will no longer exist on CFE and to make clear that CFE may exercise emergency authority to temporarily change risk control settings provided for under CFE rules.

CFE Rule 513 (System Security) – CFE is making three substantive changes to Rule 513 regarding system security.

First, CFE is replacing the capacity of a Responsible Trader for a TPH in Rule 513(a) with the capacity of an administrator with respect to the use of the CFE System by a TPH. Rule 513(a) provides that a TPH must have at least one administrator. Rule 513(a) also provides that an administrator of a TPH with direct access to the CFE System shall in a form and manner permitted by CFE (i) have full control over access to the CFE System by the TPH; (ii) provision access to the CFE System by Authorized Traders of the TPH; (iii) be able to contact the Trade Desk, if necessary, to request the withdrawal of orders; and (iv) have access to an internet-based interface that CFE is making available in connection with the implementation of the CFE System that will enable TPHs to manage their orders (referred to as the “Portal”). The Portal will provide a TPH with another mechanism with which to manage the TPH’s orders in addition to a BOE or FIX interface to the CFE System and could be utilized, for example, if a TPH was unable to access the CFE System through its BOE or FIX interface. CFE may also provide notices and other communications to administrators on behalf of TPHs.

Second, CFE is amending Rule 513(c) to delete a provision which permits CFE to limit the locations of computers connected directly to the CFE System. This rule provision is no longer needed since CFE Rule 305B (Foreign Trading Privilege Holders), which was implemented after Rule 513(c), now addresses foreign TPHs and direct access to CFE from foreign jurisdictions.

Third, CFE is clarifying current Rule 513(d), which will become new Rule 513(c). Current Rule 513(d) provides that CFE may limit the number of messages sent by a TPH to CFE’s trading system in order to protect the integrity of the system. CFE is clarifying in new Rule 513(c) that this

provision also permits CFE to limit the amount of data transmitted by a TPH to the CFE System in order to protect the integrity of the system. New Rule 513(c) will maintain the requirement that any such limitation will be applied in a fair and non-discriminatory manner.

CFE Rule 513A (Risk Controls) – In connection with the implementation of the CFE System, CFE is implementing additional risk controls and revising existing risk controls. Rule 513A describes various risk control mechanisms within the CFE System.

Rule 513A(a) includes general provisions relating to the CFE System risk controls. Among these general provisions are that risk control mechanisms may be set by EFID, product, and/or logical port depending upon the applicable risk control; that risk control mechanisms made available to clearing members will enable a clearing member to set risk control parameters for TPHs in relation to orders submitted to the CFE System with EFIDs that are linked to a clearing number for that clearing member; and that a clearing member will have the ability to set risk control mechanisms made available to TPHs in relation to a clearing member's own access the CFE System.

Rule 513A(b) describes the maximum order size limits risk control. This risk control allows clearing members and TPHs to designate maximum order size limits by EFID and product. The risk control rejects or cancels back to the sender an order with a quantity that is greater than the applicable designated order size limit.

Rule 513A(c) describes the net long and net short limits risk control. This risk control allows clearing members to designate net long and net short limits by EFID and product. The risk control rejects or cancels back to the sender any order that, if it were to be accepted, would cause a net limit on the number of contracts bought (or sold) per business day to be exceeded when added to the number of contracts already counted against the limit.

Rule 513A(d) describes the limit order price reasonability checks risk control. CFE will utilize this risk control to set limit order price reasonability percentage parameters by product which will be set forth in the rules governing the applicable product. Clearing members and TPHs will also have the ability to designate limit order price reasonability percentage parameters by EFID and product. The most restrictive applicable limit order price reasonability percentage that is designated shall apply. The risk control rejects or cancels back to the sender any buy order with a limit price that is equal to or more than the applicable designated percentage above the prevailing best offer and any sell order with a limit price that is equal to or more than the applicable designated percentage below the prevailing best bid.

Rule 513A(e) describes the market order price reasonability checks risk control. CFE will utilize this risk control to set market order price reasonability percentage parameters and Threshold Widths by product, which will be set forth in the rules governing the applicable product. If a market order is partially executed at an initial price level, the risk control rejects or cancels back to the sender any remaining portion of the market order that would execute at a price that is more than the applicable designated percentage above or below that initial price level. Additionally, the risk control rejects or cancels back to the sender any portion of a market order that would execute at a price level that is outside of the applicable Threshold Width. This risk control replaces the market order processing risk controls currently set forth in P&P I, which is being deleted as part of the Amendment.

Rule 513A(f) describes the spread order price reasonability checks risk control. Under this risk control, a spread will remain in a queuing state prior to being opened for trading, or return to a queuing state after being opened for trading, during any time period in which the width of the prevailing market for any individual leg of the spread exceeds the applicable Threshold Width for the

relevant contract.

Rule 513A(g) describes the execution rate limits risk control. This risk control allows TPHs to designate limits on the number of contracts that may be executed per time interval by EFID and product. The risk control cancels resting orders, and rejects or cancels back to the sender new orders, when an execution rate limit has been exceeded.

Rule 513A(h) describes the order rate limits risk control. CFE will utilize this risk control to set limits on the number of orders that may be received per time interval through a logical port. The risk control rejects or cancels back to the sender those orders (other than cancel orders) received by the CFE System during the applicable time interval after the order rate limit is reached during that time interval.

Rule 513A(i) provides that CFE may designate maximum order size limits, execution rate limits, and/or net long and net short limits. In that event, the most restrictive applicable limit (designated either by CFE, a clearing member, or a TPH) shall apply.

Rule 513A(j) describes the kill switch risk control. This risk control allows CFE and clearing members to activate a kill switch by EFID and allows TPHs to activate a kill switch by logical port. If a kill switch is activated, the CFE System cancels all orders residing in the CFE System for the applicable EFID or submitted through the applicable logical port. CFE and TPHs also have the option to have a kill switch cause the CFE System to reject or cancel back to the sender any new orders for the applicable EFID or from the applicable logical port. A kill switch activated by a clearing member always causes the CFE System to reject or cancel back to the sender any new orders for the applicable EFID. TPHs will also have the ability to utilize a mass cancel request or a purge request to cancel all or a subset of pending orders and to cause the CFE System to reject or cancel back to the sender all or a subset of new orders. Mass cancel requests can be made by logical port whereas purge requests apply across multiple logical ports.

Rule 513A(k) describes the disconnection risk controls. These risk controls include cancel on logical port disconnect functionality (which applies when there is a disconnection from a logical port), cancel on matching engine disconnect functionality (which applies when there is a loss of connectivity between a logical port and the CFE System matching engine), and cancel on drop disconnect functionality (which applies when all of the drop ports for receipt of execution report messages associated with an order entry port become disconnected from the CFE System). As a general matter, TPHs have the ability to activate these disconnection risk controls by logical port, and when activated, the CFE System cancels either all day orders or all orders as designated by the TPH. Each of these disconnection risk controls has other specific features as well.

CFE Rule 513A(l) describes the cancel on reject risk control. TPHs have the ability to activate this risk control by logical port. This risk control cancels a resting order if the CFE System rejects or cancels back to the sender a cancel order or cancel replace/modify order relating to the resting order.

CFE Rule 514 (Market Maker Programs) – CFE is amending Rule 514 to provide that those designated as market makers under CFE market maker programs must be TPHs and to no longer allow for authorized traders of TPHs to be designated as market makers.

CFE Rule 517 (Customer Margin Requirements for Contracts that are Security Futures) – In connection with the elimination of quotes, CFE is revising the market maker requirements for security futures (i) to reference orders instead of quotes throughout Rule 517(n) and (ii) to eliminate one of the ways in which a TPH may qualify as a market maker under Rule 517(n) that is tied to responding to

requests for quotes (“RFQs”) since the CFE System does not include RFQ functionality.

CFE Rule 609 (Supervision) – CFE is amending Rule 609 to make clear that TPHs are responsible for establishing, maintaining, and administering reasonable, written supervisory procedures to ensure that their automated trading systems comply with applicable law and rules; are responsible for supervising their automated trading systems; and may be held accountable for actions of their automated trading systems. CFE believes that the current language of Rule 609 already encompasses these concepts, and CFE is amending Rule 609 to state them even more explicitly.

CFE Rule 714 (Imposition of Fines for Minor Rule Violations) – CFE is amending Rule 714(f)(ii) to make clear that this summary fine schedule is intended to apply to the failure to identify the correct Customer Type Indicator Code in an order submission.

CFE Rule 1101 (Clearing Member Guarantees and Clearing Corporation Restrictions) – CFE is amending Rule 1101 to clarify in the context of clearing guarantees and Rule 1101 how a clearing number for a clearing member inter-relates with the use of an EFID within the CFE System. CFE is also amending Rule 1101 to make clear that reference to the CBOE System in clearing guarantee forms submitted prior to the migration to the CFE System shall now be deemed to reference the CFE System.

CFE Rule 1202 (Contract Specifications) – CFE is amending Rule 1202, which sets forth contract specifications for VX futures, in nine primary respects. Some of these changes also apply to other CFE products as described below.

First, CFE is changing the trading hours for VX futures under Rule 1202(b). VX futures will continue to have five trading days per week Monday through Friday. Under the revised trading hours for VX futures, trading in VX futures commences for each trading day at 5:00 p.m.<sup>1</sup> on the previous calendar day and continues until 3:15 p.m. on the applicable trading day. Trading in VX futures then goes into a queuing period from 3:15 p.m. to 3:30 p.m. and then trading continues from 3:30 p.m. to 4:00 p.m. on the applicable trading day. All of these trading hours are part of the same trading day. The time periods from 5:00 p.m. on the previous calendar day until 8:30 a.m. on the applicable trading day and from 3:30 p.m. to 4:00 p.m. on the applicable trading day are considered extended trading hours for VX futures, and the time period from 8:30 a.m. until 3:15 p.m. on the applicable trading day is considered regular trading hours for VX futures.

Second, CFE is adjusting some of the modified trading hours for VX futures under Rule 1202(b) in connection with holidays to conform with the revised trading hours on regular trading days. CFE is also providing for modified trading hours for VX futures on Independence Day when it is on a Friday instead of having no trading in VX futures when Independence Day is on a Friday.

Third, CFE is revising Rule 1202(b), Rule 1202(e), and the corollary provisions of the contract specification rule chapters for CFE’s other products to delete the current submission cut-off times that are one second prior to the termination of any trading period for all orders, cancellations, and order modifications. With the CFE System, these cut-off times are no longer needed to allow for the processing of trades during trading hours.

Fourth, CFE is providing in Rule 1202(b) that CFE’s trading system will only accept market orders in VX futures during regular trading hours following completion of the opening process for a

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<sup>1</sup> All times referenced in this rule filing are Chicago time.

VX futures contract when the contract is in an open state for trading and will not accept market orders in VX futures during any other time period.

Fifth, CFE is amending Rule 1202(i) to replace its current provisions which provide for trading halts during extended trading hours based upon specified VX futures price movements and the triggering of price limits in the E-mini S&P 500 Index futures contract on Chicago Mercantile Exchange, Inc. (“CME”) with the application of automated price limits for VX futures during extended trading hours. Under these automated price limits, CFE’s trading system does not consummate the execution of any trade in a VX futures contract which is more than 70% above the daily settlement price for that contract for the prior business day or which is less than 30% below that daily settlement price.

As is currently the case under Rule 1202(i), the CFE Help Desk may, in its absolute and sole discretion, take any action it determines necessary to protect market integrity. This authority includes, but is not limited to, modifying or eliminating the price limit parameters at any time.

Additionally, amended Rule 1202(i) provides that CFE takes into consideration any trading halt in Cboe Volatility Index options and S&P 500 Index options traded on Cboe Exchange, Inc. (“Cboe Options”) and any trading halt or price limit activation in the E-mini S&P 500 Index futures contract traded on CME in determining whether or not to halt trading in VX futures under CFE Rule 418(a)(x) during extended trading hours. Rule 418(a)(x) is the trading halt provision under CFE’s emergency rule.

Sixth, CFE is revising the size requirements under Rule 1202(k) and the corollary provisions of the contract specification rule chapters for CFE’s other products relating to block trades executed as spread transactions that are not strips. A strip is a spread that is exclusively for the purchase or exclusively for the sale of at least two contracts. Instead of providing for a size requirement for one leg of the spread transaction and indicating that the other legs must have a contract size that is reasonably related to the size of the leg meeting the size requirement, CFE is revising Rule 1202 and the rules applicable to other CFE products to provide for a specific size requirement for each of the legs.

Seventh, CFE is revising Rule 1202(o), Rule 1202(r), and the corollary provisions of the contract specification rule chapters for CFE’s other products to provide for new Threshold Width and price reasonability parameters. These new parameters correspond to the revised Threshold Width and limit order and market order price reasonability risk controls applicable within the CFE System.

Eighth, CFE is amending Rule 1202(p) and the corollary provisions of the contract specification rule chapters for CFE’s other products to describe how the daily settlement price of CFE products is determined by the CFE System. Generally, the daily settlement price is determined by the average of the last best bid and last best offer for a contract. These rule provisions also cover how the daily settlement price is determined in various scenarios such as if either the last best bid or last best offer has a value of zero.

Ninth, CFE is amending Rule 1202(q) to provide that the trading hours for TAS transactions in VX futures do not include the extended trading hours period from 3:30 p.m. to 4:00 p.m.

CFE Rule 1602 (Contract Specifications) – CFE is making one amendment to Rule 1602, which sets forth contract specifications for Individual Stock Based and Exchange-Traded Fund Based Volatility Index security futures, in addition to changes described above. CFE is amending Rule 1602(n)(ii) to provide that the reportable trading volume that triggers the requirement to report a volume threshold account is such other reportable trading volume threshold as may be designated by

the Commission if that level is different from the level set forth in Rule 1602(n)(ii). This provision is included in the corollary rules for other CFE products.

CFE Rule 2102 (Contract Specifications) – CFE is amending Rule 2102, which sets forth the contract specifications for Cboe Russell 2000 Volatility Index (“VU”) futures, in two ways that substantially mirror amendments being made to the contract specification rules for VX futures and are in addition to changes described above.

First, CFE is amending Rule 2102(b) to provide that CFE’s trading system will only accept market orders in VU futures during regular trading hours following completion of the opening process for a VU futures contract when the contract is in an open state for trading and will not accept market orders in VU futures during any other time period.

Second, CFE is amending Rule 2102(i) to provide for an automated price limit mechanism for VU futures during extended trading hours for VU futures. This mechanism functions like the automated price limit mechanism for VX futures during extended trading hours for VX futures, except that the limit down threshold is 10%.

CFE Rule 2302 (Contract Specifications) – CFE is amending Rule 2302, which sets forth the contract specifications for S&P 500 Variance (“VA”) futures, in three ways that are in addition to changes described above.

First, CFE is amending Rule 2302(b) to provide that good-’til-canceled orders and good-’til-date orders are not permitted in S&P 500 Variance futures

Second, CFE is specifying in Rule 2302(c), Rule 2302(j), and Rule 2302(k) what the minimum increments are for the individual legs and net prices of VA spread trades and for VA block trades and ECRP transactions.

Third, CFE is making clear in Rule 2302(l) that the Trade Desk may only bust or adjust a VA futures trade due to a standard formula input error on the same calendar day or business day that the trade occurred. A standard formula input error is an error in the calculation of the number of variance units or the futures converted price for a VA futures trade. A corollary change is included in P&P III.

Fourth, CFE is amending to Rule 2302(s) to make clear that good-’til-canceled orders and good-’til-date orders are not permitted in S&P 500 Variance future stub positions.

CFE P&P III (Resolution of Error Trades) – Revised P&P III describes how the resolution of error trades works with the CFE System. In particular, CFE is amending P&P III to:

(i) update the description of the notices that will be provided to the parties to a potential error trade by the Trade Desk and the notices of busted trades that will be disseminated through CFE market data;

(ii) eliminate the concept of having the Trade Desk seek to ascertain whether or not the parties to the trade agree upon whether or not the trade should be busted;

(iii) eliminate the concepts of having the Trade Desk adjust information in time and sales records relating to error trades, having the Trade Desk bust or cancel other trades (and bids and offers resulting from those trades) which are not potential error trades under review by the Trade Desk, and having the Trade Desk seek to re-establish orders and priorities in the CFE System in the case of a busted trade;

(iv) delete reference to a potential schedule of administrative fees relating to error trade processing since CFE has not implemented fees of this kind;

(v) delete reference to busting trades after a system freeze since this scenario is not applicable in relation to the CFE System;

(vi) make clear that TPHs remain obligated to comply with CFE rules, including without limitation, Rule 616 relating to wash trades, notwithstanding the application of the provision in P&P III which authorizes the Trade Desk to bust any trade resulting from the matching of a TPH's order for the TPH's own account with another order for that TPH's own account;

(vii) revise how trade busts or adjustments apply in the context of ECRP transactions and block trades since these transactions will now all be reported through the CFE System instead of by e-mail;

(viii) delete reference to trading halt provisions during extended trading hours for VX futures since CFE is replacing those provisions with automated price limit provisions, as further described above;

(ix) make clear that the Trade Desk, in consultation with a CFE officer, is authorized to bust or adjust any trade if the Trade Desk believes that allowing the trade to stand as executed could have a material adverse effect on the integrity of the market; and

(x) allow for the Trade Desk to bust the contract leg components of a block trade or ECRP transaction that are part of a spread or strip upon the request of one of the parties to the transaction if the submission of one of the contract legs is rejected by the CFE System because it would cause a net long (short) risk control to be exceeded.

P&P V (Emergency and Physical Emergency Delegations and Procedures) – CFE is amending the delegations under P&P V which specify the CFE officials that are authorized to take emergency action under CFE rules to:

(i) provide CFE's Chief Regulatory Officer with the authority under Rule 414(n) and Rule 415(k) to temporarily modify a Permissible Agreement Period, Reporting Deadline, Permissible Reporting Period, and/or permissible manner of notification to CFE of ECRP transactions or block trades for all TPHs;

(ii) provide CFE's Chief Regulatory Officer with the authority under Rule 418(a)(iv) to impose or modify position limits or intraday market restrictions with respect to a CFE contract;

(iii) include a separate delegation for action necessary to protect market integrity under Rule 1202(i)(i), Rule 2102(i)(i)(H), and Rule 418(a)(iv), such as imposing or modifying price limits, and delegate that authority to the Senior Person in Charge of the Trade Desk;

(iv) to update the description of the emergency authority under Rule 418(a)(viii) (which is being re-numbered from Rule 418(a)(ix)) in a manner consistent with the changes to Rule 418 described above to reflect the authority to temporarily change the Threshold Width, risk control settings, or price reasonability ranges for a contract; and

(v) delete reference to trading halt provisions during extended trading hours for VX futures since CFE is replacing those provisions with automated price limit provisions, as further

described above.

P&P VI (Trading Privilege Holder Permit Program) – CFE is amending its trading permit program under P&P VI to replace current CFE trading permits with a new type of CFE trading permit. With the CFE System, each trading permit provides a TPH with TPH status and trading privileges on CFE. Each TPH with one or more trading permits at the time of migration to the CFE System is entitled to receive one new trading permit for use following the migration to the CFE System. The term of each TPH permit that is issued for use following the migration and that is outstanding at the end of 2018 shall expire on December 31, 2018. Effective at that time or at any time, CFE may extend the term of the trading permits or replace its trading permit program with a new trading permit program through a rule certification filing with the Commission.

CFE is also amending P&P VI to provide that Pool Managers and Pools under Rule 305A must have a separate EFID or EFIDs for trading on CFE involving each distinct combination of Pool Manager, Pool, and clearing number for that trading. Additionally, CFE is adding a provision to P&P III to make clear that a TPH permit does not include the issuance of a port or EFID and that TPHs must separately obtain in a form and manner prescribed by CFE any ports or EFIDs that the TPH desires to obtain.

P&P VII (Security Futures Market Maker Registration Policy and Procedures) – CFE is amending P&P VII to make corollary revisions to the changes being made to Rule 517(n), as further described above, relating to market maker requirements for security futures. CFE is also making some clarifying wording changes to P&P VII that do not change the substance of the P&P.

P&P X (DPM Market Performance Benchmarks Program) – CFE is amending its DPM Market Performance Benchmarks Program under P&P X to add three general provisions to (i) clarify that CFE may reduce a DPM revenue pool or other payment to a DPM under the program by a pro-rated amount attributable to days on which a DPM does not satisfy DPM market performance benchmarks; (ii) provide that each DPM is required to identify in advance to CFE the EFID(s) through which the DPM will provide orders to satisfy DPM market performance benchmarks applicable to the DPM; and (iii) provide that each DPM is required to utilize CFE match trade prevention functionality with respect to trading in the contracts allocated to it as a DPM.

P&P X includes the same substantive market performance benchmarks for DPMs that currently exist under P&P X. CFE is amending the language of these benchmarks so that they speak in terms of satisfaction of these benchmarks solely through the use of orders since quotes are being eliminated with the CFE System, as further described above.

P&P XI (Cboe/CBOT 10-Year U.S. Treasury Note Volatility Index Lead Market-Maker Program) – CFE is deleting P&P XI regarding the Cboe/CBOT 10-Year U.S. Treasury Note Volatility Index Lead Market-Maker Program from the Policies and Procedures section of the Rulebook since P&P XI expired by its own terms on December 31, 2016 and has not been in effect since that time.

P&P XVII (Lead Market-Maker Program for Weekly (Non-Standard) Cboe Volatility Index Futures Expirations) – CFE is amending P&P XVII so that the LMM market performance benchmarks for weekly (non-standard) VX futures expirations and other provisions under P&P XVII speak solely in terms of orders and not quotes.

P&P XVIII (Disruptive Trading Practices) – CFE is revising P&P XVIII regarding disruptive trading practices to eliminate references to quotes and RFQs; to eliminate reference to an expected opening price since that concept will not exist with the CFE System; and to eliminate a reference to



user defined spreads since TPHs will no longer be able to create their own spread types with the CFE System. CFE is also revising P&P XVIII to describe what an actionable message is within the CFE System and to provide an example of a non-actionable message within the CFE System. Finally, CFE is revising P&P XVIII to reflect the change to Rule 404A(c) described above to provide that the first pre-opening notice for a TAS contract in a product establishes the time at which TAS orders may be submitted for all TAS contracts in that product.

P&P XIX (Submission Time Frames) – CFE is revising the submission time frames for orders, including cancel orders and cancel replace/modify orders, in P&P XIX to conform with the revised trading hours that CFE is implementing for VX futures which are described above. P&P XIX sets forth which types of orders may be submitted for VX futures and other CFE products during different time periods applicable with respect to the operation of the CFE System, such as queuing periods, extended trading hours, regular trading hours, suspended states, and halt states. Additionally, as is set forth in Rule 405A, P&P XIX notes that the initial queuing period for CFE contracts for a business day begins between zero to three seconds after the referenced start time of the queuing period.

P&P XX (New Foreign Trader Incentive Program) – CFE is revising the New Foreign Trader Incentive Program provisions in P&P XX, the Policies and Procedures for other CFE incentive programs, and various CFE rule provisions to replace the references to the term “subaccount” with the term “account” since the CFE System utilizes the term “account” for what CFE currently refers to as a “subaccount”.

P&P XXI (Foreign Independent Software Vendor Incentive Program) – CFE is deleting P&P XXI regarding the Foreign Independent Software Vendor Incentive Program from the Policies and Procedures section of the Rulebook since P&P XXI expired by its own terms on February 28, 2017 and has not been in effect since that time.

#### Statutory Basis

CFE believes that the Amendment is consistent with the Designated Contract Market (“DCM”) Core Principles under Section 5 of the Act. In particular, CFE believes that the Amendment is consistent with:

(i) DCM Core Principle 2 (Compliance with Rules) because the Amendment provides for a revised trading permit program that provides access to CFE in an impartial, transparent, and non-discriminatory manner;

(ii) DCM Core Principle 4 (Prevention of Market Disruption) in that the augmented risk controls and automated price limits for VX and VU futures during extended trading hours provided for in the Amendment are intended to reduce the potential risk of price distortions and market disruptions;

(iii) DCM Core Principle 6 (Emergency Authority) in that the Amendment updates CFE’s rule provisions relating to emergency authority to conform with and encompass other rule changes included in the Amendment;

(iv) DCM Core Principle 7 (Availability of General Information) because the Amendment describes in CFE’s rules the manner of operation of CFE’s trading system with the implementation of the CFE System;

(v) DCM Core Principle 9 (Execution of Transactions) in that the CFE System rules for order execution provide for a competitive, open, and efficient market and mechanism for executing transactions

that protects the price discovery process of trading on CFE's centralized market;

(vi) DCM Core Principle 10 (Trade Information) because the Amendment addresses information that is required to be included in order submissions and block trade and ECRP submissions with the CFE System;

(vii) DCM Core Principle 11 (Financial Integrity of Transactions) because the Amendment provides for automated pre-trade risk controls that enable CFE clearing members to facilitate the management of their financial risk in relation to the trading activity of the TPHs for which they act as a clearing member; and

(viii) DCM Core Principle 20 (System Safeguards) in that, among other things, CFE will have conducted extensive internal testing as well as testing with external parties prior to the implementation of the CFE System.

### Conclusion

CFE believes that the impact of the Amendment will be beneficial to the public and market participants. CFE sought and received input from TPHs regarding the CFE System in a number of ways and took that input into consideration in the design and implementation of the CFE System. CFE is not aware of any substantive opposing views to the implementation of the CFE System or 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 amendments to CFE's rules included as part of the Amendment are set forth in Exhibit A to this rule certification and the amendments to the Policies and Procedures section of the Rulebook included as part of the Amendment are set forth in Exhibit B to this rule certification. Additions are shown in double-underlined text and deletions are shown in ~~stricken~~ text.

CFE intends to file portions of the Amendment as they may relate to security futures with the Securities and Exchange Commission pursuant to Section 19b-7 of the Securities Exchange Act of 1934.

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-2017-017 in any related correspondence.

Cboe Futures Exchange, LLC

[/s/ Andrew Lowenthal](#)

By: Andrew Lowenthal  
Senior Managing Director

## EXHIBIT A

### Changes to Cboe Futures Exchange, LLC Rulebook

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

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#### Cover Page

BY ACCESSING, OR ENTERING ANY ORDER INTO, THE ~~CBOE~~CFFE SYSTEM, AND WITHOUT ANY NEED FOR ANY FURTHER ACTION, UNDERTAKING OR AGREEMENT, A TRADING PRIVILEGE HOLDER OR AUTHORIZED TRADER AGREES (I) TO BE BOUND BY, AND COMPLY WITH, THE RULES OF THE EXCHANGE, THE RULES OF THE CLEARING CORPORATION AND APPLICABLE LAW, IN EACH CASE TO THE EXTENT APPLICABLE TO IT, AND (II) TO BECOME SUBJECT TO THE JURISDICTION OF THE EXCHANGE WITH RESPECT TO ANY AND ALL MATTERS ARISING FROM, RELATED TO, OR IN CONNECTION WITH, THE STATUS, ACTIONS OR OMISSIONS OF SUCH TRADING PRIVILEGE HOLDER OR AUTHORIZED TRADER. SEE RULE 308(A) AND THE RELATED DEFINITIONS IN THIS RULEBOOK.

ANY PERSON INITIATING OR EXECUTING A TRANSACTION ON OR SUBJECT TO THE RULES OF THE EXCHANGE DIRECTLY OR THROUGH AN INTERMEDIARY, AND ANY PERSON FOR WHOSE BENEFIT SUCH A TRANSACTION HAS BEEN INITIATED OR EXECUTED, EXPRESSLY CONSENTS TO THE JURISDICTION OF THE EXCHANGE AND AGREES TO BE BOUND BY AND COMPLY WITH THE RULES OF THE EXCHANGE IN RELATION TO SUCH TRANSACTIONS, INCLUDING, BUT NOT LIMITED TO, RULES REQUIRING COOPERATION AND PARTICIPATION IN INVESTIGATORY AND DISCIPLINARY PROCESSES. SEE RULE 308(D) FOR THE RULES OF THE EXCHANGE TO WHICH ANY PERSON SUBJECT TO THE FOREGOING SENTENCE THAT IS NOT A TRADING PRIVILEGE HOLDER OR RELATED PARTY IS BOUND AND REQUIRED TO COMPLY.

\* \* \* \* \*

#### Chapter 1 Definitions

Unless otherwise specifically provided in the Rules of the Exchange or the context otherwise requires, the terms defined in this Chapter shall for all purposes of the Rules of the Exchange have the meanings specified ~~herein~~below.

##### **101.—Affiliate**

An “Affiliate” of, or a Person “Affiliated” with, another Person is a Person who, directly or indirectly, Controls, is Controlled by, or is under common Control with, such other Person.

##### **102.—Appeals Committee**

The term “Appeals Committee” means the appeals committee constituted in accordance with, and with the authority and rights set forth or referred to, in Rule 211.

##### **103.—Applicable Law**

The term “Applicable Law” includes, but is not limited to, the CEA, Commission Regulations, margin rules adopted by the Board of Governors of the Federal Reserve System (as

amended from time to time) and, to the extent applicable, the Exchange Act and Exchange Act Regulations.

**104.—Reserved**

**Authorized Reporter**

The term “Authorized Reporter” has the meaning set forth in Rule 414(i) in relation to Exchange of Contract for Related Position transactions and has the meaning set forth in Rule 415(f) in relation to Block Trades.

**105.—Authorized Trader**

The term “Authorized Trader” means any natural person who is a Trading Privilege Holder or who is authorized by a Trading Privilege Holder to access the ~~CBOE~~CFE System on behalf of the Trading Privilege Holder.

**106.—Average Price System**

The term “Average Price System” means any system used by a Trading Privilege Holder that is a registered futures commission merchant to calculate and confirm to its Customers an average price for any Contract when multiple execution prices are received on any Order or series of Orders for such Contract.

**107.—Bankruptcy Code**

The term “Bankruptcy Code” means Title 11 of the United States Code, as amended from time to time.

**108.—BCC Panel**

The term “BCC Panel” has the meaning set forth in Rule 209.

**BOE**

The term “BOE” means the Binary Order Entry protocol for interfacing with the CFE System.

**109.—Block Trade**

The term “Block Trade” has the meaning set forth in Rule 415(a).

**110.—Board**

The term “Board” means the board of directors of the Exchange constituted in accordance with the Constitutive Documents.

**111.—Business Conduct Committee**

The term “Business Conduct Committee” means the business conduct committee of the Exchange constituted in accordance with, and with the authority and rights set forth or referred to in, Rule 209.

**112.—Business Day**

The term “Business Day” has the meaning set forth in Rule 402(a).

**113.—Cboe**

The term “Cboe Options” means the Cboe Exchange, Inc., a Delaware corporation (including its successors).

**114.—Cboe Global Markets**

The term “Cboe Global Markets ” means Cboe Global Markets, Inc., a Delaware Corporation (including its successors).

**115.—CBOECFE System**

The term “CBOECFE System” means (i) the electronic systems administered by or on behalf of the Exchange which perform the functions set out in the Rules of the Exchange, including controlling, monitoring and recording trading on the Exchange and (ii) any connectivity to the foregoing electronic systems that is administered by or on behalf of the Exchange, such as a communications hub in a foreign jurisdiction.

**116.—CBOECFE Workstation**

The term “CBOECFE Workstation” means any computer connected directly to the CBOECFE System, including by means of an Exchange ~~application programming interface~~defined protocol, for the purpose of trading Contracts.

**117.—CEA**

The term “CEA” means the Commodity Exchange Act, as amended from time to time.

**118.—Chairman of the Board**

The term “Chairman of the Board” means the individual designated as the chairman of the board of the Exchange in accordance with the Constitutive Documents from time to time.

**118A.—Chief Executive Officer**

The term “Chief Executive Officer” means the individual serving as chief executive officer of Cboe Global Markets from time to time.

**119.—Class of Options**

The term “Class of Options” means Options of the same category (*e.g.*, traditional or binary) covering the same underlying Future of commodity.

**120.—Clearing Corporation**

The term “Clearing Corporation” means The Options Clearing Corporation, a Delaware corporation (including its successors), or such other clearing organization as the

Exchange may designate in the future to provide clearing services with respect to any or all of its Contracts.

**121.—Clearing Member**

The term “Clearing Member” means a member of the Clearing Corporation that is a Trading Privilege Holder and that is authorized under the Rules of the Clearing Corporation to clear trades in any or all Contracts.

**122.—Commission**

The term “Commission” means the Commodity Futures Trading Commission, and includes any successor agency or authority.

**123.—Commission Regulation**

The term “Commission Regulation” means any rule, regulation, order, directive and any interpretation thereof adopted or amended from time to time by the Commission.

**124.—Commodity**

The term “Commodity” has the same meaning as that term is defined under the CEA.

**125.—Complainant**

The term “Complainant” has the meaning set forth in Rule 702(a).

**126.—Constitutive Documents**

The term “Constitutive Documents” means the certificate of formation and the operating agreement of the Exchange, each as amended or otherwise modified from time to time.

**127.—Contract**

The term “Contract” means any Future, Option or Security Future. Each single leg expiration is a separate Contract. Each spread for a product is treated like a separate Contract from a system perspective. If TAS transactions are permitted in a product, each TAS single leg expiration and TAS spread for the product is treated like a separate Contract from a system perspective.

**128.—Control**

The term “Control” means the power to exercise a controlling influence over the management or policies of a Person, unless such power is solely the result of an official position with such Person. Any Person who owns beneficially, directly or indirectly, more than 20% of the voting power in the election of directors of a corporation, or more than 25% of the voting power in the election of directors of any other corporation which directly or through one or more Affiliates owns beneficially more than 25% of the voting power in the election of directors of such corporation, shall be presumed to control such corporation. The terms “controlling” or “controlled” shall have meanings correlative to the foregoing.

**Credentials**

The term “Credentials” has the meaning set forth in Rule 513(b).

**129.—Customer**

The term “Customer” means any Person for whom a Trading Privilege Holder carries an account (other than such Trading Privilege Holder or any of its Affiliates) or from whom a Trading Privilege Holder solicits or accepts an Order.

**130.—Delaware LLC Act**

The term “Delaware LLC Act” means the Delaware Limited Liability Company Act, as amended from time to time.

**131.—Reserved**

**132.—Director of Enforcement**

The term “Director of Enforcement” means the individual appointed by the Exchange from time to time to serve as its director of enforcement.

**133.—DPM**

The term “DPM” means any designated primary market maker approved by the Exchange from time to time in accordance with Rule 515 and with the duties and responsibilities set forth in Rule 515 and Exchange Policy and Procedure X.

**134.—DPM Designee**

The term “DPM Designee” has the meaning set forth in Rule 515(b)(iii).

**EFID**

The term “EFID” means an Executing Firm ID that is described in Rule 302(f).

**135.—Emergency**

The term “Emergency” means any occurrence or circumstance which requires immediate action and threatens or may threaten the fair and orderly trading in, or the liquidation of or delivery pursuant to, any Contract or the integrity of the market, whether the need for intervention arises exclusively from the Exchange’s market or as part of a coordinated, cross-market intervention. An Emergency may include, without limitation, any of the following:

- (a) Any manipulative activity or disruptive trading practices or attempted manipulative activity or disruptive trading practices;
- (b) Any actual, attempted or threatened corner, squeeze, congestion or undue concentration of positions;
- (c) Any circumstance which may materially adversely affect the performance of Contracts, including any failure of the payment system;

(d) Any action taken by the federal or any foreign government, any other governmental body or any other exchange or trading facility (foreign or domestic), in each case which may have a direct adverse effect on trading on the Exchange;

(e) Any circumstance which may have a severe, adverse effect upon the physical functions of the Exchange, including fire or other casualty, bomb threats, terrorist acts, substantial inclement weather, power failures, communications breakdowns, computer system breakdowns, malfunctions of plumbing, heating, ventilation and air conditioning systems and transportation breakdowns;

(f) The bankruptcy or insolvency of any Trading Privilege Holder or the imposition of any injunction or other restraint by any government agency, court or arbitrator upon a Trading Privilege Holder which may affect the ability of that Trading Privilege Holder to perform on its Contracts;

(g) Any circumstance in which it appears that a Trading Privilege Holder or any other Person has failed to perform its Contracts, is insolvent, or is in such financial or operational condition or is conducting business in such a manner that such Person cannot be permitted to continue in business without jeopardizing the safety of Customer funds, other Trading Privilege Holders, the Exchange or the Clearing Corporation; and

(h) Any other unusual, unforeseeable and adverse circumstance with respect to which it is impracticable for the Exchange to submit in a timely fashion a reviewable rule to the Commission.

#### **136.—Exchange**

The term “Exchange” means Cboe Futures Exchange, LLC, a Delaware limited liability company (including its successors), and when used with reference to the administration of any Rule of the Exchange means either the Board or the officer, employee, agent, committee or delegee to whom appropriate authority to administer such provision has been delegated. The Exchange may also be referred to as “CFE”.

#### **137. Exchange Act**

The term “Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time.

#### **138.—Exchange Act Regulation**

The term “Exchange Act Regulation” means any rule, regulation, order, directive and any interpretation thereof adopted or amended from time to time by the Securities and Exchange Commission, including any successor agency or authority.

#### **139.—Exchange of Contract for Related Position**

The term “Exchange of Contract for Related Position” means an exchange of a Contract listed on the Exchange for a Related Position, as that term is defined in Rule 414(ab), that is entered into in accordance with the Rules of the Exchange.

Amended March 11, 2005 (05-09); amended February 23, 2009 (09-03); October 17, 2012 (12-26).

#### **140.—Executive Committee**



The term “Executive Committee” means the executive committee of the Board, as constituted in accordance with, and with the authority and rights set forth in, Rule 207.

**141.—Exercise Price or Strike Price**

The terms “Exercise Price” and “Strike Price” shall be synonymous and mean the price at which a person may purchase or sell the underlying Future or commodity upon exercise of the Option.

**142.—Ex Parte Communication**

The term “Ex Parte Communication” means any oral or written communication made without notice to all parties. A written communication is an Ex Parte Communication unless a copy thereof has been delivered to all interested parties. An oral communication is an Ex Parte Communication unless it is made in the presence of all interested parties other than those who, after receiving adequate prior notice, declined to be present.

**143.—Expiration Date**

The term “Expiration Date” means, with respect to any Contract, the day and time set forth in the Rules of the Exchange governing such Contract for the termination or expiration of such Contract.

**144.—Expiration Month**

The term “Expiration Month” means, with respect to any Contract, the month and year set forth in the Rules of the Exchange governing such Contract for the termination or expiration of such Contract.

**145.—FINRA**

The term “FINRA” means the Financial Industry Regulatory Authority, and includes any successor organization.

**FIX**

The term “FIX” means the Financial Information Exchange protocol for interfacing with the CFE System.

**146.—Future**

The term “Future” means any contract for the purchase or sale of any commodity for future delivery from time to time traded on or subject to the Rules of the Exchange.

**147.—Help Desk**

**Implied Spread Bid**

~~The term “Help Desk” means the office established by the Exchange to assist Trading Privilege Holders and Authorized Traders in connection with their trading subject to the Rules of the Exchange.~~Implied Spread Bid” has the meaning set forth in Rule 404A(d)(i)(A).

**Implied Spread Offer**

The term “Implied Spread Offer” has the meaning set forth in Rule 404A(d)(i)(B).

**147A.—Independent Software Vendor**

The term “Independent Software Vendor” (also referred to as a Service Bureau) has the meaning set forth in Rule 302(g).

**148.—Market Turner**

**Lower Limit**

~~The term “Market Turner” means any Trading Privilege Holder or Authorized Trader that first enters an Order or quote at a price that is better than the best price previously available, provided such Order or quote is continuously exposed to the market until it is executed. There may be a Market Turner for each price at which a particular Contract trades on any trading day.~~  
Lower Limit” has the meanings set forth in contract specification rule chapters for products with price limits, such as in Rule 1202(i)(i).

**Market Data**

The term “Market Data” has the meaning set forth in Rule 408.

**Maximum Price**

The term “Maximum Price” has the meaning set forth in Rule 406(f).

**Minimum Price**

The term “Minimum Price” has the meaning set forth in Rule 406(f).

**149.—Narrow-Based Stock Index Future**

The term “Narrow-Based Stock Index Future” has the meaning set forth in Rule 1901.

**150.—NFA**

The term “NFA” means the National Futures Association, and includes any successor organization fulfilling similar functions under the CEA.

**151.—Option**

The term “Option” means any commodity option, as that term is defined in Commission Regulation § 1.3(hh), from time to time traded subject to the Rules of the Exchange and issued or subject to issuance by the Clearing Corporation pursuant to the Rules of the Clearing Corporation.

**152.—Order**

The term “Order” means any Market Order, Limit Order, Spread Order, Stop Limit Order, Cancel Order, Cancel Replace/Modify Order, Day Order, Good-‘til -Canceled Order, Good-‘til-Date Order, Spread Order or Contingency Order (including any Fill or Kill

~~Order, Immediate or Cancel Order or Stop Limit Fill or Kill Order~~), all having the respective meanings set forth in Rule 404, as well as any other types of Orders that may be approved by the Exchange from time to time.

**153. — Passwords**

The term “Passwords” has the meaning set forth in Rule 513(b).

**154. — Premium**

The term “Premium” means the amount agreed upon between the purchaser and seller for the purchase or sale of an Option.

**155. — Person**

The term “Person” means any natural person, association, partnership, limited liability company, joint venture, trust or corporation.

**155A. — Pool**

The term “Pool” has the meaning set forth in Rule 305A.

**155B. — Pool Manager**

The term “Pool Manager” has the meaning set forth in Rule 305A.

**Port**

The term “port” includes different types of ports.

A “physical port” provides a physical connection to the CFE System.

A “logical port” provides the ability within the CFE System to accomplish a specific function, such as Order entry, data receipt, or access to information. A logical port may also be referred to as a logical session. A physical port may provide access to multiple logical ports.

A “purge port” is a type of logical port that enables a Trading Privilege Holder through a single purge request to:

(a) cancel all or a subset of pending Orders submitted through multiple logical ports, and

(b) at the option of the Trading Privilege Holder submitting the purge request, also cause the CFE System to reject or cancel back to the sender all or a subset of new Orders, until a reset request is received by the CFE System.

Ports are made available in a form and manner prescribed by the Exchange.

**Portal**

The term “Portal” has the meaning set forth in Rule 513(a).

### **Premium**

The term “Premium” means the amount agreed upon between the purchaser and seller for the purchase or sale of an Option.

### **Pre-Opening Notice**

The term “Pre-Opening Notice” has the meaning set forth in Rule 405A(a)(iii)(C)(1).

### **156.—President**

The term “President” means the individual serving as president of Cboe Global Markets from time to time.

### **157.—Public Director**

The term “Public Director” has the meaning set forth in Rule 201(b).

### **158.—Regulatory Oversight Committee**

The term “Regulatory Oversight Committee” means the regulatory oversight committee of the Board, as constituted in accordance with, and with the authority and rights set forth in, Rule 208.

### **159.—Related Party**

The term “Related Party” means, with respect to any Trading Privilege Holder: any partner, director, officer, branch manager, employee or agent of such Trading Privilege Holder (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 Trading Privilege Holder; or any Authorized Trader of such Trading Privilege Holder.

### **160.—Respondent**

The term “Respondent” has the meaning set forth in Rule 704(b).

### **161.—Responsible Trader**

~~The term “Responsible Trader” has the meaning set forth in Rule 513(a).~~

### **162.—Rule of the Clearing Corporation**

The term “Rule of the Clearing Corporation” means the Certificate of Incorporation, the By-laws and any rule, interpretation, stated policy, or instrument corresponding to any of the foregoing, in each case as adopted or amended from time to time by the Clearing Corporation relating to the Exchange or any or all of the Contracts.

### **163.—Rule of the Exchange**

The term “Rule of the Exchange” means any rule, interpretation, stated policy, or instrument corresponding to any of the foregoing, in each case as adopted or amended from time to time by the Exchange.

**164.—Secretary**

The term “Secretary” means the individual appointed by the Board from time to time to serve as secretary of the Exchange.

**165.—Security Future**

The term “Security Future” has the meaning set forth in Section 1a(31) of the CEA.

**Senior Person in Charge of the Trade Desk**

The term “Senior Person in Charge of the Trade Desk” means the individual in charge of the Trade Desk at the applicable time.

**166.—Series of Options**

The term “Series of Options” means options of the same class and the same type (e.g., put or call) with the same strike price and the same Expiration Date.

**167.—Single Stock Future**

The term “Single Stock Future” has the meaning set forth in Rule 1801.

**168.—Specifications Supplement**

The term “Specification Supplement” has the meaning set forth in Rule 1802.

**Spread Processing Sequence**

The term “Spread Processing Sequence” has the meaning set forth in Rule 405A(a)(iii)(B).

**169.—Standing ~~Committees~~Committee**

The term “Standing ~~Committees~~Committee” has the meaning set forth in Rule 206(a).

**170.—Subject**

The term “Subject” has the meaning set forth in Rule 702(~~de~~).

**170A.—Strip**

The term “strip” has the meaning set forth in Rule 404(~~gc~~).

**170B.—Threshold Width**

~~The term “Threshold Width” has the meaning set forth in paragraph (c) of Exchange Policy and Procedure I.~~ means, with respect to a particular Contract, a range between the highest bid and lowest offer starting at the highest bid and going up to the lowest offer that is the greater of (i) a designated percentage of the mid-point between the highest bid and lowest offer in the Contract as set forth in the rules governing the Contract and (ii) the minimum increment in the Contract. If the range between the highest bid and lowest offer is less than or equal to the Threshold Width amount, a Threshold Width is deemed to exist and is not exceeded. If there is no bid or no offer, a Threshold Width is deemed not to exist and is deemed to be exceeded.

**171.—Trade at Settlement or TAS Transaction**

The term “Trade at Settlement” or “TAS” transaction has the meaning set forth in Rule 404A(a).

**Trade Desk**

The term “Trade Desk” means the office established by the Exchange to assist Trading Privilege Holders and Authorized Traders in connection with their trading subject to the Rules of the Exchange.

**172.—Trading Hours**

The term “Trading Hours” has the meaning set forth in Rule 402(a).

**173.—Trading Privilege Holder**

The term “Trading Privilege Holder” means any Person holding Trading Privileges. Trading Privilege Holders shall be deemed to be members of the Exchange for purposes of the CEA and Commission Regulations thereunder.

**174.—Trading Privileges**

The term “Trading Privileges” means a permit conferred by the Exchange on any Person in accordance with Rule 305 to access the ~~CBOECFE~~ System to trade in Contracts and to enter into Exchange of Contract for Related Position transactions and Block Trades in Contracts in accordance with the Rules of the Exchange.

**175.—Treasurer**

The term “Treasurer” means the individual appointed by the Board from time to time to serve as treasurer of the Exchange.

**Upper Limit**

The term “Upper Limit” has the meanings set forth in contract specification rule chapters for products with price limits, such as in Rule 1202(i)(i).

**Volume-Based Tie Breaker or VBTB**

The term “Volume-Based Tie Breaker” or “VBTB” has the meaning set forth in Rule 405A(d)(i).

### **176.—Vice President**

The term “Vice President” means any individual appointed by the Board from time to time to serve as a vice president of the Exchange.

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### **302. Trading Privilege Holders**

(a) Each Trading Privilege Holder shall have the right to access the ~~CBOE~~CFE System, including the right to place Orders for each of its proprietary accounts and, if otherwise registered in any required capacity (if so required) to place Orders for the accounts of Customers.

(b) Subject to the requirements and procedures set forth in this Chapter 3, Trading Privileges shall be offered to all applicants from time to time approved by the Exchange as eligible to be Trading Privilege Holders, subject to any limitations or restrictions from time to time imposed by the Exchange.

(c) Trading Privileges are non-transferable, non-assignable and may not be sold or leased, except that a Trading Privilege Holder may, with the prior written consent of the Exchange, transfer Trading Privileges to a Trading Privilege Holder organization or organization approved to be a Trading Privilege Holder: (i) which is an Affiliate; or (ii) which continues substantially the same business without regard to the form of the transaction used to achieve such continuation, e.g., merger, sale of substantially all assets, reincorporation, reorganization or the like.

(d) By virtue of obtaining Trading Privileges, a Trading Privilege Holder shall not obtain any equity or other interest in the Exchange, including voting rights or rights to receive any dividends or other distributions, whether arising from a dissolution, merger or consolidation involving the Exchange or otherwise.

(e) A Trading Privilege Holder may access the ~~CBOE~~CFE System through a direct connection to the ~~CBOE~~CFE System or through an Independent Software Vendor with a direct connection to the ~~CBOE~~CFE System. Trading Privilege Holders and Independent Software Vendors must comply with the technical specifications and requirements for establishing a direct connection to the ~~CBOE~~CFE System that are prescribed by the Exchange in order to put in place a direct connection to the ~~CBOE~~CFE System.

(f) And is not itself a Trading Privilege Holder may obtain one or more EFIDs from the Exchange in a form and manner prescribed by the Exchange. An EFID is a unique identifier assigned by the Exchange to a Trading Privilege Holder that is utilized by the CFE System to identify the clearing number for the execution of Orders, Block Trades, and Exchange of Contract for Related Position transactions submitted to the Exchange with that EFID. Each EFID corresponds to a single Trading Privilege Holder and a single clearing number of a Clearing Member with the Clearing Corporation. A Trading Privilege Holder may obtain EFIDs for multiple clearing numbers (including multiple clearing numbers of different Clearing Members and multiple clearing numbers of the same Clearing Member) and may obtain multiple EFIDs for the same clearing number. In order to obtain and utilize an EFID that is effective for use in identifying the clearing number of a Clearing Member for the execution of Orders submitted to the Exchange with that EFID, a Trading Privilege Holder must have an effective letter of guarantee from that Clearing Member that is on file with the Exchange in accordance with Rule

1101. A Trading Privilege Holder will have the ability, in a form and manner prescribed by the Exchange, to designate which of the Trading Privilege Holder's EFIDs may be utilized for each of the Trading Privilege Holder's logical ports for Order entry to the CFE System. If an Order is routed through a logical port with an EFID that is not enabled for that logical port, the Order will be rejected or canceled back to the sender.

(g) An Independent Software Vendor (also referred to as a Service Bureau) is an organization that desires to provide or provides connectivity to the CBOECFE System on behalf of one or more Trading Privilege Holders and is not itself a Trading Privilege Holder for trading activities of the Trading Privilege Holder(s). An Independent Software Vendor capacity is not a Trading Privilege Holder capacity, and an Independent Software Vendor is not required to be a Trading Privilege Holder. An Independent Software Vendor may act in other capacities in relation to the Exchange provided that it does so in a form and manner as may be prescribed by the Exchange and in accordance with any applicable Rules of the Exchange. If an Independent Software Vendor is a Trading Privilege Holder, it must access the Exchange through its own EFID(s) and logical port(s) when acting in its capacity as a Trading Privilege Holder. Logical port(s) established by an Independent Software Vendor in its capacity as an Independent Software Vendor may not be used by the Independent Software Vendor itself for its own trading activities. Each Trading Privilege Holder that accesses the CBOECFE System through the services of an Independent Software Vendor is subject to all of the Rules of the Exchange that apply to Trading Privilege Holders, including, without limitation, audit trail and order entry requirements with respect to Orders submitted through the connectivity provided by the Independent Software Vendor and the requirement that any such Trading Privilege Holder that is not a Clearing Member be guaranteed by a Clearing Member in accordance with Rule 1101. No Person other than a Trading Privilege Holder may receive connectivity to the CBOECFE System from an Independent Software Vendor for trading activities (except that it is permissible for an Independent Software Vendor to provide connectivity to the CBOECFE System to another Independent Software Vendor solely for purposes of enabling one or more Trading Privilege Holders to access the CBOE System). Connectivity to the CBOE System established by an Independent Software Vendor may not be used by the Independent Software Vendor itself for its own CFE System for trading activities).

(h) Any Trading Privilege Holder that receives connectivity to the CBOECFE System through an Independent Software Vendor for trading activities must do so through a separate connection and its own login(s) to the CBOE System its own EFID(s) and through one or more logical port(s) that are not utilized by any other Trading Privilege Holder. If a Trading Privilege Holder receives connectivity to the CFE System through more than one Independent Software Vendor for trading activities, the Trading Privilege Holder must do so through a different logical port or ports for each of those Independent Software Vendors. In order for a Trading Privilege Holder to utilize its own EFID for an Order that is submitted to the CFE System through connectivity to the CFE System provided by another Person, that other Person must be an Independent Software Vendor and the Order must be submitted through the connectivity provided by that other Person in its capacity as an Independent Software Vendor.

(gi) Other than as permitted by this Rule 302 in relation to Independent Software Vendors that provide connectivity to the CBOECFE System on behalf of one or more Trading Privilege Holders, no Person other than a Trading Privilege Holder and its Authorized Traders may have a direct electronic access connection to the CBOECFE System for trading activities. Without limiting the generality of the foregoing, no Person,



such as a Customer, that is not a Trading Privilege Holder or Authorized Trader may enter Orders directly into the ~~CBOE~~CFE System for execution. Instead, any Order entered by a Person, such as a Customer, that is not a Trading Privilege Holder or Authorized Trader must pass through a Trading Privilege Holder's system(s) and be processed in a material manner by the Trading Privilege Holder's system(s) before receipt of the Order by the ~~CBOE~~CFE System. In addition to a Trading Privilege Holder's own system(s), a Trading Privilege Holder's system(s) shall be deemed to include for this purpose a hosted system environment of an Independent Software Vendor that the Independent Software Vendor makes available for use by a Trading Privilege Holder and that is controlled by the Trading Privilege Holder, including in relation to access to the environment and risk control parameters applied within the environment. Solely passing through a Trading Privilege Holder's network connection is not sufficient to satisfy the requirement that an Order pass through and be processed in a material manner by a Trading Privilege Holder's system(s). No Trading Privilege Holder or Related Party shall facilitate or assist in providing a Person that is not a Trading Privilege Holder or Authorized Trader with a direct electronic access connection to the ~~CBOE~~CFE System for trading activities.

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### **303A. Order Entry Operator IDs**

(a) Each Trading Privilege Holder, in a form and manner prescribed by the Exchange, shall include an Order Entry Operator ID with every ~~order and quote~~Order (including, without limitation, every Cancel Order and Cancel Replace/Modify Order) from that Trading Privilege Holder that is submitted to the ~~CBOE~~CFE System. Any Order submitted to the CFE System that does not contain an Order Entry Operator ID in a form and manner prescribed by the Exchange will be rejected or canceled back to the sender by the CFE System.

(b) Order Entry Operator IDs are subject to the following requirements (except in relation to Automated Trading Systems, with respect to which paragraph (c) below is applicable):

(i) Each Order Entry Operator ID shall represent

(A) the natural person physically responsible for entering the ~~order or quote~~Order into the ~~CBOE~~CFE System (if a natural person entered the ~~order or quote~~Order into the ~~CBOE~~CFE System); or

(B) the natural person physically responsible for entering the ~~order or quote~~Order directly or indirectly into a system of or used by a Trading Privilege Holder that interfaces with the ~~CBOE~~CFE System (if no natural person entered the ~~order or quote~~Order into the ~~CBOE~~CFE System and instead a natural person entered the ~~order or quote~~Order directly or indirectly into a system of or used by a Trading Privilege Holder that interfaces with the ~~CBOE~~CFE System).

(ii) An Order Entry Operator ID issued for a natural person may only be used by that natural person. An Order Entry Operator ID issued for a natural person may not be used by any other natural person or entity and may not be used as the Order Entry Operator ID for an Automated Trading System.

(c) Order Entry Operator IDs are subject to the following requirements in relation to Automated Trading Systems:

(i) For purposes of this Rule 303A, an Automated Trading System is a system that automates the generation and routing of ~~orders or quotes~~Orders.

(ii) Each ~~order or quote~~Order originating from an Automated Trading System that is submitted to the ~~CBOE~~CFE System shall include an Order Entry Operator ID for that Automated Trading System.

(iii) An Order Entry Operator ID issued for an Automated Trading System may only be used for that Automated Trading System. An Order Entry Operator ID issued for an Automated Trading System may not be used for any other Automated Trading System and may not be used as the Order Entry Operator ID for any natural person or entity.

(d) Each Trading Privilege Holder shall comply with the following issuance, recordkeeping, and reporting requirements related to Order Entry Operator IDs:

(i) Each Order Entry Operator ID issued for a natural person or Automated Trading System for inclusion with any ~~order or quote~~Order from the Trading Privilege Holder that is submitted to the ~~CBOE~~CFE System shall be unique, and shall not be associated with more than one natural person or Automated Trading System, at the Clearing Member level. Each Trading Privilege Holder and any Clearing Member utilized by the Trading Privilege Holder shall coordinate as necessary in order to ensure that this requirement is satisfied.

(ii) Each Trading Privilege Holder shall collect and maintain accurate, complete, and up-to-date records with the following information for each Order Entry Operator ID issued for a natural person or Automated Trading System for inclusion with any ~~order or quote~~Order from the Trading Privilege Holder that is submitted to the ~~CBOE~~CFE System:

(A) a clear identification of whether the Order Entry Operator ID is issued for a natural person or Automated Trading System;

(B) if the Order Entry Operator ID is issued for a natural person, the name, address, telephone and e-mail contact information, and position or relationship to the Trading Privilege Holder of the natural person;

(C) if the Order Entry Operator ID is issued for an Automated Trading System, the name, address, telephone and e-mail contact information, and position or relationship to the Trading Privilege Holder of the head operator of the Automated Trading System;

(D) and any other related information as may be prescribed by the Exchange.

(iii) Each Trading Privilege Holder shall provide to the Exchange in a form and manner prescribed by the Exchange information requested by the Exchange regarding any Order Entry Operator IDs and the natural persons and

Automated Trading Systems for which they have been issued for inclusion with any ~~order or quote~~ Order from the Trading Privilege Holder that is submitted to the ~~CBOE~~ CFE System. The information requested relating to an Automated Trading System may include, among other things, information regarding the head operator and other individuals that operate the Automated Trading System and the type of models, algorithms, programs, and systems utilized by the Automated Trading System.

Each Trading Privilege Holder shall promptly report to the Exchange in a form and manner prescribed by the Exchange any new or changed information regarding Order Entry Operator IDs that are identified to the Trading Privilege Holder by the Exchange as being subject to this reporting requirement.

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### **305. Application for Trading Privileges**

(a) Each applicant for Trading Privileges shall submit an application to the Exchange in a form and manner prescribed by the Exchange. The Exchange may investigate in a form and manner determined by the Exchange any applicant; any ~~Responsible Traders~~, executive officers, or authorized signatories of an applicant; and any ~~Responsible Traders~~, executive officers, or authorized signatories added by a Trading Privilege Holder subsequent to being approved as a Trading Privilege Holder. Each applicant shall promptly update the application materials if any of the information provided therein becomes inaccurate or incomplete after the date of submission and prior to any approval of the application.

(b) Upon completion of the application process, the Exchange shall determine whether to approve or disapprove the application, unless there is a just cause for delay. One such just cause for delay is when an applicant for Trading Privileges is the subject of an inquiry, investigation, or proceeding conducted by a self-regulatory organization or governmental authority that involves the applicant's fitness to be a Trading Privilege Holder. In such instance, the Exchange may defer taking action on the application until the matter has been resolved.

(c) Each Person approved as a Trading Privilege Holder shall agree in writing to abide by the Rules of the Exchange.

(d) If the application process is not completed within six months of submission of an application to be a Trading Privilege Holder, the application shall be deemed to be withdrawn.

(e) Each applicant to be a Trading Privilege Holder must become effective in that status within 90 days of the date of the applicant's approval for that status.

(f) An applicant to be a Trading Privilege Holder shall become an effective Trading Privilege Holder upon (i) satisfying the applicable requirements to obtain Trading Privileges and (ii) release of Trading Privileges to that Trading Privilege Holder by the Exchange.

(g) Each Trading Privilege Holder that is not registered or notice-registered with the NFA and that is not a Cboe Options trading permit holder shall promptly update the following information on file with the Exchange through the submission of application

materials by the Trading Privilege Holder and updates to those materials pursuant to this Rule 305(dg) if that information becomes inaccurate or incomplete:

- (i) disciplinary history information;
- (ii) executive officer information; and
- (iii) information regarding ownership interests in the Trading Privilege Holder.

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### **305B. Foreign Trading Privilege Holders**

(a) Each Trading Privilege Holder shall be organized under the laws of, and be solely responsible for ensuring that the location of any ~~CBOECFE~~ Workstation is in, the United States or a foreign jurisdiction expressly approved by the Exchange. Any approval by the Exchange of a foreign jurisdiction may (i) be limited to one or more specified categories of Trading Privilege Holders or Trading Privilege Holder activities and/or (ii) be contingent upon the satisfaction of specified conditions by any Trading Privilege Holder organized under the laws of, or with a ~~CBOECFE~~ Workstation in, the foreign jurisdiction.

(b) Any Trading Privilege Holder organized under the laws of, or with a ~~CBOECFE~~ Workstation in, a foreign jurisdiction shall:

(i) ensure the availability of an individual fluent in English and knowledgeable about the Trading Privilege Holder's futures business and financial matters to assist the representatives of the Exchange during examinations;

(ii) maintain in English and U.S. dollars any books and records required to be kept by the Trading Privilege Holder under the Rules of the Exchange;

(iii) prior to acting as agent for a Customer from a foreign jurisdiction in relation to an Exchange Contract, obtain written consent from that Customer that permits the Trading Privilege Holder to provide information regarding the Customer and the Customer's activities in Exchange Contracts to the Exchange in response to a regulatory request for information pursuant to the Rules of the Exchange; and

(iv) be subject to the jurisdiction of the federal courts of the United States and the courts of Illinois.

(c) The Exchange may withdraw the approval of a foreign jurisdiction at any time. In that event, any Trading Privilege Holder organized under the laws of, or with any ~~CBOECFE~~ Workstations located in, that foreign jurisdiction on the date of the approval withdrawal shall have three months from that date to come into compliance with Rule 305B(a). If the Trading Privilege Holder does not come into compliance with Rule 305B(a) within that three month time period, the Exchange may terminate the Trading Privileges of that Trading Privilege Holder.

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### **308. Consent to Exchange Jurisdiction**

(a) By accessing, or entering any Order into, the ~~CBOE~~CFE System, and without any need for any further action, undertaking or agreement, a Trading Privilege Holder or Authorized Trader agrees (i) to be bound by, and comply with, the Rules of the Exchange, the Rules of the Clearing Corporation and Applicable Law, in each case to the extent applicable to it, and (ii) to become subject to the jurisdiction of the Exchange with respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such Trading Privilege Holder or Authorized Trader.

(b) Any Trading Privilege Holder or Authorized Trader whose Trading Privileges are revoked or terminated, whether pursuant to Rule 307 or Chapter 7, shall remain bound by the Rules of the Exchange, the Rules of the Clearing Corporation and Applicable Law, in each case to the extent applicable to it, and subject to the jurisdiction of the Exchange with respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such Trading Privilege Holder or Authorized Trader prior to such revocation or termination.

(c) Any Person initiating or executing a transaction on or subject to the Rules of the Exchange directly or through an intermediary, and any Person for whose benefit such a transaction has been initiated or executed, expressly consents to the jurisdiction of the Exchange and agrees to be bound by and comply with the Rules of the Exchange in relation to such transactions, including, but not limited to, rules requiring cooperation and participation in investigatory and disciplinary processes.

(d) Any Person subject to Rule 308(c) that is not a Trading Privilege Holder or Related Party is bound by and required to comply with the following Rules of the Exchange for purposes of Rule 308(c) to the same extent that a Trading Privilege Holder or Related Party is bound by and required to comply with those Rules of the Exchange: Rules 219, 303A(d)(iii), 303A(d)(iv), 306, 307, 308, 309, 310(a), 401, 402, 404, 404A, 405, ~~405A~~, 406, ~~406A~~, 407, 408, 409, 410, 411, 412, 412A, 412B(b), 413, 414, 415, 416, 417, 418, 419, 420, 511, 512A, 516, 517, 601, 602, 603, 604, 606, 607, 608, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, and 620, Chapter 7, Chapter 8, Chapter 9, Chapter 10, Rule 1104, every Exchange Contract Specification Chapter, Exchange Policy and Procedures ~~I, II, III, and IV~~, XII, XIX, XX and XVIII, and the Exchange Fee Schedule.

\* \* \* \* \*

### **403. Order Entry and Maintenance of Front-End Audit Trail Information**

(a) All Orders shall be entered into the ~~CBOE~~CFE System by electronic transmission through a ~~CBOE~~CFE Workstation, and the Exchange shall maintain an electronic record of those entries. Each Trading Privilege Holder (including its Authorized Traders) shall be responsible in every respect for any and all Orders entered by it (including its Related Parties) and for compliance by its Related Parties with this Rule 403. Prior to entering any Order, the relevant Related Party shall ~~sign onto the CBOE System by inputting the user identification assigned for such purpose~~ connect to the CFE System in a form and manner prescribed by the Exchange. Each Order must

contain the following information: (i) whether such Order is a buy or sell Order; (ii) Order type; (iii) ~~commodity~~; (iv) ~~price or premium (if the Order is not a Market Order)~~; (iv) quantity; (v) Contract identifier or product and contract expiration; ~~(v) price~~; (vi) quantity; ~~(vii) account type~~; ~~(viii) Client Order ID~~; (vii) EFID; (viii) Order Entry Operator ID; (ix) Clearing Corporation origin code (C for Customer or F for Firm); (x) Customer Type Indicator code; (xi) manual Order indicator; (xii) account designation (which shall be the account number of the account of the party for which the Order was placed, except that a different account designation may be included in the case of a bunched Order processed in accordance with Rules 406(eg) and 605 or in the case of an Order for which there will be a post-trade allocation of the resulting trade(s) to a different clearing member); ~~(xxiii)~~ in the case of Orders for Options, either Contract identifier or each of strike price, type of option (put or call) and expiration month; and ~~(xxiv)~~ such additional information as may be prescribed from time to time by the Exchange. Any Order that does not contain required information in a form and manner prescribed by the Exchange will be rejected or canceled back to the sender by the CFE System.

(b) With respect to ~~orders~~Orders received by a Trading Privilege Holder (including its Authorized Traders) which are immediately entered into the ~~CBOE~~CFE System, no record needs to be kept by such Trading Privilege Holder, except as may be required pursuant to Rule 501 and Applicable Law. However, if a Trading Privilege Holder (including its Authorized Traders) receives ~~orders~~Orders which cannot be immediately entered into the ~~CBOE~~CFE System, such Trading Privilege Holder must prepare an order form in a non-alterable written medium, which shall be time-stamped and include the account designation, date and other required information. Each such form must be retained by the Trading Privilege Holder for at least five years from the time it is prepared. Any such Orders must be entered into the ~~CBOE~~CFE System, in the order they were received, as soon as they can be entered into the ~~CBOE~~CFE System.

(c) Each Clearing Member and each Trading Privilege Holder that is a Futures Commission Merchant or Introducing Broker shall maintain front-end audit trail information for all electronic ~~orders and quotes~~Orders entered by that party into the ~~CBOE~~CFE System, including all related modifications and cancellations. Each Clearing Member shall also maintain, or cause to be maintained, front-end audit trail information for all electronic ~~orders and quotes~~Orders entered into the ~~CBOE~~CFE System by any Trading Privilege Holder for which the Clearing Member is identified in the ~~order or quote~~Order submission by EFID as the Clearing Member for the execution of the ~~order or quote~~Order, including all related modifications and cancellations. This audit trail must contain all ~~order~~Order entry, modification, cancellation and response receipt time(s) as well as all Financial Information Exchange interface ("FIX") tag information and fields or ~~CBOE Market Interface (CMi) order structure~~Binary Order Entry ("BOE") Order message information, as applicable. Notwithstanding any of the provisions of this Rule 403(c), each Trading Privilege Holder is obligated to comply with the provisions of Commission Regulation §1.35 as applicable to that Trading Privilege Holder.

#### **404. Acceptable Orders**

At the discretion of the Exchange, any of the following types of Orders, as well as any other types that may be approved from time to time, may be entered into the ~~CBOE~~CFE System with respect to any Contract:

(a) *Market Order.* A “Market Order” is an ~~order~~Order to buy or sell a stated number of Contracts at the best price(s) available on the Exchange and to cancel any remaining portion of the Order that is not executed upon receipt of the Order.

(b) *Limit Order.* A “Limit Order” is an ~~order~~Order to buy or sell a stated number of Contracts at a specified limit price, or at a better price.

(c) *Spread Order.* A “Spread Order” is an Order to simultaneously purchase, sell or purchase and sell at least two Contracts in a form permitted by the Exchange. A “strip” is a type of Spread Order that is exclusively for the purchase or exclusively for the sale of at least two Contracts in a form permitted by the Exchange. A Spread Order must be a Limit Order and may not be submitted as a Market Order, Stop Limit Order or Fill or Kill Order.

(d) *Stop Limit Order.* A “Stop Limit Order” is an Order to buy or sell when a Contract trades at a specified trigger price. A Stop Limit Order to buy becomes a Limit Order to buy a stated number of Contracts at a specified limit price, or at a better price, when the relevant Contract trades at or above the trigger price of the Order. A Stop Limit Order to sell becomes a Limit Order to sell a stated number of Contracts at a specified limit price, or at a better price, when the relevant Contract trades at or below the trigger price of the Order. If an Order is traded in a sequence of transactions at multiple price points and one of those price points is the trigger price for a Stop Limit Order, the Stop Limit Order is not triggered until the sequence of transactions with that Order is concluded (including if subsequent transactions occur in that sequence after the transaction with that Order at the trigger price). Block Trades and Exchange of Contract for Related Position transactions do not trigger Stop Limit Orders.

A Stop Limit Order is not entered into the Order book or reflected in the disseminated depth of the Order book until the Stop Limit Order is triggered when the relevant Contract trades at the trigger price as described above. When a Stop Limit Order is triggered, its time priority in the Order Book is based on its trigger time and not its entry time. If multiple Stop Limit Orders are triggered at the same time, the time priority in the Order Book as between those Stop Limit Orders is based on their entry times.

(d)(e) *Cancel Order.* A “Cancel Order” is an ~~order~~Order that cancels, partially or fully, an existing ~~buy or sell order~~individual buy or sell Order. A Cancel Order shall also be deemed to include a mass cancel or purge request submitted through the use of CFE System functionality that enables a Trading Privilege Holder to cancel all or a subset of a Trading Privilege Holder’s pending Orders with a single message.

(e)(d) *Cancel Replace/Modify Order.* A “Cancel Replace/Modify Order” is an ~~order~~Order to cancel an ~~existing~~existing buy or sell ~~order~~Order and replace it with a new ~~order~~Order for a different ~~quantity or price~~Order.

(f)(e) *Time in Force.* An Order entered into the CFE System, other than a Cancel Order, is required to have one of the following time in force conditions:

(i) *Day Order.* A “Day Order” is an ~~order~~Order for any Contract that, unless executed or canceled, remains as an executable Order in the ~~CBOE~~CFE System until the end of the Business Day ~~for such Contract~~ on which it is entered. The end of the Business Day for this purpose is when Trading Hours for the applicable Contract end on that Business Day.

(ii) ~~(f)~~ *Good-'til-Canceled Order.* A “Good-'til-Canceled Order” is an ~~order~~Order that, unless executed, remains in the ~~CBOE~~CFE System until it is ~~withdrawn by the Trading Privilege Holder (including its Authorized Traders) who placed it or the Expiration Date of canceled or~~ the Contract to which it relates expires, whichever occurs first.

(iii) *Good-'til-Date Order.* A “Good-'til-Date Order” is an Order that, unless executed, remains in the CFE System until the earlier to occur of the date and time specified in the Order, the Order is canceled or the Contract to which the Order relates expires.

~~(g) — Spread Order. A “Spread Order” is an order to simultaneously purchase, sell or purchase and sell at least two Contracts in a form accommodated by the CBOE System. A “strip” is a type of Spread Order that is exclusively for the purchase or exclusively for the sale of at least two Contracts in a form accommodated by the CBOE System.~~

~~(h) — Contingency Orders. A “Contingency Order” is an order that is contingent upon a condition being satisfied while the order remains in the CBOE System, and may be one of the following order types:~~

~~(i) — *Fill or Kill Order.* A “Fill or Kill Order” is an order which is automatically cancelled unless executed in its entirety within a short period of time after its receipt.~~

(iv) ~~(ii)~~ *Immediate or Cancel Order.* An “Immediate or Cancel Order” is a ~~Market Order or Limit Order which is automatically cancelled unless executed in whole or in part within a short period of time after its receipt~~an Order with respect to which any remaining portion of the Order that is not executed upon receipt is canceled. An Immediate or Cancel Order may include a specified minimum quantity. If a minimum quantity is included, an Immediate or Cancel Order will be canceled in its entirety if the specified minimum quantity is not executed upon receipt of the Order. A Stop Limit Order may not be submitted as an Immediate or Cancel Order.

(v) ~~(iii)~~ *Stop Limit Order.* A “Stop Limit Order” is an order to buy or sell when the market for a particular Contract reaches a specified price. A Stop Limit Order to buy becomes a Limit Order when the relevant Contract trades or is bid at or above the stop limit price. A Stop Limit Order to sell becomes a Limit Order when the relevant Contract trades or is offered at or below the stop limit price.*Fill or Kill Order.* A “Fill or Kill Order” is an Order which is canceled unless executed in its entirety upon receipt of the Order. A Spread Order and Stop Limit Order may not be submitted as a Fill or Kill Order.

#### **404A. Trade at Settlement Transactions**

(a) A Trade at Settlement (“TAS”) transaction is a transaction in a Contract at a price or premium equal to the daily settlement price, or a specified differential above or below the daily settlement price, for the Contract on a ~~trading day~~Business Day. The actual ~~amount of~~ a TAS transaction price or premium is determined subsequent to the transaction based upon the daily settlement price of the Contract.

(b) The rules governing a Contract shall specify if TAS transactions are permitted in that Contract. If TAS transactions are permitted in a Contract, the rules governing the



Contract shall set forth the extent to which TAS transactions in that Contract may occur on the ~~CBOE~~CFE System, as spread transactions, as Block Trades and/or as Exchange of Contract for Related Position transactions; the trading hours for TAS transactions in that Contract; the permissible price range from the daily settlement price for each of the permitted types of TAS transactions in that Contract; and the permissible minimum increment for each of the permitted types of TAS transactions in that Contract. The CFE System treats each TAS single leg expiration and TAS spread like a unique Contract from a system perspective and assigns each a unique Contract identifier.

(c) During the time period between Exchange Business Days for a ~~Contract~~product, the entry into the ~~CBOE~~CFE System of a TAS ~~order or quote~~Order in that ~~Contract~~product prior to the time at which the ~~CBOE~~CFE System disseminates the first Pre-Opening Notice ~~for that Contract~~ under Rule 405B(a)A(a) for TAS Orders in that product is prohibited. The ~~CBOE~~CFE System disseminates a Pre-Opening Notice for each TAS Contract ~~expiration and spread~~, and the first Pre-Opening Notice for a ~~particular TAS Contract expiration or spread in a product~~ is the Pre-Opening Notice that establishes the time at which TAS ~~orders and quotes~~Orders may be submitted for ~~that particular TAS Contract expiration or spread~~. all TAS Contracts in that product.

(d) ~~TAS orders and quotes~~Orders in a Contract will interact only with other TAS ~~orders and quotes~~Orders in the Contract and will not interact with non-TAS ~~orders and quotes~~Orders in the Contract. The same execution priorities that are applicable to non-TAS ~~orders and quotes~~Orders in a Contract shall also apply with respect to TAS ~~orders and quotes~~Orders in the Contract, unless otherwise specified in the rules governing the Contract.

(e) All TAS ~~orders~~Orders are required to be Day Orders, Immediate or Cancel Orders or Fill or Kill Orders. ~~TAS orders may not be submitted as Market Orders or with any of the contingencies set forth in 404(h)~~Market Orders, TAS Stop Limit Orders, TAS Good-'til-Canceled Orders and TAS Good-'til-Date Orders are not permitted.

(f) If TAS spread transactions are permitted in a Contract, ~~(i) the provisions of Exchange Policy and Procedure II relating to spread order processing~~Rule 406A shall be applicable to those transactions, except that ~~(A) any TAS spreads are~~spread is required to be ~~two legged spreads for different expirations of the same Exchange product where a~~ two-legged spread in which the leg with the earlier expiration is a sell leg and the leg with a later expiration is a buy leg and the ratio of the number of contracts in ~~one leg to the number of contracts in the other leg is 1:1 and (B) paragraphs (a), (e) and (h)(iii) of Exchange Policy and Procedure II shall not apply to TAS spread transactions and (ii) any TAS Block Trade spread transactions are required to be two legged spreads where the ratio of the number of contracts in one leg to the number of contracts in the other~~each leg is 1:1.

(g) A Threshold Width is always deemed to exist and deemed not exceeded for TAS transactions because TAS transactions may only occur within a permissible price range.

#### **405. Modification and Cancellation of Orders**

Any Order that has been entered into the ~~CBOE~~CFE System may be modified or ~~cancelled~~cancelled, unless and until ~~it~~the Order has been fully executed. ~~Any such modification or cancellation requires that, by any means allowed by the CFE System (such as by means of a Cancel Replace/Modify Order or Cancel Order, as the case may be, with respect to the original~~

Order be entered into the CBOE, Cancel Order, Exchange risk controls, or Exchange Match Trade Prevention functionality, to the extent allowed by the CFE System).

#### **405BA. Opening Process**

(a) Pre-Opening Period. The CBOE System disseminates a notice of the commencement of the pre opening period (“Pre-Opening Notice”). The pre opening period is a period of time determined by the Exchange before the opening of trading in a Contract during which the CBOE System accepts quotes, Orders, Order cancellations and Order modifications in that Contract, subject to the limitations set forth in paragraph (g) below. Quotes and Orders accepted by the CBOE System are not executable during the pre opening period.Queuing Period.

(i) The Exchange shall designate a period of time that precedes the opening of trading in a Contract during which the CFE System is in a queuing state. During the queuing state, the CFE System accepts Orders, Cancel Orders and Cancel Replace/Modify Orders in that Contract, subject to the limitations set forth in paragraph (h) below.

(ii) The queuing state at the beginning of a Business Day for a Contract commences at the time designated by the Exchange as the start time of the queuing period plus a randomized time period from zero to three seconds. A queuing state that is not at the beginning of a Business Day for a Contract commences at the time designated by the Exchange as the start time of the queuing period.

(iii) At the commencement of the queuing state for a product:

(A) The CFE System moves each single leg Contract expiration for a product into a queuing state in sequence by nearest to farthest expiration. Each of these single leg Contract expirations moves into a queuing state in the foregoing sequence one after the next and not at fixed time intervals. This sequence is referred to as the “Single Leg Processing Sequence”.

(B) The CFE System next moves each spread for a product into a queuing state based on the following criteria in order of priority, assuming spread legs are arranged in nearest to furthest expiration left-to-right:

(1) lowest number of legs (e.g., 1:1 before 1:1:1);

(2) lowest total ratio sum (e.g., 1:1:1 before 1:2:1);

(3) lowest left-to-right cumulative ratio sum, stopping at the first ratio component from left-to-right when the cumulative sums differ between spreads (e.g., 1:2 before 2:1);

(4) alphabetical order, assigning each buy leg “B” and each sell leg “S” (e.g., BBBB before BSBS before BSSB);  
and

(5) earliest left-to-right leg expiration, stopping at the first leg component from left-to-right when the expirations differ between legs (e.g., DEC-MAR-JUN before DEC-MAR-SEP).

Each of these spreads moves into a queuing state in the foregoing sequence one after the next and not at fixed time intervals. This sequence is referred to as the “Spread Processing Sequence”.

(C) Once all single leg Contract expirations and all spreads for a product have moved into a queuing state:

(1) the CFE System disseminates, in the Single Leg Processing Sequence, a notice of the commencement of the queuing state (“Pre-Opening Notice”) for each single leg Contract expiration; and

(2) the CFE System next disseminates, in the Spread Processing Sequence, a Pre-Opening Notice for each spread.

(iv) Orders accepted by the CFE System during a queuing state are not executable during a queuing state.

(v) A queuing period is utilized when a Contract moves from a suspended state to an open state for trading. At the determination of the senior person in charge of the Trade Desk, a queuing period may or may not be utilized when a Contract moves from a halt state to an open state for trading.

(b) *Opening Rotation Notice Processing Order.* Unless unusual circumstances exist, the CBOECFE System initiates an opening rotation procedure at the opening time for a Contract and disseminates an opening rotation notice (“Rotation Notice”) at that time. The following opening process for each Exchange product at the opening time for the product. The opening process occurs in the following order:

(i) the CFE System matches simple Orders, without regard for Match Trade Prevention, and determines an opening trade price for each single leg Contract expiration for the product pursuant to paragraph (c) below;

(ii) the CFE System next matches Spread Orders with other Spread Orders, without regard for matching between Spread Orders and simple Orders and for Match Trade Prevention, and determines an opening trade price for each spread in the product pursuant to paragraph (d) below;

(iii) the CFE System next disseminates for each single leg Contract expiration in the product an Open Trading Notice and all opening prints, if any, pursuant to paragraph (e) below;

(iv) the CFE System next disseminates for each spread in the product an Open Trading Notice and all opening prints for the spread trades and the individual leg trades that comprise the spread trades, if any, pursuant to paragraph (e) below;

(v) the CFE System next releases remaining Spread Orders for spreads in an open state for trading with executable quantity not executed as part of an opening trade, with matching between those Spread Orders and simple orders and Match Trade Prevention in effect, pursuant to paragraph (f) below; and

(vi) the CFE System next processes triggered Stop Limit Orders pursuant to paragraph (g) below.

Any incoming Orders received by the CFE System during this opening process do not participate in the opening process and are processed after all of the above steps of the opening process have been completed.

(c) ~~Opening Rotation Period~~ Single Leg Contract Expiration Processing. The opening process addresses simple Orders that are in the Order book at the commencement of the opening process and determines an opening trade price for each single leg Contract expiration for a product in the following manner:

(i) After the CBOE System initiates the opening rotation procedure and disseminates the Rotation Notice, the CBOE System enters into an opening rotation period. If there are no bids and offers that are at the same price as each other or that are crossed with one another, there will be no opening trade.

(ii) During the opening rotation period, the CBOE System calculates and disseminates the expected opening price and size for each Contract at specified intervals of time determined by the Exchange (referred to “EOP Messages”) if the order book for the Contract is crossed (the highest bid is higher than the lowest offer) or locked (the highest bid equals the lowest offer). If there is a bid and an offer or bids and offers that are at the same price as each other or that are crossed with one another, there will be one or more opening trades at a single opening trade price executed in the following manner:

(A) Orders with bids and offers that are at the same price as each other or that are crossed with one another will be matched at a single opening trade price in accordance with price-time priority, without regard for Match Trade Prevention. Price-time priority is used for this purpose regardless of whether a different allocation method otherwise applies to the applicable Contract, and pro rata priority or a trade participation right priority does not apply for this purpose.

(B) The opening trade price for these matched trades will be determined in the following manner:

(1) The opening trade price will be the price that maximizes the number of matched contracts.

(2) If multiple prices exist that maximize the number of matched contracts, the price among those prices which has the lowest absolute imbalance between total bid size and total offer size will be the opening trade price.

(3) If multiple prices exist that maximize the number of matched contracts and have the same absolute

imbalance between total bid size and total offer size, the midpoint of the minimum and maximum of these multiple prices will be the opening trade price. If the midpoint is not at a minimum increment for the applicable Contract, the midpoint will be rounded up to the nearest minimum increment for that Contract.

~~(iii) During a time frame determined by the Exchange following the opening time, the CBOE System processes the Contracts for each Exchange product to determine the opening price and opening trade(s), if any, in each of these Contracts. The processing of the Contracts for each Exchange product during this time frame occurs in a random order at fixed time intervals determined by the Exchange. The opening bid and offer prices for a Contract are the highest remaining bid and lowest remaining offer following the completion of the matching of the bids and offers that are at the same price as each other or that are crossed with one another, if any.~~

~~(iv) The CBOE System will continue to accept quotes, Orders, Order cancellations, and Order modifications for a Contract for inclusion in the opening rotation procedure and continue to calculate and disseminate EOP Messages for a Contract until the opening price and opening trade(s), if any, in that Contract are determined. Following the determination of the opening trade price and opening trade(s), if any, for a Contract, the Contract moves into an open state for trading.~~

~~(v) The CFE System determines the opening trade price and opening trade(s), if any, for each single leg Contract expiration for a product and moves each of these Contracts into an open state for trading in the Single Leg Processing Sequence.~~

~~(vi) If the width between the opening bid and opening offer prices for a single leg Contract expiration exceeds the applicable Threshold Width for the relevant Contract, each spread containing that Contract will remain in a queuing state and not be opened during the initial opening process, as further described in paragraph (d) below.~~

~~(d) *Opening Price-Spread Processing.* Following the matching of simple Orders and the determination of opening trade prices for single leg expirations for a product, the opening process conducts the matching of Spread Orders for that product that were in the Order book at the commencement of the opening process. A spread will remain in a queuing state and the CFE System will not utilize the opening process set forth in this Rule 405A to open the spread if the width between the opening bid and opening offer prices for any individual leg of the spread exceeds the applicable Threshold Width for that individual leg. For all other spreads for a product, the opening process determines an opening trade price for each of these spreads in the following manner:~~

~~(i) The opening price of a Contract is the “market clearing” price that will leave bids and offers which cannot trade with each other. For purposes of this process, the terms “Implied Spread Bid”, “Implied Spread Offer” and “Volume-Based Tie Breaker” (“VBTB”) have the following definitions:~~

~~(A) If there are multiple prices at which the same number of contracts can trade, the opening price will be at a price that is closest to the midpoint of the resulting bid-ask. Implied Spread Bid.~~

(1) The Implied Spread Bid for a spread is calculated by determining an implied net bid price for the spread using as inputs to the calculation the highest bid price for each individual leg of the spread to be bought and the lowest offer price for each individual leg of the spread to be sold and multiplying each of those prices by the respective ratio of the individual leg to the other legs of the spread.

(2) In the event that there is no bid price for an individual leg of the spread to be bought, the Minimum Price for the product is used as the input to the Implied Spread Bid calculation in lieu of the highest bid price for that leg.

(3) In the event that there is no offer price for an individual leg of the spread to be sold, the Maximum Price for the product is used as the input to the Implied Spread Bid calculation in lieu of the lowest offer price for that leg.

(4) As a result, an Implied Spread Bid will always be deemed to exist.

(5) In the event that a Lower Price Limit is in effect for a product, and the input to the Implied Spread Bid calculation for the highest bid price for an individual leg of a spread to be bought is less than the Lower Price Limit, the Lower Price Limit for the product is used instead as that input.

(6) In the event that an Upper Price Limit is in effect for a product, and the input to the Implied Spread Bid calculation for the lowest offer price for an individual leg of a spread to be sold is more than the Upper Price Limit, the Upper Price Limit for the product is used instead as that input.

~~(B) If there will be no resulting bid ask, the opening price will be the limit price of the highest priced sell Order or quote that is participating in the opening trade(s).~~ Implied Spread Offer.

(1) The Implied Spread Offer for a spread is calculated by determining an implied net offer price for the spread using as inputs to the calculation the lowest offer price for each individual leg of the spread to be bought and the highest bid price for each individual leg of the spread to be sold and multiplying each of those prices by the respective ratio of the individual leg to the other legs of the spread.

(2) In the event that there is no offer price for an individual leg of the spread to be bought, the Maximum Price for the product is used as the input to the Implied Spread Offer calculation in lieu of the lowest offer price for that leg.

(3) In the event that there is no bid price for an individual leg of the spread to be sold, the Minimum Price for

the product is used as the input to the Implied Spread Offer calculation in lieu of the highest bid price for that leg.

(4) As a result, an Implied Spread Offer will always be deemed to exist.

(5) In the event that an Upper Price Limit is in effect for a product, and the input to the Implied Spread Offer calculation for the lowest offer price for an individual leg of a spread to be bought is more than the Upper Price Limit, the Upper Price Limit for the product is used instead as that input.

(6) In the event that a Lower Price Limit is in effect for a product, and the input to the Implied Spread Offer calculation for the highest bid price for an individual leg of a spread to be sold is less than the Lower Price Limit, the Lower Price Limit for the product is used instead as that input.

(C) If there will only be a resulting bid, with no resulting ask, the opening price will be the limit price of the lowest priced buy Order or quote that is participating in the opening trade(s). VBTB. The VBTB for a spread is the midpoint between the Implied Spread Bid and the Implied Spread Offer rounded up to the nearest minimum increment.

(D) If there will only be a resulting ask, with no resulting bid, the opening price will be the limit price of the highest priced sell Order or quote that is participating in the opening trade(s).

(ii) If there are no bids and offers that are at the same price as each other or that are crossed with one another, there will be no opening trade.

(iii) If there is a bid and an offer or bids and offers that are at the same price as each other or that are crossed with one another, there will be one or more opening trades at a single opening trade price executed in the following manner:

(A) Orders with bids and offers that are at the same price as each other or that are crossed with one another will be matched at a single opening trade price in accordance with price-time priority, without regard for matching between Spread Orders and simple Orders and for Match Trade Prevention. Price-time priority is used for this purpose regardless of whether a different allocation method otherwise applies to the applicable spread, and pro rata priority or a trade participation right priority does not apply for this purpose.

(B) The opening trade price for these matched trades will be determined in the following manner:

(1) The opening trade price will be the price that maximizes the number of matched contracts.

(2) If multiple prices exist that maximize the number of matched contracts, the price among those prices

which has the lowest absolute imbalance between total bid size and total offer size will be the opening trade price.

(3) If multiple prices exist that maximize the number of matched contracts and minimize the absolute imbalance between total bid size and total offer size, and the VBTB is within the range of prices that maximizes the number of matched contracts and minimizes the absolute imbalance between total bid size and total offer size, the opening trade price will be the VBTB.

(4) If multiple prices exist that maximize the number of matched contracts and minimize the absolute imbalance between total bid size and total offer size, and the VBTB is outside the range of prices that maximizes the number of matched contracts and minimizes the absolute imbalance between total bid size and total offer size, the opening trade price will be the price among those prices that is closest to the VBTB.

(5) If the opening trade price would be below the Implied Spread Bid or above the Implied Spread Offer, there will be no opening trade and the spread will remain in a queuing state until the spread is opened in accordance with Rule 405A(i) below.

~~(iv) A resulting bid and/or ask refers to the bid and/or ask that remains~~The opening bid and offer prices for a spread are the highest remaining bid and lowest remaining offer following the completion of the opening trade(s), if any, through the opening rotation procedure~~matching of the bids and offers that are at the same price as each other or that are crossed with one another, if any.~~

~~(ii) As the opening price is determined by Contract, the CBOE System disseminates the opening trade price, if any, and the opening bid and ask prices for that Contract.~~

(v) Following the determination of the opening trade price and opening trade(s), if any, for a spread, the spread moves into an open state for trading.

(vi) The CFE System determines the opening trade price and opening trade(s), if any, for spreads for a product and moves each of these spreads into an open state for trading in the Spread Processing Sequence.

(vii) No Spread Orders for a spread will be matched or traded unless and until the width of the prevailing market for each individual leg of the spread does not exceed the applicable Threshold Width for the relevant Contract. A spread will remain in a queuing state, or return to a queuing state after it is opened, during any time period in which the width of the prevailing market for any individual leg of the spread exceeds the applicable Threshold Width for the relevant Contract. The CFE System will utilize the opening process set forth in this Rule 405A, as applicable, to open or reopen the spread at such time that there is no longer any individual leg of the spread for which the Threshold Width is



exceeded. Executions resulting from the opening or reopening of a spread in this manner are not disseminated as opening trades.

(e) ~~*Open Trading.* The opening rotation period for a Contract ends when the process to determine the opening price and opening trade(s), if any, for that Contract is completed. The CBOE System then disseminates a notice of the commencement of open trading in the contract (“Open Trading Notice”) and the Contract moves into an open state for trading.~~*Opening Disseminations.* Following the completion of the process to determine the opening trade prices and opening trades for all single leg Contract expirations for a product and the process to determine the opening trade prices and opening trades for all spreads for a product:

(i) The CFE System disseminates for each single leg Contract expiration for the product:

(A) a notice of commencement of open trading in the Contract (“Open Trading Notice”); and

(B) last sale reports for each of the individual opening trades.

(ii) This information is disseminated for each single leg Contract expiration in the Single Leg Processing Sequence.

(iii) The CFE System next disseminates for each spread for a product that does not remain in a queuing state:

(A) an Open Trading Notice; and

(B) for each of the spread opening trades,

(1) last sale reports for each of the individual leg trades that comprise the spread trade, with an indication that the last sale is part of a spread trade, and

(2) the spread trade.

(iv) This information is disseminated for each spread in the Spread Processing Sequence.

(v) The disseminations pursuant to this paragraph (e) are referred to as the “Opening Disseminations”.

(f) *Spread and Simple Order Matching.* Following the Opening Disseminations for single leg expirations and spreads that do not remain in a queuing state, the opening process addresses the remaining Spread Orders for spreads that are in an open state for trading. These remaining Spread Orders include any remaining executable quantity of Spread Orders that were in the Order book at the commencement of the opening process which were not executed as part of an opening trade. These Spread Orders are addressed in the following manner:

(i) The Spread Orders are released for potential execution by spread in the Spread Order Processing Sequence. The release of Spread Orders for each spread is done based on time priority.

(ii) When released, a Spread Order is matched with any simple Orders that are able to be matched with the Spread Order, with Match Trade Prevention in effect. The allocation method for this matching is the same as the allocation method that otherwise applies in the applicable spread.

(iii) Any resulting trades between Spread Orders and simple Orders are not disseminated as opening trades.

(iv) To the extent that the execution of a Spread Order with simple orders causes the width of the prevailing market for a single leg Contract that is the component of one or more spreads to exceed the applicable Threshold Width for the relevant Contract, the CFE System places all of the spreads containing that Contract in a queuing state following those executions.

(g)(f) *Rotation Allocation Method.—Stop Limit Orders.* Following the matching of Spread Orders with simple Orders, the CFE System processes any Stop Limit Orders that are triggered by trades during the opening process from the processing of single leg trades, single leg prints as part of spread trades and single leg trades with spreads. Triggered Stop Limit Orders are either executed if the applicable Stop Limit Order is marketable against the resulting market, with Match Trade Prevention in effect, or booked. Stop Limit Order executions may be at a price different from the opening trade price and are not marked as opening trades. The allocation method for a Contract that applies during the opening rotation procedure the processing of these Stop Limit Orders is the same as the allocation method that otherwise applies to the applicable Contract.

(h)(g) *Order Submission Limitations Around Opening.* The ~~CBOE~~CFE System will not accept Market Orders in a Contract before the opening time for that Contract or during the thirty second time period following the opening time for that Contract. The CBOE System will not accept Fill or Kill Orders or, Immediate or Cancel Orders or Fill or Kill Orders in a Contract until the Contract is in an open state for trading following the completion of the opening rotation period process. These Order types will only be accepted by the CFE System in a Contract when that Contract is in an open state for trading. Additionally, the rules governing a Contract may further restrict the time period during which the Exchange will accept Market Orders in that Contract.

(h) — *Re-openings and Delayed Openings.*

(i) *Opening of Certain Spreads Not Opened During Opening Process.* After completion of the opening process, one or more spreads may remain in a queuing state because the price of the spread generated by the opening process would be below the Implied Spread Bid or above the Implied Spread Offer. For these spreads, the following process is used to transition the spreads to an open state for trading:

(i) The CFE System attempts to open the spread a designated number of times spaced at a designated time interval, each as determined by the Exchange, utilizing the opening process set forth in this Rule 405A, as applicable. During the interval between the Opening Disseminations and the first subsequent attempted opening and between any subsequent attempted openings,

Spread Orders for the spread are accepted for queuing and for participation in any subsequent attempted opening.

(ii) If the CFE System is not able to open the spread during these subsequent attempted openings, the CFE System moves the spread to an open state for trading and releases the Spread Orders for the spread for potential execution based on time priority.

~~(j)(i)~~ Re-openings and Delayed Openings. The opening process set forth in this Rule 405B ~~shall~~ is also be utilized whenever the Exchange reopens trading in a ~~Contact~~ Contract within the same trading session Business Day or ~~has there is~~ a delayed opening. ~~For purposes of this Rule 405B, a delayed opening during which the opening process is completed more than thirty seconds following the opening time is referred to as a “Delayed Opening” a Contract. Executions resulting from a reopening are not disseminated as opening trades.~~

(ii) ~~Since Market Orders may be present during the pre opening period and opening rotation period for re-openings within a trading session or for Delayed Openings, the following additional provisions apply in relation to re-openings and Delayed Openings during the opening rotation procedure with respect to Market Orders:~~

~~(A) In determining the priority of Orders and quotes to be traded, the CBOE System gives priority to Market Orders first ahead of limit Orders and quotes.~~

~~(B) The CBOE System will not open a Contract if all or a portion of any Market Order is not able to execute against one or more opposite side quotes at or within the applicable Threshold Width at the time that the CBOE System attempts to process the Contract to determine the opening price and opening trade(s), if any, in the Contract. If this condition occurs, the CBOE System will:~~

~~———— (1) ——— disseminate a request for quote (“RFQ”) if the size of the opposite side quote(s) is smaller than the size of the market order(s); and~~

~~———— (2) ——— not move the Contract into an open state for trading until the condition is no longer present or a determination is made to open the Contract pursuant to paragraph (i) below.~~

~~If the above condition occurs and a determination is made to open the Contract pursuant to paragraph (i) below, any Market Order that causes this condition will not be executed during the opening process. The Market Order will be executable during open trading once any Order or quote for the Contract has been received by the CBOE System during open trading and if a Threshold Width exists in the Contract. Policy and Procedure I will not be applicable with respect to the execution of the Market Order.~~

~~(k)(i)~~ Opening Conditions. If a condition is present within the ~~CBOE~~ CFE System that prevents a Contract from moving into an open state for trading or prevents the opening process set forth in this Rule 405A from being utilized, the senior person in charge of the

~~Help~~Trade Desk may authorize moving the Contract into an open state for trading in the interest of a fair and orderly market or in the event of unusual market conditions.

~~(l)(j)~~ *Dissemination of Messages.* The ~~dissemination of~~Exchange disseminates the Pre-Opening Notices, ~~Rotation Notices, EOP Messages, RFQs, and Open Trading Notices pursuant to this Rule 405B are made to market participants that have elected to receive this information.~~(k) *Spreads.* The provisions of paragraphs (a) through (j) above do not apply to spreadsA as part of the Exchange Market Data that is disseminated by the Exchange.

#### **406. Execution of Orders by ~~CBOE~~CFE System**

(a) ~~General~~*Base Allocation Methods.* An Order that is executable upon receipt by the CFE System will execute at the best price then available in the Order book in accordance with the applicable allocation method under this Rule, except that Rule 405A governs the allocation method during the opening process. At the discretion of the Exchange, any of the following base allocation methods shall apply to the execution of Orders for any Contract by the ~~CBOE~~CFE System:

(i) *Price-Time Priority.* Under this method, Orders for any Contract are prioritized according to price and time. If at any time there are two or more such Orders at the best price then available, such Orders are executed in the order in which they were ~~received by~~entered into the CBOE System Order book.

(ii) *Pro Rata Priority.* Under this method, Orders for any Contract are prioritized according to price. If at any time there are two or more ~~such~~ Orders at the best price then available, the executable quantity of Contracts is allocated to ~~such~~those Orders on a pro rata basis, taking into account the relative sizes of ~~such~~those Orders; ~~provided that if such.~~ If the application of the pro rata priority method would result in a fraction of a Contract being allocated to any Order, such fraction shall be rounded up (if such fraction is equal to or greater than one half) or down (if such fraction is less than one half); provided, further, that if rounding in accordance with the immediately preceding proviso would result in a number of Contracts in excess of the executable quantity, the quantity allocated to the Order that was last received by the CBOE System shall be reduced accordingly.the allocation to one or more Orders of a number of contracts that is not a whole number, that number will be rounded up to the next whole number if the fractional portion of that number is 0.5 or greater and will be rounded down to the previous whole number if the fractional portion of that number is less than 0.5. Any residual quantity that cannot be allocated through rounding is allocated to Orders based on the following criteria in order of priority:

~~(b)~~ *Priority Overlays.* In addition to the base allocation methods set forth in paragraph (a) above, the Exchange may determine that any or all of the following priority overlays shall apply, in a sequence determined by the Exchange, to the execution of Orders for any Contract by the CBOE System:

~~(i)~~ *Public Customer Priority.* If this priority overlay is in effect with respect to any Contract, the highest bid and lowest offer available at any time shall have priority, except that Orders placed by or on behalf of public Customers shall have priority over Orders at the same price placed by or on behalf of non-public Customers. If there are two or more Orders placed by or on

behalf of public Customers at the same price, such Orders shall be executed in the order in which they were received by the CBOE System, even if pro rata priority is the chosen base allocation method.

(ii) ~~Market Turner Priority.~~ If this priority overlay is in effect with respect to any Contract, each Market Turner shall have priority at the highest bid or lowest offer made by it. At any given price, such priority shall remain with the Market Turner for such price. For example, if the market first moves in the same direction as an Order previously placed by a Market Turner, and then moves back to the price previously bid or offered by such Market Turner, then such Market Turner retains its priority at such price.

The Exchange may determine to reduce the Market Turner priority to a percentage of each Order that is executable against the Market Turner. In such cases, the Market Turner may participate in the balance of an Order, pursuant to the base allocation method in effect under paragraph (a) of this Rule 406, after the Market Turner priority has been applied. To the extent the Market Turner Order bid or offer is not fully exhausted, it shall retain Market Turner priority for subsequent Orders until the conclusion of the trading session.

(1) Orders that were rounded down (with an Order rounded down having priority over an Order rounded up or not rounded);

(2) Order size (with a larger size Order having priority over a smaller size Order); and

(3) time of entry (with an Order entered into the Order book earlier in time having priority of an Order entered into the Order book later in time).

~~(b)(iii) Trade Participation Right Priority.~~ DPMs may be granted *Overlay*. ~~Priority Overlays.~~ In addition to the base allocation methods set forth in paragraph (a) above, the Exchange may determine that a trade participation right priority overlay shall apply to the execution of Orders for any Contract by the CFE System. Lead Market Makers (“LMMs”) or a DPM may be granted a trade participation right ~~right~~ in accordance with any program adopted pursuant to Rule 514 or Rule 515, which ~~right~~ may provide for priority of Orders placed, or quotes made, by such market makers by LMMs or a DPM over other Orders or quotes, up to the applicable participation right percentage and/or up to a specified size. In granting a trade participation right ~~right~~ to DPMs ~~LMMs~~ or a DPM, the following principles shall be followed:

(i) (A) ~~The DPM’s Order or quote must be at the best available price immediately prior to~~ LMMs or a DPM shall be afforded trade participation priority over Orders placed by others when an Order in a Contract from one or more LMMs or the DPM is at the best bid/offer in that Contract at the time of the execution of the relevant transaction. An LMM’s or DPM’s Order must be at the best bid/offer at the time of the execution of the relevant ~~Order~~ transaction for the LMM or DPM to receive a trade participation right.

(ii) (B) ~~An LMM or DPM may not be allocated a total quantity of~~ Contracts through a trade participation right that would be ~~is~~ greater than the Order quantity for which such DPM placed Orders or made quotes at that price ~~of~~ the LMM or DPM at the best bid/offer.

~~(C) — If both the trade participation right priority and pro rata priority are in effect, the priorities shall interact in one of the following two ways, as specified by the Exchange:~~

~~1. — the DPM shall receive the allocation resulting from the application of the trade participation right priority or the DPM shall receive the allocation resulting from the application of the pro rata priority, which is greater; or~~

~~(iii) — 2. — the DPM shall receive the allocation resulting from the application of the trade participation right priority. If both the trade participation right and any further allocation resulting from the subsequent application of the pro rata priority base allocation method to the LMM's or DPM's remaining quote/Order size/quantity at the best bid/offer after the application of the trade participation right.~~

~~(D) — If both the trade participation right priority and the market turner priority are in effect and the DPM is the Market Turner for the relevant price, the market turner priority shall not be applicable.~~

~~(E) — In determining the parties to a particular trade, a DPM's trade participation right shall be applied against such DPM's bids or offers in accordance with their relative priority.~~

~~(iv) (F) If the application of the DPM's trade participation right percentage would result in allocation to one or more LMMs or a DPM of a number of contracts that is not a whole number, that number will be rounded up to the next whole number if the fractional portion of that number is 0.5 or greater and will be rounded down to the previous whole number if the fractional portion of that number is less than 0.5.~~

~~(v) — If there is more than one LMM with an Order at the best bid/offer, the trade participation right will be allocated among those LMMs by either price-time priority or pro rata priority, as designated by the Exchange in the applicable LMM program adopted pursuant to Rule 514.~~

~~(vi) — The following provisions shall apply if a trade participation right is allocated by price-time priority among multiple LMMs with Orders at the best bid/offer:~~

~~(A) — The trade participation right percentage is applied to the quantity of the Order to be executed to determine the quantity of the collective LMM participation entitlement.~~

~~(B) — The quantity of the collective LMM participation entitlement is allocated to the LMMs with Orders at the best bid/offer in accordance with price-time priority.~~

~~(vii) — The following provisions shall apply if a trade participation right is allocated by pro rata priority among multiple LMMs with Orders at the best bid/offer:~~

(A) The trade participation right percentage is applied to the quantity of the Order to be executed to determine the quantity of the collective LMM participation entitlement.

(B) The quantity of the collective LMM participation entitlement is allocated to the LMMs with Orders at the best bid/offer in accordance with pro rata priority.

(c) Particular Order Types. Notwithstanding the general principles described in paragraphs (a) and (b) above, the following shall apply with respect to each of the Order types hereinafter referred to: Market Orders. The CFE System shall, in a form and manner prescribed by the Exchange, reject or cancel back to the sender any Market Order that does not satisfy any of the following conditions:

(i) Market Orders and Limit Orders. Except as otherwise provided in the rules governing a particular Contract, Market Orders are generally afforded execution priority over Limit Orders for such Contract at the same price and on the same side of the market. A Market Order for a Contract must be received by the CFE System when that Contract is in an open state for trading.

(ii) A Market Order for a Contract must be received by the CFE System during regular trading hours for that Contract.

(d) Cancel Replace/Modify Orders and Cancel Orders.

(i) (ii) Cancel Replace Orders and Partial Cancel Orders. If an existing Order is modified. If the quantity of an existing Order is decreased by means of a Cancel Replace/Modify Order, the replacement Order retains the priority position of the existing Order with the decreased quantity. If the quantity of an existing Order is increased or the price of an existing Order is changed by means of a Cancel Replace Order, such Cancel Replace/Modify Order, the replacement Order is placed in priority position behind all Orders of the same type at the same price. If the quantity of an existing Order is decreased by means of a partial Cancel Order, the existing Order retains its priority position with its decreased quantity, in the Order book at the same price with respect to time priority.

(iii) Contingency Orders. Regardless of the priority method in place for a particular Contract, all types of Contingency Orders (except for Immediate or Cancel Orders or Stop Limit Orders) are placed last in priority behind all other Orders for such Contract, irrespective of when they are entered into the CBOE System. Accordingly, a Contingency Order that was entered before a Limit Order for the same Contract at the same price is treated as if it were entered after such Limit Order. If priority for Orders placed on behalf of Customers is afforded with respect to a particular Contract, Contingency Orders placed on behalf of Customers have priority over other Contingency Orders, but are placed behind all other Orders, for such Contract.

(ii) If the expected size of an existing Order designated within a Cancel Replace/Modify Order to cancel and replace that existing Order does not match the actual size of the existing Order, the CFE System decreases the size of the replacement Order by the difference between the designated expected size of

the existing Order and the actual size of the existing Order. If the decreased size of the replacement Order would be zero or less than zero, the existing Order is canceled by the CFE System and the replacement Order is rejected or canceled back to the sender by the CFE System.

(e) *Simple Orders.* A simple Order may trade with one or more other simple Orders upon its receipt (or in the case of a Stop Limit Order upon being triggered). Any portion of a simple Order that is not executed with one or more other simple Orders upon its receipt (or in the case of a Stop Limit Order upon being triggered) and that rests in the Order book is then eligible to trade with either simple Orders or Spread Orders. A simple Market Order, simple Immediate or Cancel Order and simple Fill or Kill Order may only execute against other simple Orders and will not execute against any Spread Orders. Rule 406A(b) sets forth additional provisions relating to Spread Order execution.

(f)(d) *Spread Orders.* The base allocation method and priority overlay applicable to a Contract shall apply to Spread Orders in the Contract unless otherwise specified in the rules governing such Contract. *Minimum Prices and Maximum Prices.* Each product will have a Minimum Price and Maximum Price designated by the Exchange, and the Exchange shall disseminate those values to Trading Privilege Holders in a form and manner determined by the Exchange. The Minimum Price and Maximum Price are CFE System limitations on the limit price of a Limit Order. The Minimum Price is the minimum limit price of an Order in the applicable product. The Maximum Price is the maximum limit price of an Order in the applicable product. CFE System will reject or cancel back to the sender any simple Order with a limit price that is below the Minimum Price or that is above the Maximum Price. The CFE System will reject or cancel back to the sender any Spread Order with a limit price that is below the Implied Spread Bid or above the Implied Spread Offer calculated utilizing as inputs to the calculation the Minimum Prices and Maximum Prices of the individual legs of the spread (like would be done in the calculation if there were no bid price or offer price for each individual leg, as applicable).

(g)(e) *Bunched Orders.* Subject to compliance with Rule 605 and the sales practice rules referred to therein, each Trading Privilege Holder may enter, or permit its Related Parties to enter (as applicable), a bunched Order for more than one discretionary Customer account into the ~~CBOE~~CFE System by using a designation specific to the allocation group and account controller rather than including each of the individual account numbers in such Order, provided such Trading Privilege Holder has filed or is filing an allocation scheme for such Order in accordance with applicable Commission requirements.

(h) *Trade Acknowledgments.* An acknowledgment of each executed Order will be forwarded to the parties on each side of the trade resulting from such Order. ~~the Order.~~

#### **406A.—Self-Trade Prevention Modifiers Trading of Spread Orders**

(a) — Each Trading Privilege Holder shall have the ability to elect to mark its Orders and quotes with a Self Trade Prevention modifier. If a Trading Privilege Holder makes such an election, an eligible Order or quote submitted by the Trading Privilege Holder will be prevented from executing against a resting opposite side eligible Order or quote from the Trading Privilege Holder in a manner determined by the Exchange and as described in this Rule 406A.



~~(b) The following eligibility criteria must all be applicable in order for a Self Trade Prevention modifier to prevent the execution of a Trading Privilege Holder's Order or quote against a resting opposite side Order or quote from the Trading Privilege Holder:~~

(a) Spread Order Processing.

~~(i) The Trading Privilege Holder must have elected to mark its Orders and quotes with a Self Trade Prevention modifier in a form and manner prescribed by the Exchange; following types of Spread Orders may be submitted to the CFE System:~~

(A) Spread Orders, other than spreads that are processed as Block Trades and Exchange of Contract for Related Position transactions, are required to have the following permissible ratios:

(1) two-legged spreads where the ratio of the number of Contracts in one leg to the number of Contracts in the other leg is 1:1, 1:2 and 2:1;

(2) three-legged spreads where the ratio is 1:1:1 or 1:2:1;

(3) four-legged spreads where the ratio is 1:1:1:1;

(4) and any other spread type from time to time approved by the Exchange.

(B) Spreads that are processed as TAS transactions and spread transactions in S&P 500 Variance futures are required to be two-legged spreads that are not strips where the ratio of the number of Contracts in one leg to the number of Contracts in the other leg is 1:1.

(C) Spreads that are processed as Block Trades and Exchange of Contract for Related Position transactions are not required to satisfy the above permissible ratios.

(D) Trading Privilege Holders do not have the capability to create spread types within the CFE System. If a Trading Privilege Holder would like a type of spread with a permissible ratio to be created that is not already available in the CFE System, the Trading Privilege Holder should contact the Trade Desk to request creation of the spread.

~~(ii) The inbound Order or quote and the resting Order or quote must each have been submitted to the CBOE System through the same login or through logins assigned to the same Trading Privilege Holder which the Trading Privilege Holder has designated to the same acronym group, in a form and manner prescribed by the Exchange; A Spread Order may only include Contract legs of the same Exchange product and may not include Contract legs of different Exchange products.~~

~~(iii) The sub-account value for the inbound Order or quote must be the same as the sub-account value for the resting Order or quote; and CFE System~~

will treat each defined spread like a unique Contract from a system perspective and will assign each a unique Contract identifier.

~~(iv) Both the inbound Order or quote and the resting Order or quote must not have a Cboe Options account type that translates to Customer Type Indicator (CTI) code 4. Spread Orders may have any of the acceptable Order types set forth in Rule 404, except that Spread Orders may not be submitted as Market Orders, Stop Limit Orders or Fill or Kill Orders.~~

~~(e) A Trading Privilege Holder may elect to mark its Orders and quotes with one of the following Self Trade Prevention modifiers: Cancel Newest, Cancel Oldest or Cancel Both. Except as set forth in paragraphs (e) and (f) below, the election shall apply with respect to all of the Trading Privilege Holder's eligible Orders and quotes in all Exchange Contracts. The election cannot be made on a per Order, per quote or Contract by-Contract basis. The election shall apply to both single leg orders and Spread Orders, including if a single leg order would execute against a Spread Order. When a Self Trade Prevention modifier causes a quote to be canceled, the cancellation applies with respect to both the bid and offer sides of the quote.~~

~~(d) The Self Trade Prevention modifiers function in the following manner:~~

~~(v) Spreads open for trading in the manner set forth in Rule 405A.~~

~~(vi) A spread will remain in a queuing state prior to being opened for trading, or return to a queuing state after being opened for trading, during any time period in which the width of the prevailing market for any individual leg of the spread exceeds the applicable Threshold Width for the relevant Contract. The CFE System will utilize the opening process set forth in Rule 405A(d)(vii) to open or reopen the spread at such time that there is no longer any individual leg of the spread for which the Threshold Width is exceeded.~~

~~(vii) The CFE System disseminates Spread Order bids and offers as net prices.~~

~~(viii) Once a Spread Order is executed, the CFE System will:~~

~~(A) disseminate to the Trading Privilege Holder that placed the Spread Order fill reports for the spread in its entirety and the individual legs;~~

~~(B) submit the transaction to clearing as separate trades in the individual legs of the spread; and~~

~~(C) disseminate last sale reports for the individual legs of the spread trade, with an indication that each last sale for an individual leg is part of a spread trade, as part of the Exchange Market Data that is disseminated by the Exchange; and~~

~~(D) disseminate a last sale report for the spread trade, as part of the Exchange Market Data that is disseminated by the Exchange.~~

(b) Spread Order Execution.

~~(i) *Cancel Newest Self Trade Prevention Modifier.* Any incoming eligible Order or quote submitted by a Trading Privilege Holder will not execute against any opposite side resting eligible Order or quote from the Trading Privilege Holder. The incoming Order or quote (or any portion thereof) will be canceled back to the Trading Privilege Holder if the Order or quote cannot trade with another Order or quote that is not an eligible Order or quote from the Trading Privilege Holder (for the purposes of this Rule 406A, a “Non Restricted Order or Quote”). The incoming order or quote may only trade with a Non-Restricted Order or Quote if that Order or quote is at as good a price as the eligible Order or quote from the Trading Privilege Holder that is being bypassed. The resting eligible Order or quote from the Trading Privilege Holder will remain in the order book. The base allocation method and priority overlay applicable to a Contract shall apply to Spread Orders in the Contract unless otherwise specified in the rules governing that Contract.~~

~~(ii) *Cancel Oldest Self Trade Prevention Modifier.* Any incoming eligible Order or quote submitted by a Trading Privilege Holder will not execute against any opposite side resting eligible Order or quote from the Trading Privilege Holder. When a Trading Privilege Holder submits an incoming eligible Order or quote that would trade against an opposite side resting eligible Order or quote, the opposite side resting eligible Order or quote will be canceled. The incoming eligible Order or quote may trade with a Non Restricted Order or Quote. If any portion of the incoming eligible Order or quote does not trade with a Non Restricted Order or Quote, it will be entered into the order book. A Spread Order may be fully or partially executed against an opposite side Spread Order that is residing in the CFE System as long as:~~

~~(A) the price of the trade in each leg of the spread would occur at the prevailing best bid price, the prevailing best offer price, or between the prevailing best bid price and prevailing best offer price in that individual Contract leg; and~~

~~(B) the width of the prevailing market for each leg of the spread does not exceed the applicable Threshold Width for the relevant Contract.~~

~~(iii) *Cancel Both Self Trade Prevention Modifier.* Any incoming eligible Order or quote submitted by a Trading Privilege Holder will not execute against any opposite side resting eligible Order or quote from the Trading Privilege Holder. When a Trading Privilege Holder submits an eligible incoming Order or quote that would trade against an opposite side resting eligible Order or quote, the opposite side resting eligible Order or quote will be canceled. The incoming eligible Order or quote (or any portion thereof) will be canceled back to the Trading Privilege Holder if that Order or quote (or part of that Order or quote) cannot trade with a Non Restricted Order or Quote. A Spread Order may be fully or partially executed against individual Orders in the legs of the spread that are residing in the CFE System as long as:~~

~~(A) the Spread Order is not able, or is no longer able, to execute against Spread Orders residing in the CFE System pursuant to subparagraph (b)(ii) above;~~

(B) the Spread Order can be executed in full (or partially executed while maintaining the ratio of the Spread Order for the unexecuted portion) against the individual leg Orders residing in the CFE System; and

(C) the width of the prevailing market for each leg of the spread does not exceed the applicable Threshold Width for the relevant Contract.

(iv) If more than one Spread Order is able to execute against an individual leg Order, the determination of which Spread Order(s) will execute against the individual leg Order will be based on priority as determined by the Spread Processing Sequence as applied to the applicable spreads and in order of time priority within each of the applicable spreads.

(v) Spread Orders will always trade in ratio. When trading with other Spread Orders, Spread Orders will only trade with opposite side Spread Orders with the same components and ratios.

(vi) The CFE System will treat a Spread Order as having an adjusted limit price as described below in the following two circumstances.

(A) The first circumstance is in the event that:

(1) a Spread Order is not able, or is no longer able, to execute against Spread Orders and individual leg Orders residing in the CFE System pursuant to subparagraphs (b)(ii) and (b)(iii) above, and

(2) the limit price of the Spread Order is crossed with the opposite side Implied Spread Bid or Implied Spread Offer.

(B) The second circumstance is in the event that:

(1) a Lower Price Limit or Upper Price Limit is in effect for a product,

(2) the Lower Price Limit or Upper Price Limit is used as an input to the calculation of an Implied Spread Bid or Implied Spread Offer in that product, and

(3) the limit price of the Spread Order is crossed with an opposite side Implied Spread Bid or Implied Spread Offer calculated using a Lower Price Limit or Upper Price Limit.

(C) If either of the above two circumstances occurs with respect to a Spread Order, the following shall take place during the time period in which that circumstance exists:

(1) the limit price of the Spread Order will be treated by the CFE System as having been changed to the price of the opposite side Implied Spread Bid or Implied Spread Offer;

(2) as the opposite side Implied Spread Bid or Implied Spread Offer changes while the original limit price of the Spread Order remains crossed with the opposite side Implied Spread Bid or Implied Spread Offer, the limit price of the Spread Order will be treated as having been changed to the price of the then prevailing opposite side Implied Spread Bid or Implied Spread Offer; and

(3) the Spread Order will be handled by the CFE System in the same manner as it otherwise would be handled with the one exception that it will be treated as having the adjusted limit price.

(D) Any Spread Orders that are treated as having an adjusted limit price in the second circumstance above at the point in time at which a Lower Price Limit or Upper Price Limit is in no longer in effect for a product (such as when the product moves directly from extended trading hours to regular trading hours) are transitioned back to being treated as having their original limit prices in the Spread Processing Sequence as applied to the applicable spreads and within each of the applicable spreads in order of time priority.

#### **406B. Match Trade Prevention**

(a) Match Trade Prevention Modifiers. Any incoming Order designated with a Match Trade Prevention (“MTP”) modifier is prevented from executing against a resting opposite side Order also designated with an MTP modifier and originating from the same EFID, Trading Privilege Holder identifier, or trading group identifier (any such identifier, a “Unique Identifier”). The MTP modifier on the incoming Order controls the interaction between two Orders marked with MTP modifiers.

(b) MTP Cancel Newest. An incoming Order marked with the MTP Cancel Newest (“MCN”) modifier does not execute against an opposite side resting Order marked with any MTP modifier originating from the same Unique Identifier. The incoming Order with the MCN modifier (or the remaining portion of that Order if it has already been partially executed against one or more other Orders) is rejected or canceled back to the sender by the CFE System at the point it would have executed against the resting Order with the MTP modifier. The resting order marked with the MTP modifier remains in the Order book.

(c) MTP Cancel Oldest. An incoming Order marked with the MTP Cancel Oldest (“MCO”) modifier does not execute against an opposite side resting Order marked with any MTP modifier originating from the same Unique Identifier. The resting Order with the MTP modifier (or the remaining portion of that Order if it has already been partially executed against one or more other Orders) is canceled back to the sender by the CFE System at the point it would have executed against the incoming Order with the MCO modifier. The incoming order with the MCO modifier may trade with other Orders, rest in the Order book, or be handled in accordance with its instructions (such as in the case of an Immediate or Cancel Order with respect to which any remaining quantity is canceled).

(d) MTP Cancel Both. An incoming Order marked with the MTP Cancel Both (“MCB”) modifier will not execute against an opposite side resting Order marked with any MTP modifier originating from the same Unique Identifier. Both Orders (or the

remaining portions of those Orders if they have already been partially executed against one or more other Orders) are rejected or canceled back to the sender(s) by the CFE System.

~~(e) If a Trading Privilege Holder elects to mark its Orders and quotes with one of the Self Trade Prevention modifiers: The Cancel Oldest Self Trade Prevention method shall apply to the Trading Privilege Holder's eligible Orders and quotes in the case of an opening or re-opening and in the case of request for quote ("RFQ") responses irrespective of which Self Trade Prevention modifier the Trading Privilege Holder has elected. The older of the two eligible Orders or quotes submitted by the Trading Privilege Holder will be canceled during the completion of the opening, reopening or RFQ process and will not be canceled before that time. The newer Order or quote will be permitted to trade with Non-Restricted Orders or Quotes, and any remaining portion thereof will be entered into the order book. In the case of an opening or reopening, the Cancel Both Self Trade Prevention method shall apply during the completion of the opening or reopening process to any eligible Orders or quotes submitted by a Trading Privilege Holder that have the same order book entry time and are executable against each other, irrespective of which Self Trade Prevention modifier the Trading Privilege Holder has elected.~~Spread Orders. MTP functionality applies to Spread Orders in the following manner:

~~(f) A quote in a Contract submitted through a login or through logins designated to the same acronym group will replace and not execute against any resting quote in the Contract submitted through that login or acronym group irrespective of whether a Self Trade Prevention modifier election has been made and of which Self Trade Prevention modifier may have been elected.~~

~~(g) If a Spread Order is resting in the order book and the prevailing bid or offer for one or more legs of the spread are updated in such a manner that the resting Spread Order becomes executable with a derived spread market that is calculated from the disseminated market of each leg of the spread, the resting Spread Order will be treated as an incoming order for purposes of the application of the Self Trade Prevention modifiers.~~

(i) With respect to the execution of a Spread Order against another Spread Order, MTP functionality applies as described in paragraphs (a), (b) and (c) above.

(ii) With respect to the execution of a Spread Order against a simple Order, a Spread Order marked with an MTP modifier will not execute against a simple Order marked with any MTP modifier originating from the same Unique Identifier. The Spread Order (or the remaining portion of the Spread Order if it has already been partially executed against one or more other Orders) is rejected or canceled back to the sender by the CFE System at the point it would have executed against the simple Order with the MTP modifier. This is the case regardless of which MTP modifier(s) are marked on the Spread Order and the simple Order. The simple Order with the MTP modifier is not rejected or canceled back to the sender by the CFE System by the MTP functionality regardless of which MTP modifier(s) are marked on the Spread Order and the simple Order.

~~(f)(h) Use of MTP Functionality.~~ Although the use of a Self Trade Prevention modifier~~Exchange MTP functionality~~ is not mandatory, the failure of a Trading Privilege

Holder to utilize a ~~Self Trade Prevention modifier~~ 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 a ~~Self Trade Prevention modifier~~ Exchange MTP functionality.

\* \* \* \* \*

#### **408. Market Data and Market Data Related Agreements**

(a) The Exchange will make information regarding trades completed on the Exchange, prices bid or offered on the Exchange and any other matters it may deem appropriate (collectively, “Market Data”) available at such times and in such manner (whether through the ~~CBOECFE~~ System, ~~one or more~~ financial information ~~vendor~~ vendors or otherwise) as the Exchange may consider necessary or appropriate from time to time. The Exchange may require Trading Privilege Holders, financial information vendors, Independent Software Vendors, extranet service providers, and other Persons that receive Market Data from the Exchange to execute ~~one or more~~ market data agreement, connectivity or similar agreements with the Exchange in a form and manner prescribed by the Exchange.

(b) ~~An acknowledgement of each executed Order will be forwarded to the parties on each side of the trade resulting from such Order.~~

\* \* \* \* \*

#### **412. Position Limits**

(a) The Exchange shall designate for each Contract whether it is subject to position limits or to position accountability. This Rule 412 governs Contracts that are subject to position limits.

(b) Position limits shall be as established by the Exchange from time to time as permitted by Commission Regulations 150 and 41.25 as applicable. Such position limits may be specific to a particular Contract or contract expiration or may be established on an aggregate basis among Contracts or contract expiration. Except as specified in paragraphs (c) and (d) below, Trading Privilege Holders shall not control, or trade in, any number of Contracts that exceed any position limits so established by the Exchange. Once established, any such position limits shall be deemed to constitute a part of each Trading Privilege Holder’s account and clearing agreement. Except as specified in paragraphs (c) and (d) below, no Trading Privilege Holder shall be permitted to enter, or place an ~~order~~ Order to enter, into any transaction on the Exchange that would cause such Trading Privilege Holder to exceed any position limits.

(c) On the basis of an application to the Exchange in accordance with paragraph (d) below, and such supplemental information as the Exchange may request, the Exchange will determine whether to grant a position limit exemption for one or more bona fide hedge transactions, risk management transactions or arbitrage or spread transactions. For purposes of this Rule 412, the term “bona fide hedge transaction” means any transaction or position in a particular Contract that satisfies the requirements of Commission Regulation 1.3(z).

(d) Any application for a position limit must be made by the relevant Trading Privilege Holder to the Exchange in such form, and within such time limits, as the Exchange may from time to time prescribe. Without limiting the generality of the foregoing, any such application must include the following:

(i) If a qualified bona fide hedge transaction, a representation that such transaction or position satisfies the requirements of Commission Regulation 1.3(z), which representation shall also describe how the transaction would satisfy the requirements of Commission Regulation 1.3(z);

(ii) If a risk management transaction, a representation that the position held by a Trading Privilege Holder that typically buys, sells or holds positions in the underlying cash market, a related cash market or a related over-the-counter market for which the underlying market has a high degree of demonstrated liquidity relative to the size of the positions and where there exist opportunities for arbitrage which provide a close linkage between the futures or options market and the underlying market;

(iii) If an arbitrage or spread transaction, an undertaking that the prospective arbitrageur or spreader will specify the extent of the Trading Privilege Holder's current or planned activity in the cash market underlying the Contract for which such exemption is requested;

(iv) A representation that the bona fide hedge, risk management, arbitrage or spread transaction will not be used in an attempt to violate or avoid any Rule of the Exchange;

(v) A representation that the positions involved shall be established and liquidated in an orderly manner based upon the characteristics of the market for which the exemption is sought;

(vi) A representation that such Trading Privilege Holder has complied with any applicable federal requirements, including compliance with all applicable Commission regulations relating to bona fide hedging, risk management, arbitrage or spread transactions;

(vii) A schedule of the maximum number of Contracts, long and short, that such Trading Privilege Holder intends to enter into for bona fide hedging, risk management, arbitrage or spread transaction purposes;

(viii) An agreement that such Trading Privilege Holder will comply with any terms, conditions or limitations imposed by the Exchange with respect to the exemption;

(ix) An agreement by such Trading Privilege Holder to promptly submit a supplemental statement explaining any change in circumstances that may affect the nature of its positions;

(x) An agreement by such Trading Privilege Holder to promptly notify the Exchange of any material change to the information provided in any application; and

(xi) A representation that the Exchange may, at any time, rescind, limit or condition any exemption.

(e) In determining whether any Trading Privilege Holder has exceeded or seeks to exceed the position limits established by the Exchange, all positions in accounts for which such Trading Privilege Holder, by power of attorney or otherwise, directly or



indirectly controls trading (as set forth in Commission Regulation 1.3(j) and Commission Regulation 150.5(g)), whether on a proprietary basis or on behalf of Customers, shall be included. Position limits shall apply to positions held by two or more Trading Privilege Holders acting pursuant to an express or implied agreement or understanding in the same manner as if such positions were held by a single Person

(f) The application for a position limit exemption must be submitted to and approved by the Exchange before execution of any transaction for which the exemption is requested. In granting any position limit exemption, the Exchange may impose such limitations or conditions upon the grant of the exemption as it may deem necessary or appropriate. Factors to be taken into account by the Exchange in determining whether to limit or condition a position limit exemption may include, among others, the liquidity of the markets involved, sound commercial practices and the Trading Privilege Holder's financial condition and business circumstances. Any position limit exemption granted by the Exchange for a bona fide hedge transaction, risk management transaction or arbitrage or spread transaction shall remain in effect for the time period designated by the Exchange, unless the exemption is earlier rescinded by the Exchange. The time period for which a position limit exemption may be granted by the Exchange may be up to two years. The Exchange shall have the authority, at any time and in its sole discretion, to review and rescind, limit or condition any position limit exemption granted by it. A Trading Privilege Holder shall promptly submit to the Exchange upon request such supplemental information requested by the Exchange in connection with the review of a position limit exemption granted to the Trading Privilege Holder. A Trading Privilege Holder that has received a position limit exemption must annually file an updated position limit application not later than one year following the approval date of the most recent application. Failure to file an updated application will result in expiration of the exemption.

\* \* \* \* \*

#### **414. Exchange of Contract for Related Position**

(a) ~~Alf and to the extent permitted by the rules governing the applicable Contract, a~~ bona fide Exchange of Contract for Related Position may be entered into off of the Exchange with respect to ~~any Contract designated by the Exchange and in accordance with the applicable trading increments set forth in the rules governing such Contract,~~ a Contract at a price mutually agreed upon by the parties to such transaction. An Exchange of Contract for Related Position transaction must conform to the applicable trading increments for Exchange of Contract for Related Position transactions set forth in the rules governing such Contract, the relevant Contract. Each Exchange of Contract for Related Position must contain the following three essential elements:

- (i) ~~A~~ an transaction in a Contract that is listed on the Exchange and a transaction in a related position or an option on the related position (known as the "Related Position");
- (ii) ~~An~~ an exchange of Contract for the Related Position that involves an actual transfer of ownership, which must include ~~(x) an ability to perform the Exchange of Contract for Related Position and (y) a transfer of title of the Contract and Related Position upon consummation of the exchange; and~~

(1) ~~(x)~~ an ability to perform the Exchange of Contract for Related Position and

(2) ~~(y)~~ a transfer of title of the Contract and Related Position upon consummation of the exchange; and

(iii) ~~Separate~~ separate parties, such that the accounts involved on each side of the Exchange of Contract for Related Position have different beneficial ownership or are under separate control, provided that separate profit centers of a futures commission merchant operating under separate control are deemed to be separate parties for purposes of this Rule 414.

(b) For purposes of this Rule 414, the term “Related Position” shall include, but not be limited to, a security, ~~an option, a Contract derivative~~, any commodity as that term is defined by the CEA, or a group or basket of any of the foregoing. The Related Position being exchanged need not be the same as the underlying of the Contract transaction being exchanged, but the Related Position must have a high degree of price correlation to the underlying of the Contract transaction so that the Contract transaction would serve as an appropriate hedge for the Related Position. The Related Position being exchanged may not be a Contract traded on or subject to the Rules of the Exchange.

(c) In every Exchange of Contract for Related Position, one party must be the buyer of (or the holder of the long market exposure associated with) the Related Position and the seller of the corresponding Contract and the other party must be the seller of (or the holder of the short market exposure associated with) the Related Position and the buyer of the corresponding Contract. Further, the quantity of the Related Position traded in an Exchange of Contract for Related Position must correlate to the quantity represented by the Contract portion of the transaction.

(d) The execution of an Exchange of Contract for Related Position transaction may not be contingent upon the execution of another Exchange of Contract for Related Position or related position transaction between the parties where the transactions result in the offset of the related position without the incurrence of market risk that is material in the context of the related position transactions.

(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.

~~(d) Exchange of Contract for Related Position transactions with respect to any Contract may occur (i) during the Trading Hours for the applicable Contract and (ii) outside of the Trading Hours for the applicable Contract, but only if the transaction is fully reported to the Exchange during a permissible reporting period and by no later than the Reporting Deadline pursuant to paragraph (i) below. Exchange of Contract for Related Position transactions in an expiring Contract on the last trading day for that Contract may not occur after the termination of Trading Hours in the expiring Contract on that trading day. An Exchange of Contract for Related Position transaction in an expiring Contract that occurs during Trading Hours on the last trading day for that~~

~~Contract may be reported to the Exchange after Trading Hours, but only if the transaction is fully reported to the Exchange by no later than the Reporting Deadline pursuant to paragraph (i) below.~~ (f) Each party to an Exchange of Contract for Related Position transaction shall comply with all applicable Rules of the Exchange other than those which by their terms only apply to trading through the CBOE CFE System. ~~(e) Each Order book. Each Contract leg trade that is a component of an Exchange of Contract for Related Position shall be designated as such, and~~ transaction shall be designated as an Exchange of Contract for Related Position in Exchange Market Data and be cleared through the Clearing Corporation as if it were a transaction executed through the CBOE System CFE System Order book.

(g)(f) Each Trading Privilege Holder that acts as agent for an Exchange of Contract for Related Position shall record the following details with respect to the Contract leg of the Exchange of Contract for Related Position on its order ticket: (i) the Contract (including the expiration); (ii) the number of contracts traded; (iii) the price of execution or premium; (iv) the time of execution (i.e., the time at which the parties agreed to the Exchange of Contract for Related Position); (v) the arrangement time, if any (i.e., the time at which the parties agreed to enter into the transaction at a later time); (vi) the identity of the counterparty; (vii) that the transaction is an Exchange of Contract for Related Position; (viii) the account number of the Customer for which the Exchange of Contract for Related Position was executed; and if applicable, the underlying commodity, whether the transaction involved a put or a call and the (ix) the identity, quantity and price or premium of the Related Position (including the expiration, strike price, type of option (put or call) and delta in the case of an option). Every Trading Privilege Holder handling, executing, clearing or carrying Exchange of Contract for Related Position transactions or positions shall identify and mark as such by appropriate symbol or designation all Exchange of Contract for Related Position transactions or positions and all orders, records and memoranda pertaining thereto.

(h)(g) Each Trading Privilege Holder involved in any Exchange of Contract for Related Position transaction shall either maintain records evidencing compliance with the criteria set forth in this Rule 414 or be able to obtain such records from its Customer involved in the Exchange of Contract for Related Position transaction. Such records shall include, without limitation, documentation relating to the Related Position portion of the Exchange of Contract for Related Position transaction, including those documents customarily generated in accordance with Related Position market practices which demonstrate the existence and nature of the Related Position portion of the transaction. Upon request by the Exchange and within the time frame designated by the Exchange, any such Trading Privilege Holder shall produce satisfactory evidence that an Exchange of Contract for Related Position transaction meets the requirements set forth in this Rule 414.

(i)(h) Each Trading Privilege Holder executing an Exchange of Contract for Related Position transaction must have at least one designated Person 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”). ~~When an entity designated as an Authorized Reporter reports an Exchange of Contract for Related Position transaction, the report must be made by one Related Party of that entity respecting that specific transaction.~~ 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)(4)~~ Each party to an Exchange of Contract for Related Position transaction is obligated to have an Authorized Reporter notify the ~~Help Desk~~Exchange of the terms of the transaction after the transaction is agreed upon. This notification must be made ~~by e-mail.~~ For this purpose, ~~agreement to the 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 relevant 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).~~ Unless otherwise specified in the rules governing the relevant Contract, this notification to the Help Desk shall be made ~~without delay and by no later than thirty minutes after the transaction is agreed upon (“Reporting Deadline”).~~ The chart below sets forth the permissible time periods during which an Exchange of Contract for Related Position transaction may be 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. ~~Based upon the time of notification to the Exchange of the transaction, the chart below also sets forth the Business Day for which the Contract leg of the transaction will be submitted for clearing and when the Help Desk will report the Contract leg of the transaction and provide a written transaction summary pursuant to paragraph (k) below. All times included in the chart below are Chicago time.~~

<b>Time of Notification to the Exchange</b>	<b>Business Day for Which Contract Leg Submitted for Clearing</b>	<b>When Help Desk Reports Contract Leg</b>
5:00 p.m. Sunday to 3:15 p.m. Monday	Business Day of transaction.  Next Business Day for Trade at Settlement (TAS) transactions reported after 3:13 p.m.  Calendar day of the	As soon as practicable following notification to Help Desk.

<b>Time of Notification to the Exchange</b>	<b>Business Day for Which Contract Leg Submitted for Clearing</b>	<b>When Help Desk Reports Contract Leg</b>
3:15 p.m. to 3:30 p.m. Monday—Thursday	transaction or next Business Day, as designated by Authorized Reporters.  Next Business Day for TAS transactions.	As soon as practicable after trading next commences following notification to Help Desk.
3:15 p.m. to 3:30 p.m. Friday	Calendar day of the transaction.  TAS transactions may not be reported after 3:13 p.m.	As soon as practicable following notification to Help Desk.
3:30 p.m. to 4:00 p.m. Monday—Thursday	Calendar day of the transaction or next Business Day, as designated by Authorized Reporters.  Business Day of the transactions for TAS transactions.	As soon as practicable following notification to Help Desk.
4:00 p.m. previous day to 3:15 p.m. Tuesday—Friday	Business Day of transaction.  Next Business Day for TAS transactions reported after 3:13 p.m. Tuesday—Thursday.  TAS transactions may not be reported after 3:13 p.m. on Friday.	As soon as practicable following notification to Help Desk.
3:30 p.m. Friday to 5:00 p.m. Sunday	No transactions may be reported to the Exchange during this time period when the Exchange is closed.	

~~Pursuant to paragraph (k) below, the Help Desk will provide a written transaction summary to each Authorized Reporter on the Business Day for which the Contract leg of the transaction is submitted for clearing or on the Calendar Day of the transaction. The Exchange may modify the days and times during which the foregoing notification, reporting, and clearance submission provisions will be applicable in the event that the Exchange will not be open for business or will have shortened Trading Hours in connection with a holiday or a period of mourning.~~

~~(k)(j) The notification to the Help Desk Exchange of an Exchange of Contract for Related Position transaction shall include (i) the identity, contract expiration, price or premium, quantity, and time of execution of the relevant Contract leg (i.e., the time the~~

~~parties agreed to the Exchange of Contract for Related Position transaction), (ii) the counterparty Clearing Member, (iii) the identity, quantity and price of the Related Position, and (iv) whether the component of the transaction in the Contract listed on the Exchange is a single leg transaction, a transaction in a spread or transaction in a strip; (ii) the Contract identifier (or product and contract expiration for a future or product, expiration, strike price and type of option (put or call) in the case of an option), price (or premium for an option) and quantity of the relevant Contract leg of the transaction and whether the relevant Contract leg is buy or sell; (iii) the time of execution (i.e., the time at which the parties agreed to the transaction); (iv) the arrangement time, if any (i.e., the time at which the parties agreed to enter into the transaction at a later time); (v) Operator ID; (vi) EFID; (vii) account; (viii) Clearing Corporation origin code; (ix) Customer Type Indicator code; (x) the identity, quantity and price or premium of the Related Position (including the expiration, strike price, type of option (put or call) and delta in the case of an option); and (xi) any other information required by the Exchange.—After the notification of an Exchange of Contract for Related Position transaction has been provided to the Help Desk, the Exchange of Contract for Related Position transaction may not be changed and the Exchange of Contract for Related Position transaction may not be cancelled (provided, however, that corrections to any inaccuracies in the transaction summary of the Exchange of Contract for Related Position transaction provided by the Help Desk may be made as provided in paragraph (k) below).~~

~~(k) — The Help Desk will report the Contract leg of the transaction to the CBOE System. The Help Desk will also provide a written transaction summary on the Business Day for which the Contract leg of the transaction is submitted for clearing or on the Calendar Day of the transaction to the Authorized Reporters that reported the transaction to the Help Desk on behalf of each party to the transaction. The transaction summary will include the transaction information reported to the Help Desk by the Authorized Reporters and any other relevant information included by the Help Desk. The Authorized Reporters and the parties to the transaction shall have thirty minutes from the time the Help Desk transmits the transaction summary to Authorized Reporters to notify the Help Desk of any inaccuracies in the content of the transaction summary and of the corrections to any inaccurate information. It is the responsibility of the buying and selling parties to effect any subsequent allocations or necessary updates to non-critical matching fields utilizing a post trade processing system designated by the Exchange.~~

~~(l) The Help Desk may review an Exchange of Contract for Related Position transaction for compliance with the requirements of this Rule and may determine not to permit the Exchange of Contract for Related Position transaction to be consummated, or may bust an Exchange of Contract for Related Position transaction for which the Contract leg has been posted or for which the Help Desk has transmitted a transaction summary, if the Help Desk determines that the Exchange of Contract for Related Position transaction does not conform with those requirements. Authorized Reporters shall provide notification to the Exchange of Exchange of Contract for Related Position transactions by reporting them to the CFE System in a form and manner prescribed by the Exchange. The CFE System includes a mechanism, in a form and manner provided by the Exchange, for:~~

~~(i) the Authorized Reporter that is the initiator of a notification of~~ The Help Desk may review an Exchange of Contract for Related Position transaction to enter information regarding the transaction; and

(ii) the Authorized Reporter for the contra side of the transaction to accept the notification to the Exchange of the transaction as entered by the initiating Authorized Reporter and enter contra side information for the transaction.

The Authorized Reporter that is the initiator of a notification of an Exchange of Contract for Related Position transaction may not cancel or revise the notification after it has been entered into the CFE System while it awaits acceptance by the Authorized Reporter for the contra side of the transaction. The Authorized Reporter that is the initiator of a notification of an Exchange of Contract for Related Position transaction must enter the required information for the transaction into the CFE System and provide the reference ID generated by the CFE System to the Authorized Reporter for the contra side of the transaction promptly enough to allow a reasonable amount of time for the contra side Authorized Reporter to accept the notification to the Exchange of the transaction as entered by the initiating Authorized Reporter and enter contra side information for the transaction within a Permissible Reporting Period by no later than the Reporting Deadline. An Exchange of Contract for Related Position transaction may not be changed or canceled after it has been fully reported to the Exchange, except to the extent that the Contract leg(s) of the transaction may be busted by the Trade Desk in accordance with Policy and Procedure III.

(m) For timing purposes in connection with measuring adherence to Permissible Reporting Periods and the Reporting Deadline, an Exchange of Contract for Related Position transaction shall be deemed to have been fully reported to the Exchange when the full report of the transaction has been received by the CFE System matching engine following notification to the CFE System of required information relating to the transaction by the initiating Authorized Reporter and acceptance and notification to the CFE System of required information relating to the transaction by the contra side Authorized Reporter.

(n) The Exchange may modify a Permissible Agreement Period, Reporting Deadline, Permissible Reporting Period, and/or permissible manner of notification to the Exchange of an Exchange of Contract for Related Position transaction in the event of unusual circumstances.

(o) The CFE System will reject the submission of an Exchange of Contract for Related position transaction if the transaction would cause a net long (short) risk control pursuant to Rule 513A(c) to be exceeded for either side of the transaction.

~~(p)(m) The posting of the Contract leg Exchange or CFE System may reject the submission of an Exchange of Contract for Related position transaction (or bust the Contract leg of an Exchange of Contract for Related Position transaction) that does not conform, or that is reported to the Exchange in a manner that does not conform, to compliance with the requirements of this Rule. The acceptance by the Exchange or CFE System of the submission of an Exchange of Contract for Related Position transaction by the Help Desk or the transmission by the Help Desk of a transaction summary for the position transaction does not constitute a determination by the Exchange that the Exchange of Contract for Related Position transaction was effected or reported in conformity with the requirements of this Rule. An Exchange of Contract for Related Position transaction for which the Contract leg is posted by the Help Desk or for which the Help Desk has transmitted a transaction summary that does not conform to the requirements of this Rule that is accepted and not busted or rejected by the Exchange or~~



CFE System shall be processed and given effect ~~if it is not busted~~, but will be subject to appropriate disciplinary action in accordance with the Rules of the Exchange if it was not effected or reported in conformity with the requirements of this Rule.

~~(q)(n)~~ Any Exchange of Contract for Related Position transaction in violation of the requirements of this Rule shall constitute conduct which is inconsistent with just and equitable principles of trade; provided, however, if the Exchange imposes a minor rule violation fine pursuant to Rule 714 for violation of this Rule, that minor rule violation shall not be considered to constitute conduct which is inconsistent with just and equitable principles of trade.

~~(o) — Authorized Reporters may electronically report Exchange of Contract for Related Position transactions in VX futures to the CBOE System pursuant to this paragraph (o) in a form and manner prescribed by the Exchange instead of reporting them to the Help Desk.~~

~~An Exchange of Contract for Related Position transaction may be electronically reported to the CBOE System only if each Authorized Reporter for the transaction has obtained access to the CBOE System from the Exchange to enable the Authorized Reporter to electronically report Exchange of Contract for Related Position transactions and agrees with the other Authorized Reporter for the Exchange of Contract for Related Position transaction to electronically report the transaction to the CBOE System in lieu of reporting the transaction to the Help Desk. In order to electronically report an Exchange of Contract for Related Position transaction to the CBOE System, each Authorized Reporter for the transaction must complete all of the steps required by the CBOE System and as prescribed by the Exchange in order for an Exchange of Contract for Related Position transaction to be electronically reported to the CBOE System.~~

~~The Authorized Reporter that is the initiator of an electronic report of an Exchange of Contract for Related Position transaction to the CBOE System must enter the required information into the CBOE System promptly enough to allow a reasonable amount of time for the other Authorized Reporter to electronically accept that report by no later than thirty minutes after the transaction is agreed upon.~~

~~Electronic Exchange of Contract for Related Position reports may be submitted during trading hours and outside of trading hours to the extent permitted in paragraph (d) of this Rule. For Exchange of Contract for Related Position transactions that are electronically reported outside of trading hours, the CBOE System will generally disseminate the Contract leg of the transaction and provide a transaction summary to the Authorized Reporters following the next commencement of trading hours.~~

~~The Business Day which Authorized Reporters electronically reporting an Exchange of Contract for Related Position transaction designate for the Contract leg of the transaction to be submitted for clearing must conform to the same parameters in this regard that apply to Exchange of Contract for Related Position transactions that are reported to the Help Desk which are set forth in the first and second columns of the chart in paragraph (i) of this Rule.~~

~~Except to the extent modified by this paragraph (o), the provisions of the other paragraphs of this Rule shall continue to be applicable in relation to Exchange of Contract for Related Position transactions that are electronically reported to the CBOE System. For the avoidance of doubt:~~

~~(i) — the e-mail notification requirement and the third column of the chart in paragraph (i) of this Rule shall not be applicable to electronically submitted Exchange of Contract for Related Position transactions;~~

~~(ii) — the procedure in paragraph (k) of this Rule for notification to the Help Desk of any inaccuracies in the content of the transaction summary for an Exchange of Contract for Related Position transaction shall be applicable to electronically submitted Exchange of Contract for Related Position transactions and to any mistake or inaccuracy in the electronic submission of an Exchange of Contract for Related Position transaction to the CBOE System; and~~

~~(iii) — the provisions of paragraph (m) of this Rule shall be applicable to electronically submitted Exchange of Contract for Related Position transactions.~~

#### **415. Block Trading Trades**

(a) If and to the extent permitted by the rules governing the applicable Contract, Trading Privilege Holders may enter into transactions ~~outside of a minimum size off of the CBOE System Exchange~~, at prices mutually agreed, provided all of the following conditions are satisfied (such transactions, “Block Trades”):

(i) Each buy or sell order underlying a Block Trade must (A) state explicitly that it is to be, or may be, executed by means of a Block Trade and (B) be for at least such minimum number of ~~Contracts as will from time to time be contracts as~~ contracts as specified by the Exchange in the rules governing the applicable Contract; *provided* that only (x) a commodity trading advisor registered under the CEA, (y) an investment adviser registered as such with the Securities and Exchange Commission that is exempt from regulation under the CEA and Commission Regulations thereunder and (z) any Person authorized to perform functions similar or equivalent to those of a commodity trading advisor in any jurisdiction outside the United States of America, in each case with total assets under management exceeding US\$25 million, may satisfy this requirement by aggregating orders for different accounts that are under management or control by such commodity trading advisor, investment adviser, or other Person. Other than as provided in the foregoing sentence, orders for different accounts may not be aggregated to satisfy Block Trade size requirements. For purposes of this Rule, if the Block Trade is executed as a ~~spread order~~ Spread Order (as defined in Rule 404(~~gc~~)), the total quantity of the transaction and the quantity of each leg of the transaction must meet any designated minimum sizes applicable to those types of transactions that are set forth in the rules governing the ~~relevant~~ applicable Contract.

(ii) Each party to a Block Trade must qualify as an “eligible contract participant” (as such term is defined in Section 1a(18) of the CEA); *provided* that, if the Block Trade is entered into on behalf of Customers by (A) a commodity trading advisor registered under the Act, (B) an investment adviser registered as such with the Securities and Exchange Commission that is exempt from regulation under the Act and Commission Regulations thereunder or (C) any Person authorized to perform functions similar or equivalent to those of a commodity trading advisor in any jurisdiction outside the United States of America, in each case with total assets under management exceeding US\$25

million, then only such commodity trading advisor or investment adviser, as the case may be, but not the individual Customers, need to so qualify.

(b) The price at which a Block Trade is executed must be “fair and reasonable” in light of (i) the size of the Block Trade; (ii) the prices and sizes, at the ~~relevant time of agreement to the Block Trade~~, of ~~orders~~Orders in the ~~order~~Order book for the same Contract, the same contract on other markets and similar or related contracts on the Exchange and other markets, including without limitation the underlying cash and futures markets; (iii) the prices and sizes, at the ~~relevant time of agreement to the Block Trade~~, of transactions in the same Contract, the same contract on other markets and similar or related contracts on the Exchange and other markets, including without limitation the underlying cash and futures markets; (iv) the circumstances of the parties to the Block Trade; and (v) whether the Block Trade is executed as a ~~spread order~~Spread Order.

The following guidelines shall apply in determining whether the execution price of a Block Trade that is not executed as a ~~spread order~~Spread Order is “fair and reasonable.” These guidelines are general and may not be applicable in each instance. Whether the execution price of a Block Trade is “fair and reasonable” depends upon the particular facts and circumstances.

In the event the quantity present in the ~~order~~Order book is greater or equal to the quantity needed to fill an ~~order~~Order of the size of the Block Trade, it would generally be expected that the Block Trade price would be better than the price present in the ~~order~~Order book. In the event the quantity present in the ~~order~~Order book is less than the quantity needed to fill an ~~order~~Order of the size of the Block Trade, it would generally be expected that the Block Trade price would be relatively close to the price present in the ~~order~~Order book and that the amount of the differential between the two prices would be smaller to the extent that the differential between the quantity present in the ~~order~~Order book and the Block Trade quantity is smaller.

~~(c) Block Trades with respect to any Contract may occur (i) during the Trading Hours for the applicable Contract and (ii) outside of the Trading Hours for the applicable Contract, but only if the transaction is fully reported to the Exchange during a permissible reporting period and by no later than the Reporting Deadline pursuant to paragraph (g) below. Block Trades in an expiring Contract on the last trading day for that Contract may not occur after the termination of Trading Hours in the expiring Contract on that trading day. A Block Trade in an expiring Contract that occurs during Trading Hours on the last trading day for that Contract may be reported to the Exchange after Trading Hours, but only if the transaction is fully reported to the Exchange by no later than the Reporting Deadline pursuant to paragraph (g) below. Each party to a Block Trade shall comply with all applicable Rules of the Exchange other than those which by their terms only apply to trading through the CBOE System. 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) Each Block Trade shall be designated as such, and cleared through the Clearing Corporation as if it were a transaction executed through the CBOE System. The Exchange will publicize information identifying the trade as a Block Trade and identifying the relevant Contract, contract expiration, price or premium, quantity for each Block Trade and, if applicable, the underlying commodity, whether the transaction involved a put or a call and the strike price immediately after such information has been reported to the Exchange. Each party to a Block Trade shall comply with all applicable Rules of the Exchange other than those which by their terms only apply to trading through the CFE System Order book. Each Block Trade shall be designated as a Block

Trade in Exchange Market Data and be, and cleared through the Clearing Corporation as if it were a transaction executed through the CFE System Order book.

(e) Each Trading Privilege Holder that is party to a Block Trade shall record the following details on its order ticket: (i) the Contract (including the expiration) to which such Block Trade relates; (ii) the number of Contracts/contracts traded; (iii) the price of execution or premium; (iv) the time of execution (i.e., the time at which the parties agreed to the Block Trade); (v) the arrangement time, if any (i.e., the time at which the parties agreed to enter into the Block Trade at a later time); (vi) the identity of the counterparty; (vii) that the transaction is a Block Trade; and, (viii) if applicable, the account number of the Customer for which the Block Trade was executed, the underlying commodity, whether the transaction involved a put or a call and the; and (ix) if applicable, the expiration, strike price and type of option (put or call) in the case of an option. Every Trading Privilege Holder handling, executing, clearing or carrying Block Trades or positions shall identify and mark as such by appropriate symbol or designation all Block Trades or positions and all orders, records and memoranda pertaining thereto. Upon request by the Exchange and within the time frame designated by the Exchange, any such Trading Privilege Holder shall produce satisfactory evidence, including the order ticket referred to in the preceding sentence, that the Block Trade meets the requirements set forth in this Rule 415.

(f) Each Trading Privilege Holder ~~executing a side of~~ a Block Trade must have at least one designated Person/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”). ~~If an entity designated as an Authorized Reporter reports a Block Trade, the report must be made by a Related Party of that entity.~~ 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 ~~Help~~Exchange of the terms of the ~~transaction~~Block Trade after the transaction is agreed upon. This notification must be made by e-mail. ~~For this purpose, agreement to the transaction 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 relevant 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). Unless otherwise specified in the rules governing the relevant Contract, this notification to the Help Desk shall be made without delay and by no later than ten minutes after the transaction is agreed upon (“Reporting Deadline”). The chart below sets forth the permissible time periods during which a Block Trade may be 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. Based upon the time of notification to the Exchange of the transaction, the chart below also sets forth when the Help Desk will report the Block Trade and provide a written transaction summary pursuant to paragraph (i) below and the Business Day for which the Block Trade will be submitted for clearing. All times included in the chart below are Chicago time.

<b>Time of Notification to the Exchange</b>	<b>Business Day for Which Block Trade Submitted for Clearing</b>	<b>When Help Desk Reports Block Trade</b>
5:00 p.m. Sunday to 3:15 p.m. Monday	Business Day of transaction.  Next Business Day for Trade at Settlement (TAS) transactions reported after 3:13 p.m.	As soon as practicable following notification to Help Desk.
3:15 p.m. to 3:30 p.m. Monday—Thursday	Calendar day of the transaction or next Business Day, as designated by Authorized Reporters.  Next Business Day for TAS transactions.	As soon as practicable after trading next commences following notification to Help Desk.
3:15 p.m. to 3:30 p.m. Friday	Calendar day of the transaction.  TAS transactions may not be reported after 3:13 p.m.	As soon as practicable following notification to Help Desk.
3:30 p.m. to 4:00 p.m. Monday—Thursday	Calendar day of the transaction or next Business Day, as designated by Authorized Reporters.  Business Day of the transactions for TAS transactions.	As soon as practicable following notification to Help Desk.
4:00 p.m. previous day to 3:15 p.m. Tuesday—Friday	Business Day of transaction.  Next Business Day for TAS transactions reported after 3:13 p.m.	As soon as practicable following notification to Help Desk.

<b>Time of Notification to the Exchange</b>	<b>Business Day for Which Block Trade Submitted for Clearing</b>	<b>When Help Desk Reports Block Trade</b>
	Tuesday—Thursday.  —TAS transactions may not be reported after 3:13 p.m. on Friday.	
3:30 p.m. Friday to 5:00 p.m. Sunday	No Block Trades may be reported to the Exchange during this time period when the Exchange is closed.	

Pursuant to paragraph (i) below, the Help Desk will provide a written transaction summary to each Authorized Reporter on the Business Day for which the Block Trade is submitted for clearing or on the Calendar Day of the transaction.

The Exchange may modify the days and times during which the foregoing notification, reporting, and clearance submission provisions will be applicable in the event that the Exchange will not be open for business or will have shortened Trading Hours in connection with a holiday or a period of mourning.

(h) The notification to the Help Desk with respect to a Block Trade shall include the relevant Contract, contract expiration, price or premium, quantity, time of execution (i.e., the time the parties agreed to the Block Trade), counterparty Clearing Member and, if applicable, the underlying commodity, whether the transaction involved a put or a call and the strike price, and any other information that is required by the Exchange. After the notification of a Block Trade has been provided to the Help Desk, the terms of the Block Trade may not be changed and the Block Trade may not be cancelled (provided, however, that corrections to any inaccuracies in the transaction summary of the Block Trade provided by the Help Desk may be made as provided in paragraph (i) below). Exchange of a Block Trade shall include (i) whether the Block Trade is a single leg transaction, a transaction in a spread or a transaction in a strip; (ii) the Contract identifier (or product and contract expiration for a future or product, expiration, strike price and type of option (put or call) in the case of an option), price (or premium for an option) and quantity of the Block Trade and whether the Block Trade is buy or sell; (iii) the time of execution (i.e., the time at which the parties agreed to the transaction); (iv) the arrangement time, if any (i.e., the time at which the parties agreed to enter into the transaction at a later time); (v) Operator ID; (vi) EFID; (vii) account; (viii) Clearing Corporation origin code; (ix) Customer Type Indicator code; and (x) any other information required by the Exchange.

(i) ~~The Help Desk will report both sides of the Block Trade to the CBOE System. The Help Desk will also provide a written transaction summary on the Business Day for which the Block Trade is submitted for clearing or on the Calendar Day of the transaction to the Authorized Reporters that reported the Block Trade to the Help Desk on behalf of each party to the Block Trade. The transaction summary will include the trade information reported to the Help Desk by the Authorized Reporters and any other relevant information included by the Help Desk. The Authorized Reporters and the parties to the Block Trade shall have thirty minutes from the time the Help Desk transmits the transaction summary to Authorized Reporters to notify the Help Desk of any inaccuracies in the content of the transaction summary and of the corrections to any inaccurate information. It is the responsibility of the buying and selling Trading Privilege~~

~~Holders to effect any subsequent allocations or necessary updates to non-critical matching fields utilizing a post-trade processing system designated by the Exchange.~~

(i) Authorized Reporters shall provide notification to the Exchange of Block Trades by reporting them to the CFE System in a form and manner prescribed by the Exchange. The CFE System includes a mechanism, in a form and manner provided by the Exchange, for:

(i) the Authorized Reporter that is the initiator of a notification of a Block Trade to enter information regarding the transaction; and

(ii) the Authorized Reporter for the contra side of the Block Trade to accept the notification to the Exchange of the transaction as entered by the initiating Authorized Reporter and enter contra side information for the transaction.

The Authorized Reporter that is the initiator of a notification of a Block Trade may not cancel or revise the notification after it has been entered into the CFE System while it awaits acceptance by the Authorized Reporter for the contra side of the transaction. The Authorized Reporter that is the initiator of a notification of a Block Trade must enter the required information for the transaction into the CFE System and provide the reference ID generated by the CFE System to the Authorized Reporter for the contra side of the transaction promptly enough to allow a reasonable amount of time for the contra side Authorized Reporter to accept the notification to the Exchange of the transaction as entered by the initiating Authorized Reporter and enter contra side information for the transaction within a Permissible Reporting Period by no later than the Reporting Deadline. A Block Trade may not be changed or canceled after it has been fully reported to the Exchange, except to the extent that the transaction may be busted by the Trade Desk in accordance with Policy and Procedure III.

(j) For timing purposes in connection with measuring adherence to Permissible Reporting Periods and the Reporting Deadline, a Block Trade shall be deemed to have been fully reported to the Exchange when the full report of the transaction has been received by the CFE System matching engine following notification to the CFE System of required information relating to the transaction by the initiating Authorized Reporter and acceptance and notification to the CFE System of required information relating to the transaction by the contra side Authorized Reporter.

(k) The Exchange may modify a Permissible Agreement Period, Reporting Deadline, Permissible Reporting Period, and/or permissible manner of notification to the Exchange of a Block Trade in the event of unusual circumstances.

(l) The CFE System will reject the submission of a Block Trade if the transaction would cause a net long (short) risk control pursuant to Rule 513A(c) to be exceeded.

(m) The Exchange or CFE System may bust or reject the submission of a Block Trade that does not conform, or that is reported to the Exchange in a manner that does not conform, to the requirements of this Rule. The acceptance by the Exchange or CFE System of the submission of a Block Trade does not constitute a determination by the Exchange that the transaction was effected or reported in conformity with the requirements of this Rule. A Block Trade that is accepted and not busted or rejected by the Exchange or CFE System shall be processed and given effect, but will be subject to



appropriate disciplinary action in accordance with the Rules of the Exchange- if it was not effected or reported in conformity with the requirements of this Rule.

(n)(j) A Trading Privilege Holder may execute an Order placed for a non-discretionary Customer account by means of a Block Trade only if the Customer has previously consented thereto. This consent may be obtained on either a trade-by-trade basis or for all such Orders.

(o) Block Trades between affiliated parties are permitted only if the following three conditions are satisfied:

(i) the Block Trade is priced on a competitive market price, either by falling within the contemporaneous bid-ask spread on the Order book or calculated based on a contemporaneous market price in a related cash market;

(ii) each party to the Block Trade has a separate and independent legal bona fide business purpose for engaging in the Block Trade; and

(iii) each party's decision to enter into the Block Trade is made by a separate and independent decision-maker.

An affiliated party for this purpose is a party that directly or indirectly through one or more Persons controls, is controlled by or is under common control with another party.

(p) (k)—Parties involved in the solicitation or negotiation of a Block Trade may not disclose the details of those communications to any other party for any purpose other than to facilitate the execution of the Block Trade. Parties privy to non-public information regarding a consummated Block Trade may not disclose such information to any other party prior to the public report of the Block Trade by the Exchange. A broker negotiating a Block Trade on behalf of a Customer may disclose the identity of the Customer to potential counterparties, including the counterparty with which the Block Trade is consummated, only with the permission of the Customer.

Parties to a potential Block Trade may engage in pre-hedging or anticipatory hedging of the position that they believe in good faith will result from consummation of the Block Trade, except for an intermediary that takes the opposite side of its own Customer order. In such instances, prior to the consummation of the Block Trade, the intermediary is prohibited from offsetting the position established by the Block Trade in any account which is owned or controlled by the intermediary, in which an ownership interest is held by the intermediary, or which is a proprietary account of the employer of the intermediary. The intermediary may enter into transactions to offset the position only after the Block Trade has been consummated.

The Exchange may proceed with an enforcement action when the facts and circumstances of pre-hedging suggest deceptive or manipulative conduct by any of the involved parties, including when an intermediary handling a customer order acts against its customer's best interests.

The guidance in this paragraph (kp) applies only in the context of pre-hedging of Block Trades. This guidance does not affect any requirement under the CEA or Commission Regulation.

Parties solicited to provide a two-sided Block Trade market are not deemed to be in possession of non-public information provided that side of market is not disclosed in the context of the solicitation.

The provisions of this paragraph (~~kp~~) do not apply to Security Futures.

~~(q)(1)~~—It shall be a violation of this Rule for a Person to engage in the front running of a Block Trade when acting on material non-public information regarding an impending transaction by another Person, acting on non-public information obtained through a confidential employee/employer relationship, broker/customer relationship or in breach of a pre-existing duty.

~~(m)~~—The Help Desk may review a Block Trade for compliance with the requirements of this Rule and may determine not to permit the Block Trade to be consummated, or may bust a Block Trade that has been posted or for which the Help Desk has transmitted a transaction summary, if the Help Desk determines that the Block Trade does not conform with those requirements.

~~(n)~~—The posting of a Block Trade by the Help Desk or the transmission by the Help Desk of a transaction summary for a Block Trade does not constitute a determination by the Exchange that the Block Trade was effected in conformity with the requirements of this Rule. A Block Trade that is posted by the Help Desk or for which the Help Desk has transmitted a transaction summary that does not conform to the requirements of this Rule shall be processed and given effect if it is not busted but will be subject to appropriate disciplinary action in accordance with the Rules of the Exchange.

~~(r)(6)~~ Any Block Trade in violation of the requirements of this Rule shall constitute conduct which is inconsistent with just and equitable principles of trade; provided, however, if the Exchange imposes a minor rule violation fine pursuant to Rule 714 for violation of this Rule, that minor rule violation shall not be considered to constitute conduct which is inconsistent with just and equitable principles of trade.

~~(p)~~—Authorized Reporters may electronically report Block Trades in VX futures to the CBOE System pursuant to this paragraph (p) in a form and manner prescribed by the Exchange instead of reporting them to the Help Desk.

~~A Block Trade may be electronically reported to the CBOE System only if each Authorized Reporter for the transaction has obtained access to the CBOE System from the Exchange to enable the Authorized Reporter to electronically report Block Trades and agrees with the other Authorized Reporter for the Block Trade to electronically report the Block Trade to the CBOE System in lieu of reporting the Block Trade to the Help Desk. In order to electronically report a Block Trade to the CBOE System, each Authorized Reporter for the Block Trade must complete all of the steps required by the CBOE System and as prescribed by the Exchange in order for a Block Trade to be electronically reported to the CBOE System.~~

~~The Authorized Reporter that is the initiator of an electronic report of a Block Trade to the CBOE System must enter the required information into the CBOE System promptly enough to allow a reasonable amount of time for the other Authorized Reporter to electronically accept that report by no later than ten minutes after the Block Trade is agreed upon.~~

~~Electronic Block Trade reports may be submitted during trading hours and outside of trading hours to the extent permitted in paragraph (e) of this Rule. For Block Trades that are electronically reported outside of trading hours, the CBOE System will generally disseminate the Block Trade and provide a transaction summary to the Authorized Reporters following the next commencement of trading hours.~~

~~The Business Day which Authorized Reporters electronically reporting a Block Trade designate for the Block Trade to be submitted for clearing must conform to the same parameters in this regard that apply to Block Trades that are reported to the Help Desk which are set forth in the first and second columns of the chart in paragraph (g) of this Rule.~~

~~Except to the extent modified by this paragraph (p), the provisions of the other paragraphs of this Rule shall continue to be applicable in relation to Block Trades that are electronically reported to the CBOE System. For the avoidance of doubt:~~

~~(i) — the e mail notification requirement and the third column of the chart in paragraph (g) of this Rule shall not be applicable to electronically submitted Block Trades;~~

~~(ii) — the procedure in paragraph (i) of this Rule for notification to the Help Desk of any inaccuracies in the content of the transaction summary for a Block Trade shall be applicable to electronically submitted Block Trades and to any mistake or inaccuracy in the electronic submission of a Block Trade to the CBOE System; and~~

~~(iii) — the provisions of paragraph (n) of this Rule shall be applicable to electronically submitted Block Trades.~~

\* \* \* \* \*

#### **418. Emergencies**

(a) General. If the President, or any individual designated by the President, determines on behalf of the Board that an Emergency exists, the President or such designee, as the case may be, may take or place into immediate effect a temporary Emergency action or rule. Any such action or rule may provide for, or may authorize the Exchange, the Board or any committee thereof to undertake actions necessary or appropriate to respond to the Emergency, including such actions as:

(i) limiting trading to liquidation only, in whole or in part;

(ii) extending or shortening, as applicable, the Expiration Date or expiration duration of any Contract;

(iii) extending the time of delivery, changing delivery points or the means of delivery provided in the rules governing any Contract;

(iv) imposing or modifying position or price limits or intraday market restrictions with respect to any Contract;

- (v) ordering the liquidation of Contracts, the fixing of a settlement price or any reduction in positions;
- (vi) ordering the transfer of Contracts, and the money, securities, and property securing such Contracts, held on behalf of Customers by any Trading Privilege Holder to one or more other Trading Privilege Holders willing to assume such Contracts or obligated to do so;
- (vii) extending, limiting or changing hours of trading;
- ~~(viii) declaring a fast market in a Contract;~~
- (viii) ~~(ix)~~ temporarily ~~increasing~~changing the Threshold Width, ~~pre-trade order size limit~~risk control settings or price reasonability ranges for a Contract;
- (ix) ~~(x)~~ suspending, curtailing, halting or delaying the opening of trading in any or all Contracts, or modifying circuit breakers;
- (x) ~~(xi)~~ requiring Clearing Members, Trading Privilege Holders or Customers to meet special margin requirements;
- (xi) ~~(xii)~~ altering any settlement terms or conditions of a Contract;
- (xii) ~~(xiii)~~ modifying or suspending any provision of the Rules of the Exchange or the Rules of the Clearing Corporation or;
- (xiii) ~~(xiv)~~ providing for the carrying out of such actions through the Exchange's agreements with a third-party provider of clearing or regulatory services.

The Exchange has the authority to independently respond to emergencies in an effective and timely manner consistent with the nature of the emergency, as long as all such actions taken by the Exchange are made in good faith to protect the integrity of the markets. Additionally, the Exchange has the authority to respond to emergencies in consultation and cooperation with the Commission and is also authorized to take such market actions as may be directed by the Commission. In situations where a Contract is fungible with a Contract on another platform, emergency action to liquidate or transfer open interest must be as directed, or agreed to, by the Commission or the Commission's staff.

(b) Physical Emergency. If the President, or any individual designated by the President, determines on behalf of the Board that the physical functions of the Exchange are, or are threatened to be, severely and adversely affected by a Physical Emergency (such as a fire or other casualty, bomb threats, terrorist acts, substantial inclement weather, power failures, communications breakdowns, computer system breakdowns, screen-based trading system breakdowns or transportation breakdowns), such Person may take any action that he or she may deem necessary or appropriate to respond to such Physical Emergency, including such actions as:

- (i) closing the Exchange;
- (ii) delaying the opening of trading in one or more Contracts; or

(iii) suspending, curtailing or halting trading in or extending or shortening trading hours for one or more Contracts.

(c) In the event that any Emergency or Physical Emergency action has been taken pursuant to paragraph (a) or (b) above, any Person who is authorized to take such action may order the removal of any restriction previously imposed based upon a determination by such Person that the Emergency or Physical Emergency that gave rise to such restriction no longer exists or has sufficiently abated to permit the functions of the Exchange to continue in an orderly manner. Any Emergency or Physical Emergency action placed into effect in accordance with paragraph (a) or (b) above may be reviewed by the Board at any time and may be revoked, suspended or modified by the Board. Any rule placed into effect in accordance with paragraph (a) above may remain in effect for up to 30 Business Days, after which time it must be approved by the Board to remain in effect. Any such rule shall be reviewed by the Board as soon as practicable under the circumstances, and may be revoked, suspended or modified by the Board.

(d) Notification and Recording. The Exchange will notify the Commission of: (i) any rule placed into effect pursuant to paragraph (a) above as soon as practicable after the decision is made to implement the rule and (ii) any action taken in response to an Emergency or Physical Emergency pursuant to paragraphs (a) or (b) above ~~(other than the declaration of a fast market in a Contract)~~ as soon as practicable after the action is taken. The Exchange will submit to the Commission any rule placed into effect pursuant to paragraph (a) above, and information on all regulatory actions carried out by the Exchange pursuant to this Rule 418, in accordance with Commission Regulation § 40.6. The decision-making process with respect to, and the reasons for, any action taken pursuant to this Rule 418 will be recorded in writing.

(e) Conflicts of Interest. The conflict of interest provisions set forth in Rule 214(b) and the related documentation requirements set forth in Rule 214(c) shall apply, with any such modifications or adaptations as may be necessary or appropriate under the circumstances, to the taking of any action under this Rule 418 by the President, or his or her designee.

#### **419. Limitation of Liability; Legal Proceedings**

(a) EXCEPT AS OTHERWISE PROVIDED, AND EXCEPT IN INSTANCES WHERE THERE HAS BEEN A FINDING OF FRAUD OR WANTON OR WILLFUL MISCONDUCT, IN WHICH CASE THE PARTY FOUND TO HAVE ENGAGED IN SUCH CONDUCT CANNOT AVAIL ITSELF OF THE PROTECTIONS IN THIS RULE 419, NEITHER THE EXCHANGE (INCLUDING ITS AFFILIATES) NOR ANY OF ITS DIRECTORS, COMMITTEE MEMBERS, OFFICERS, EMPLOYEES, AGENTS OR CONTRACTORS (“COVERED PERSONS”) SHALL BE LIABLE TO ANY OTHER PERSON, INCLUDING ANY TRADING PRIVILEGE HOLDER, AUTHORIZED TRADER OR CUSTOMER, FOR ANY LOSSES, DAMAGES, COSTS, EXPENSES OR CLAIMS (INCLUDING LOSS OF PROFITS, LOSS OF USE, DIRECT, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES) (COLLECTIVELY, “LOSSES”), ARISING FROM (A) ANY FAILURE OR MALFUNCTION OF, INCLUDING ANY INABILITY TO ENTER OR CANCEL ORDERS INTO, THE ~~CBOECFE~~ SYSTEM OR ANY EXCHANGE SERVICES OR FACILITIES USED TO SUPPORT THE ~~CBOECFE~~ SYSTEM, (B) ANY FAULT IN DELIVERY, DELAY, OMISSION, SUSPENSION, INACCURACY OR TERMINATION, OR ANY OTHER CAUSE, IN CONNECTION WITH THE

FURNISHING, PERFORMANCE, MAINTENANCE, USE OF OR INABILITY TO USE ALL OR ANY PART OF THE ~~CBOECFE~~ SYSTEM OR ANY EXCHANGE SERVICES OR FACILITIES USED TO SUPPORT THE ~~CBOECFE~~ SYSTEM OR (C) ANY ACTION TAKEN OR OMITTED TO BE TAKEN IN RESPECT TO THE BUSINESS OF THE EXCHANGE, EXCEPT, IN EACH CASE, TO THE EXTENT THAT SUCH LOSSES ARE ATTRIBUTABLE TO THE WILLFUL MISCONDUCT, GROSS NEGLIGENCE OR CRIMINAL ACTS OF THE EXCHANGE (INCLUDING ITS AFFILIATES) OR ITS DIRECTORS, COMMITTEE MEMBERS, OFFICERS, EMPLOYEES, AGENTS OR CONTRACTORS ACTING WITHIN THE SCOPE OF THEIR RESPECTIVE AUTHORITY. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, AND SUBJECT TO THE SAME EXCEPTION, NO COVERED PERSON SHALL HAVE ANY LIABILITY TO ANY PERSON FOR ANY LOSSES THAT RESULT FROM ANY ERROR, OMISSION OR DELAY IN CALCULATING OR DISSEMINATING ANY CURRENT OR CLOSING VALUE OR ANY REPORTS OF TRANSACTIONS IN OR QUOTATIONS FOR CONTRACTS, INCLUDING UNDERLYING SECURITIES. THE FOREGOING SHALL APPLY REGARDLESS OF WHETHER A CLAIM ARISES IN CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY OR OTHERWISE. THE LIMITATIONS OF LIABILITY AND DISCLAIMERS SET FORTH IN THIS RULE SHALL BE IN ADDITION TO, AND NOT IN LIMITATION OF, ANY LIMITATIONS OTHERWISE AVAILABLE UNDER APPLICABLE LAW.

THERE ARE NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS PROVIDED BY THE EXCHANGE (INCLUDING ITS AFFILIATES) RELATING TO THE ~~CBOECFE~~ SYSTEM OR ANY EXCHANGE SERVICES OR FACILITIES USED TO SUPPORT THE ~~CBOECFE~~ SYSTEM, INCLUDING WARRANTIES OF MERCHANTABILITY AND WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE OR USE. THE SERVICES OF THE EXCHANGE ARE BEING PROVIDED ON AN "AS IS" BASIS AT EACH TRADING PRIVILEGE HOLDER'S SOLE RISK. NEITHER THE EXCHANGE (INCLUDING ITS AFFILIATES) NOR ITS DIRECTORS, COMMITTEE MEMBERS, OFFICERS, EMPLOYEES, AGENTS OR CONTRACTORS MAKE ANY WARRANTY WITH RESPECT TO, AND NO SUCH PARTY SHALL HAVE ANY LIABILITY TO ANY TRADING PRIVILEGE HOLDER FOR, THE ACCURACY, TIMELINESS, COMPLETENESS, RELIABILITY, PERFORMANCE OR CONTINUED AVAILABILITY OF THE ~~CBOECFE~~ SYSTEM OR THE EXCHANGE, FOR DELAYS, OMISSIONS OR INTERRUPTIONS THEREIN OR THE CREDITWORTHINESS OF ANY OTHER TRADING PRIVILEGE HOLDER. THE EXCHANGE (INCLUDING ITS AFFILIATES) SHALL HAVE NO DUTY OR OBLIGATION TO VERIFY ANY INFORMATION DISPLAYED ON THE ~~CBOECFE~~ SYSTEM OR OTHERWISE. EACH TRADING PRIVILEGE HOLDER ACKNOWLEDGES AND AGREES THAT THE EXCHANGE (INCLUDING ITS AFFILIATES) DOES NOT AND SHALL NOT SERVE AS THE PRIMARY BASIS FOR ANY DECISIONS MADE BY ANY TRADING PRIVILEGE HOLDER AND THAT THE EXCHANGE (INCLUDING ITS AFFILIATES) IS NOT AN ADVISOR OR FIDUCIARY OF ANY TRADING PRIVILEGE HOLDER.

(b) WHENEVER CUSTODY OF AN UNEXECUTED ORDER-OR-QUOTE OR A MESSAGE OR OTHER DATA IS TRANSMITTED BY A TRADING PRIVILEGE HOLDER TO THE EXCHANGE AND THE EXCHANGE ACKNOWLEDGES RECEIPT OF AND ASSUMES RESPONSIBILITY FOR THE TRANSMISSION OR EXECUTION OF THE ORDER-OR-QUOTE OR THE PROCESSING OF THE

MESSAGE OR OTHER DATA, THE EXCHANGE MAY, IN ITS SOLE DISCRETION, COMPENSATE THE TRADING PRIVILEGE HOLDER FOR THE LOSSES OF THE TRADING PRIVILEGE HOLDER ALLEGED TO HAVE RESULTED FROM THE FAILURE TO PROCESS THE ORDER, ~~QUOTE~~, MESSAGE OR OTHER DATA CORRECTLY DUE TO THE ACTS OR OMISSIONS OF THE EXCHANGE OR DUE TO THE FAILURE OF ITS SYSTEMS OR FACILITIES (EACH, A "LOSS EVENT"), SUBJECT TO THE FOLLOWING LIMITS:

(i) AS TO ANY ONE OR MORE REQUESTS FOR COMPENSATION MADE BY A SINGLE TRADING PRIVILEGE HOLDER THAT AROSE ON A SINGLE TRADING DAY, THE EXCHANGE MAY COMPENSATE THE TRADING PRIVILEGE HOLDER UP TO BUT NOT EXCEEDING THE LARGER OF \$100,000 OR THE AMOUNT OF ANY RECOVERY OBTAINED BY THE EXCHANGE UNDER ANY APPLICABLE INSURANCE MAINTAINED BY THE EXCHANGE; AND

(ii) AS TO THE AGGREGATE OF ALL REQUESTS FOR COMPENSATION MADE BY ALL TRADING PRIVILEGE HOLDERS THAT AROSE DURING A SINGLE CALENDAR MONTH, THE EXCHANGE MAY COMPENSATE THE TRADING PRIVILEGE HOLDERS, IN THE AGGREGATE, UP TO BUT NOT EXCEEDING THE LARGER OF \$200,000 OR THE AMOUNT OF THE RECOVERY OBTAINED BY THE EXCHANGE UNDER ANY APPLICABLE INSURANCE MAINTAINED BY THE EXCHANGE.

NOTHING IN THIS RULE SHALL OBLIGATE THE EXCHANGE TO SEEK RECOVERY UNDER ANY APPLICABLE INSURANCE POLICY.

(c) NOTICE OF ALL REQUESTS FOR COMPENSATION PURSUANT TO THIS RULE SHALL BE IN WRITING IN A FORM AND MANNER PRESCRIBED BY THE EXCHANGE AND MUST BE SUBMITTED NO LATER THAN 12:00 P.M. CHICAGO TIME ON THE NEXT BUSINESS DAY FOLLOWING THE LOSS EVENT GIVING RISE TO SUCH REQUESTS. ALL REQUESTS SHALL BE IN WRITING AND MUST BE SUBMITTED IN A FORM AND MANNER PRESCRIBED BY THE EXCHANGE ALONG WITH SUPPORTING DOCUMENTATION BY 5:00 P.M. CHICAGO TIME ON THE THIRD BUSINESS DAY FOLLOWING THE LOSS EVENT GIVING RISE TO EACH SUCH REQUEST. THESE SUBMISSION TIME FRAMES SHALL COMMENCE UPON THE LATER OF THE OCCURENCE OF THE LOSS EVENT OR WHEN THE TRADING PRIVILEGE HOLDER SUBMITTING A REQUEST FOR COMPENSATION REASONABLY SHOULD HAVE BEEN AWARE OF THE OCCURENCE OF THE LOSS EVENT AS DETERMINED BY THE EXCHANGE. ADDITIONAL INFORMATION RELATED TO THE REQUEST AS REQUESTED BY THE EXCHANGE IS ALSO REQUIRED TO BE PROVIDED IN A FORM AND MANNER PRESCRIBED BY THE EXCHANGE. THE EXCHANGE SHALL NOT CONSIDER REQUESTS FOR WHICH TIMELY NOTICE AND SUBMISSION HAVE NOT BEEN PROVIDED AS REQUIRED UNDER THIS PARAGRAPH (c).

(d) IF ALL OF THE GRANTED REQUESTS SUBMITTED PURSUANT TO PARAGRAPH (c) ABOVE CANNOT BE FULLY SATISFIED BECAUSE IN THE AGGREGATE THEY EXCEED THE MAXIMUM AMOUNT OF PAYMENTS AUTHORIZED IN PARAGRAPH (b)(ii) ABOVE FOR A SINGLE CALENDAR

MONTH, THEN SUCH MAXIMUM AMOUNT SHALL BE ALLOCATED AMONG ALL SUCH GRANTED REQUESTS ARISING DURING THAT CALENDAR MONTH BASED UPON THE PROPORTION THAT THE AMOUNT OF EACH SUCH GRANTED REQUEST BEARS TO THE SUM OF ALL SUCH GRANTED REQUESTS. EXCEPT AS PROVIDED IN THIS RULE, REQUESTS MADE PURSUANT TO PARAGRAPH (c) ABOVE SHALL CONSTITUTE A TRADING PRIVILEGE HOLDER'S SOLE RECOURSE TO SEEK COMPENSATION FROM COVERED PERSONS RELATING TO A LOSS EVENT. ALL PAYMENTS TO TRADING PRIVILEGE HOLDERS PURSUANT TO THIS RULE WILL BE CONTINGENT UPON THE EXECUTION AND DELIVERY TO THE EXCHANGE OF A RELEASE BY THE TRADING PRIVILEGE HOLDER OF ALL CLAIMS BY IT OR ITS AFFILIATES AGAINST COVERED PERSONS FOR LOSSES THAT ARISE OUT OF, ARE ASSOCIATED WITH OR RELATE IN ANY WAY TO THE LOSS EVENT OR TO ANY ACTIONS OR OMISSIONS RELATED IN ANY WAY TO THE LOSS EVENT. FAILURE TO PROVIDE THE RELEASE WITHIN 14 DAYS OF NOTIFICATION OF THE PAYMENT AMOUNT BY THE EXCHANGE WILL VOID THE TRADING PRIVILEGE HOLDER'S ELIGIBILITY TO RECEIVE A PAYMENT PURSUANT TO THIS RULE.

(e) IN DETERMINING WHETHER TO MAKE PAYMENT OF A REQUEST PURSUANT TO PARAGRAPH (b) ABOVE, THE EXCHANGE MAY DETERMINE WHETHER THE AMOUNT REQUESTED SHOULD BE REDUCED BASED ON THE ACTIONS OR INACTIONS OF THE REQUESTING TRADING PRIVILEGE HOLDER, INCLUDING, WITHOUT LIMITATION, WHETHER THE ACTIONS OR INACTIONS OF THE TRADING PRIVILEGE HOLDER CONTRIBUTED TO THE LOSS EVENT; WHETHER THE TRADING PRIVILEGE HOLDER MADE APPROPRIATE EFFORTS TO MITIGATE ITS LOSS; WHETHER THE TRADING PRIVILEGE HOLDER REALIZED ANY GAINS AS A RESULT OF A LOSS EVENT; WHETHER THE LOSSES OF THE TRADING PRIVILEGE HOLDER, IF ANY, WERE OFFSET BY HEDGES OF POSITIONS EITHER ON THE EXCHANGE OR ON ANOTHER AFFILIATED OR UNAFFILIATED MARKET; AND WHETHER THE TRADING PRIVILEGE HOLDER PROVIDED SUFFICIENT INFORMATION TO DOCUMENT THE REQUEST AND AS REQUESTED BY THE EXCHANGE.

(f) ALL DETERMINATIONS MADE PURSUANT TO THIS RULE BY THE EXCHANGE SHALL BE FINAL AND NOT SUBJECT TO APPEAL UNDER CHAPTER 9 OF THE RULES OF THE EXCHANGE OR OTHERWISE. NOTHING IN THIS RULE, NOR ANY PAYMENT PURSUANT TO THIS RULE, SHALL IN ANY WAY LIMIT, WAIVE, OR PROSCRIBE ANY DEFENSES A COVERED PERSON MAY HAVE TO ANY CLAIM, DEMAND, LIABILITY, ACTION OR CAUSE OF ACTION, WHETHER SUCH DEFENSE ARISES IN LAW OR EQUITY, OR WHETHER SUCH DEFENSE IS ASSERTED IN A JUDICIAL, ADMINISTRATIVE, OR OTHER PROCEEDING.

(g) ANY DISPUTE ARISING OUT OF THE USE OF THE ~~CBOE~~CBOECFE SYSTEM OR EXCHANGE SERVICES OR FACILITIES USED TO SUPPORT THE ~~CBOE~~CBOECFE SYSTEM IN WHICH THE EXCHANGE (INCLUDING ITS AFFILIATES) OR ANY OF ITS DIRECTORS, COMMITTEE MEMBERS, OFFICERS, EMPLOYEES, AGENTS OR CONTRACTORS IS A PARTY SHALL BE SUBJECT TO THE LAWS OF THE STATE OF ILLINOIS. ANY ACTIONS, SUITS OR PROCEEDINGS AGAINST ANY OF THE ABOVE MUST BE BROUGHT, WITHIN TWO YEARS FROM THE TIME THEY FIRST ARISE, IN A FEDERAL COURT LOCATED IN



COOK COUNTY, ILLINOIS, OR IF THE REQUIREMENTS FOR FEDERAL SUBJECT MATTER JURISDICTION ARE NOT MET, IN A STATE COURT LOCATED IN COOK COUNTY, ILLINOIS. THIS PROVISION SHALL IN NO WAY CREATE A CAUSE OF ACTION AND SHALL NOT AUTHORIZE AN ACTION THAT WOULD OTHERWISE BE PROHIBITED BY THE RULES OF THE EXCHANGE.

(h) NO TRADING PRIVILEGE HOLDER OR PERSON ASSOCIATED WITH A TRADING PRIVILEGE HOLDER SHALL INSTITUTE A LAWSUIT OR OTHER LEGAL PROCEEDING AGAINST THE EXCHANGE OR ANY DIRECTOR, COMMITTEE MEMBER, OFFICER, EMPLOYEE, AGENT OR CONTRACTOR OF THE EXCHANGE (INCLUDING ITS AFFILIATES), FOR ACTIONS TAKEN OR OMITTED TO BE TAKEN IN CONNECTION WITH THE OFFICIAL BUSINESS OF THE EXCHANGE (INCLUDING ITS AFFILIATES). THIS PROVISION SHALL NOT APPLY TO APPEALS OF DISCIPLINARY ACTIONS OR OTHER ACTIONS BY THE EXCHANGE AS PROVIDED FOR IN THESE RULES.

(i) ANY TRADING PRIVILEGE HOLDER OR PERSON ASSOCIATED WITH A TRADING PRIVILEGE HOLDER WHO FAILS TO PREVAIL IN A LAWSUIT OR OTHER LEGAL PROCEEDING INSTITUTED BY SUCH PERSON AGAINST THE EXCHANGE (INCLUDING ITS AFFILIATES) OR ANY OF ITS DIRECTORS, COMMITTEE MEMBERS, OFFICERS, EMPLOYEES, AGENTS OR CONTRACTORS, AND RELATED TO THE BUSINESS OF THE EXCHANGE, SHALL PAY TO THE EXCHANGE ALL REASONABLE EXPENSES, INCLUDING ATTORNEYS' FEES, INCURRED BY THE EXCHANGE IN THE DEFENSE OF SUCH PROCEEDING TO THE EXTENT THAT SUCH EXPENSES EXCEED FIFTY THOUSAND DOLLARS (\$50,000.00). THIS PROVISION SHALL NOT APPLY TO DISCIPLINARY ACTIONS BY THE EXCHANGE, ADMINISTRATIVE APPEALS OF EXCHANGE ACTIONS OR IN ANY SPECIFIC INSTANCE WHERE THE BOARD HAS GRANTED A WAIVER OF THIS PROVISION.

(j) NO INDEX LICENSOR WITH RESPECT TO ANY INDEX UNDERLYING A CONTRACT TRADED ON THE EXCHANGE AND NO AFFILIATE OF SUCH INDEX LICENSOR MAKES ANY WARRANTY, EXPRESS OR IMPLIED, AS TO THE RESULTS TO BE OBTAINED BY ANY PERSON FROM THE USE OF SUCH INDEX, ANY OPENING, INTRA-DAY OR CLOSING VALUE THEREFOR, OR ANY DATA INCLUDED THEREIN OR RELATING THERETO, IN CONNECTION WITH THE TRADING OF ANY CONTRACT BASED THEREON OR FOR ANY OTHER PURPOSE. THE INDEX LICENSOR AND ITS AFFILIATES SHALL OBTAIN INFORMATION FOR INCLUSION IN, OR FOR USE IN THE CALCULATION OF, SUCH INDEX FROM SOURCES THEY BELIEVE TO BE RELIABLE, BUT THE INDEX LICENSOR AND ITS AFFILIATES DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INDEX, ANY OPENING, INTRA-DAY OR CLOSING VALUE THEREFOR, OR ANY DATE INCLUDED THEREIN OR RELATED THERETO. THE INDEX LICENSOR AND ITS AFFILIATES HEREBY DISCLAIM ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO SUCH INDEX, ANY OPENING, INTRA-DAY, OR CLOSING VALUE THEREFOR, ANY DATA INCLUDED THEREIN OR RELATING THERETO, OR ANY CONTRACT BASED THEREON. THE INDEX LICENSOR AND ITS AFFILIATES SHALL HAVE NO LIABILITY FOR ANY DAMAGES, CLAIMS, LOSSES (INCLUDING ANY INDIRECT OR CONSEQUENTIAL LOSSES), EXPENSES, OR DELAYS, WHETHER

DIRECT OR INDIRECT, FORESEEN OR UNFORESEEN, SUFFERED BY ANY PERSON ARISING OUT OF ANY CIRCUMSTANCE OR OCCURRENCE RELATING TO THE PERSON'S USE OF SUCH INDEX, ANY OPENING, INTRA-DAY OR CLOSING VALUE THEREFOR, ANY DATA INCLUDED THEREIN OR RELATING THERETO, OR ANY CONTRACT BASED THEREON, OR ARISING OUT OF ANY ERRORS OR DELAYS IN CALCULATING OR DISSEMINATING SUCH INDEX. FOR PURPOSES OF THIS RULE 419, THE TERM "INDEX LICENSOR" INCLUDES ANY PERSON THAT GRANTS THE EXCHANGE A LICENSE TO USE AN INDEX IN CONNECTION WITH THE TRADING ON THE EXCHANGE OF A CONTRACT BASED ON THE INDEX AND ANY PERSON DESIGNATED BY THE EXCHANGE AS THE SOURCE FOR CALCULATING AND/OR REPORTING THE LEVEL OF AN INDEX UNDERLYING A CONTRACT TRADED ON THE EXCHANGE, AND ALSO INCLUDES, WITH RESPECT TO ANY INDEX OF WHICH THE EXCHANGE OR AN AFFILIATE OF THE EXCHANGE IS THE PROPRIETOR OR FOR WHICH THE EXCHANGE OR AN AFFILIATE OF THE EXCHANGE CALCULATES AND/OR REPORTS LEVELS OF THE INDEX, THE EXCHANGE ITSELF AND ITS AFFILIATES.

(k) NOTWITHSTANDING ANY OF THE FOREGOING PROVISIONS, THIS RULE 419 SHALL IN NO WAY LIMIT THE LIABILITY OF ANY PERSON ARISING FROM ANY VIOLATION BY SUCH PERSON OF THE CEA OR THE COMMISSION REGULATIONS THEREUNDER.

\* \* \* \* \*

#### **501. Books and Records**

(a) Each Trading Privilege Holder and Clearing Member shall prepare and keep current all books, ledgers and other similar records required to be kept by it pursuant to the CEA, Commission Regulations, the Exchange Act, Exchange Act Regulations, and the Rules of the Exchange, and shall prepare and keep current such other books and records and adopt such forms as the Exchange may from time to time prescribe. Such books and records shall include, without limitation, records of the activity, positions and transactions of each Trading Privilege Holder and Clearing Member in the underlying commodity or reference market and related derivatives markets in relation to a Contract. Such books and records shall be made available to the Exchange upon request in a form and manner prescribed by the Exchange and within the time frame designated by the Exchange.

(b) With respect to each ~~order~~Order, bid, offer or other message transmitted to the ~~CBOECFE~~CBOECFE System by an Authorized Trader of a Trading Privilege Holder, the Trading Privilege Holder shall keep a record of which Authorized Trader of the Trading Privilege Holder caused that ~~order~~Order, bid, offer or other message to be transmitted to the ~~CBOECFE~~CBOECFE System.

(c) If a Contract listed on the Exchange is settled by reference to the price of a contract or commodity traded in another venue, including a price or index derived from prices on another designated contract market, Trading Privilege Holders shall make available to the Exchange upon request in a form and manner prescribed by the Exchange and within the time frame designated by the Exchange information and their books and records regarding their activities in the reference market.

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### 513. System Security

(a) Each Trading Privilege Holder shall designate in a form and manner prescribed by the Exchange at all times have at least one individual that is an employee or agent (the “Responsible Trader”) ~~designated as its~~ of the Trading Privilege Holder to be an administrator with respect to the use of the ~~CBOE~~CFE System by ~~such~~the Trading Privilege Holder (including its Authorized Traders). ~~The Exchange may prescribe such qualification standards for Responsible Traders as it may from time to time determine necessary or advisable.~~ A Trading Privilege Holder shall keep that designation current by (i) promptly notifying the Exchange of changes to the Trading Privilege Holder’s administrators and their contact information in a form and manner prescribed by the Exchange and (ii) promptly designating a replacement administrator to the extent necessary in order to continue to have at least one administrator. Among other things, each ~~Responsible Trader shall~~administrator of a Trading Privilege Holder with direct access to the CFE System shall in a form and manner permitted by the Exchange (i) have full control over access to the ~~CBOE~~CFE System by the Trading Privilege Holder (including its Authorized Traders) ~~represented by such Responsible Trader and~~ (ii) ~~be able to contact the Help;~~ (ii) maintain access by the Trading Privilege Holder to an internet-based interface component of the CFE System made available to Trading Privilege Holders by the Exchange to manage Orders (“Portal”); (iii) provision access to the CFE System by Authorized Traders of the Trading Privilege Holder; and (iv) be able to contact the Trade Desk, if requirednecessary, in order to request withdrawal, in a form and manner prescribed by the Exchange, of any and all Orders placed, or purported to be placed, by ~~such~~the Trading Privilege Holder (including its Authorized Traders). ~~The Responsible Trader or Responsible Traders of any Trading Privilege Holder shall also be solely responsible for any and all communications between the Exchange and such~~Exchange may provide notices or other communications to an administrator of a Trading Privilege Holder, and any and all notices or other communications sent to such Responsible Trader or Responsible Tradersthe administrator by the Exchange shall be binding on ~~such~~that Trading Privilege Holder. ~~Each Trading Privilege Holder shall notify the Exchange promptly of any change regarding any of its Responsible Traders.~~

(b) Each Trading Privilege Holder shall be solely responsible for controlling and monitoring the use of all ~~user identification codes and passwords to access the CBOE~~credentials for interfacing with the CFE System (~~collectively, “Passwords”~~) issued to its ~~Responsible Trader or Responsible Traders~~issued to the Trading Privilege Holder by the Exchange, ~~shall provide the Passwords only to its Authorized Traders, (“Credentials”)~~ and shall notify the Exchange promptly upon becoming aware of any unauthorized disclosure or use of the ~~Passwords~~Credentials or access to the Exchange or of any other reason for deactivating ~~Passwords~~Credentials. Each Trading Privilege Holder shall be bound by any actions taken through the use of its ~~Passwords~~Credentials (other than any such actions resulting from the fault or negligence of the Exchange), including the execution of transactions, whether or not such actions were authorized by such Trading Privilege Holder or any of its directors, officers or employees.

(c) ~~To the extent necessary to ensure the operational integrity of the CBOE System, the Exchange may at any time limit the locations of any or all CBOE Workstations to specified locations, and each Trading Privilege Holder shall ensure prompt compliance by itself and its Authorized Traders with any such limitation.~~

~~(c)~~(d) The Exchange may limit the number of messages ~~sent~~ or the amount of data transmitted by Trading Privilege Holders to the ~~CBOE~~CFE System in order to protect the integrity of the ~~CBOE~~CFE System. In addition, the Exchange may impose restrictions on the use of any individual access to the ~~CBOE~~CFE System, including temporary termination of an individual access and activation by the Exchange of the kill ~~button~~switch function under Rule 513A(ej), if it believes such restrictions are necessary to ensure the proper performance of the ~~CBOE~~CFE System or to protect the integrity of the market. Any limitations or restrictions under this paragraph ~~(dc)~~ shall be applied in a fair and non-discriminatory manner.

### 513A. Risk Controls

(a) ~~Reserved.~~General Provisions.

(i) The Exchange shall implement, and make available to Clearing Members and Trading Privilege Holders, risk control mechanisms as described in this Rule 513A in a form and manner prescribed and provided by the Exchange.

(ii) Risk control mechanisms may be set by EFID, product and/or logical port depending upon the applicable risk control. Risk control settings applicable to a product apply to all contract expirations or series, as applicable, in that product (except that TAS Orders and S&P 500 Variance future stub Orders each have separate product level settings that apply only to those Order types).

(iii) The risk control mechanisms made available to Clearing Members shall enable a Clearing Member to set risk control parameters for Trading Privilege Holders in relation to Orders submitted to the CFE System with EFIDs that are linked to a clearing number for that Clearing Member. Clearing Members may also be able to set EFID risk control parameters by groups of EFIDs depending upon the applicable risk control. Additionally, a Clearing Member will have the ability to utilize the risk control mechanisms made available to Trading Privilege Holders in relation to that Clearing Member's own access to the CFE System.

(iv) Risk control thresholds are measured in vega notional for S&P 500 Variance futures and in variance units for S&P 500 Variance future stub positions rather than in contract size.

(b) ~~Price Reasonability Checks.~~ The CBOE System shall in a manner determined by the Exchange reject (i) any buy order with a limit price if the limit price upon receipt of the order by the CBOE System is more than a designated amount above the prevailing best offer in the applicable Contract and (ii) any sell order with a limit price if the limit price upon receipt of the order by the CBOE System is more than a designated amount below the prevailing best bid in the applicable Contract. ~~The designated amounts for the price reasonability checks referenced in the preceding sentence shall be set forth in the rules governing the applicable Contract. The price reasonability checks will apply during Trading Hours and will not apply prior to the opening or restart of trading in a Contract or during the opening or re-opening process for a Contract pursuant to Rule 405B. Except as provided in the following sentence, the price reasonability checks will apply to simple orders and will also apply to spread orders utilizing a derived spread market that is calculated from the disseminated market of each leg of the spread. No price reasonability checks will apply to (i) stop limit orders, (ii) Trade at Settlement orders and (iii) simple buy orders when the prevailing offer is zero.~~Maximum Order Size Limits.

(i) Clearing Members and Trading Privilege Holders shall have the ability to designate maximum Order size limits by EFID and product. The most restrictive applicable maximum Order size limit that is designated shall apply.

(ii) If the quantity of an Order is greater than the applicable designated maximum Order size limit, the CFE System will reject the Order or cancel the Order back to the sender.

(iii) The quantity of a Spread Order for purposes of applying a Spread Order maximum Order size limit shall be the contract quantity of the individual leg of the Spread Order with the largest size.

(iv) If a designated maximum Order size limit is changed during a Business Day after an Order to which it would have applied has been submitted to the CFE System, the new maximum Order size limit will not be applied to that Order during that Business Day. If the Order is a Good-'til-Canceled Order or a Good-'til-Date Order and the Order remains in the Order book after the conclusion of that Business Day, the new maximum Order size limit will be applied to that Order prior to the start of the queuing period described in Rule 405A(a) for the next Business Day.

(v) Block Trades and Exchange of Contract for Related Position transactions shall not be subject to maximum Order size limits.

(c) *Net Long and Net Short Limits.*

(i) Clearing Members shall have the ability to designate net long and net short limits by EFID and product.

(ii) The number of contracts that are counted against a net limit on contracts bought (or sold) per Business Day is calculated by (i) determining the sum of the total contract size of currently resting buy (or sell) Orders and the total contract size of previous buy (or sell) executions during the Business Day and (ii) reducing that sum by the total contract size of previous executions during that Business Day on the opposite side. Resting Stop Limit Orders are counted as currently resting Orders for this purpose. For Spread Orders, the contract size of each individual leg is counted for this purpose.

(iii) The CFE System shall reject or cancel back to the sender any incoming Order that, if it were to be accepted, would cause a net limit on the number of contracts bought (or sold) per Business Day to be exceeded when added to the number of contracts already counted against the limit. If the CFE System receives a Cancel Replace/Modify Order that, if the cancellation were to be processed and the Order were to be accepted, would cause a net limit on the number of contracts bought (or sold) per Business Day to be exceeded when added to the number of contracts already counted against the limit, the CFE System will process the cancellation and will reject or cancel back to the sender the replacement Order.

(iv) Block Trades and Exchange of Contract for Related Position transactions shall be subject to and taken into account under net long and net short limits.

(d) Limit Order Price Reasonability Checks.

(i) The Exchange shall designate Limit Order price reasonability percentage parameters by product, and those percentages shall be set forth in the rules governing the applicable product. Clearing Members and Trading Privilege Holders shall have the ability to designate Limit Order price reasonability percentage parameters by EFID and product. The most restrictive applicable Limit Order price reasonability percentage that is designated shall apply.

(ii) The CFE System shall reject or cancel back to the sender:

(A) any buy Order with a limit price if the limit price upon receipt of the Order by the CFE System is equal to or more than the applicable designated percentage above the prevailing best offer in the applicable Contract; and

(B) any sell Order with a limit price if the limit price upon receipt of the Order by the CFE System is equal to or more than the applicable designated percentage below the prevailing best bid in the applicable Contract.

(iii) The Limit Order price reasonability checks under this Rule 513A(d):

(A) will apply during Trading Hours;

(B) ~~and~~ will not apply prior to the opening or restart of trading in a Contract or during the opening or re-opening process for a Contract pursuant to Rule 405A;

(C) will apply to simple Orders, other than to simple buy Orders when there is no prevailing offer and to simple sell Orders when there is no prevailing bid;

(D) will apply to a Stop Limit Order when it is triggered (i.e., when the relevant Contract trades at the specified trigger price as described Rule 404(d)) and not when a Stop Limit Order is received by the CFE System;

(E) will not apply to Spread Orders or Trade at Settlement Orders; and

(F) will not apply to Block Trades and Exchange of Contract for Related Position transactions.

(e) Market Order Price Reasonability Checks.

(i) The Exchange shall designate Market Order price reasonability percentage parameters and Threshold Widths by product, and those percentages and Threshold Widths shall be set forth in the rules governing the applicable product.

(ii) If a Market Order is partially executed at an initial price level, the remaining portion of the Market Order will not execute at a price that is more than the applicable designated percentage above or below that initial price level. The CFE System will reject or cancel back to the sender any remaining portion of the Market Order that would execute at a price that is more than the applicable designated percentage above or below that initial price level.

(iii) A Market Order will only execute at price levels that are at or within the applicable Threshold Width. The CFE System will reject or cancel back to the sender any portion of a Market Order that would execute at a price level that is outside of the applicable Threshold Width.

(iv) The Market Order price reasonability checks under this Rule 513A(e) will not apply to Trade at Settlement (“TAS”) Orders or to Block Trades and Exchange of Contract for Related Position transactions.

(f) Spread Order Price Reasonability Checks. A spread will remain in a queuing state prior to being opened for trading, or return to a queuing state after being opened for trading, during any time period in which the width of the prevailing market for any individual leg of the spread exceeds the applicable Threshold Width for the relevant Contract. The CFE System will utilize the opening process set forth in Rule 405A(d)(vii) to open or reopen the spread at such time that there is no longer any individual leg of the spread for which the Threshold Width is exceeded.

(g) Execution Rate Limits.

(i) Trading Privilege Holders shall have the ability to designate execution rate limits by EFID and product. An execution rate limit is a maximum number of contracts that may be executed per time interval.

(ii) If an execution rate limit designated by a Trading Privilege Holder is exceeded, the CFE System shall:

(A) cancel all resting Orders for the applicable EFID and product; and

(B) reject or cancel back to the sender any new Orders for the applicable EFID and product until the CFE System receives a reset command from the Trading Privilege Holder.

(iii) Block Trades and Exchange of Contract for Related Position transactions shall not be subject to execution rate limits.

(h) Order Rate Limits.

(i) The Exchange shall designate Order rate limits for logical ports and disseminate those limits to Trading Privilege Holders in a form and manner determined by the Exchange.

(ii) An Order rate limit is a maximum number of Orders that may be received by the CFE System per time interval.

(iii) If the applicable Order rate limit is exceeded, the CFE System will reject or cancel back to the sender those Orders received by the CFE System during the applicable time interval after the Order rate limit is reached during that time interval.

(iv) A Spread Order will be counted as one Order for purposes of computing the number of Orders received during a time interval.

(v) A Cancel Order is counted for purposes of computing the number of Orders received during a time interval, except that a mass cancel or purge request is not counted for these purposes. If a Cancel Order (including a mass cancel or purge request) is received by the CFE System during a time interval in which the applicable Order rate limit has been exceeded, the CFE System will process (and not reject or cancel back) the Cancel Order.

(vi) A Cancel Replace/Modify Order is counted for purposes of counting the number of Orders received during a time interval. If a Cancel Replace/Modify Order is received by the CFE System during a time interval in which the applicable Order rate limit has been exceeded, the CFE System will:

(A) reject or cancel back to the sender the replacement Order portion of the Cancel Replace/Modify Order; and

(B) process (and not reject or cancel back) the Cancel Order portion of the Cancel Replace/Modify Order.

(vii) Block Trades and Exchange of Contract for Related Position transactions shall not be subject to order rate limits.

(i) Exchange Designated Limits. The Exchange may designate Maximum Order Size Limits, Execution Rate Limits, and/or Net Long and Net Short Limits as described above. If the Exchange does so:

(i) the Exchange shall disseminate those limits to Trading Privilege Holders in a form and manner determined by the Exchange; and

(ii) the most restrictive applicable limit (designated either by the Exchange, a Clearing Member or a Trading Privilege Holder, as applicable for that risk control) shall apply.

(j) Kill Switch.

(i) The Exchange and Clearing Members shall have the ability to activate a kill switch by EFID. Trading Privilege Holders shall have the ability to activate a kill switch by logical port.

(ii) If a kill switch is activated, the CFE System will cancel all Orders residing in the CFE System for the applicable EFID or submitted through the applicable logical port.

(iii) (e) Kill Button. Each Clearing Member shall have access, in a form and manner prescribed and provided by the Exchange, to a kill button function that will enable the Clearing Member to cancel all orders and quotes



~~residing in the CBOE System from a Trading Privilege Holder with respect to which the Clearing Member is identified in the order or quote submission as the Clearing Member for the execution of the order or quote. In the event that a Clearing Member activates the kill button function for a Trading Privilege Holder, the CBOE System will reject any new such orders and quotes from the Trading Privilege Holder until the Clearing Member has reset the Trading Privilege Holder's ability to submit such orders and quotes. At the option of the Exchange or a Trading Privilege Holder activating a kill switch, that party may choose to have the activation of the kill switch also cause the CFE System to reject or cancel back to the sender any new Orders for the applicable EFID or from the applicable logical port. If a Clearing Member activates a kill switch for an EFID, the kill switch will always cause the CFE System to reject or cancel back to the sender any new Orders for the applicable EFID. These blocks on the submission of Orders shall remain in place until the party that activated the kill switch resets the kill switch within the CFE System.~~

~~(d) — *Parameterized Risk Controls.* Each Clearing Member shall have the ability, in a form and manner prescribed and provided by the Exchange, to set the following parameterized risk control thresholds for a Trading Privilege Holder with respect to orders and quotes for which the Clearing Member is identified in the order or quote submission as the Clearing Member for the execution of the order or quote: (i) a limit on the quantity per order or quote; (ii) a limit on the number of contracts bought per trading day; and (iii) a limit on the number of contracts sold per trading day. Each threshold will apply in a manner determined by the Exchange and will apply separately to simple orders, spread orders and quotes. Clearing Members may set these thresholds at different levels by Trading Privilege Holder or by Trading Privilege Holder login or acronym group for each of these categories. Clearing Members may set a default value for each of these thresholds by Trading Privilege Holder, login or acronym group that will apply to all Exchange products or may set different values by Trading Privilege Holder, login or acronym group on a per product basis.~~

~~With respect to settings of parameterized risk control thresholds by login or acronym group, settings may apply to an individual login only if the applicable login is not designated to an acronym group by the Trading Privilege Holder in a form and manner prescribed by the Exchange. If a login is included in an acronym group, that login may not have individual settings for these thresholds and any settings for the acronym group shall collectively apply to all of the logins in the acronym group~~

(iv) Block Trades and Exchange of Contract for Related Position transactions for an EFID will not be accepted by the CFE System if a kill switch has been activated and remains in effect for that EFID which blocks the submission of Orders for that EFID.

(v) A Trading Privilege Holder shall also have the ability to utilize:

(A) a mass cancel request to cancel all or a subset of pending Orders submitted through a logical port, and at the option of the Trading Privilege Holder submitting the mass cancel request, to cause the CFE System to reject or cancel back to the sender all or a subset of new Orders submitted through that logical port until a reset request is received by the CFE System; and

(B) a purge request to cancel all or a subset of pending Orders submitted through multiple logical ports, and at the option of the Trading Privilege Holder submitting the purge request, to cause the CFE System to reject or cancel back to the sender all or a subset of new Orders until a reset request is received by the CFE System.

(k) Disconnection Risk Controls.

(i) General.

(A) Trading Privilege Holders shall have the ability to enable disconnection risk controls by logical port.

~~(B) Threshold values applicable to a product shall apply to all contract expirations or series, as applicable, in that product. If TAS transactions are permitted in a product, threshold values shall apply separately to TAS orders, quotes, and transactions in that product. The quantity of a spread order for purposes of applying the spread order quantity limit shall be the contract quantity of the largest side of the spread order (buy or sell), and the quantity of a quote for purposes of applying the quote quantity limit shall be the quantity of the largest side (bid or ask) of the quote. Parameterized risk control thresholds shall not be applicable to or take into account Block Trades and Exchange of Contract for Related Position transactions. Block Trades and Exchange of Contract for Related Position transactions shall not be subject to disconnection risk controls.~~

(ii) Cancel on Logical Port Disconnect.

(A) A Trading Privilege Holder that enables cancel on disconnect functionality for a logical port may choose to have that functionality apply to:

(1) Day Orders; or

(2) all Orders.

(B) For purposes of cancel on disconnect functionality, a disconnection from a logical port includes a disconnection that occurs for any reason (including as the result of the submission of a logout message) or if at any time the CFE System does not receive any inbound message traffic or a heartbeat message through the logical port for a specified time interval as prescribed by the Exchange.

(C) When cancel on disconnect functionality is enabled for a logical port:

(1) If there is a disconnection from that logical port,

(2) the CFE System cancels all applicable Orders that are residing in the CFE System

(3) which were submitted through that logical port

(4) for any product is not in a suspended state.

(iii) Cancel on Matching Engine Disconnect.

(A) A Trading Privilege Holder that enables cancel on matching engine disconnect functionality for a logical port may choose to have that functionality apply to:

(1) Day Orders; or

(2) all Orders.

(B) When cancel on matching engine disconnect is enabled by a Trading Privilege Holder for a logical port:

(1) If there is loss of connectivity between that logical port and the CFE System matching engine,

(2) the CFE System cancels all applicable Orders residing in the CFE System

(3) that were submitted through that logical port

(4) for any product that is not in a suspended state.

(C) When cancel on matching engine disconnect is not enabled by a Trading Privilege Holder for a logical port:

(1) If there is loss of connectivity between that logical port and the CFE System matching engine

(2) for a specified time interval as prescribed by the Exchange,

(3) the CFE System cancels all Orders residing in the CFE System

(4) that were submitted through that logical port

(5) for any product that is not in a suspended state.

(iv) Cancel on Drop Disconnect.

(A) Trading Privilege Holders shall have the ability to utilize execution drop ports and to enable cancel on drop disconnect functionality with respect to order entry logical ports that are associated with those drop ports.

(B) An execution drop port is a logical port used to receive drop copies of execution report messages relating to the execution of Orders.

(C) If cancel on drop disconnect is enabled by a Trading Privilege Holder for an order entry port, cancel on drop disconnect functionality will be triggered if all of the drop ports associated with that order entry port become disconnected from the CFE System.

(D) A drop port will be treated as having become disconnected from the CFE System if the CFE System does not receive a heartbeat message through the drop port for a specified time interval configurable by the Trading Privilege Holder.

(E) If cancel on drop disconnect functionality is triggered for an order entry port, the CFE System will reject or cancel back to the sender any new Orders submitted through the order entry port. This block on the submission of Orders shall remain in place until the CFE System receives heartbeat messages through a drop port associated with the order entry port in accordance with the time interval configured by the Trading Privilege Holder.

(F) At the option of a Trading Privilege Holder activating cancel on drop disconnect functionality:

(1) If cancel on drop disconnect functionality is triggered for an order entry port,

(2) the CFE System will also cancel

(3) all Day Orders or all Orders, as designated by the Trading Privilege Holder

(4) residing in the CFE System

(5) that were submitted through that order entry port

(6) for any product that is not in a suspended state.

(G) Cancel on drop disconnect functionality is not applicable with respect to order drop ports used to receive drop copies of Order messages.

(1) *Cancel on Reject Functionality.*

(i) Trading Privilege Holders shall have the ability to enable cancel on reject functionality by logical port.

(ii) If cancel on reject functionality is enabled by a Trading Privilege Holder for a logical port:

(A) the CFE System will cancel a resting Order

(B) if the CFE System rejects or cancels back to the sender

(C) a Cancel Order or Cancel Replace/Modify Order submitted through that logical port

(D) relating to the resting Order.

~~(m) The CBOE Clearing Member Requirement. Clearing Members are required to obtain access to and utilize the risk control mechanisms that the Exchange makes available for use by Clearing Members. For each risk control mechanism made available to Clearing Members, the CFE System will, in a form and manner prescribed and provided by the Exchange, automatically treat any combination of parameterized risk control, login, and product and EFID that does not have a risk control threshold set by the applicable Clearing Member as being set to a threshold level of zero. Clearing Members may comply with the requirement under this Rule 513A(h) in relation to parameterized risk controls~~ (m) by obtaining access to parameterized risk control the risk control mechanisms made available to Clearing Members and either (i) setting parameterized the risk controls or (ii) relying upon the automated settings described in the preceding sentence.

~~When a Trading Privilege Holder, login or acronym group exceeds the threshold set for a parameterized risk control, the CBOE System shall cancel back to the sender any incoming orders and reject any incoming quotes from that Trading Privilege Holder, login or acronym group for which that Clearing Member is identified as the Clearing Member for the execution of the order or quote. If a quote in a contract expiration or series is rejected because the threshold for a parameterized risk control has been exceeded, any resting quote from the Trading Privilege Holder, login or acronym group, as applicable, in that expiration month or series will be canceled. With respect to the limits on the number of contracts bought or sold per trading day, (i) the number of contracts already counted against the limit upon the receipt of an incoming order or quote shall include the quantity of previous buy or sell executions from that trading day and the quantity of buy or sell orders and quotes already residing in the CBOE System as if those orders and quotes have already been executed and (ii) the CBOE System shall cancel back to the sender any incoming order or reject any incoming quote that, if it were to be executed, would cause the limit to be exceeded when added to the number of contracts already counted against the limit.~~

~~(e) — Cancel on Disconnect. The CBOE System shall include a setting that will enable a Trading Privilege Holder or Authorized Trader on a per login basis, in a form and manner prescribed and provided by the Exchange, to provide for any Day Orders residing in the CBOE System that were submitted through that login to be canceled when that login becomes disconnected from the CBOE System through log off. If this setting is activated for a login, the setting will not cause Good 'til Canceled Orders residing in the CBOE System that were submitted through that login to be canceled when that login becomes disconnected from the CBOE System. Regardless of whether or not this setting is activated for a login, all quotes residing in the CBOE System that were submitted through that login will be canceled when that login becomes disconnected from the CBOE System through log off.~~

~~Log off from the CBOE System of a login shall occur if a log out request is received by the CBOE System through that login.~~

~~Log off from the CBOE System of a login shall also occur in relation to quotes and if the cancel on disconnect setting is activated with respect to Day Orders if there is a loss of heartbeat from the login as determined by the Exchange and as further described in this paragraph. In relation to quotes or if the cancel on disconnect setting is activated with respect to Day Orders: The CBOE System generates a heartbeat request if there is no~~

~~inbound message traffic through a login for a heartbeat interval. The Exchange may specify the length of the heartbeat interval or may permit a Trading Privilege Holder or Authorized Trader to specify the length of the heartbeat interval. If there is no response received by the CBOE System through a login to a heartbeat request within a time interval determined by the Exchange, the CBOE System will log off the login from the CBOE System.~~

~~(f) — *Quote Risk Monitor Mechanism.* Each Trading Privilege Holder with Trading Privileges that enable the Trading Privilege Holder to submit quotes to the CBOE System may establish parameters by which the Exchange will activate the Quote Risk Monitor (“QRM”) Mechanism. The QRM Mechanism shall function in a form and manner prescribed and provided by the Exchange. The QRM Mechanism includes both a product based functionality (“Product Based QRM”) and an Exchange wide functionality (“Exchange Wide QRM”) as further described below:~~

~~———— (i) ——— The Product Based QRM allows a Trading Privilege Holder to specify by product: (1) a maximum number of contracts for that product (“Contract Limit”) and a rolling time period in milliseconds within which that limit is to be measured (“Measurement Interval”); (2) a maximum cumulative percentage for that product (“Cumulative Percentage Limit”), where the cumulative percentage is the sum of the percentages of the original quoted size of the Trading Privilege Holder for each side of each Contract in that product that is traded by the Trading Privilege Holder, and a Measurement Interval for that limit; and (3) a maximum number of Contracts in that product for which either side of the Trading Privilege Holder’s quote is fully traded (“Fully Traded Contracts Limit”) and a Measurement Interval for that limit. When the Exchange determines that a Trading Privilege Holder has traded at least the Trading Privilege Holder’s Contract Limit, Cumulative Percentage Limit or Fully Traded Contracts Limit for a product during any rolling Measurement Interval for the applicable Product Based QRM limit through trade executions involving quotes from the Trading Privilege Holder, the QRM Mechanism shall cancel all of the Trading Privilege Holder’s resting quotes in that product until the Trading Privilege Holder refreshes those quotes. This action by the Exchange is referred to as a QRM Incident. In particular, if the size of a TPH’s quote would allow a transaction to be executed against that quote even though the execution of that transaction would exceed a Product Based QRM limit, the transaction will be executed against the quote and the QRM Mechanism will cancel the TPH’s remaining quotes in that product following the execution of that transaction. When a Product Based QRM limit is triggered for a Trading Privilege Holder in a product, the counters that determine whether each of the Product Based QRM limits is triggered for that Trading Privilege Holder in that product will be reset.~~

~~———— If TAS transactions are permitted in a product, the Product Based QRM limits shall apply separately to regular quotes in the product and to TAS quotes in the product. If a Product Based QRM limit is triggered in relation to regular quotes in the product or in relation to TAS quotes in the product, the QRM Mechanism shall cancel both the regular quotes and TAS quotes in the product and this action shall be counted as one QRM Incident. Similarly, if the Exchange has more than one product with the same underlying, the Product Based QRM limits shall apply separately to the quotes in each product. If a Product Based QRM limit is triggered in relation to the quotes in one of those products, the~~

~~QRM Mechanism shall cancel the quotes for all of those products and this action shall be counted as one QRM Incident.~~

~~——(ii)—— The Exchange Wide QRM allows a Trading Privilege Holder to specify a maximum number of QRM Incidents for that Trading Privilege Holder on an Exchange wide basis (“QRM Incident Limit”) and a rolling Measurement Interval for that limit. When the Exchange determines that a Trading Privilege Holder has reached its QRM Incident Limit during any rolling Measurement Interval for that limit, the QRM Mechanism shall cancel all of the Trading Privilege Holder’s resting quotes and orders in all products on the Exchange and prevent the Trading Privilege Holder from sending additional quotes and orders to the Exchange until the Trading Privilege Holder reactivates its ability to send quotes and orders in a form and manner prescribed by the Exchange. When the Exchange Wide QRM is triggered for a Trading Privilege Holder, the counters that determine whether the QRM Incident Limit and each of the Product Based QRM limits is triggered for that Trading Privilege Holder will be reset. If the Exchange cancels all of the Trading Privilege Holder’s resting quotes and orders because the Exchange Wide QRM is triggered, and the Trading Privilege Holder does not reactivate its ability to send quotes or orders, the block will be in effect only for the Business Day during which the Trading Privilege Holder reached its QRM Incident Limit.~~

~~The QRM Mechanism may only be utilized for logins and acronym groups that a Trading Privilege Holder obtains from one or more Quoting and Order Entry Trading Permits. Trading Privilege Holders may set Product Based QRM limits by login or acronym group and any Product Based QRM limits established for a particular login or acronym group will only apply with respect to that login or acronym group and to quotes (and orders, as applicable) from that login or acronym group. Settings may apply to an individual login only if the applicable login is not designated to an acronym group by the Trading Privilege Holder in a form and manner prescribed by the Exchange. If a login is included in an acronym group, that login may not have individual settings for Product Based QRM limits and any settings for the acronym group shall collectively apply to all of the logins in the acronym group. The QRM Incident Limit may be set in the same manner, except that the QRM Incident Limit may also be collectively set for all of a Trading Privilege Holder’s logins and acronym groups from Quoting and Order Entry Trading Permits.~~

~~Trading Privilege Holders are not required to utilize and set parameters for the Product Based QRM or the Exchange Wide QRM.~~

~~(g)—— *Off Exchange Transaction Electronic Reporting Size Limits.*—— Each Clearing Member shall have the ability, in a form and manner prescribed and provided by the Exchange, to set a maximum transaction size limit for off exchange transactions that are electronically reported to the CBOE System. A separate limit may be set for electronically reported Block Trades and for the Contract legs of electronically reported Exchange of Contract for Related Position transactions. Each limit may be set by an executing Trading Privilege Holder for all of that Trading Privilege Holder’s logins or by individual executing Trading Privilege Holder login. Each limit shall apply in a manner determined by the Exchange to Block Trades or Exchange of Contract for Related Position transactions, as applicable, that are electronically reported for the applicable executing Trading Privilege Holder login(s) and for which the Clearing Member is identified as the Clearing Member for the execution of the transaction. With respect to off exchange transactions with more than one Contract leg, the maximum transaction size~~

~~limit shall apply with respect to the total number of Contracts of the transaction if all of the Contract legs are exclusively for the purchase or exclusively for the sale of the Contract legs and shall apply with respect to the largest Contract leg for all other spreads.~~

~~(h) *Clearing Member Requirement.* Clearing Members are required to obtain access to and utilize the risk control mechanisms that the Exchange makes available for use by Clearing Members.~~

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### **513C. Technical and Systems Specifications and Systems Testing Requirements**

(a) The Exchange may from time to time (i) prescribe technical and systems specifications applicable to Trading Privilege Holders regarding the establishment and maintenance of a direct connection to the ~~CBOECFE~~ System and the use of ~~CBOECFE~~ System functionality and (ii) require that Trading Privilege Holders be capable of utilizing specified ~~CBOECFE~~ System functionality. Trading Privilege Holders shall comply with any such specifications and requirements, as instructed by the Exchange.

(b) The Exchange may from time to time prescribe systems testing requirements applicable to Trading Privilege Holders relating to connectivity to the ~~CBOECFE~~ System and utilization of ~~CBOECFE~~ System functionality. Trading Privilege Holders shall comply with any such systems testing requirements, as instructed by the Exchange. Trading Privilege Holders shall maintain adequate documentation of tests required by this Rule and the results of the testing and shall provide to the Exchange reports relating to the testing as the Exchange may prescribe.

### **514. Market Maker Programs**

The Exchange may from time to time adopt one or more programs under which one or more Trading Privilege Holders ~~or Authorized Traders~~ may be designated as market makers (including as Lead Market Makers) with respect to one or more Contracts, and may be granted certain benefits in return for assuming obligations in order to provide liquidity and orderliness in the market or markets for such Contract or Contracts. Any such program may provide for any or all of the following:

(a) qualifications, including any minimum net capital requirements, that any such market maker must satisfy;

(b) the procedure by which Trading Privilege Holders ~~or Authorized Traders~~ may seek and receive designation as market makers;

(c) the obligations of such market makers, including any applicable minimum bid and offer commitments; and

(d) the benefits accruing to such market makers, including priority in the execution of transactions effected by Trading Privilege Holders ~~or Authorized Traders~~ in their capacity as market makers, reduced transaction fees or the receipt of compensatory payments from the Exchange.

\* \* \* \* \*



## 517. Customer Margin Requirements for Contracts that are Security Futures

(a) *Scope of Rule.* This Rule 517 shall apply to positions resulting from transactions in Security Futures, traded on the Exchange or subject to the Rules of the Exchange to the extent that such positions are held by Clearing Members or, if applicable, Trading Privilege Holders on behalf of Customers in futures accounts (as such term is defined in Commission Regulation § 1.3(vv) and Exchange Act Regulation 15c3-3(a)), with paragraph (n) of this Rule 517 also applying to such positions held in securities accounts (as such term is defined in Commission Regulation 1.3(ww) and Exchange Act Regulation 15c3-3(a)). As used in this Rule 517, the term “Customer” does not include (i) any exempted person (as such term is defined in Commission Regulation § 41.43(a)(9) and Exchange Act Regulation 401(a)(9)) and (ii) any Market Maker (as such term is defined in paragraph (n) below). Nothing in this Rule 517 shall alter the obligation of each Clearing Member and, if applicable, Trading Privilege Holder to comply with Applicable Law relating to customer margin for transactions in Security Futures, including without limitation Commission Regulations §§ 41.42 through 41.49 or Rules 400 through 406 under the Exchange Act, as applicable (including in each case any successor regulations or rules).

(b) *Margin System.* The Standard Portfolio Analysis of Risk (SPAN<sup>®</sup>)\* is the margin system adopted by the Exchange. SPAN<sup>®</sup> generated margin requirements shall constitute Exchange margin requirements. All references to margin in the Rules of the Exchange shall be to margin computed on the basis of SPAN<sup>®</sup>. Margin systems other than SPAN<sup>®</sup> may be used to meet Exchange margin requirements if the relevant Clearing Member or, if applicable, Trading Privilege Holder can demonstrate that its margin system will result in margin requirements that are in all cases equal to or greater than the corresponding requirements determined on the basis of SPAN<sup>®</sup>.

(c) *Margin Rate.* The Exchange will set and publish the initial and maintenance margin rates to be used in determining Exchange margin requirements; *provided* that in no case shall the required margin for any long or short position held by a Clearing Member or, if applicable, Trading Privilege Holder on behalf of a Customer be less than the rate from time to time determined by the Commission and the Securities and Exchange Commission for purposes of Commission Regulation § 41.45(b)(1) and Rule 403(b)(1) under the Exchange Act unless a lower margin level is available for such position pursuant to paragraph (m) below.

(d) *Acceptable Margin Deposits.*

(i) Clearing Members and, if applicable, Trading Privilege Holders may accept from their Customers as margin deposits of cash, margin securities (subject to the limitations set forth in the following sentence), exempted securities, any other assets permitted under Regulation T of the Board of Governors of the Federal Reserve System (as in effect from time to time) to satisfy a margin deficiency in a securities margin account, and any combination of the foregoing, each as valued in accordance with Commission Regulation § 41.46(c) and (e) or Rule 404(c) and (e) under the Exchange Act, as applicable. Shares of a money market mutual fund that meet the requirements of Commission Regulations § 1.25 and § 41.46(b)(2) and Rule 404(b)(2) under the

Exchange Act, as applicable, may be accepted as a margin deposit from a Customer for purposes of this Rule 517.

(ii) A Clearing Member or, if applicable, Trading Privilege Holder shall not accept as margin from any Customer securities that have been issued by such Customer or an Affiliate of such Customer unless such Clearing Member or Trading Privilege Holder files a petition with and receives permission from the Exchange for such purpose.

(iii) All assets deposited by a Customer to meet margin requirements must be and remain unencumbered by third party claims against the depositing Customer.

(iv) Except to the extent prescribed otherwise by the Exchange, cash margin deposits shall be valued at market value and all other margin deposits shall be valued at an amount not to exceed that set forth in Commission Regulation § 41.46(c) and (e) or Rule 404(c) and (e) under the Exchange Act, as applicable (including in each case any successor regulations or rules).

(e) *Acceptance of Orders.* Clearing Members and, if applicable, Trading Privilege Holders may accept Orders for a particular Customer account only if sufficient margin is on deposit in such account or is forthcoming within a reasonable period of time (which shall be no more than five Business Days, although the relevant Clearing Member or, if applicable, Trading Privilege Holder may deem one hour to be a reasonable period of time). For a Customer account that has been subject to calls for margin for an unreasonable period of time, Clearing Members and, if applicable, Trading Privilege Holders may only accept Orders that, when executed, will reduce the margin requirements resulting from the existing positions in such account. Clearing Members and, if applicable, Trading Privilege Holders may not accept Orders for a Customer account that would liquidate to a deficit or that has a debit balance.

(f) *Margin Calls.* Clearing Members and, if applicable, Trading Privilege Holders must call for margin from a particular Customer:

(i) when the margin equity on deposit in such Customer's account falls below the applicable maintenance margin requirement; or

(ii) subsequently, when the margin equity on deposit in such Customer's account, together with any outstanding margin calls, is less than the applicable maintenance margin requirement.

Any such call must be made within one Business Day after the occurrence of the event giving rise to such call. Clearing Members and, if applicable, Trading Privilege Holders may call for additional margin at their discretion.

Clearing Members and, if applicable, Trading Privilege Holders shall reduce any call for margin only to the extent that margin deposits permitted under paragraph (d) above are received in the relevant account. Clearing Members and, if applicable, Trading Privilege Holders may delete any call for margin only if (i) margin deposits permitted under paragraph (d) above equal to or in excess of the deposits called are received in the relevant account or (ii) inter-day favorable market movements or the liquidation of positions result in the margin on deposit in the relevant account being equal to or greater

than the applicable initial margin requirement. In the event of any such reduction or deletion, the oldest outstanding margin call shall be reduced or deleted first.

Clearing Members and, if applicable, Trading Privilege Holders, shall maintain written records of any and all margin calls issued, reduced or deleted by them.

(g) *Disbursements of Excess Margin.* Clearing Members and, if applicable, Trading Privilege Holders may release to Customers margin on deposit in any account only to the extent that such margin is in excess of the applicable initial margin requirement under this Rule 517 and any other applicable margin requirement.

(h) *Loans to Customers.* Clearing Members and, if applicable, Trading Privilege Holders may not extend loans to Customers for margin purposes unless such loans are secured within the meaning of Commission Regulation § 1.17(c)(3). The proceeds of any such loan must be treated in accordance with Commission Regulation § 1.30.

(i) *Aggregation of Accounts and Positions.* For purposes of determining margin requirements under this Rule 517, Clearing Members and, if applicable, Trading Privilege Holders shall aggregate accounts under identical ownership if such accounts fall within the same classifications of customer segregated, customer secured, special reserve account for the exclusive benefit of customers and non-segregated for margin purposes. Clearing Members and, if applicable, Trading Privilege Holders may compute margin requirements for identically owned concurrent long and short positions on a net basis.

(j) *Omnibus Accounts.* Clearing Members and, if applicable, Trading Privilege Holders shall collect margin on a gross basis for positions held in domestic and foreign omnibus accounts. For omnibus accounts, initial margin requirements shall equal the corresponding maintenance margin requirements. Clearing Members and, if applicable, Trading Privilege Holders shall obtain and maintain written instructions from domestic and foreign omnibus accounts for positions that are eligible for offsets pursuant to paragraph (m) below.

(k) *Liquidation of Positions.* If a Customer fails to comply with a margin call required by Commission Regulations §§ 41.42 through 41.49 or Rules 400 through 406 under the Exchange Act, as applicable, within a reasonable period of time (which shall be no more than five Business Days, although the relevant Clearing Member or, if applicable, Trading Privilege Holder may deem one hour to be a reasonable period of time), the relevant Clearing Member or, if applicable, Trading Privilege Holder may liquidate positions in such Customer's account to ensure compliance with the applicable margin requirements.

(l) *Failure to Maintain Required Margin.* If a Clearing Member or, if applicable, Trading Privilege Holder fails to maintain sufficient margin for any Customer account in accordance with this Rule 517, the Exchange may direct such Clearing Member or Trading Privilege Holder to immediately liquidate all or any part of the positions in such account to eliminate the deficiency.

(m) *Offsetting Positions.* For purposes of Commission Regulation § 41.45(b)(2) and Rule 403(b)(2) under the Exchange Act, the initial and maintenance margin requirements for offsetting positions involving Security Futures, on the one hand, and related positions, on the other hand, are set at the levels specified in Schedule A to this Chapter 5.

(n) *Exclusion for Market Makers.*

(i) A Person shall be a “Market Maker” for purposes of this Rule 517, and shall be excluded from the requirements set forth in Commission Regulations §§ 41.42 through 41.49 and Rules 400 through 406 under the Exchange Act, as applicable, in accordance with Commission Regulation § 41.42(c)(2)(v) and Rule 400(c)(2)(v) under the Exchange Act with respect to all trading in Security Futures for its own account, if such Person is a Trading Privilege Holder or Authorized Trader that is registered with the Exchange as a dealer (as such term is defined in Section 3(a)(5) of the Exchange Act) in Security Futures.

(ii) Each Market Maker shall:

(A) be registered as a floor trader or a floor broker with the Commission under Section 4f(a)(1) of the CEA or as a dealer with the Securities and Exchange Commission (or any successor agency or authority) under Section 15(b) of the Exchange Act;

(B) maintain records sufficient to prove compliance with the requirements set forth in this paragraph (n) and Commission Regulation § 41.42(c)(2)(v) or Rule 400(c)(2)(v) under the Exchange Act, as applicable, including without limitation trading account statements and other financial records sufficient to detail activity; and

(C) hold itself out as being willing to buy and sell Security Futures for its own account on a regular or continuous basis.

A Market Maker satisfies condition (C) above if: ~~(1) —~~ such Market Maker: (x) provides Orders that result in continuous two-sided quotations throughout the trading day for all delivery months of Security Futures representing a meaningful proportion of the total trading volume on the Exchange from Security Futures in which that Market Maker is designated as a Market Maker, subject to relaxation during unusual market conditions as determined by the Exchange ~~(such as a fast market in either a Security Future or a security underlying such Security Future)~~ at which times such Market Maker must use its best efforts to ~~quote continuously and competitively~~ provide Orders that result in continuous and competitive quotations; and (y) when providing ~~quotations, quotes~~ Orders, provides Orders with a maximum bid/ask spread of no more than the greater of \$5.00 or 150% of the bid/ask spread in the primary market for the security underlying each Security Future; ~~or~~

~~(2) —~~ such Market Maker: (x) responds to at least 75% of the requests for quotation for all delivery months of Security Futures representing a meaningful proportion of the total trading volume on the Exchange from Security Futures in which that Market Maker is designated as a Market Maker, subject to relaxation during unusual market conditions as determined by the Exchange ~~(such as a fast market in either a Security Future or a security underlying such Security Future)~~ at which times such Market Maker must use its best efforts to quote competitively; and (y) when responding to requests for quotation, quotes within five seconds with a maximum bid/ask spread of no more than the

~~greater of \$5.00 or 150% of the bid/ask spread in the primary market for the security underlying each Security Future.~~

For purposes of ~~clauses (1) and (2) above~~ the preceding paragraph, beginning on the 181<sup>st</sup> calendar day after the commencement of trading of Security Futures, a “meaningful proportion of the total trading volume on the Exchange from Security Futures in which that Market Maker is designated as a Market Maker” shall mean a minimum of 20% of such trading volume.

~~A Market Maker may satisfy the obligations under clauses (1) or (2) above relating to the provision of quotations through the equivalent provision of orders instead of quotes.~~

(iii) Any Market Maker that fails to comply with the Rules of the Exchange, Commission Regulations §§ 41.42 through 41.49 or Rules 400 through 406 under the Exchange Act, as applicable, shall be subject to disciplinary action in accordance with Chapter 7. Appropriate sanctions in the case of any such failure shall include, without limitation, a revocation of such Market Maker’s registration as a dealer in Security Futures pursuant to clause (i) above.

\* “SPAN” is a registered trademark of Chicago Mercantile Exchange Inc., used herein under license. Chicago Mercantile Exchange Inc. assumes no liability in connection with the use of SPAN by any person or entity.

\* \* \* \* \*

### **603. Market Manipulation**

Any manipulation of the market in any Contract is prohibited. Orders entered into the ~~CBOE~~CFE System for the purpose of generating unnecessary volatility or creating a condition in which prices do not or will not reflect fair market values are prohibited and any Trading Privilege Holder (including its respective Related Parties) who makes or assists in entering any such Order with knowledge of the purpose thereof or who, with such knowledge, in any way assists in carrying out any plan or scheme for the entering of any such Order, shall be deemed to have engaged in an act detrimental to the Exchange.

\* \* \* \* \*

### **609. Supervision**

Each Trading Privilege Holder shall be responsible for establishing, maintaining and administering reasonable, written supervisory procedures to ensure that its Related Parties, automated trading systems and Customers comply with Applicable Law, the Rules of the Exchange and the Rules of the Clearing Corporation. ~~A~~Each Trading Privilege Holder ~~may be held accountable for the actions of its Related Parties. In addition, each Responsible Trader shall be responsible for supervising the~~ its Related Parties of the Trading Privilege Holder represented by it, and automated trading systems and may be held accountable for the actions of ~~such~~its Related Parties and automated trading systems.

### **610. Priority of Customers' Orders**

(a) No Trading Privilege Holder (including its Related Parties) shall knowingly buy a Contract for a personal or proprietary account of such Trading Privilege Holder or Related Party or for an account in which such Trading Privilege Holder or Related Party has a proprietary interest, when such Trading Privilege Holder or Related Party has in hand Orders to buy the same Contract for any other Person at the same price or at the market price. No Trading Privilege Holder (including its Related Parties) shall knowingly sell a Contract for a personal or proprietary account of such Trading Privilege Holder or Related Party or for an account in which such Trading Privilege Holder or Related Party has a proprietary interest, when such Trading Privilege Holder or Related Party has in hand Orders to sell the same Contract for any other Person at the same price or at the market price.

(b) No Trading Privilege Holder (including its Related Parties) shall knowingly execute a discretionary Order for any Contract, including, without limitation, an Order allowing such Trading Privilege Holder (including its Related Parties) discretion as to time and price, for an immediate family member or for a personal or proprietary account of any other Trading Privilege Holder or Related Party, when such Trading Privilege Holder or Related Party has in hand any Customer Market Order for the same Contract open as to time and price.

(c) An Authorized Trader entering Orders into the ~~CBOECFE~~ System must enter all Customer Orders that the ~~CBOECFE~~ System is capable of accepting before entering an Order for a personal or proprietary account of such Authorized Trader or the related Trading Privilege Holder, an account in which such Authorized Trader or Trading Privilege Holder has a proprietary interest or an Order for a discretionary account, including an Order allowing such Authorized Trader or Trading Privilege Holder discretion as to time and price, for an immediate family member or for a personal or proprietary account of any other Trading Privilege Holder or Related Party.

(d) For purposes of this Rule 610, no Trading Privilege Holder that consists of more than one individual, shall be deemed to knowingly buy or sell a Contract or execute a discretionary Order if (i) such Trading Privilege Holder has in place appropriate "firewall" or separation of function procedures and (ii) the individual buying or selling the Contract or executing the discretionary Order in question has no direct knowledge of the Order to buy or sell the same Contract for any other Person at the same price or at the market price or of the Customer Order for the same Contract, as the case may be. Nothing in this Rule 610 shall limit the ability of an "eligible account manager" to bunch Orders in accordance with Commission Regulation § 1.35(a-1)(5).

### **611. Trading Against Customers' Orders**

No Trading Privilege Holder (including its Related Parties) shall enter into a transaction on behalf of a Customer in which such Trading Privilege Holder or Related Party or any Person trading for an account in which such Trading Privilege Holder or Related Party has a financial interest, intentionally assumes the opposite side of the transaction. The foregoing restriction shall not prohibit pre-execution discussions conducted in accordance with procedures established by the Exchange from time to time, and shall not apply to any Exchange of Contract for Related Position, any Block Trade or any facilitation crossing transaction meeting all of the following criteria (or such other criteria as may be established by the Exchange from time to time):

- (a) the Customer has previously consented in writing to such transactions and such consent has not been revoked prior to the applicable transaction;
- (b) if the Trading Privilege Holder desires to cross a Customer Order with an Order of the Trading Privilege Holder or Related Party and a bid and an offer for the relevant Contract are resting in the ~~CBOECFE~~ System, the Trading Privilege Holder may enter the Customer Order into the ~~CBOECFE~~ System and may immediately thereafter enter the opposing Order representing no more than 30% of the Customer Order's contract size (rounded up to the nearest whole contract);
- (c) the Trading Privilege Holder or Related Party has waited for a period of three seconds after first entering the Order received from the Customer into the ~~CBOECFE~~ System before taking the opposite side of the transaction, or if the Trading Privilege Holder initially crossed 30% of the Customer Order as provided in Rule 611(b), the Trading Privilege Holder has waited for a period of three seconds after first entering the Customer Order into the ~~CBOECFE~~ System before entering an opposing Order for the remaining balance, if any, of the Customer Order;
- (d) the Trading Privilege Holder maintains a record that clearly identifies, by appropriate descriptive words, all such transactions, including the time of execution, commodity, date, price, quantity and expiration; and
- (e) the Trading Privilege Holder provides a copy of the record referred to in clause (d) above to the Exchange upon request by the Exchange and within the time frame designated by the Exchange.

Because the Orders entered into the ~~CBOECFE~~ System pursuant to this Rule 611 are exposed to the market, there is no assurance that the Orders of the Trading Privilege Holder will be matched against the Customer Order.

\* \* \* \* \*

#### **614. Pre-Arranged Trades**

No Trading Privilege Holder (including its Related Parties) shall enter any Order into the ~~CBOECFE~~ System which has been pre-arranged, except as expressly permitted by Rules 407, 414, 415 and 611 or in accordance with any policies or procedures for pre-execution discussions from time to time adopted by the Exchange.

#### **615. Simultaneous Buying and Selling Orders**

- (a) No Trading Privilege Holder (including its Related Parties) shall accept simultaneous buy and sell Orders from the same beneficial owner for the same expiration of a particular Contract that could potentially execute against each other.
- (b) A Trading Privilege Holder (including its Related Parties) holding Orders to buy and sell at the same time from different beneficial owners for the same expiration of a particular Contract may enter both Orders into the ~~CBOECFE~~ System subject to compliance with any other applicable Rules of the Exchange such as Rule 407.

\* \* \* \* \*

## **620. Disruptive Practices**

(a) No Trading Privilege Holder nor any of its Related Parties shall engage in any trading, practice or conduct on the Exchange or subject to the Rules of the Exchange that:

(i) Violates bids or offers;

(ii) Demonstrates intentional or reckless disregard for the orderly execution of transactions during the closing period; or

(iii) Is, is of the character of, or is commonly known to the trade as “spoofing” (bidding or offering with the intent to cancel the bid or offer before execution).

(b) All Orders must be entered for the purpose of executing bona fide transactions. Additionally, all non-actionable messages must be entered in good faith for legitimate purposes.

(i) No Person shall enter or cause to be entered an Order ~~or quote~~ with the intent, at the time of entry, to cancel the Order ~~or quote~~ before execution or to modify the Order ~~or quote~~ to avoid execution;

(ii) No Person shall enter or cause to be entered an actionable or non-actionable message or messages with intent to mislead other market participants;

(iii) No Person shall enter or cause to be entered an actionable or non-actionable message or messages with intent to overload, delay, or disrupt the systems of the Exchange or other market participants; and

(iv) No Person shall enter or cause to be entered an actionable or non-actionable message with intent to disrupt, or with reckless disregard for the adverse impact on, the orderly conduct of trading or the fair execution of transactions.

The provisions of this Rule apply to all market states, including the pre-opening period, the closing period, and all trading sessions.

\* \* \* \* \*

## **715. Imposition of Fines for Minor Rule Violations**

(a) Notwithstanding any other provision of this Chapter 7 to the contrary, the Exchange may, subject to the requirements set forth herein, impose a fine, not to exceed \$15,000, on any Trading Privilege Holder or Related Party of a Trading Privilege Holder with respect to any violation of the Rules of the Exchange relating to the timely submission of accurate records required for clearing or verifying each day’s transactions, decorum or other similar activities. Actions taken pursuant to this Rule 714 shall be processed in accordance with the procedures set forth in this Rule 714 rather than the procedures set forth in the remainder of this Chapter 7 unless otherwise indicated.

(b) In any action taken by the Exchange pursuant to this Rule 714, any Person against whom a fine is imposed shall be served with a written statement, prepared by the



Exchange, setting forth: (i) the provision of the Rules of the Exchange allegedly violated; (ii) the act or omission constituting each such violation; (iii) the fine imposed for each violation; and (iv) the date by which such determination becomes final and such fine must be paid or contested as provided below, which date shall be not less than 30 days after the date of service of such written statement. The issuance of a fine or a Person's failure to contest the fine do not constitute an admission of the violation in question.

(c) (i) Any Person against whom a fine is imposed pursuant to this Rule 714 may contest the Exchange's determination by filing with the office of the Secretary, on or before the date specified pursuant to clause (b)(iv) of this Rule 714, a written answer in accordance with Rule 705 (which shall apply with such changes as may be appropriate under the circumstances), at which point the matter shall become subject to review by a BCC Panel. The filing must include a request for a hearing, if a hearing is desired. Hearings shall be conducted in accordance with the provisions of Rule 706 (which shall apply with such changes as may be appropriate under the circumstances). If a hearing is not requested, the review shall be based on written submissions and shall be conducted in a manner to be determined by the BCC Panel.

(ii) If after a hearing or review based on written submissions pursuant to clause (i) above the BCC Panel determines that the conduct serving as the basis for the action under review is in violation of that provision of the Rules of the Exchange the violation of which has been charged, the BCC Panel (A) may impose any one or more of the disciplinary sanctions authorized by the Rules of the Exchange and (B) shall impose a forum fee against the Person charged in the amount of one hundred dollars (\$100) if the determination was reached without a hearing, or in the amount of three hundred dollars (\$300) if a hearing was conducted. Notwithstanding the foregoing, in the event that the BCC Panel determines that the Person charged committed one or more violations of Rules of the Exchange and the sole disciplinary sanction imposed by the BCC Panel for such violations is a fine which is less than the total fine initially imposed by the Exchange pursuant to this Rule 714, the BCC Panel shall have discretion to waive the imposition of a forum fee.

(iii) The committee or department of the Exchange that commenced any action under this Rule 714, the Person charged and any member of the Board may require a review by the Board of any determination by a BCC Panel under this Rule 714 by proceeding in accordance with Rule 710 (which shall apply with such changes as may be appropriate under the circumstances). In connection with such review the committee or department of the Exchange that commenced the action under this Rule 714 shall have the same rights as a Respondent under Rule 710.

(iv) In the event that a fine imposed pursuant to this Rule 714 is upheld by a BCC Panel or, if applicable, on review by the Board, such fine, plus interest thereon, at a rate from time to time specified by the Exchange for such purpose, from and including the date specified in clause (b)(iv) of this Rule 714, shall be immediately due and payable.

(d) The Exchange shall specify in clause (e) of this Rule 714 the types of violations of Rules of the Exchange that will be considered minor rule violations for purposes of this Rule 714 and a fine schedule for such violations. Any fine schedule may allow for

warning letters to be issued for first-time violations or violators and shall provide for progressively larger fines for recurring violations. Nothing in this Rule 714 shall require the Exchange to impose a fine pursuant to this Rule 714 with respect to the violation of any provision of the Rules of the Exchange included in any listing of minor rule violations. In addition, the Exchange may, whenever it determines that any violation is intentional, egregious or otherwise not minor in nature, proceed under the Exchange's formal disciplinary rules as set forth in Rules 702 through 713, rather than under this Rule 714.

(e) For purposes of imposing fines pursuant to this Rule 714, the Exchange may aggregate individual violations of particular Rules of the Exchange and treat such violations as a single offense. In other instances, the Exchange may, if no exceptional circumstances are present, impose a fine based upon a determination that there exists a pattern or practice of violative conduct. For example, the Exchange may aggregate all similar violations found in an audit trail exam and separately aggregate all similar violations found in a single review of exception report output. The Exchange also may aggregate similar violations generally if the conduct was unintentional, there was no injury to public investors or the violations resulted from a single problem or cause that has been corrected.

Where a minor rule violation category listed in paragraph (f) below contains more than one Rule subsection, the applicable fine schedule will apply separately with respect to violations of each of those Rule subsections. Accordingly: (i) If conduct violates only one of those Rule subsections, it would be considered an offense with respect to that subsection but not with respect to the other Rule subsection(s) to which the fine schedule also applies. For example, if the same fine schedule applies to Rule subsection (a) and Rule subsection (b) and conduct violates only Rule subsection (a) for the first time in a twelve-month rolling period, that conduct would be considered a first offense under the schedule with respect to Rule subsection (a). A later violation in that period of Rule subsection (b) would be considered a first offense under the schedule with respect to Rule subsection (b). (ii) If conduct violates more than one of those Rule subsections for the first time in a twelve-month rolling period, it would be considered an offense with respect to each of those subsections. For example, if the same fine schedule applies to Rule subsection (a) and Rule subsection (b) and the same conduct violates both Rule subsection (a) and Rule subsection (b) for the first time in a twelve-month rolling period, that would be considered a first offense under the schedule with respect to Rule subsection (a) and a first offense under the schedule with respect to Rule subsection (b). If the first offense is to receive a fine under the schedule, that fine amount would be assessed twice, once in relation to Rule subsection (a) and also once in relation to Rule subsection (b).

(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) **Failure to Include an Order Entry Operator ID with Order or Quote that is Submitted to the ~~CBOE~~CFE System. (Rule 303A(a))**

**Improper Use of Order Entry Operator IDs.  
(Rules 303A(b) and 303A(c))**

**Failure to Comply with Issuance, Recordkeeping and Reporting Requirements Related to Order Entry Operator IDs. (Rule 303A(d))**

<i>Number of Cumulative Violations in Any Twelve (12) Month Rolling Period</i>	<i>Fine Amount</i>
First Offense.....	Letter of Caution
Second Offense.....	\$2,500
Third Offense.....	\$10,000
Subsequent Offenses.....	Referral to Business Conduct Committee

(ii) **Failure to Identify Correct Account ~~Account~~ Customer Type Indicator Code in Order. (Rule 403(a)(~~viii~~ix))**

<i>Number of Cumulative Violations in Any Twelve (12) Month Rolling Period</i>	<i>Fine Amount</i>
First Offense.....	Letter of Caution
Second Offense.....	\$2,500
Third Offense.....	\$5,000
Fourth Offense.....	\$7,500
Fifth Offense.....	\$10,000
Subsequent Offenses.....	Referral to Business Conduct Committee

(iii) **Failure to Provide Correct Account Designation in Order. (Rule 403(a)(~~viii~~ixii))**

<i>Number of Cumulative Violations in Any Twenty-Four (24) Month Rolling Period</i>	<i>Fine Amount</i>
First Offense.....	Letter of Caution
Second Offense.....	\$2,500
Third Offense.....	\$10,000
Subsequent Offenses.....	Referral to Business Conduct Committee

(iv) **Failure to Comply with Order Form Preparation and Recordkeeping Requirements Relating to Orders Which Cannot Be Immediately Entered into the ~~CBOE~~CFF System. (Rule 403(b))**

**Failure to Maintain Front-End Audit Trail Information for All Electronic Orders Entered into the ~~CBOE~~CFF System, Including Order Modifications and Cancellations. (Rule 403(c))**

<i>Number of Cumulative Violations in Any Twelve (12) Month Rolling Period</i>	<i>Fine Amount</i>
First Offense.....	Letter of Caution
Second Offense.....	\$2,500
Third Offense.....	\$10,000
Subsequent Offenses.....	Referral to Business Conduct Committee

(v) **Failure to Comply with Exposure Requirements When Crossing Two or More Original Orders. (Rule 407(a))**

<i>Number of Cumulative Violations in Any Twelve (12) Month Rolling Period</i>	<i>Fine Amount</i>
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First Offense.....	\$5,000
Second Offense.....	\$10,000
Third Offense.....	\$15,000
Subsequent Offenses.....	Referral to Business Conduct Committee

(vi) **Failure to Comply with Notice Provisions for Position Accountability. (Rules 412A(c) and 412A(d))**

<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

(vii) **Failure to Comply with Reporting Requirements for Ownership and Control Reports and Reportable Positions. (Rules 412B(a), 412B(b) and 412B(c))**

<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

(viii) **Failure to Comply with Order Marking Requirement for Exchange of Contract for Related Position Transactions. (Rule 414(fg))**

**Failure to Comply with Recordkeeping Requirement for Exchange of Contract for Related Position Transactions. (Rule 414(gh))**

<i>Number of Cumulative Violations in Any Twelve (12) Month Rolling Period</i>	<i>Fine Amount</i>
First Offense.....	Letter of Caution
Second Offense.....	\$2,500
Third Offense.....	\$10,000
Subsequent Offenses.....	Referral to Business Conduct Committee

(ix) **Failure to Comply with Exchange of Contract for Related Position Transaction Rule Provisions Relating to Authorized Reporter. (Rule 414(hj))**

<i>Number of Cumulative Violations in Any Twelve (12) Month Rolling Period</i>	<i>Fine Amount</i>
First Offense.....	Letter of Caution
Second Offense.....	\$10,000
Subsequent Offenses.....	Referral to Business Conduct Committee

(x) **Failure to Comply with Exchange of Contract for Related Position Transaction Reporting Requirements. (Rules 414(ik) and 414(jl))**

<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) **Failure to Comply with Order Marking Requirement for Block Trades. (Rule 415(a)(i)(A))**

**Failure to Comply with Recordkeeping Requirements for Block Trades. (Rule 415(e))**

<i>Number of Cumulative Violations in Any Twelve (12) Month Rolling Period</i>	<i>Fine Amount</i>
First Offense.....	Letter of Caution
Second Offense.....	\$2,500
Third Offense.....	\$10,000
Subsequent Offenses.....	Referral to Business Conduct Committee

(xii) **Failure to Comply with Minimum Size Requirement for Block Trades. (Rule 415(a)(i)(B))**

<i>Number of Cumulative Violations in Any Twelve (12) Month Rolling Period</i>	<i>Fine Amount</i>
First Offense.....	\$5,000
Second Offense.....	\$10,000
Third Offense.....	\$15,000
Subsequent Offenses.....	Referral to Business Conduct Committee

(xiii) **Failure to Comply with Block Trade Rule Provisions Relating to Authorized Reporter. (Rule 415(f))**

<i>Number of Cumulative Violations in Any Twelve (12) Month Rolling Period</i>	<i>Fine Amount</i>
First Offense.....	Letter of Caution
Second Offense.....	\$10,000
Subsequent Offenses.....	Referral to Business Conduct Committee

(xiv) **Failure to Comply with Block Trade Reporting Requirements. (Rules 415(gh) and 415(hj))**

<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) **Failure to Provide Books and Records Within Designated Time Frame. (Rule 502 and Other CFE Rules Allowing CFE to Request Books and Records)**

<i>Number of Business Days Beyond Due Date of Request</i>	<i>Fine Amount</i>
Each Business Day Late Up Until	
15 Business Days .....	\$1,000 Each Business Day
After 15 Business Days Late.....	Referral to Business Conduct Committee

(xvi) ~~**Failure to Comply with Rule Provisions Relating to Responsible Trader. (Rule 513(a))**~~ **Failure to Obtain Access to or Utilize Risk Control Mechanisms Made Available by the Exchange. (Rule 513A(hm))**

<i>Number of Cumulative Violations in Any Twelve (12) Month Rolling Period</i>	<i>Fine Amount</i>
First Offense.....	Letter of Caution
Second Offense.....	\$10,000
Subsequent Offenses.....	Referral to Business Conduct Committee

~~(xvii) **Failure to Obtain Access to or Utilize Risk Control Mechanisms Made Available by the Exchange. (Rule 513A(h))**~~

<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

~~(xviii)~~(xvii) **Failure to Comply with Technical and Systems Specifications or Testing Requirements. (Rule 513C)**

<i>Number of Cumulative Violations in Any Twelve (12) Month Rolling Period</i>	<i>Fine Amount</i>
First Offense	\$250
Second Offense	\$500
Third Offense	\$1,000
Fourth Offense	\$2,000
Subsequent Offenses	Referral to Business Conduct Committee

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### **1101. Clearing Member Guarantees and Clearing Corporation Restrictions**

(a) Each Trading Privilege Holder shall provide to the Exchange a letter of guarantee from a Clearing Member, in a form and manner prescribed by the Exchange, for the Trading Privilege Holder's trading activities in Exchange Contracts and access to the Exchange. This requirement shall be applicable to all Trading Privilege Holders, including all Clearing Members. Accordingly, each Clearing Member must provide to the Exchange a letter of guarantee from that Clearing Member, in a form and manner prescribed by the Exchange, for the Clearing Member's trading activities in Exchange Contracts and access to the Exchange. A Clearing Member shall guarantee and assume financial responsibility for all Exchange Contracts of each Trading Privilege Holder guaranteed by it, and shall be liable for all transactions of that Trading Privilege Holder in Exchange Contracts, in accordance with the applicable letter of guarantee. Reference in a letter of guarantee to submission of an Order or other message with a Clearing Member's clearing number shall also be deemed to reference submission of an Order or other message with an EFID that is linked to that clearing number, and reference in a letter of guarantee to the CBOE System shall be deemed to reference the CFE System.

(b) A Trading Privilege Holder may not engage in any trading activities in Exchange Contracts or access the Exchange if an effective letter of guarantee required to engage in those activities or to receive that access is not on file with the Exchange. If a Trading Privilege Holder does not have an effective letter of guarantee on file with the Exchange, the Exchange may prevent access and connectivity to the Exchange by that Trading Privilege Holder.

(c) Letters of guarantee filed with the Exchange shall remain in effect until a written notice of revocation has been filed with the Exchange Registration Services Department in a form and manner prescribed by the Exchange and the revocation becomes effective or until such time that the letter of guarantee otherwise becomes invalid pursuant to the Rules of the Exchange. A written notice of revocation shall become effective as soon as the Exchange is able to process the revocation. A revocation shall in no way relieve a Clearing Member of responsibility for transactions guaranteed prior to the effectiveness of the revocation.

(d) If the Clearing Corporation restricts the activities of a Clearing Member or suspends a Clearing Member as a Clearing Member of the Clearing Corporation, the Exchange may take action as necessary to give effect to the restriction or suspension. For example, if the Clearing Corporation restricts transactions cleared by a Clearing Member to "closing only" transactions, the Exchange may similarly restrict transactions on the Exchange for clearance by that Clearing Member as a Clearing Member of the Clearing Corporation to "closing only" transactions. Similarly, if the Clearing Corporation suspends a Clearing Member, the Exchange may prevent access and connectivity to the Exchange by the suspended Clearing Member.

(e) If requested to do so by the Clearing Corporation, the Exchange may activate the kill ~~button~~ switch function under Rule 513A(ej) in relation to a Clearing Member and to all Orders ~~and quotes~~ of any Trading Privilege Holder ~~submitted with respect to which the Clearing Member is identified in the Order or quote submission as the Clearing Member for the execution of the Order or quote~~ submitted with respect to which the Clearing Member is identified in the Order or quote submission as the Clearing Member for the execution of the Order or quote an EFID that is linked to a clearing number for that Clearing Member.

(f) If a Clearing Member's status as a Clearing Member of the Clearing Corporation or as a Trading Privilege Holder is terminated, all letters of guarantee on file with the Exchange from that Clearing Member shall no longer be valid, effective as soon as the Exchange is able to process the invalidation of these letters of guarantee.

(g) If a Clearing Member has been suspended as a Clearing Member of the Clearing Corporation or as a Trading Privilege Holder, all existing letters of guarantee and authorization from that Clearing Member shall be invalid during the period of the suspension, effective as soon as the Exchange is able to process the invalidation of those letters of guarantee.

(h) The invalidation of a letter of guarantee shall in no way relieve the Clearing Member that issued the letter of guarantee of responsibility with respect to transactions guaranteed prior to the effectiveness of the invalidation.

(i) If a Trading Privilege Holder does not have a required letter of guarantee for a period of ninety consecutive days, the Trading Privilege Holder's Trading Privileges and status as a Trading Privilege Holder shall automatically be terminated.

(j) It is the responsibility of each Clearing Member that acts as a Clearing Member for an overnight trading session on the Exchange as defined by the Clearing Corporation ("Overnight Trading Session") to comply with any requirements of the Clearing Corporation to act in that manner ("Overnight Trading Session Requirements"). If a transaction is executed or reported to the Exchange during an Overnight Trading Session and a Clearing Member for the execution of the transaction is not in compliance with Overnight Trading Session Requirements,

(i) the transaction will be processed and given effect by the Exchange, subject to Exchange Policy and Procedure III (Resolution of Error Trades); and

(ii) the Clearing Member will be subject to appropriate disciplinary action by the Clearing Corporation in accordance with the rules of the Clearing Corporation.

\* \* \* \* \*

## **1202. Contract Specifications**

(a) *Multiplier.* The contract multiplier for each VX futures contract is \$1,000.00. For example, a contract size of one VX futures contract would be \$16,500 if the VIX index level were 16.5 (16.5 x \$1,000.00).

(b) *Schedule and Prohibited Order Types.* The Exchange may list for trading up to six near-term VX futures expiration weeks, nine near-term serial months and five months on the February quarterly cycle for the VX futures contract. VX futures that have a "VX" ticker are not counted as part of the six near-term expiration weeks.

The final settlement date for a contract with the "VX" ticker symbol is on the Wednesday that is thirty days prior to the third Friday of the calendar month immediately following the month in which the contract expires. The final settlement date for a contract with the "VX" ticker symbol followed by a number denoting the specific week of a calendar year is on the Wednesday of the week specifically denoted in the ticker symbol. 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. If that Wednesday or the Friday that is thirty days following that Wednesday is a Cboe Options holiday, the final settlement date for the contract shall be on the business day immediately preceding that Wednesday.

The trading days for VX futures are any Business Days the Exchange is open for trading.

The trading hours for VX futures contracts are set forth in the charts below, except that the trading hours in an expiring VX futures contract end at 8:00 a.m. Chicago time on its final settlement date. The trading hours for VX futures contracts during extended trading hours and regular trading hours shall constitute a single trading session for a Business Day. All times set forth in the charts below are in Chicago time.

**Trading Week with No Exchange Holiday.** Unless otherwise specified below in relation to Exchange holidays, the following schedule applies.

Type of Trading Hours	<u>Monday – Friday</u>	<u>Tuesday – Friday</u>
Extended	5:00 p.m. ( <del>Sunday</del> <u>previous day</u> ) to 8:30 a.m.	<del>3:30 p.m. (previous day) to 8:30 a.m.</del>
Regular	8:30 a.m. to 3:15 p.m.	<del>8:30 a.m. to 3:15 p.m.</del>
<u>Extended</u>	<u>3:30 p.m. to 4:00 p.m.</u>	

**Domestic Holidays Always Observed on Mondays.** The below schedule applies when the following domestic holidays are observed: Martin Luther King, Jr. Day, Presidents’ Day, Memorial Day and Labor Day.

Type of Trading Hours	<u>Monday</u>	<u>Tuesday</u>
Extended	5:00 p.m. (Sunday) to 10:30 a.m.*	5:00 p.m. (Monday) to 8:30 a.m. <u>and</u> <u>3:30 p.m. to 4:00 p.m.</u>
Regular	None	8:30 a.m. to 3:15 p.m.

**Thanksgiving.** The below schedule applies when the Thanksgiving Day holiday is observed.

Type of Trading Hours	<u>Thanksgiving</u>	<u>Friday</u>
Extended	<del>3:30</del> <u>5:00</u> p.m. (Wednesday) to 10:30 a.m.*	5:00 p.m. (Thursday) to 8:30 a.m.
Regular	None	8:30 a.m. to 12:15 p.m.

**Floating Holidays and Good Friday:** The below schedules apply when the following holidays are observed: New Year’s Day, Good Friday, Independence Day (July 4) and Christmas Day. If the holiday falls on a Saturday, the holiday will be observed on the previous day (Friday), except for New Year’s Day. If the holiday falls on a Sunday, the holiday will be observed on the next day (Monday). The holidays specified in the below charts refer to the day on which the Exchange observes the applicable holiday. The Exchange will typically close at 12:15 p.m. on July 3 (the day before Independence Day) and December 24 (Christmas Eve). Holiday closures and shortened holiday trading hours will be announced by circular.

**If New Year’s Day or Christmas is on a Monday – Thursday:**

Holiday	Type of Trading Hours	Holiday Observed (Monday - Thursday)
New Year’s Day and Christmas	Extended	5:00 p.m. (on holiday) to 8:30 a.m. ( <u>day after holiday</u> ) and <u>3:30 p.m. to 4:00 p.m.</u> (day after holiday)
New Year’s Day and Christmas	Regular	8:30 a.m. to 3:15 p.m. (day after holiday)

**If Independence Day is on a Monday:**

Type of Trading Hours	July 4	July 5
Extended	5:00 p.m. (July 3) to 10:30 a.m.*	5:00 p.m. (July 4) to 8:30 a.m.
Regular	None	8:30 a.m. to 3:15 p.m.

**If Independence Day is on a Tuesday – Thursday:**

Type of Trading Hours	July 4	July 5
Extended	3:30 p.m. (July 3) to 10:30 a.m.*	5:00 p.m. (July 4) to 8:30 a.m.
Regular	None	8:30 a.m. to 3:15 p.m.

**If the holiday is on a Friday: Good Friday and if New Year’s Day or Christmas is on a Friday:**

Holiday	Type of Trading Hours	Holiday Observed (Friday)
New Year’s Day, Good Friday, Independence Day and	Extended	None

<u>if New Year's Day</u> <u>or Christmas on Friday</u>		
<u>Good Friday and if New Year's Day, Good Friday,</u> <u>Independence Day,</u> <u>or Christmas on Friday</u>	Regular	None

**Independence Day:**

<b><u>Type of Trading Hours</u></b>	<b><u>Holiday Observed</u></b>	<b><u>Business Day After Holiday Observed</u></b>
<u>Extended</u>	<u>5:00 p.m. (day before holiday) to</u> <u>10:30 a.m.* (on holiday)</u>	<u>5:00 p.m. (on holiday or on Sunday if</u> <u>holiday observed on Friday)</u> <u>to 8:30 a.m.</u> <u>and</u> <u>3:30 p.m. to 4:00 p.m.</u>
<u>Regular</u>	<u>None</u>	<u>8:30 a.m. to 3:15 p.m.</u>

\*A holiday trading session includes extended trading hours on the calendar day of the holiday and any extended trading hours for the holiday on the previous calendar day. Holiday trading sessions are not separate Business Days and are part of the next Business Day. Trading in VX futures is ~~halted~~suspended between sessions of extended trading hours on the calendar day of a holiday. ~~The CBOE System will complete the processing of trades that are in the course of being processed by the CBOE System prior to the start of such a halt period. Since these halt~~Since these suspension periods are a regular feature for certain holiday trading sessions in VX futures, they shall not be considered the declaration of a trading halt by the Exchange. Trades in VX futures made during a holiday trading session will be submitted for clearing for the next Business Day.

~~The end of day submission cut off time for all Orders, quotes, cancellations and Order modifications for VX futures (other than for the expiring VX future on its final settlement date) is 3:14:59 p.m. Chicago time. Any Orders, quotes, cancellations or Order modifications submitted after the end of day submission cut off time will be automatically rejected by the Exchange.~~

Market Orders for ~~VIXVX~~ futures ~~contracts~~ will be accepted by the Exchange during regular trading hours for ~~the VIX futures contract, including during the first thirty seconds of regular trading hours for the VIXVX futures following the completion of the opening process for a VX futures contract~~Contract when that Contract is in an open state for trading. Market Orders for VX futures ~~contracts~~ will not be accepted by the Exchange during extended trading hours for ~~the VX futures contract~~ or during any other time period outside of regular trading hours for ~~the VX futures contract~~. Any Market Orders for VX futures ~~contracts~~ received by the Exchange ~~outside of regular trading hours for the VX futures contract~~during a time period in which the Exchange is not accepting Market Orders for VX futures will be automatically rejected or canceled back to the sender.

(c) *Minimum Increments.* Except as provided in the following sentence, the minimum fluctuation of the VX futures contract is 0.05 index points, which has a value of \$50.00.

The individual legs and net prices of spread trades in the VX futures contract may be in increments of 0.01 index points, which has a value of \$10.00.

(d) *Position Accountability.* VX futures are subject to position accountability under Rule 412A.

The position accountability levels for VX futures are: (i) ownership or control at any time of more than 50,000 contracts net long or net short in all VX futures contracts combined, (ii) ownership or control of more than 30,000 contracts net long or net short in the expiring VX futures contract, commencing at the start of trading hours for the Friday prior to the final settlement date of the expiring VX futures or (iii) ownership or control of more than 10,000 contracts net long or net short in the expiring VX futures contract, commencing at the start of trading hours for the Business Day immediately preceding the final settlement date of the expiring VX futures.

For purposes of this Rule, the start of trading hours for the Friday prior to the final settlement date of expiring VX futures and the start of trading hours for the Business Day immediately preceding the final settlement date of expiring VX futures shall occur upon commencement of the first period of extended trading hours for the trading session for that Business Day.

For the purposes of this Rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding shall be cumulated.

(e) *Termination of Trading.* Trading hours for expiring VX futures contracts end at 8:00 a.m. Chicago time on the final settlement date.

~~The expiring VX future will be put in a closed state at 7:59:59 a.m. Chicago time on its final settlement date. As a result, no Orders, quotes, or Order modifications in the expiring VX future will be accepted by the CBOE System at or after 7:59:59 a.m. Chicago time on its final settlement date. The CBOE System will complete the processing of any trades in the expiring VX future on its final settlement date that are matched by the CBOE System and that the CBOE System begins to process prior to 7:59:59 a.m. Chicago time. The CBOE System will not process any trades in the expiring VX future on its final settlement date that the CBOE System does not match and begin to process prior to 7:59:59 a.m. Chicago time.~~

(f) *Contract Modifications.* Specifications are fixed as of the first day of trading of a contract. If any U.S. government agency or body issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules, and all open and new contracts shall be subject to such government orders.

(g) *Execution Priorities.* Pursuant to Rule 406(a)(i), the base allocation method of price-time priority shall apply to trading in VX futures contracts.

(h) *Crossing Two or More Original Orders.* The eligible size for an original Order that may be entered for a cross trade with one or more other original Orders pursuant to Rule 407 is one Contract. The Trading Privilege Holder or Authorized Trader, as applicable, must expose to the market for at least five seconds under Rule 407(a) at least one of the original Orders that it intends to cross.

(i) *Price Limits and Halts.*

(i) ~~No-Price Limits During Extended Trading Hours.~~ Pursuant to Rule 413, VX futures ~~contracts are not subject to the following price limits:~~ during extended trading hours:

(A) Each VX futures Contract shall have a price limit that is 70% above the daily settlement price for that VX futures Contract for the prior Business Day (an "Upper Price Limit") and a price limit that is 30% below the daily settlement price for that VX futures Contract for the prior Business Day (a "Lower Price Limit"). An Upper Price Limit and a Lower Price Limit may also be referred to as a "Price Limit."

(B) The CFE System will not consummate the execution of any trade in a VX futures Contract that is at a price that is more than the Upper Price Limit for that VX futures Contract or that is less than the Lower Price Limit for that VX futures Contract.

(C) The CFE System will reject or cancel back to the sender any Limit Order to buy with a limit price that is above the Upper Limit and any Limit Order to sell with a limit price that is below the Lower Limit. Upon the triggering of a Stop Limit Order, the CFE System will cancel the Stop Limit Order back to the sender if it is a Stop Limit Order to buy that is triggered to a limit price which is above the Upper Limit or is a Stop Limit Order to sell that is triggered to a limit price which is below the Lower Limit.

(D) The Upper Price Limit and Lower Price Limit will be applicable with respect to the execution of single leg VX Orders. The Upper Price Limit and Lower Price Limit will apply to VX Spread Orders in that each leg of a VX Spread Order will be subject to the applicable Upper Price Limit and Lower Price Limit for that individual leg and may not be executed at a price that is more than the Upper Limit for that single leg VX futures Contract or less than the Lower Price Limit for that single leg VX futures Contract. The Upper Price Limit and Lower Price Limit shall not apply to TAS Orders because TAS transactions may only occur within a permissible price range.

(E) The price limit provisions of this Rule 1202(i)(i) shall be applicable during the opening process for a VX futures Contract during extended trading hours.

(F) In calculating a Price Limit, the calculation will be rounded to the nearest minimum increment in the VX futures Contract, with the midpoint between two consecutive increments rounded up.

(G) The daily settlement price that will be utilized to calculate the Price Limits for a newly listed VX futures Contract will be the daily settlement price of the VX futures Contract with the nearest expiration date in calendar days to the expiration date of the newly listed VX futures Contract. If there is a VX futures Contract with an earlier expiration date and a VX futures Contract with a later expiration date that each meet this criterion, the daily settlement price of the VX futures Contract with the earlier expiration date will be utilized.

(H) Notwithstanding any provisions of this Rule 1202(i)(i), the Trade Desk may, in its absolute and sole discretion, take any action it determines necessary to protect market integrity. For avoidance of doubt, this authority includes, but is not limited to, modifying or eliminating the Price Limit parameters in this Rule 1202(i)(i) at any time. The senior person in charge of the Trade Desk may exercise the authority of the Trade Desk under this Rule 1202(i)(i)(H). The Trade Desk will promptly issue an alert with respect to actions taken pursuant to this Rule 1202(i)(i)(H).

(ii) Consideration of Halts and Price Limit Activation in Other Markets. The Exchange shall take into consideration any trading halt in Cboe Volatility Index options and S&P 500 Index options traded on Cboe Options and any trading halt or price limit activation in the E-mini S&P 500 Index (“E-mini”) futures contract traded on Chicago Mercantile Exchange in determining whether or not to halt trading in VX futures under Rule 418(a)(ix) during extended trading hours.

(iii) (ii)–Circuit Breaker Halts. Trading in VX futures contracts shall be halted pursuant to Rule 417A if there is a Level 1, 2 or 3 Market Decline.

(iii)–Halts Due to VX Futures Price Movements During Extended Trading Hours.

~~Trading in VX futures will be halted for 15 minutes if during VX futures extended trading hours, except from 7:00 a.m. to 8:30 a.m. Chicago time on a regular trading day:~~

~~(A) the best bid in the VX futures front contract month is 8 or more index points above the daily settlement price of that contract month on the prior Business Day; or~~

~~(B) the best offer in the VX futures front contract month is 8 or more index points below the daily settlement price of that contract month on the prior Business Day.~~

~~The Exchange shall commence a trading halt in VX futures pursuant to the provisions of this Rule 1202(i)(iii) as soon as practicable following the occurrence of one of the triggering events set forth above and there may be time between the occurrence of a triggering event and the commencement of the trading halt.~~

~~Nothing in this Rule 1202(i)(iii) shall be construed to limit the ability of the Exchange to extend the time period of a halt pursuant to this Rule 1202(i)(iii) or to halt trading in VX futures during the foregoing time period pursuant to any other Exchange rule or policy.~~

~~This Rule 1202(i)(iii) shall not apply from 7:00 a.m. Chicago time to 8:30 a.m. Chicago time during VX futures extended trading hours (other than on the calendar day of a holiday) or during VX futures regular trading hours.~~

~~If the provisions of Rule 1202(i)(iv) become applicable on a Business Day due to the triggering of a price limit in the E mini S&P 500 Index (“E mini”) futures contract traded on Chicago Mercantile Exchange (“CME”), this Rule 1202(i)(iii) shall no longer be applicable on that Business Day following the time at which Rule 1202(i)(iv) first becomes applicable on that Business Day.~~

References to the VX futures front contract month in this Rule 1202(i) shall mean the VX future with the nearest expiration that has a “VX” ticker symbol that is not followed by a number denoting the specific week of a calendar year.

~~(iv) — Halts Due to E-mini<sup>®</sup>\* Price Limits During Extended Trading Hours~~

~~Trading in VX futures will be halted if a price limit is triggered in the E-mini futures contract traded on CME during VX futures extended trading hours. Following the initiation of such a VX futures trading halt, the Exchange may resume trading in VX futures during VX futures extended trading hours if the E-mini futures contract is no longer limit offered, limit bid or halted as a result of triggering a price limit or the Exchange determines that trading in VX futures may resume consistent with the maintenance of a fair and orderly market.~~

~~If trading in VX futures resumes and the E-mini futures contract moves from and then back to a limit or halt state as a result of triggering a price limit during VX futures extended trading hours, the process set forth in the preceding paragraph shall be repeated.~~

~~The Exchange shall commence a trading halt in VX futures pursuant to the provisions of this Rule 1202(i)(iv) as soon as practicable following the triggering of a price limit in the E-mini futures contract, and there may be time between the triggering of the E-mini price limit and the commencement of the VX futures trading halt.~~

~~If the E-mini futures contract is limit offered, limit bid or halted as a result of triggering a price limit at the time that the Exchange is scheduled to commence extended trading hours in VX futures, the Exchange may commence trading in VX futures during that session if the Exchange determines that trading in VX futures may commence consistent with the maintenance of a fair and orderly market.~~

~~Nothing in this Rule 1202(i)(iv) shall be construed to limit the ability of the Exchange to halt trading in VX futures during VX futures extended trading hours pursuant to any other Exchange rule or policy.~~

~~This Rule 1202(i)(iv) shall not apply during VX futures regular trading hours.~~

~~References to the E-mini futures contract in this Rule 1202(i) shall mean the primary E-mini futures contract.~~

~~\*E-Mini<sup>®</sup> is a registered trademark of Chicago Mercantile Exchange, Inc. The Exchange and VX futures are not affiliated with, and have not been authorized, sponsored, or otherwise approved by, Chicago Mercantile Exchange, Inc.~~

~~(v) — Notwithstanding any provisions of Rule 1202(i)(iii) and Rule 1202(i)(iv), the Help Desk may, in its absolute and sole discretion, take any action it determines necessary to protect market integrity. For avoidance of doubt, this authority includes, but is not limited to, modifying or eliminating the price movement parameters in Rule 1202(i)(iii) at any time and/or determining whether to halt or not to halt trading under Rule 1202(i)(iii) and Rule 1202(i)(iv). The senior person in charge of the Help Desk may exercise the authority of the Help Desk under this Rule 1202(i)(v). The help Desk will promptly issue an alert with respect to actions taken pursuant to this Rule 1202(i)(v).~~

~~(j) Exchange of Contract for Related Position. Exchange of Contract for Related Position transactions, as set forth in Rule 414, may be entered into with respect to VX futures contracts.~~

Any Exchange of Contract for Related Position transaction must satisfy the requirements of Rule 414.

The minimum price increment for an Exchange of Contract for Related Position involving the VX futures contract is 0.005 index points.

(k) *Block Trades.* Pursuant to Rule 415(a)(i), the minimum Block Trade quantity for the VX futures contract is 200 contracts if there is only one leg involved in the trade. If the Block Trade is executed as a transaction with legs in multiple contract expirations and all legs of the Block Trade are exclusively for the purchase or exclusively for the sale of VX futures contracts (a “strip”), the minimum Block Trade quantity for the strip is 300 contracts and each leg of the strip is required to have a minimum size of 100 contracts. If the Block Trade is executed as a spread ~~order transaction~~ that is not a strip, one leg must meet the minimum Block Trade quantity for the VX futures contract of the spread is required to have a minimum size of 200 contracts and the other leg(s) must have a contract size that is reasonably related to the leg meeting the minimum Block Trade quantity of the spread are each required to have a minimum size of 100 contracts.

The minimum price increment for a Block Trade in the VX futures contract is 0.005 index points.

(l) *No-Bust Range.* Pursuant to Rule 416, the Exchange error trade policy may only be invoked for a trade price that is greater than 10% on either side of the market price of the applicable VX futures contract. In accordance with Policy and Procedure III, the ~~Help Trade~~ Desk will determine what the true market price for the relevant Contract was immediately before the potential error trade occurred. In making that determination, the ~~Help Trade~~ Desk may consider all relevant factors, including the last trade price for such Contract, a better bid or offer price, a more recent price in a different contract expiration and the prices of related contracts trading on the Exchange or other markets.

(m) *Pre-execution Discussions.* The Order Exposure Period under Policy and Procedure IV before an Order may be entered to take the other side of another Order with respect to which there has been pre-execution discussions is five seconds after the first Order was entered into the ~~CBOECFE~~ System.

(n) *Reportable Position and Trading Volume.*

(i) *Reportable Position.* Pursuant to Commission Regulation §15.03 and Commission Regulation Part 17, the position level that is required to be reported to the Commission is any open position in VX futures contracts at the close of trading on any trading day equal to or in excess of 200 contracts on either side of the market.

(ii) *Reportable Trading Volume.* Pursuant to Commission Regulation §15.04 and Commission Regulation Part 17, the reportable trading volume that triggers the requirement to report a volume threshold account to the Commission is 50 or more VX futures contracts during a single trading day or such other reportable trading volume threshold as may be designated by the Commission.

(o) *Threshold Widths.* ~~For purposes of Policy and Procedure I and Policy and Procedure II, the Threshold Widths for the VX futures contract are as follows: For purposes of Rule 513A(e) and Rule 513A(f), 10% is the percentage used to determine the percentage of the mid-point between the highest bid and lowest offer in a VX futures Contract for purposes of calculating the Threshold Width in that VX futures Contract.~~

**Price Range**

**Threshold Width**



0—15.00	1.50
15.01—25.00	2.50
25.01—35.00	3.50
35.01—50.00	5.00
50.01+	7.50

The price range referenced above is determined using the bid price. The minimum size of bids and offers that establish a Threshold Width is one contract.

(p) Daily Settlement Price. The daily settlement price for a VX futures Contract will be calculated in the following manner for each Business Day:

(i) If both the last best bid and the last best offer for the VX futures Contract during the applicable Business Day prior to the close of regular trading hours on that Business Day do not have a value of zero, the daily settlement price for the VX futures contract will be the average of the last best bid and last best offer.

(ii) If either the last best bid or last best offer for the VX futures Contract has a value of zero, the daily settlement price for the VX futures Contract will be the average of the most recent two-sided market in the VX futures Contract without a bid or an offer with a value of zero during the applicable Business Day prior to the close of regular trading hours on that Business Day.

(iii) If there is no two-sided market in the VX futures Contract during the applicable Business Day prior to the close of regular trading hours on that Business Day with both a bid and an offer that do not have a value of zero, the daily settlement price for the VX futures Contract will be the daily settlement price of the VX futures Contract with the nearest expiration date in calendar days to the expiration date of the VX futures Contract for which the daily settlement price is being determined. If there is a VX futures Contract with an earlier expiration date and a VX futures Contract with a later expiration date that each meet this criterion, the daily settlement price of the VX futures Contract with the earlier expiration date will be utilized.

(iv) The daily settlement price may go out to four decimal places and may be a price that is not at a minimum increment for the VX futures Contract.

(v) —The Exchange may in its sole discretion establish a daily settlement price for a VX futures Contract that it deems to be a fair and reasonable reflection of the market if:

(A)(p) Daily Settlement Price. The daily settlement price for each VX futures contract will be the average of the last bid and last offer for the VX futures contract during the applicable business day prior to the close of trading on that business day. The daily settlement price may go out to four decimal places and may be a price that is not at a minimum increment for the VX futures contract. The Exchange may in its sole discretion establish a daily settlement price for a VX futures contract that it deems to be a fair and reasonable reflection of the market if (i) there is no bid or offer in the contract during the applicable business day; (ii) the Exchange determines in its sole discretion that the daily settlement price determined by the average of the last bid and last offer in the contract parameters set forth in paragraphs (p)(i) - (p)(iii) above is not a fair

and reasonable reflection of the market; or ~~(iii) there is a trading halt in the contract or other unusual circumstance at the scheduled close of trading.~~

(B) ~~(iii) there is a trading halt in the VX futures Contract or other unusual circumstance at the scheduled close of regular trading hours for the VX futures Contract on the applicable Business Day.~~

(q) *Trade at Settlement Transactions.* Trade at Settlement (“TAS”) transactions pursuant to Rule 404A are permitted in VX futures and may be transacted on the ~~CBOECFE~~ System, as spread transactions, as Block Trades (including as spread transactions) and as Exchange of Contract for Related Position transactions. The trading hours for all types of TAS transactions in VX futures are (i) during extended trading hours and, except during the extended trading hours period from 3:30 p.m. Chicago time to 4:00 p.m. Chicago time on a normal Business Day; and (ii) during regular trading hours until two minutes prior to the close of regular trading hours at the end of a Business Day. TAS transactions in an expiring VX futures contract are not permitted during the Business Day of its final settlement date. ~~All Orders, quotes, cancellations and Order modifications for TAS transactions during trading hours must be received by the Exchange by no later than two minutes and one second prior to the close of trading hours at the end of a Business Day and will be automatically rejected if received by the Exchange during trading hours after this cutoff time. Any TAS Block Trade or TAS Exchange of Contract for Related Position transaction reported to the Exchange later than two minutes prior to the close of regular trading hours at the end of a Business Day may only be for the next Business Day.~~

The permissible price range for all types of TAS transactions in VX futures is from \$100 ~~(0.10 index points x \$1,000)~~ below the daily settlement price to \$1000.10 index points above the daily settlement price. The permissible minimum increment for a TAS non-single leg transaction and a TAS spread transaction in VX futures that are transacted on the CBOE System is 0.01 index points and the permissible minimum increment for TAS spread transactions in VX futures is not a Block Trade or an Exchange of Contract for Related Position transaction is 0.01 index points. The permissible minimum increment for a TAS Block Trade (including as a spread transaction) and a TAS Exchange of Contract for Related Position transaction in VX futures is 0.005 index points.

~~(r) — Price Reasonability Checks. Pursuant to and as further described in Rule 513A(b), the CBOE System shall in a manner determined by the Exchange reject (i) any buy order with a limit price in a VX futures contract if the limit price upon receipt of the order by the CBOE System is more than a designated amount above the prevailing best offer in that contract and (ii) any sell order with a limit price in a VX futures contract if the limit price upon receipt of the order by the CBOE System is more than a designated amount below the prevailing best bid in that contract. The designated amounts for the price reasonability checks referenced in the preceding sentence are as follows: Price Reasonability Checks. The Limit Order price reasonability percentage parameters designated by the Exchange for VX futures pursuant to Rule 513A(d) and the Market Order price reasonability percentage parameters designated by the Exchange for VX futures pursuant to Rule 513A(e) shall each be 10%.~~

<b>Price Range</b>	<b>Designated Amount</b>
0—15.00	1.00
15.01—25.00	2.00
25.01—35.00	3.00
35.01—50.00	5.00
50.01+	7.00

~~This Rule 1202(r) is not applicable to TAS orders in VX futures. The permissible parameters for TAS orders in VX futures are set forth in Rule 1202(q).~~

\* \* \* \* \*

## 1402. Contract Specifications

(a) *Multiplier.* The contract multiplier for each VXTY futures contract is \$1,000. For example, a contract size of one VXTY futures contract would be \$14,000, if the TYVIX index level were 14 (14 x \$1,000.00).

(b) *Schedule.* The Exchange may list for trading up to twelve contract months for the VXTY futures contract. The final settlement date for a VXTY futures contract is on the Wednesday that is thirty days prior to the Friday of the calendar month immediately following the month in which the VXTY contract expires and which Friday precedes the last business day of the calendar month by at least two business days (“Final Settlement Date”). If the Wednesday is a Chicago Board of Trade (“CBOT”) holiday or if the Friday described above is a CBOT holiday, then the Final Settlement Date shall be the business day immediately preceding the Wednesday.

The trading days for VXTY futures are any Business Days the Exchange is open for trading.

The trading hours for VXTY futures contracts are from 7:00 a.m. to 3:15 p.m. Chicago time, except that on the Final Settlement Date the trading hours for the expiring VXTY future will terminate at 2:00 p.m. Chicago time. Non-expiring VXTY futures will continue to trade until 3:15 p.m. Chicago time on that date.

~~The end of day submission cut off time for all Orders, quotes, cancellations and Order modifications for VXTY futures (other than for the expiring VXTY future on its Final Settlement Date) is 3:14:59 p.m. Chicago time. Any Orders, quotes, cancellations or Order modifications submitted after the end of day submission cut off time will be automatically rejected by the Exchange.~~

(c) *Minimum Increments.* The minimum fluctuation of the VXTY futures contract is 0.01 index points for single and multiple leg trades and net prices of spread trades, which has a value of \$10.00.

(d) *Position Limits.* VXTY futures are subject to position limits under Rule 412.

A person: (i) may not own or control more than 5,000 contracts net long or net short in all VXTY futures contract expirations combined; and (ii) may not own or control more than 5,000 contracts net long or net short in the expiring VXTY futures contract held during the last 5 trading days for the expiring VXTY futures contract.

For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding shall be cumulated.

The foregoing position limit shall not apply to positions that are subject to a position limit exemption meeting the requirements of Commission Regulations and CFE Rules.

(e) *Termination of Trading.* Trading hours for expiring VXTY futures contracts end at 2:00 p.m. Chicago time on the Final Settlement Date.

~~The expiring VXTY future will be put in a closed state at 1:59:59 p.m. Chicago time on its Final Settlement Date. As a result, no Orders, quotes, or Order modifications in the expiring VXTY future will be accepted by the CBOE System at or after 1:59:59 p.m. Chicago time on its Final Settlement Date. The CBOE System will complete the processing of any trades in the expiring VXTY future on its Final Settlement Date that are matched by the CBOE System and that the CBOE System begins to process prior to 1:59:59 p.m. Chicago time. The CBOE System will not process any trades in the expiring VXTY future on its Final Settlement Date that the CBOE System does not match and begin to process prior to 1:59:59 p.m. Chicago time.~~

(f) *Contract Modifications.* Specifications are fixed as of the first day of trading of a contract. If any U.S. government agency or body issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules, and all open and new contracts shall be subject to such government orders.

(g) *Execution Priorities.* Pursuant to Rule 406(a)(i), the base allocation method of price-time priority shall apply to trading in VXTY futures. ~~A Lead Market Maker trade participation right priority shall overly the price time priority base allocation method as provided in Policy and Procedure XI.~~

(h) *Crossing Two Original Orders.* The eligible size for an original Order that may be entered for a cross trade with one or more other original Orders pursuant to Rule 407 is one Contract. The Trading Privilege Holder or Authorized Trader, as applicable, must expose to the market for at least five seconds under Rule 407(a) at least one of the original Orders that it intends to cross.

(i) *Price Limits and Circuit Breaker Halts.* Pursuant to Rule 413, VXTY futures contracts are not subject to price limits.

VXTY futures contracts shall not be subject to the circuit breaker trading halt provisions of Rule 417A.

(j) *Exchange of Contract for Related Position.* Exchange of Contract for Related Position transactions, as set forth in Rule 414, may be entered into with respect to VXTY futures contracts. Any Exchange of Contract for Related Position transaction must satisfy the requirements of Rule 414.

The minimum price increment for an Exchange of Contract for Related Position transaction involving the VXTY futures contract is 0.01 index points.

(k) *Block Trades.* Pursuant to Rule 415(a)(i), the minimum Block Trade quantity for the VXTY futures contract is 100 contracts if there is only one leg involved in the trade. If the Block Trade is executed as a transaction with legs in multiple expirations and all legs of the Block Trade are exclusively for the purchase or exclusively for the sale of VXTY futures contracts (a “strip”), the minimum Block Trade quantity for the strip is 150 contracts and each leg of the strip is required to have a minimum size of 50 contracts. If the Block Trade is executed as a spread order transaction that is not a strip, one leg must meet the minimum Block Trade quantity for the VXTY futures contract of the spread is required to have a minimum size of 100 contracts and the other leg(s) must have a

~~contract size that is reasonably related to the leg meeting the minimum Block Trade quantity of the spread are each required to have a minimum size of 50 contracts.~~

The minimum price increment for a Block Trade in the VXTY futures contract is 0.01 index points.

(l) *No-Bust Range.* Pursuant to Rule 416, the CFE error trade policy may only be invoked for a trade price that is greater than 10% on either side of the market price of the applicable VXTY futures contract. In accordance with Policy and Procedure III, the ~~HelpTrade~~ Desk will determine what the true market price for the relevant Contract was immediately before the potential error trade occurred. In making that determination, the ~~HelpTrade~~ Desk may consider all relevant factors, including the last trade price for such Contract, a better bid or offer price, a more recent price in a different expiration and the prices of related contracts trading in other markets.

(m) *Pre-execution Discussions.* The Order Exposure Period under Policy and Procedure IV before an Order may be entered to take the other side of another Order with respect to which there has been pre-execution discussions is five seconds after the first Order was entered into the ~~CBOE~~CFE System.

(n) *Reportable Position and Trading Volume.*

(i) *Reportable Position.* Pursuant to Commission Regulation §15.03 and Commission Regulation Part 17, the position level that is required to be reported to the Commission is any open position in VXTY futures contracts at the close of trading on any trading day equal to or in excess of 200 contracts on either side of the market.

(ii) *Reportable Trading Volume.* Pursuant to Commission Regulation §15.04 and Commission Regulation Part 17, the reportable trading volume that triggers the requirement to report a volume threshold account to the Commission is 50 or more VXTY futures contracts during a single trading day or such other reportable trading volume threshold as may be designated by the Commission.

(o) *Threshold Widths.* For purposes of ~~Policy and Procedure I and Policy and Procedure II, the Threshold Widths for the VXTY futures contract are as follows:~~Rule 513A(e) and Rule 513A(f), 10% is the percentage used to determine the percentage of the mid-point between the highest bid and lowest offer in a VXTY futures Contract for purposes of calculating the Threshold Width in that VXTY futures Contract.

<b>Price Range</b>	<b>Threshold Width</b>
0—5.00	0.50
5.01—10.00	1.00
10.01—15.00	1.50
15.01—20.00	2.00
20.01+	2.50

~~The price range referenced above is determined using the bid price. The minimum size of bids and offers that establish a Threshold Width is one contract.~~

(p) Daily Settlement Price. The daily settlement price for a VXTY futures Contract will be calculated in the following manner for each Business Day:

(i) If both the last best bid and the last best offer for the VXTY futures Contract during the applicable Business Day do not have a value of zero, the daily settlement price for the VXTY futures contract will be the average of the last best bid and last best offer.

(ii) If either the last best bid or last best offer for the VXTY futures Contract has a value of zero, the daily settlement price for the VXTY futures Contract will be the average of the most recent two-sided market in the VXTY futures Contract without a bid or an offer with a value of zero during the applicable Business Day.

(iii) If there is no two-sided market in the VXTY futures Contract during the applicable Business Day with both a bid and an offer that do not have a value of zero, the daily settlement price for the VXTY futures Contract will be the daily settlement price of the VXTY futures Contract with the nearest expiration date in calendar days to the expiration date of the VXTY futures Contract for which the daily settlement price is being determined. If there is a VXTY futures Contract with an earlier expiration date and a VXTY futures Contract with a later expiration date that each meet this criterion, the daily settlement price of the VXTY futures Contract with the earlier expiration date will be utilized.

(iv) The daily settlement price may go out to four decimal places and may be a price that is not at a minimum increment for the VXTY futures Contract.

(v) —The Exchange may in its sole discretion establish a daily settlement price for a VXTY futures Contract that it deems to be a fair and reasonable reflection of the market if:

~~(A)(p) Daily Settlement Price.~~ The daily settlement price for each VXTY futures contract will be the average of the last bid and last offer for the VXTY futures contract during the applicable business day prior to the close of trading on that business day. The daily settlement price may go out to four decimal places and may be a price that is not at a minimum increment for the VXTY futures contract. The Exchange may in its sole discretion establish a daily settlement price for a VXTY futures contract that it deems to be a fair and reasonable reflection of the market if (i) there is no bid or offer in the contract during the applicable business day; (ii) the Exchange determines in its sole discretion that the daily settlement price determined by the average of the last bid and last offer in the contract parameters set forth in paragraphs (p)(i) - (p)(iii) above is not a fair and reasonable reflection of the market; or (iii)

(B) there is a trading halt in the contract VXTY futures Contract or other unusual circumstance at the scheduled close of trading hours for the VXTY futures Contract on the applicable Business Day.

(q) *Trade at Settlement Transactions.* Trade at Settlement (“TAS”) transactions are not permitted in VXTY futures.

~~(r) — *Price Reasonability Checks.* Pursuant to and as further described in Rule 513A(b), the CBOE System shall in a manner determined by the Exchange reject (i) any buy order with a limit price in a VXTY futures contract if the limit price upon receipt of the order by the CBOE System is more than a designated amount above the prevailing best offer in that contract and (ii) any sell order with a limit price in a VXTY futures contract if the limit price upon receipt of the order by the CBOE System is more than a designated amount below the prevailing best bid in that contract. The designated amounts for the price reasonability checks referenced in the preceding sentence are as follows:~~  
(r) *Price Reasonability Checks.* The Limit Order price reasonability percentage parameters designated by the Exchange for VXTY futures pursuant to Rule 513A(d) and the Market Order price reasonability percentage parameters designated by the Exchange for VXTY futures pursuant to Rule 513A(e) shall each be 10%.

<b>Price Range</b>	<b>Designated Amount</b>
0—15.00	1.50
15.01—25.00	2.00
25.01—35.00	3.00
35.01—50.00	5.00
50.01+	7.50

\* \* \* \* \*

## 1602. Contract Specifications

(a) *Multiplier.* The contract multiplier for each Volatility Index futures contract is \$100. For example, a contract size of one Volatility Index futures contract would be \$1,895 if the underlying Volatility Index level were 18.95 (18.95 x \$100).

~~All Volatility Index futures contracts (with and without open interest) that were listed for trading with a \$1,000 contract trading prior to February 21, 2012 shall be split into 10 contracts prior to the open of trading on February 21, 2012.~~

(b) *Schedule.* The Exchange may list for trading up to nine near-term serial months and up to five additional months on the February quarterly cycle for a Volatility Index futures contract.

The final settlement date for a Volatility Index futures contract shall be on the Wednesday that is thirty days prior to the third Friday of the calendar month immediately following the month in which the contract expires. If the third Friday of the month subsequent to expiration of the applicable Volatility Index futures contract is a Cboe Options holiday, the Final Settlement Date for the contract shall be thirty days prior to the Cboe Options business day immediately preceding that third Friday.

The trading days for a Volatility Index futures contract shall be the same as the trading days of the component options comprising the respective Volatility Index, as those days are determined by Cboe Options.

**Trading Hours**

**Volatility Index Security Future**

8:30 a.m. – 3:00 p.m. (Chicago Time)\*

VXAPL  
VXAZN  
VXGS  
VXGOG  
VXIBM  
GVZ  
OVX  
VXFXI  
VXEWZ  
VXGDX

~~\*All Orders, quotes, cancellations and Order modifications for the above Volatility Index futures during trading hours must be received by the Exchange by no later than 2:59:59 p.m. Chicago time and will be automatically rejected if received by the Exchange during trading hours after 2:59:59 p.m. Chicago time.~~

**Trading Hours**

**Volatility Index Security Future**

8:30 a.m. – 3:15 p.m. (Chicago Time)\*

VXEEM  
VXXLE

~~\*All Orders, quotes, cancellations and Order modifications for the above Volatility Index futures during trading hours must be received by the Exchange by no later than 3:14:59 p.m. Chicago time and will be automatically rejected if received by the Exchange during trading hours after 3:14:59 p.m. Chicago time.~~

(c) *Minimum Increments.* Except as provided in the following sentence, the minimum fluctuation of a Volatility Index futures contract is 0.05 index points, which has a value of \$5.00.

The individual legs and net prices of spread trades in a Volatility Index futures contract may be in increments of 0.01 index points, which has a value of \$1.00.

(d) *Position Limits.* Volatility Index futures are subject to position limits under Rule 412.

A person may not own or control: (1) more than 30,000 contracts net long or net short in all Volatility Index futures contracts on the same Volatility Index combined; (2) more than 10,000 contracts net long or net short in the expiring futures contract month for a Volatility Index future; and (3) more than 1,000 contracts net long or net short in the expiring contract for a Volatility Index future, commencing at the start of trading hours for the Business Day immediately preceding the final settlement date for the expiring Volatility Index futures contract.

For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding shall be cumulated.

The foregoing position limits shall not apply to positions that are subject to a position limit exemption meeting the requirements of Commission Regulations and CFE Rules.



(e) *Termination of Trading.* Trading on a Volatility Index futures contract terminates on the business day immediately preceding the final settlement date of the Volatility Index futures contract for the relevant spot month. When the last trading day is moved because of a CFE holiday, the last trading day for an expiring Volatility Index futures contract will be the day immediately preceding the last regularly-scheduled trading day.

(f) *Contract Modifications.* Specifications are fixed as of the first day of trading of a contract. If any U.S. government agency or body issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules, and all open and new contracts shall be subject to such government orders.

(g) *Execution Priorities.* Pursuant to Rule 406(a)(~~ii~~), the base allocation method of price-time priority shall apply to trading in Volatility Index futures contracts.

(h) *Crossing Two or More Original Orders.* The eligible size for an original Order that may be entered for a cross trade with one or more other original Orders pursuant to Rule 407 is one Contract. The Trading Privilege Holder or Authorized Trader, as applicable, must expose to the market for at least three seconds under Rule 407(a) at least one of the original Orders that it intends to cross.

(i) *Price Limits and Halts.* Pursuant to Rule 413, Volatility Index futures contracts are not subject to price limits.

Trading in Volatility Index futures contracts shall be halted to the extent required by Rule 417 relating to “regulatory halts.” Trading in Volatility Index futures contracts shall also be halted pursuant to Rule 417A if there is a Level 1, 2 or 3 Market Decline.

(j) *Exchange of Contract for Related Position.* Exchange of Contract for Related Position transactions, as set forth in Rule 414, may be entered into with respect to Volatility Index futures contracts. Any Exchange of Contract for Related Position transaction must satisfy the requirements of Rule 414.

The minimum price increment for an Exchange of Future for Related Position involving a Volatility Index futures contract is 0.01 index points.

(k) *Block Trades.* Pursuant to Rule 415(a)(i), the minimum Block Trade quantity for a Volatility Index futures contract is 1,000 contracts if there is only one leg involved in the trade. If the Block Trade is executed as a transaction with legs in multiple contract months and all legs of the Block Trade are exclusively for the purchase or exclusively for the sale of a Volatility Index futures contract (a “strip”), the minimum Block Trade quantity for the strip is 1,500 contracts and each leg of the strip is required to have a minimum size of 500 contracts. If the Block Trade is executed as a spread ~~order transaction~~ that is not a strip, one leg ~~must meet the minimum Block Trade quantity for a Volatility Index futures contract~~ of the spread is required to have a minimum size of 1,000 contracts and the other leg(s) ~~must have a contract size that is reasonably related to the leg meeting the minimum Block Trade quantity~~ of the spread are each required to have a minimum size of 500 contracts.

The minimum price increment for a Block Trade in a Volatility Index futures contract is 0.01 index points.

No natural person associated with a Trading Privilege Holder or Authorized Trader that has knowledge of a pending Block Trade of such Trading Privilege Holder or Authorized Trader, or a Customer thereof in a Volatility Index future on the Exchange, may enter an Order or execute a transaction, whether for his or her own account or, if applicable, for the account of a Customer over which he or she has control, for or in a Volatility Index future to which such Block Trade relates until after (i) such Block Trade has been reported to and published by the Exchange and (ii) any additional time period from time to time prescribed by the Exchange in its block trading procedures or contract specifications has expired.

(l) *No-Bust Range.* Pursuant to Rule 416, the Exchange error trade policy may only be invoked for a trade price that is greater than 10% on either side of the market price of the applicable Volatility Index futures contract. In accordance with Policy and Procedure III, the ~~HelpTrade~~ Desk will determine what the true market price for the relevant Contract was immediately before the potential error trade occurred. In making that determination, the ~~HelpTrade~~ Desk may consider all relevant factors, including the last trade price for such Contract, a better bid or offer price, a more recent price in a different contract month, and the prices of related contracts trading on the Exchange or other markets.

(m) *Pre-execution Discussions.* The Order Exposure Period under Policy and Procedure IV before an Order may be entered to take the other side of another Order with respect to which there has been pre-execution discussions is five seconds after the first Order was entered into the ~~CBOECFE~~ System.

(n) *Reportable Position and Trading Volume.*

(i) *Reportable Position.* Pursuant to Commission Regulation §15.03 and Commission Regulation Part 17, the position level that is required to be reported to the Commission is any open position in a Volatility Index futures contract at the close of trading on any trading day equal to or in excess of 200 contracts on either side of the market.

(ii) *Reportable Trading Volume.* Pursuant to Commission Regulation §15.04 and Commission Regulation Part 17, the reportable trading volume that triggers the requirement to report a volume threshold account to the Commission is 50 or more futures contracts in a Volatility Index futures contract during a single trading day or such other reportable trading volume threshold as may be designated by the Commission.

(o) *Threshold Widths.* For purposes of ~~Policy and Procedure I and Policy and Procedure II, the Threshold Widths for a Volatility Index futures contract are as follows:~~Rule 513A(e) and Rule 513A(f), 10% is the percentage used to determine the percentage of the mid-point between the highest bid and lowest offer in a Volatility Index futures contract for purposes of calculating the Threshold Width in that Volatility Index futures contract.

<b>Price Range</b>	<b>Threshold Width</b>
0—15.00	1.50
15.01—25.00	2.50
25.01—35.00	3.50

35.01—50.00  
50.01+

5.00  
7.50

The price range referenced above is determined using the bid price. The minimum size of bids and offers that establish a Threshold Width is one contract.

(p) Daily Settlement Price. The daily settlement price for a Volatility Index futures contract will be calculated in the following manner for each Business Day:

(i) If both the last best bid and the last best offer for the Volatility Index futures contract during the applicable Business Day do not have a value of zero, the daily settlement price for the Volatility Index futures contract will be the average of the last best bid and last best offer.

(ii) If either the last best bid or last best offer for the Volatility Index futures contract has a value of zero, the daily settlement price for the Volatility Index futures contract will be the average of the most recent two-sided market in the Volatility Index futures contract without a bid or an offer with a value of zero during the applicable Business Day.

(iii) If there is no two-sided market in the Volatility Index futures contract during the applicable Business Day with both a bid and an offer that do not have a value of zero, the daily settlement price for the Volatility Index futures contract will be the daily settlement price of the Volatility Index futures contract with the nearest expiration date in calendar days to the expiration date of the Volatility Index futures contract for which the daily settlement price is being determined. If there is a Volatility Index futures contract with an earlier expiration date and a Volatility Index futures contract with a later expiration date that each meet this criterion, the daily settlement price of the Volatility Index futures contract with the earlier expiration date will be utilized.

(iv) The daily settlement price may go out to four decimal places and may be a price that is not at a minimum increment for the Volatility Index futures contract.

(v) (p) — Daily Settlement Price. The daily settlement price for each Volatility Index Futures contract will be the average of the last bid and last offer for the Volatility Index Futures contract during the applicable business day prior to the close of trading on that business day. The daily settlement price may go out to four decimal places and may be a price that is not at a minimum increment for the Volatility Index Futures contract. The Exchange may in its sole discretion establish a daily settlement price for a Volatility Index Futures contract that it deems to be a fair and reasonable reflection of the market if (i) there is no bid or offer in the contract during the applicable business day; (ii) the Exchange determines in its sole discretion that the daily settlement price determined by the average of the last bid and last offer in the contract is not a fair and reasonable reflection of the market; or (iii) there is a trading halt in the contract or other unusual circumstance at the scheduled close of trading.;

(A) the Exchange determines in its sole discretion that the daily settlement price determined by the parameters set forth in

~~paragraphs (p)(i) - (p)(iii) above of the last bid and last offer in the contract is not a fair and reasonable reflection of the market; or~~

~~(B) (iii) there is a trading halt in the Volatility Index futures contract or other unusual circumstance at the scheduled close of trading hours for the Volatility Index futures contract on the applicable Business Day.~~

(q) *Trade at Settlement Transactions.* Trade at Settlement (“TAS”) transactions are not permitted in Volatility Index Futures.

~~(r) — Price Reasonability Checks. Pursuant to and as further described in Rule 513A(b), the CBOE System shall in a manner determined by the Exchange reject (i) any buy order with a limit price in a Volatility Index Futures contract if the limit price upon receipt of the order by the CBOE System is more than a designated amount above the prevailing best offer in that contract and (ii) any sell order with a limit price in a Volatility Index Futures contract if the limit price upon receipt of the order by the CBOE System is more than a designated amount below the prevailing best bid in that contract. The designated amounts for the price reasonability checks referenced in the preceding sentence are as follows:~~

~~(r) Price Reasonability Checks. The Limit Order price reasonability percentage parameters designated by the Exchange for Volatility Index Futures pursuant to Rule 513A(d) and the Market Order price reasonability percentage parameters designated by the Exchange for Volatility Index Futures pursuant to Rule 513A(e) shall each be 10%.~~

<b>Price Range</b>	<b>Designated Amount</b>
0—15.00	1.50
15.01—25.00	2.50
25.01—35.00	3.50
35.01—50.00	5.00
50.01+	7.50

\* \* \* \* \*

## **1802. Contract Specifications**

(a) *Specifications Supplements.* The general specifications set forth in this Rule 1802 shall be subject to, and qualified by, the specific terms applicable to trading, clearing or settlement of particular Single Stock Futures, as provided in supplements (each a “Specifications Supplement”) from time to time adopted by the Exchange. Each Specifications Supplement for a Single Stock Future shall be substantially in the form set forth in Rule 1806 or such other form as the Exchange may from time to time approve. No Specifications Supplement shall become effective until the Exchange has submitted to the Commission (i) a certification satisfying the requirements set forth in Commission Regulation § 41.22 and (ii) a filing satisfying the requirements set forth in Commission Regulation § 41.23, with respect to the Single Stock Future to which it relates.

(b) *Underlying Securities.* Each Single Stock Future shall be based on an underlying security (the “Underlying Security”), which satisfies the requirements set forth in Commission Regulations § 41.21(a), as may be determined from time to time by the Exchange.

(c) *Trading Hours; Delivery Months and Termination Dates.* Single Stock Futures shall be traded during such hours, for delivery in such months, and shall terminate on such dates, as may be determined from time to time by the Exchange.

(d) *Trading Units.* Each Single Stock Future shall represent 100 shares of the Underlying Security.

(e) *Minimum Price Fluctuations.* The minimum price fluctuation for each Single Stock Future shall be \$0.01 per share, which is equal to \$1.00 per Contract.

(f) *Speculative Position Limits.* For purposes of Rule 412, the position limit applicable to positions in any Single Stock Future held during the last five trading days of an expiring Single Stock Future shall be the position limit adopted by the Exchange in accordance with Commission Regulation § 41.25. Each such position limit shall be published by the Exchange.

(g) *Last Day of Trading.* All trading in a particular Contract shall terminate at the close of business on the termination date of such Contract.

(h) *Contract Modifications.* The specifications for a particular Single Stock Future shall be as set forth in the filing made with respect thereto pursuant to Commission Regulation § 41.23. If any U.S. governmental agency or body issues an order, ruling, directive or law that conflicts with the requirements of these rules, including specifications set forth in any Specifications Supplement, such order, ruling, directive or law shall be deemed to take precedence over such specifications and become part of these Rules or of such Specification Supplement and all open and new Contracts shall be subject thereto.

(i) *Contract Adjustments.* Adjustments to Single Stock Futures related to actions or transactions by or affecting the issuer of the Underlying Securities shall be made under the circumstances and in the manner from time to time prescribed by the Clearing Corporation.

(j) *Daily Settlement Price.* (i) The daily settlement price for each Single Stock Future Contract will be the average of the final Bid and final Offer of the Single Stock Future Contract at the close of trading. The daily settlement price may go out to four decimal places and may be a price that is not at a minimum increment for the Single Stock Future Contract.

(ii) If there is no bid or offer at the close of trading, then the Exchange shall set a reasonable settlement price by adjusting the average of the last bid and offer disseminated to the market and captured by an independent price reporting system during the trading day by the difference between the consolidated price of the Underlying Security at the time that the last bid or offer was quoted on the Exchange and the consolidated price of the Underlying Security at the close of regular trading hours.

(iii) Notwithstanding the above, the Exchange may in its sole discretion establish a settlement price that it deems to be a fair and reasonable reflection of the market. The Exchange will consider all relevant factors, including those discussed in this provision, when establishing such a settlement price.

(k) *Final Settlement Price.* The final settlement price of a Single Stock Future shall be calculated in accordance with paragraph (j), unless the final settlement price is fixed in accordance with the Rules and By-Laws of the Clearing Corporation.

(l) *Execution Priorities.* Pursuant to Rule 406(a)(i), the base allocation method of price-time priority shall apply to trading in each Single Stock Future. Pursuant to Rule 406(b)(iii), a DPM trade participation right priority shall overlay the price-time priority base allocation method.

(m) *Crossing Two or More Original Orders.* The eligible size for an original Order that may be entered for a cross trade with one or more other original Orders pursuant to Rule 407 is one Contract. The Trading Privilege Holder or Authorized Trader, as applicable, must expose to the market for at least five seconds under Rule 407(a) at least one of the original Orders that it intends to cross.

(n) *Price Limits.* Pursuant to Rule 413, Single Stock Futures are not subject to price limits.

(o) *Block Trades.* Pursuant to Rule 415(a)(i), the minimum Block Trade quantity for each Single Stock Future shall be 100 contracts, unless otherwise set forth in the Specifications Supplement for that Single Stock Future. If the Block Trade is executed as a ~~spread order~~ Spread Order, one leg must meet the minimum Block Trade quantity for the particular Single Stock Future and the other leg(s) must have a contract size that is reasonably related to the leg meeting the minimum Block Trade quantity.

No natural person associated with a Trading Privilege Holder or Authorized Trader that has knowledge of a pending Block Trade of such Trading Privilege Holder or Authorized Trader, or a Customer thereof in a Single Stock Future on the Exchange, may enter an Order or execute a transaction, whether for his or her own account or, if applicable, for the account of a Customer over which he or she has control, for or in the Single Stock Future to which such Block Trade relates until after (i) such Block Trade has been reported to and published by the Exchange and (ii) any additional time period from time to time prescribed by the Exchange in its block trading procedures or contract specifications has expired.

No natural person associated with a Trading Privilege Holder or Authorized Trader that has knowledge of a pending Block Trade of such Trading Privilege Holder or Authorized Trader, or a Customer thereof in a Single Stock Future on any other exchange or trading system, may enter an Order or execute a transaction on the Exchange, whether for his or her own account or, if applicable, for the account of a Customer over which he or she has control, for any Single Stock Future which has the same underlying security as the contract to which such block trade relates until after (i) such block trade is reported and published in accordance with the rules, procedures or contract specifications of such exchange or trading system and (ii) any additional time period prescribed by the Exchange in its block trading procedures or contract specifications has expired.

(p) *No-Bust Range.* Pursuant to Rule 416, the Exchange error trade policy may only be invoked for a trade price that is greater than 10% on either side of the market price of the applicable Single Stock Future contract. In accordance with Policy and Procedure III, the HelpTrade Desk will determine what the true market price for the relevant Contract was immediately before the potential error trade occurred. In making that determination, the HelpTrade Desk may consider all relevant factors, including the last trade price for

such Contract, a better bid or offer price, a more recent price in a different contract month and the prices of related contracts trading in other markets.

(q) *Pre-execution Discussions.* The Order Exposure Period under Policy and Procedure IV before an Order may be entered to take the other side of another Order with respect to which there has been pre-execution discussions is five seconds after the first Order was entered into the CBOE CFE System.

\* \* \* \* \*

## **1902. Contract Specifications**

(a) *Specifications Supplements.* The general specifications set forth in this Rule 1902 shall be subject to, and qualified by, the specific terms applicable to trading, clearing or settlement of particular Narrow-Based Stock Index Futures, as provided in Specifications Supplements from time to time adopted by the Exchange. Each Specifications Supplement for a Narrow-Based Stock Index Future shall be substantially in the form set forth in Rule 1906 or such other form as the Exchange may from time to time approve. No Specifications Supplement shall become effective until the Exchange has submitted to the Commission (i) a certification satisfying the requirements set forth in Commission Regulation § 41.22 and (ii) a filing satisfying the requirements set forth in Commission Regulation § 41.23, with respect to the Narrow-Based Stock Index Future in question.

(b) *Underlying Securities.* Narrow-Based Stock Index Futures shall be based on such indices consisting of two or more Underlying Securities, which shall satisfy the requirements set forth in Commission Regulation § 41.21(b), as may be determined from time to time by the Exchange.

(c) *Trading Hours; Delivery Months and Termination Dates.* Narrow-Based Stock Index Futures shall be traded during such hours and for delivery in such months, and shall terminate on such dates, as may be determined from time to time by the Exchange.

(d) *Minimum Price Fluctuations.* The minimum price fluctuation for Narrow-Based Stock Index Futures shall be \$0.01 per Contract.

(e) *Position Limits.* For purposes of Rule 412, the position limit applicable to positions in any physically settled Narrow-Based Stock Index Future held during the last five trading days of an expiring Narrow-Based Stock Index Future shall be the position limit adopted by the Exchange in accordance with Commission Regulation § 41.25. Commission Regulation § 41.25 applies the applicable position limit with respect to Narrow-Based Stock Index Futures to the security in the Narrow-Based Stock Index Future having the lowest average daily trading volume. Each such position limit shall be published by the Exchange.

Pursuant to Rule 412(a), the Exchange shall establish speculative position limits for each cash settled Narrow-Based Stock Index Future held during the last five trading days of an expiring Narrow-Based Stock Index Future according to the following methodology:

The position limit for each cash settled Narrow-Based Stock Index Future shall be the number of contracts calculated according to formula (i) "Market Cap Position Limit" or (ii) "SSF Position Limit" below, whichever is less, rounded to the nearest multiple of 1,000 contracts; provided, however, that if formula (i) or (ii), whichever is less, calculates

a number less than 500 but not less than 400 for any such Security Future, the position limit will be 1,000 contracts.

(i) “Market Cap Position Limit”

(A) The Exchange will determine the market capitalization of the Standard & Poor’s 500 index (the “S&P 500”) as of the selection date for the component securities of the index underlying the Narrow-Based Stock Index Future (the “Selection Date”) (the “S&P 500 Market Cap”);

(B) then

(C) The Exchange will calculate the notional value of a future position in Chicago Mercantile Exchange’s (“CME”) S&P 500 futures contract at its maximum limit (the “S&P 500 Notional Value Limit”) by multiplying the S&P 500 by the position limit for CME’s S&P 500 futures (20,000 contracts in all months combined) and by the S&P 500 contract multiplier (\$250) to calculate:

(D)  $\text{S\&P 500 Notional Value Limit} = \text{S\&P 500} * 20,000 * \$250$ ;

(E) then

(F) The Exchange will divide the S&P 500 Market Cap by the S&P 500 Notional Value Limit to calculate the “Market Cap Ratio”:

(G)  $\text{Market Cap Ratio} = \text{S\&P 500 Market Cap} / \text{S\&P 500 Notional Value Limit}$ ;

(H) then

(I) The Exchange will calculate the market capitalization of the stock index underlying the Narrow-Based Stock Index Future by adding together the market capitalization of each stock comprising the stock index (the “Stock Index Market Cap”); then

(J) The Exchange will calculate the notional value of the Narrow-Based Stock Index Future (the “Notional Value”) as follows:

(K)  $\text{Notional Value} = \text{Level of index underlying Narrow-Based Stock Index Future} * \text{contract multiplier}$

(L) The Exchange will calculate the Market Cap Position Limit of the Narrow-Based Stock Index Future by dividing the Stock Index Market Cap by the product of the Notional Value of the Narrow-Based Stock Index Future and the Market Cap Ratio:

(M)  $\text{Market Cap Position Limit} = \text{Stock Index Market Cap} /$

(N)  $\text{Notional Value} * \text{Market Cap Ratio}$



(ii) “SSF Position Limit”

(A) The Exchange will calculate the notional value of the Narrow-Based Stock Index Future (same as (i)(E) above):

(B) Notional Value = Level of index underlying Narrow-Based Stock Index Future \* contract multiplier

(C) For each component security in the index underlying the Narrow-Based Stock Index Future, the Exchange will multiply its index weight<sup>1</sup> by the Notional Value to determine that security’s proportion of the Narrow-Based Stock Index Future.

(D) For each component security, the Exchange will divide the result in (ii)(B) by the security’s price. This equals the number of shares of that security represented in the Narrow-Based Stock Index Futures contract.

(E) For each component security, the Exchange will divide the number of shares calculated in (ii)(C) by 100 to obtain the implied number of 100-share contracts per Narrow-Based Stock Index Futures contract.

(F) The Exchange will divide the applicable single stock futures contract speculative position limit set in Commission Regulation § 41.25(a)(3) (either 13,500 or 22,500 contracts) by the number of implied 100-share contracts. This provides the number of Narrow-Based Stock Index Futures contracts that could be held without violating the speculative position limit on a futures contract on that component security (if such single stock futures contract existed). If the security qualifies for position accountability, ignore that security for purposes of this calculation.

(G) The Exchange will list the results of (ii)(D) and (ii)(E). The SSF Position Limit is the minimum number of implied contracts based on this list.

(f) *Last Day of Trading.* All trading in a particular Contract shall terminate at the close of the last Business Day preceding the termination date of such Contract.

(g) *Contract Modifications.* The specifications for a particular Narrow-Based Stock Index Future shall be as set forth in the filing made with respect thereto pursuant to Commission Regulation § 41.23. If any U.S. governmental agency or body issues an order, ruling, directive or law that conflicts with the requirements of these rules, including specifications set forth in any specifications supplement, such order, ruling, directive or law shall be construed to take precedence and become part of these rules, and all open and new contracts shall be subject to such government orders.

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<sup>1</sup> Index weight of the component security = (assigned shares \* price) of the component security/the sum of (assigned shares \* price) for each component security.

(h) *Contract Adjustments.* Adjustments to Narrow-Based Stock Index Futures related to actions or transactions by or affecting any issuer of Underlying Securities shall be made under the circumstances and in the manner from time to time prescribed by the Clearing Corporation.

(i) *Settlement Price.*

(I) *Daily Settlement Price.* The daily settlement price for cash-settled Narrow-Based Stock Index Futures will be calculated in the same manner as Rule 1802(j).

(II) *Final Settlement Price.*

(A) The final settlement price for cash-settled Narrow-Based Stock Index Futures shall be determined on the third Friday of the contract month. If the Exchange is not open for business on the third Friday of the contract month, the final settlement price shall be determined on the Business Day prior to the third Friday of the contract month. The final settlement price for cash-settled Narrow-Based Stock Index Futures shall be based on a special opening quotation of the underlying stock index (“Stock Index”).

(B) Notwithstanding subparagraph (II)(A) of this Rule, if an opening price for one or more securities underlying a Narrow-Based Stock Index Future is not readily available, the President of the Exchange or his designee for such purpose (referred to hereafter in this Rule 1902(i) as the “Designated Officer”) will determine whether the security or securities are likely to open within a reasonable time.

(1) If the Designated Officer determines that one or more component securities are not likely to open within a reasonable time, then for the component security or securities which the Designated Officer determined were not likely to open within a reasonable time, the last trading price of the underlying security or securities during the most recent regular trading session for such security or securities will be used to calculate the special opening quotation.

(2) If the Designated Officer determines that the security or securities are likely to open within a reasonable time, then for the component security or securities which the Designated Officer determined were likely to open within a reasonable time, the next available opening price of such security or securities will be used to calculate the special opening quotation.

(C) For purposes of this provision:

(1) “Opening price” means the official price at which a security opened for trading during the regular trading session of the national securities exchange or national securities association that lists the security. If the security is not listed on a national securities exchange or a national securities association, then “opening price” shall mean the price at which a security

opened for trading on the primary market for the security. Under this provision, if a component security is an American Depositary Receipt (“ADR”) traded on a national securities exchange or national securities association, the opening price for the ADR would be derived from the national securities exchange or national securities association that lists it.

(2) “Special opening quotation” means the Stock Index value that is derived from the sum of the opening prices of each security of the Stock Index.

(3) “Regular trading session” of a security means the normal hours for business of a national securities exchange or national securities association that lists the security.

(4) The price of a security is “not readily available” if the national securities exchange or national securities association that lists the security does not open on the day scheduled for determination of the final settlement price, or if the security does not trade on the securities exchange or national securities association that lists the security during regular trading hours.

(D) Notwithstanding any other provision of this Rule, this Rule shall not be used to calculate the final settlement price of a Narrow-Based Stock Index Future if The Option Clearing Corporation fixes the final settlement price of such Narrow-Based Stock Index Future in accordance with its rules and by-laws and as permitted by Commission Regulation § 41.25(b) and SEC Rule 6h-1(b)(3).

(j) *Execution Priorities.* Pursuant to Rule 406(a)(i), the base allocation method of price-time priority shall apply to trading in each Narrow Based Stock Index Future. Pursuant to Rule 406(b)(iii), a DPM trade participation right priority shall overlay the price-time priority base allocation method.

(k) *Crossing Two or More Original Orders.* The eligible size for an original Order that may be entered for a cross trade with one or more other original Orders pursuant to Rule 407 is one Contract. The Trading Privilege Holder or Authorized Trader, as applicable, must expose to the market for at least five seconds under Rule 407(a) at least one of the original Orders that it intends to cross.

(l) *Price Limits.* Pursuant to Rule 413, Narrow Based Stock Index Futures are not subject to price limits.

(m) *Block Trades.* Pursuant to Rule 415(a)(i), the minimum Block Trade quantity for each Narrow Based Stock Index Future shall be 100 contracts, unless otherwise set forth in the Specifications Supplement for that Narrow Based Stock Index Future. If the Block Trade is executed as a ~~spread order~~ Spread Order, one leg must meet the minimum Block Trade quantity for the particular Narrow Based Stock Index Future and the other leg(s) must have a contract size that is reasonably related to the leg meeting the minimum Block Trade quantity.

No natural person associated with a Trading Privilege Holder or Authorized Trader that has knowledge of a pending Block Trade of such Trading Privilege Holder or Authorized Trader, or a Customer thereof in a Narrow-Based Stock Index Future on the Exchange, may enter an Order or execute a transaction, whether for his or her own account or, if applicable, for the account of a Customer over which he or she has control, for or in the Narrow-Based Stock Index Future to which such Block Trade relates until after (i) such Block Trade has been reported to and published by the Exchange and (ii) any additional time period from time to time prescribed by the Exchange in its block trading procedures or contract specifications has expired.

No natural person associated with a Trading Privilege Holder or Authorized Trader that has knowledge of a pending Block Trade of such Trading Privilege Holder or Authorized Trader, or a Customer thereof in a Narrow-Based Stock Index Future on any other exchange or trading system, may enter an Order or execute a transaction on the Exchange, whether for his or her own account or, if applicable, for the account of a Customer over which he or she has control, for any Narrow-Based Stock Index Future which has the same underlying index as the contract to which such block trade relates until after (i) such block trade is reported and published in accordance with the rules, procedures or contract specifications of such exchange or trading system and (ii) any additional time period prescribed by the Exchange in its block trading procedures or contract specifications has expired.

(n) *No-Bust Range.* Pursuant to Rule 416, the Exchange error trade policy may only be invoked for a trade price that is greater than 10% on either side of the market price of the applicable Narrow-Based Stock Index Future. In accordance with Policy and Procedure III, the HelpTrade Desk will determine what the true market price for the relevant Contract was immediately before the potential error trade occurred. In making that determination, the HelpTrade Desk may consider all relevant factors, including the last trade price for such Contract, a better bid or offer price, a more recent price in a different contract month and the prices of related contracts trading in other markets.

(o) *Pre-execution Discussions.* The Order Exposure Period under Policy and Procedure IV before an Order may be entered to take the other side of another Order with respect to which there has been pre-execution discussions is five seconds after the first Order was entered into the CBOECFE System.

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## **2102. Contract Specifications**

(a) *Multiplier.* The contract multiplier for each VU futures contract is \$1,000. For example, a contract size of one VU futures contract would be \$21,000, if the VU index level were 21 (21 x \$1,000.00).

(b) *Schedule.* The Exchange may list for trading up to nine near-term serial months and five months on the February quarterly cycle for the VU futures contract. The final settlement date for the VU futures contract shall be the Wednesday that is thirty days prior to the third Friday of the calendar month immediately following the month in which the applicable VU futures contract expires. If the third Friday of the month subsequent to expiration of the applicable VU futures contract is a Cboe Options holiday, the final settlement date for the contract shall be thirty days prior to the Cboe Options business day immediately preceding that Friday.

The trading days for VU futures contracts shall be the same trading days of options on the Russell 2000 Index traded on Cboe Options, as those days are determined by Cboe Options.

The trading hours for VU futures contracts are from 7:30 a.m. Chicago time to 3:15 p.m. Chicago time. The time period from 8:30 a.m. Chicago time until 3:15 p.m. Chicago time shall be considered regular trading hours for the VU futures contract, and the time period from 7:30 a.m. Chicago time until the commencement of regular trading hours for the VU futures contract shall be considered extended trading hours for the VU futures contract.

Market Orders for VU futures contracts will be accepted by the Exchange during regular trading hours for the VU futures contract, ~~including during the first thirty seconds of regular trading hours for~~ following the completion of the opening process for a VU futures contract ~~Contract when that Contract is in an open state for trading.~~ Market Orders for VU futures ~~contracts~~ will not be accepted by the Exchange during extended trading hours for the VU futures ~~contract~~ or during any other time period outside of regular trading hours for the VU futures ~~contract~~. Any Market Orders for VU futures ~~contracts~~ received by the Exchange ~~outside of regular trading hours for the VU futures contract will be automatically rejected.~~ All during a time period in which the Exchange is not accepting Market Orders, quotes, cancellations and Order modifications for VU futures during trading hours must be received by the Exchange by no later than 3:14:59 p.m. Chicago time and will be automatically rejected if received by the Exchange during trading hours after 3:14:59 p.m. Chicago time or canceled back to the sender.

(c) *Minimum Increments.* Except as provided in the following sentence, the minimum fluctuation of the VU futures contract is 0.05 index points, which has a value of \$50.00.

The individual legs and net prices of spread trades in the VU futures contract may be in increments of 0.01 index points, which has a value of \$10.00.

(d) *Position Limits.* VU futures are subject to position limits under Rule 412.

A person may not own or control: (1) more than 5,000 contracts net long or net short in all VU futures contracts combined; and (2) more than 2,500 contracts net long or net short in the expiring VU futures contract, commencing at the start of trading hours for the Business Day immediately preceding the final settlement date of the expiring VU futures contract.

For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding shall be cumulated.

The foregoing position limit shall not apply to positions that are subject to a position limit exemption meeting the requirements of Commission Regulations and CFE Rules.

(e) *Termination of Trading.* Trading in VU futures contracts terminates on the business day immediately preceding the final settlement date of the VU futures contract for the relevant spot month. When the last trading day is moved because of a CFE

holiday, the last trading day for an expiring VU futures contract will be the day immediately preceding the last regularly-scheduled trading day.

(f) *Contract Modifications.* Specifications are fixed as of the first day of trading of a contract. If any U.S. government agency or body issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules, and all open and new contracts shall be subject to such government orders.

(g) *Execution Priorities.* Pursuant to Rule 406(a)(i), the base allocation method of price-time priority shall apply to trading in VU futures.

(h) *Crossing Two Original Orders.* The eligible size for an original Order that may be entered for a cross trade with one or more other original Orders pursuant to Rule 407 is one Contract. The Trading Privilege Holder or Authorized Trader, as applicable, must expose to the market for at least five seconds under Rule 407(a) at least one of the original Orders that it intends to cross.

(i) *Price Limits and Circuit Breaker Halts.* ~~Pursuant to Rule 413, VU futures contracts are not subject to price limits.~~Halts.

(i) Price Limits During Extended Trading Hours. Pursuant to Rule 413, VU futures are subject to the following price limits during extended trading hours:

(A) Each VU futures Contract shall have a price limit that is 70% above the daily settlement price for that VU futures Contract for the prior Business Day (an "Upper Price Limit") and a price limit that is 10% below the daily settlement price for that VU futures Contract for the prior Business Day (a "Lower Price Limit"). An Upper Price Limit and a Lower Price Limit may also be referred to as a "Price Limit."

(B) The CFE System will not consummate the execution of any trade in a VU futures Contract that is at a price that is more than the Upper Price Limit for that VU futures Contract or that is less than the Lower Price Limit for that VU futures Contract.

(C) The CFE System will reject or cancel back to the sender any Limit Order to buy with a limit price that is above the Upper Limit and any Limit Order to sell with a limit price that is below the Lower Limit. Upon the triggering of a Stop Limit Order, the CFE System will cancel the Stop Limit Order back to the sender if it is a Stop Limit Order to buy that is triggered to a limit price which is above the Upper Limit or is a Stop Limit Order to sell that is triggered to a limit price which is below the Lower Limit.

(D) The Upper Price Limit and Lower Price Limit will be applicable with respect to the execution of single leg VU Orders. The Upper Price Limit and Lower Price Limit will apply to VU Spread Orders in that each leg of a VU Spread Order will be subject to the applicable Upper Price Limit and Lower Price Limit for that individual leg and may not be executed at a price that is more than the Upper Limit

for that single leg VU futures Contract or less than the Lower Price Limit for that single leg VU futures Contract.

(E) The price limit provisions of this Rule 2102(i)(i) shall be applicable during the opening process for a VU futures Contract during extended trading hours.

(F) In calculating a Price Limit, the calculation will be rounded to the nearest minimum increment in the VU futures Contract, with the midpoint between two consecutive increments rounded up.

(G) The daily settlement price that will be utilized to calculate the Price Limits for a newly listed VU futures Contract will be the daily settlement price of the VU futures Contract with the nearest expiration date in calendar days to the expiration date of the newly listed VU futures Contract. If there is a VU futures Contract with an earlier expiration date and a VU futures Contract with a later expiration date that each meet this criterion, the daily settlement price of the VU futures Contract with the earlier expiration date will be utilized.

(H) Notwithstanding any provisions of this Rule 2102(i)(i), the Trade Desk may, in its absolute and sole discretion, take any action it determines necessary to protect market integrity. For avoidance of doubt, this authority includes, but is not limited to, modifying or eliminating the Price Limit parameters in this Rule 2102(i)(i) at any time. The senior person in charge of the Trade Desk may exercise the authority of the Trade Desk under this Rule 2102(i)(i)(H). The Trade Desk will promptly issue an alert with respect to actions taken pursuant to this Rule 2102(i)(i)(H).

(ii) Circuit Breaker Halts. Trading in VU futures contracts shall be halted pursuant to Rule 417A if there is a Level 1, 2 or 3 Market Decline.

(j) *Exchange of Contract for Related Position.* Exchange of Contract for Related Position transactions, as set forth in Rule 414, may be entered into with respect to VU futures contracts. Any Exchange of Contract for Related Position transaction must satisfy the requirements of Rule 414.

The minimum price increment for an Exchange of Contract for Related Position involving the VU futures contract is 0.01 index points.

(k) *Block Trades.* Pursuant to Rule 415(a)(i), the minimum Block Trade quantity for the VU futures contract is 100 contracts if there is only one leg involved in the trade. If the Block Trade is executed as a transaction with legs in multiple contract months and all legs of the Block Trade are exclusively for the purchase or exclusively for the sale of VU futures contracts (a “strip”), the minimum Block Trade quantity for the strip is 150 contracts and each leg of the strip is required to have a minimum size of 50 contracts. If the Block Trade is executed as a spread ~~order transaction~~ that is not a strip, one leg ~~must meet the minimum Block Trade quantity for the VU futures contract of the spread is required to have a minimum size of 100 contracts and the other leg(s) must have a contract size that is reasonably related to the leg meeting the minimum Block Trade quantity of the spread are each required to have a minimum size of 50 contracts.~~

The minimum price increment for a Block Trade in the VU futures contract is 0.01 index points.

(l) *No-Bust Range.* Pursuant to Rule 416, the CFE error trade policy may only be invoked for a trade price that is greater than 10% on either side of the market price of the applicable VU futures contract. In accordance with Policy and Procedure III, the ~~HelpTrade~~ Desk will determine what the true market price for the relevant Contract was immediately before the potential error trade occurred. In making that determination, the ~~HelpTrade~~ Desk may consider all relevant factors, including the last trade price for such Contract, a better bid or offer price, a more recent price in a different contract month and the prices of related contracts trading in other markets.

(m) *Pre-execution Discussions.* The Order Exposure Period under Policy and Procedure IV before an Order may be entered to take the other side of another Order with respect to which there has been pre-execution discussions is five seconds after the first Order was entered into the ~~CBOE~~CFE System.

(n) *Reportable Position and Trading Volume.*

(i) *Reportable Position.* Pursuant to Commission Regulation §15.03 and Commission Regulation Part 17, the position level that is required to be reported to the Commission is any open position in VU futures contracts at the close of trading on any trading day equal to or in excess of 200 contracts on either side of the market.

(ii) *Reportable Trading Volume.* Pursuant to Commission Regulation §15.04 and Commission Regulation Part 17, the reportable trading volume that triggers the requirement to report a volume threshold account to the Commission is 50 or more VU futures contracts during a single trading day or such other reportable trading volume threshold as may be designated by the Commission.

(o) *Threshold Widths.* For purposes of ~~Policy and Procedure I and Policy and Procedure II, the Threshold Widths for the VU futures contract are as follows:~~Rule 513A(e) and Rule 513A(f), 10% is the percentage used to determine the percentage of the mid-point between the highest bid and lowest offer in a VU futures contract for purposes of calculating the Threshold Width in that VU futures contract.

<b>Price Range</b>	<b>Threshold Width</b>
0—15.00	1.50
15.01—25.00	2.50
25.01—35.00	3.50
35.01—50.00	5.00
50.01+	7.50

~~The price range referenced above is determined using the bid price. The minimum size of bids and offers that establish a Threshold Width is one contract.~~

(p) *Daily Settlement Price.* The daily settlement price for a VU futures Contract will be calculated in the following manner for each Business Day:



(i) If both the last best bid and the last best offer for the VU futures Contract during the applicable Business Day do not have a value of zero, the daily settlement price for the VU futures contract will be the average of the last best bid and last best offer.

(ii) If either the last best bid or last best offer for the VU futures Contract has a value of zero, the daily settlement price for the VU futures Contract will be the average of the most recent two-sided market in the VU futures Contract without a bid or an offer with a value of zero during the applicable Business Day.

(iii) If there is no two-sided market in the VU futures Contract during the applicable Business Day prior to the close of trading hours on that Business Day with both a bid and an offer that do not have a value of zero, the daily settlement price for the VU futures Contract will be the daily settlement price of the VU futures Contract with the nearest expiration date in calendar days to the expiration date of the VU futures Contract for which the daily settlement price is being determined. If there is a VU futures Contract with an earlier expiration date and a VU futures Contract with a later expiration date that each meet this criterion, the daily settlement price of the VU futures Contract with the earlier expiration date will be utilized.

(iv) ~~that business day.~~ The daily settlement price may go out to four decimal places and may be a price that is not at a minimum increment for the VU futures Contract.

(v) ~~—~~The Exchange may in its sole discretion establish a daily settlement price for a VU futures Contract that it deems to be a fair and reasonable reflection of the market if:

~~(A)(p) *Daily Settlement Price.* The daily settlement price for each VU futures contract will be the average of the last bid and last offer for the VU futures contract during the applicable business day prior to the close of trading on that business day. The daily settlement price may go out to four decimal places and may be a price that is not at a minimum increment for the VU futures contract. The Exchange may in its sole discretion establish a daily settlement price for a VU futures contract that it deems to be a fair and reasonable reflection of the market if (i) there is no bid or offer in the contract during the applicable business day; (ii) the Exchange determines in its sole discretion that the daily settlement price determined by the average of the last bid and last offer in the contract parameters set forth in paragraphs (p)(i) - (p)(iii) above is not a fair and reasonable reflection of the market; or (iii)~~

(B) there is a trading halt in the ~~contract~~VU futures Contract or other unusual circumstance at the scheduled close of trading hours for the VU futures Contract on the applicable Business Day.

(q) *Trade at Settlement Transactions.* Trade at Settlement (“TAS”) transactions are not permitted in VU futures.

~~(r) *Price Reasonability Checks.* Pursuant to and as further described in Rule 513A(b), the CBOE System shall in a manner determined by the Exchange reject (i) any~~

~~buy order with a limit price in a VU futures contract if the limit price upon receipt of the order by the CBOE System is more than a designated amount above the prevailing best offer in that contract and (ii) any sell order with a limit price in a VU futures contract if the limit price upon receipt of the order by the CBOE System is more than a designated amount below the prevailing best bid in that contract. The designated amounts for the price reasonability checks referenced in the preceding sentence are as follows: Price Reasonability Checks. The Limit Order price reasonability percentage parameters designated by the Exchange for VU futures pursuant to Rule 513A(d) and the Market Order price reasonability percentage parameters designated by the Exchange for VU futures pursuant to Rule 513A(e) shall each be 10%.~~

<b>Price Range</b>	<b>Designated Amount</b>
0—15.00	1.50
15.01—25.00	2.50
25.01—35.00	3.50
35.01—50.00	5.00
50.01+	7.50

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#### **2104. DPM Provisions**

- (a) *DPM Appointment*. A Trading Privilege Holder will be appointed to act as a DPM for the VU futures contract pursuant to Rule 515.
- (b) *DPM Participation Right*. There is no DPM participation right percentage under Rule 406(b)(iii) for the VU futures contract.

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#### **2302. Contract Specifications**

- (a) *Multiplier*. The contract multiplier for the S&P 500 Variance futures contract is \$1.
- (b) *Schedule and Prohibited Order Types*. The Exchange may list contract months for S&P 500 Variance futures that correspond to the listed contract months for options on the S&P 500 Composite Stock Price Index listed and traded on Cboe Options.

The final settlement date for an S&P 500 Variance futures contract shall be on the third Friday of the expiring futures contract month. If the third Friday of the expiring month is a CFE holiday, the Final Settlement Date for the expiring contract shall be the CFE business day immediately preceding the third Friday.

The trading days for S&P 500 Variance futures contracts shall be the same trading days of options on the S&P 500 Composite Stock Price Index, as those days are determined by Cboe Options.

The trading hours for the S&P 500 Variance futures contract are from 8:30 a.m. Chicago time to 3:15 p.m. Chicago time.

Good-'til-Canceled Orders and Good-'til-Date Orders are not permitted in S&P 500 Variance futures.

~~All Orders, quotes, cancellations and Order modifications for S&P 500 Variance futures during trading hours must be received by the Exchange by no later than 3:14:59 p.m. Chicago time and will be automatically rejected if received by the Exchange during trading hours after 3:14:59 p.m. Chicago time.~~

(c) *Minimum Increments and ~~Minimum Quote and Order Sizes.~~* The minimum fluctuation of the S&P 500 Variance futures contract is 0.05 volatility index points.

~~The minimum quote size and the minimum order individual legs and net prices of spread trades in the S&P 500 Variance futures contract is 0.01 volatility index points.~~

The minimum Order size for the S&P 500 Variance futures contract is 1,000 vega notional and all ~~quotes and orders~~Orders must be in multiples of 1,000 vega notional, except as provided for in subparagraph (f) below.

The sizes of ~~quotes,~~ Orders and trades in S&P 500 Variance futures are expressed and displayed in notional equivalent units of 1,000 vega notional. For example, ~~a quote, an~~ Order or trade size of 1 has a size of 1,000 vega notional, and ~~a quote, an~~ Order or trade size of 3 has a size of 3,000 vega notional. ~~Quote,~~ Order and trade expression and display in notional equivalent units of 1,000 applies to all trading in S&P 500 Variance futures, including Block Trades and Exchange of Contract for Related Position transactions.

(d) *Position Limits.* S&P 500 Variance futures are subject to position limits under Rule 412.

A person may not own or control contracts exceeding 125,000 units of variance notional net long or net short in all contract months of an S&P 500 Variance futures contract combined.

For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding shall be cumulated.

The foregoing position limit shall not apply to positions that are subject to a position limit exemption meeting the requirements of Commission Regulations and CFE Rules.

(e) *Termination of Trading.* Trading in S&P 500 Variance futures contracts terminates on the business day immediately preceding the final settlement date of the S&P 500 Variance futures contract for the relevant spot month. When the last trading day is moved because of a CFE holiday, the last trading day for an expiring S&P 500 Variance futures contract will be the day immediately preceding the last regularly-scheduled trading day.

(f) *Contract Modifications.* Specifications are fixed as of the first day of trading of a contract. If any U.S. government agency or body issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules, and all open and new contracts shall be subject to such government orders.

(g) *Execution Priorities.* Pursuant to Rule 406(a)(i), the base allocation method of price-time priority shall apply to trading in S&P 500 Variance futures contracts, including S&P 500 Variance future stub positions (defined below in subparagraph (t)). ~~Pursuant to Rule 406(b)(iii), a DPM trade participation right priority shall overlay the price time priority base allocation method for S&P Variance futures that are not stub positions. There shall be no DPM trade participation right priority overlay for S&P Variance future stub positions).~~

(h) *Crossing Two or More Original Orders.* The eligible size for an original Order that may be entered for a cross trade with one or more other original Orders pursuant to Rule 407 is a Contract amount equal to 1,000 vega notional. The Trading Privilege Holder or Authorized Trader, as applicable, must expose to the market for at least five seconds under Rule 407(a) at least one of the original Orders that it intends to cross.

(i) *Price Limits and Circuit Breaker Halts.* Pursuant to Rule 413, S&P 500 Variance futures contracts are not subject to price limits.

Trading in S&P 500 Variance futures contracts shall be halted pursuant to Rule 417A if there is a Level 1, 2 or 3 Market Decline.

(j) *Exchange of Contract for Related Position.* Exchange of Contract for Related Position transactions, as set forth in Rule 414, may be entered into with respect to S&P 500 Variance futures contracts. Any Exchange of Contract for Related Position transaction must satisfy the requirements of Rule 414 and must be for a minimum ~~order~~Order size of 1,000 vega notional.

The minimum price increment for an Exchange of Contract for Related Position involving the S&P 500 Variance futures contract is 0.01 volatility index points.

Exchange of Contract for Related Position transactions in S&P 500 Variance future stub positions are not permitted.

(k) *Block Trades.* Pursuant to Rule 415(a)(i), the minimum Block Trade quantity for the S&P 500 Variance futures contract is a contract amount equaling 50,000 vega notional if there is only one leg involved in the trade. If the Block Trade is executed as a spread ~~order, one leg must meet the minimum Block Trade quantity for the S&P 500 Variance futures contract and the other leg(s) must have a contract size that is reasonably related to the leg meeting the minimum Block Trade quantity.~~transaction that is not a strip, one leg of the spread is required to have a contract amount with a minimum size of 50,000 vega notional and the other leg of the spread is required to have a contract amount with a minimum size of 25,000 vega notional. A Block Trade may not be executed in S&P 500 Variance futures as a strip.

The minimum price increment for a Block Trade in the S&P 500 Variance futures contract is 0.01 volatility index points.

Block Trades in S&P 500 Variance future stub positions are not permitted.

(l) *No-Bust Range.* Pursuant to Rule 416 the Exchange error trade policy may only be invoked for: (i) a trade price that is greater than 10% on either side of the market price, quoted in volatility points, of the applicable S&P 500 Variance futures contract (referred to as trade price errors), and (ii) an error ~~as to~~in the value calculation of the ~~calculated realized variance, the value of the discount factor, or the value of the daily~~

~~interest rate that results in an incorrect converted futures number of variance units or the futures converted contract price for the trade (referred to as a standard formula input error/error).~~

In accordance with Policy and Procedure III, for trade price errors, the ~~Help~~Trade Desk will determine what the true market price for the relevant Contract was immediately before the potential error trade occurred. For stub and non-stub positions in S&P 500 Variance futures, the “true market price” will be determined by reference to non-stub positions in S&P Variance futures and not by reference to S&P 500 Variance stub positions. In making that determination, the ~~Help~~Trade Desk may consider all relevant factors, including the last trade price for such Contract, a better bid or offer price, a more recent price in a different contract month and the prices of related contracts trading on the Exchange and other markets.

In accordance with Policy and Procedure III, ~~for standard formula input errors;~~ (i) the determination of whether a standard formula input error occurred is solely within the Trade Desk’s discretion and (ii) the busting or adjustment of a trade by the Trade Desk due to a standard formula input error may only occur on the same calendar or Business Day that the trade occurred.

(m) *Pre-execution Discussions.* The Order Exposure Period under Policy and Procedure IV before an Order may be entered to take the other side of another Order with respect to which there has been pre-execution discussions is five seconds after the first Order was entered into the ~~CBOE~~CFE System.

(n) *Reportable Position and Trading Volume.*

(i) *Reportable Position.* Pursuant to Commission Regulation §15.03 and Commission Regulation Part 17, the position level that is required to be reported to the Commission is any open position in S&P 500 Variance futures contracts at the close of trading on any trading day equal to or in excess of 25 variance units on either side of the market.

(ii) *Reportable Trading Volume.* Pursuant to Commission Regulation §15.04 and Commission Regulation Part 17, the reportable trading volume that triggers the requirement to report a volume threshold account to the Commission is 50 or more S&P 500 Variance futures contracts during a single trading day or such other reportable trading volume threshold as may be designated by the Commission.

(o) *Threshold Widths.* For purposes of ~~Policy and Procedure I and Policy and Procedure II, the Threshold Widths for the~~Rule 513A(e) and Rule 513A(f), 10% is the percentage used to determine the percentage of the mid-point between the highest bid and lowest offer in an S&P 500 Variance futures contract for purposes of calculating the Threshold Width in that S&P 500 Variance futures contract are as follows:

<b>Price Range in Volatility Points</b>	<b>Threshold Width</b>
0—15.00	5.00
15.01—25.00	7.50
25.01—40.00	10.00
40.01—100.00	20.00
100.01+	50.00

~~The price range referenced above is determined using the bid price.~~ The minimum size of bids and offers that establish a Threshold Width is a contract amount equal to 1,000 vega notional.

Whether a Threshold Width exists with respect to S&P 500 Variance future stub positions is determined separately based upon the prevailing Orders ~~and quotes~~ for those positions. There is no minimum size of bids and offers needed to establish a Threshold Width in S&P 500 Variance future stub positions.

(p) Daily Settlement Price. The daily settlement price for an S&P 500 Variance futures Contract will be calculated in the following manner for each Business Day:

(i) If both the last best bid and the last best offer for the S&P 500 Variance futures Contract during the applicable Business Day do not have a value of zero, the daily settlement price for the S&P 500 Variance futures Contract will be the average of the last best bid and last best offer converted from volatility points to an adjusted futures price.

(ii) If either the last best bid or last best offer for the S&P 500 Variance futures Contract has a value of zero, the daily settlement price for the S&P 500 Variance futures Contract will be the average of the most recent two-sided market in the VA futures Contract without a bid or an offer with a value of zero during the applicable Business Day converted from volatility points to an adjusted futures price.

(iii) If there is no two-sided market in the S&P 500 Variance futures Contract during the applicable Business Day prior to the close of trading hours on that Business Day with both a bid and an offer that do not have a value of zero, the daily settlement price for the S&P 500 Variance futures Contract will be the daily settlement price of the S&P 500 Variance futures Contract with the nearest expiration date in calendar days to the expiration date of the S&P 500 Variance futures Contract for which the daily settlement price is being determined. If there is an S&P 500 Variance futures Contract with an earlier expiration date and an S&P 500 Variance futures Contract with a later expiration date that each meet this criterion, the daily settlement price of the S&P 500 Variance futures Contract with the earlier expiration date will be utilized.

(iv) The daily settlement price may go out to four decimal places and may be a price that is not at a minimum increment for the S&P 500 Variance futures Contract.

~~(v) (p) Daily Settlement Price.~~ ~~The daily settlement price for each S&P 500 Variance futures contract will be the average of the last bid and last offer for the S&P 500 Variance futures contract during the applicable business day prior to the close of trading on that business day converted from volatility points to an adjusted futures price.~~ ~~The daily settlement price may go out to four decimal places and may be a price that is not at a minimum increment for the S&P 500 Variance futures contract.~~ ~~The Exchange may in its sole discretion establish a daily settlement price for an S&P 500 Variance futures contract~~ Contract that it deems to be a fair and reasonable reflection of the market

if ~~(i) there is no bid or offer in the contract during the applicable business day;~~  
~~(ii);~~

(A) the Exchange determines in its sole discretion that the daily settlement price determined by the ~~average of the last bid and last offer in the contract~~ parameters set forth in paragraphs (p)(i) - (p)(iii) above is not a fair and reasonable reflection of the market; or ~~(iii)~~

(B) there is a trading halt in the ~~contract or other unusual circumstance at the scheduled close of trading~~ S&P 500 Variance futures Contract ~~contract or other unusual circumstance at the scheduled close of trading hours for the S&P 500 Variance futures Contract on the applicable Business Day.~~

(q) *Trade at Settlement Transactions.* Trade at Settlement (“TAS”) transactions are not permitted in S&P 500 Variance futures.

~~(r) — *Price Reasonability Checks.* Pursuant to and as further described in Rule 513A(b), the CBOE System shall in a manner determined by the Exchange reject (i) any buy order with a limit price in an S&P 500 Variance futures contract if the limit price upon receipt of the order by the CBOE System is more than a designated amount above the prevailing best offer in that contract and (ii) any sell order with a limit price in an S&P 500 Variance futures contract if the limit price upon receipt of the order by the CBOE System is more than a designated amount below the prevailing best bid in that contract. The designated amounts for the price reasonability checks referenced in the preceding sentence are as follows:~~ *Price Reasonability Checks.* The Limit Order price reasonability percentage parameters designated by the Exchange for S&P 500 Variance futures pursuant to Rule 513A(d) and the Market Order price reasonability percentage parameters designated by the Exchange for S&P 500 Variance futures pursuant to Rule 513A(e) shall each be 10%

<b>Price Range</b>	<b>Designated Amount</b>
<del>0—15.00</del>	<del>1.50</del>
<del>15.01—25.00</del>	<del>2.50</del>
<del>25.01—35.00</del>	<del>3.50</del>
<del>35.01—50.00</del>	<del>5.00</del>
<del>50.01+</del>	<del>7.50</del>

The prevailing best offer and prevailing best bid are calculated separately for S&P 500 Variance future stub positions based upon the prevailing Orders ~~and quotes~~ for those positions.

(s) *Trading S&P 500 Variance Future Stub Positions.* A stub position in the S&P 500 Variance futures contract is a position that when converted from variance units (number of contracts) to vega notional is equal to an amount that is less than 1 notional equivalent of 1,000 vega notional.

Except to the extent modified by this paragraph (~~†~~), the provisions of the other paragraphs of this Rule shall continue to be applicable in relation to trading in S&P 500 Variance future stub positions.

The sizes of ~~quotes~~, Orders and trades in S&P 500 Variance future stub positions are expressed and displayed ~~in volatility index points and~~ variance units (number of contracts). Upon receipt of an Order for an S&P 500 Variance stub position, the Exchange will convert the number of variance units (number of contracts) to vega notional and if that amount exceeds 1 notional equivalent of 1,000 vega notional, the Order will be automatically rejected. ~~Quotes for S&P 500 Variance future stub positions that convert to more than 1 notional equivalent of 1,000 vega notional are permitted or canceled back to the sender.~~

~~Orders and quotes~~ for S&P 500 Variance future stub positions will only interact with other ~~Orders and quotes~~ for S&P 500 Variance future stub positions and will not interact with non-stub positions in the S&P 500 Variance futures contract.

Spread ~~Good-'til-Canceled Orders, Good-'til-Date Orders and spread~~ trades are not permitted in S&P 500 Variance future stub positions ~~are not permitted~~.

Market Orders for S&P 500 Variance future stub positions will not be accepted by the Exchange outside of trading hours for the S&P 500 Variance futures contract. Any Market Orders for S&P 500 Variance future stub positions received by the Exchange outside of trading hours for the S&P 500 Variance futures contract will be automatically rejected or canceled back to the sender.

\* \* \* \* \*

#### **2304. DPM Provisions**

(a) *DPM Appointment.* A Trading Privilege Holder will be appointed to act as a DPM for S&P 500 Variance futures contracts pursuant to Rule 515.

(b) *DPM Participation Right.* ~~The~~ There is no DPM participation right percentage under Rule 406(b)(iii) for the S&P 500 Variance futures ~~contracts is 30% and shall only be applicable with respect to DPM quotes and not with respect to proprietary Orders of the DPM contract.~~

\* \* \* \* \*





**EXHIBIT B**

**Changes to  
Cboe Futures Exchange, LLC  
Policies and Procedures**

(Additions are shown in **double-underlined** text and deletions are shown in **stricken** text)

\* \* \* \* \*

**Cover Page**

**Cboe Futures Exchange, LLC**

**Policies and Procedures Section of Rulebook**

\* \* \* \* \*

**I. ~~Market Order Processing~~ L. RESERVED**

~~(a) — If a Threshold Width (as defined below) exists for a particular Contract, then the CBOE System will match any Market Order against resting Orders and quotes for such Contract at the best price then available, followed by Orders and quotes at the next best price, until such Market Order is fully executed or a Threshold Width no longer exists, whichever occurs first.~~

~~(b) — (i) — If a Threshold Width does not exist for a particular Contract (including if any portion of a Market Order is not executed because a Threshold Width for such Contract no longer exists), then the CBOE System will hold any Market Order (or such portion) for such Contract in queue and send a request for quote (“RFQ”) to liquidity providers then providing quotes for such Contract.~~

~~(ii) — Any RFQ sent pursuant to clause (i) above will include the Contract quantity of the Market Order to which it relates, but will not specify whether such Order is a buy or sell Order. Any and all quotes received in response to such RFQ will first be held in queue, and will then be executed against the Market Order to which they relate, in accordance with the following principles:~~

~~(A) — If, at any time during the RFQ response time (which the Exchange has specified as thirty seconds), the spread between the best available bid and offer for the relevant Contract narrows to or within the Threshold Width for such Contract, then the CBOE System will execute such Market Order against the quote or quotes entered in response to the RFQ and any other resting Orders, until such Market Order is fully executed or a Threshold Width no longer exists, whichever occurs first. If any portion of the Market Order is not executed because a Threshold Width no longer exists, then~~

~~the CBOE System will hold such portion in queue again and send another RFQ to the liquidity providers then providing quotes for such Contract~~

~~(B) (1) If the CBOE System receives a Limit Order on the same side of the market as such Market Order, such Limit Order could otherwise be executed against the best bid or offer then available and at least one quote within the Threshold Width for the relevant Contract has been received in response to such RFQ, then the CBOE System will execute such Market Order against such best bid or offer. If no such quote has been received, then the CBOE System will execute such Limit Order ahead of such Market Order.~~

~~(2) — If one or more quotes received in response to such RFQ could be executed against such Market Order as well as against one or more Limit Orders that are already resting in the CBOE System at a particular price, then:~~

~~(x) — If the aggregate quantity of Contracts to which such quotes relate is equal to or greater than the aggregate quantity of such Market Order and Limit Orders, then all such Orders will be executed at the price of such Limit Orders.~~

~~(y) — If the aggregate quantity of Contracts to which such quotes relate is smaller than the aggregate quantity of such Market Order and Limit Orders, then such Market Order will be executed ahead of such Limit Orders, at a price that differs from the price of such Limit Orders by the minimum price fluctuation for the relevant Contract.~~

~~(C) — If fifty percent of the liquidity providers then providing quotes for the relevant Contract have responded to such RFQ with quotes within the Threshold Width for such Contract, or the RFQ response time has expired and at least one quote within such Threshold Width has been received, whichever occurs first, then the CBOE System will execute such Market Order against Orders resting in the CBOE System. For purposes of the percentage requirement set forth in the immediately preceding sentence, a quote received in response to an RFQ will count even if it is executed against an Order resting in the CBOE System before all quotes counting towards such percentage requirement have been received. If a portion of the Market Order is not executed because a Threshold Width no longer exists, then the CBOE System will hold such portion in queue again and send another RFQ to the liquidity providers then providing quotes for such Contract.~~

~~(iii) — If a Market Order can be executed in accordance with the principles set forth in clause (ii) above and there are one or more Market Orders on the opposite side of the market, the CBOE System will execute~~

~~such Orders at a price equal to the average of the prices of the best available bid and offer, provided such average price is a Threshold Width price.~~

~~(iv) For purposes of this clause (iii), “Threshold Width price” means a price within the Threshold Width.~~

~~(iv) — If no quotes within the Threshold Width for the relevant Contract are received in response to an RFQ prior to the expiration of the RFQ response time and a Threshold Width does not exist, then the CBOE System will continue to hold the Market Order in queue and repeat the RFQ cycle.~~

~~(v) — If a Market Order is held in queue in accordance with this paragraph (b), subsequent Market Orders on the same side of the market for the same Contract are queued as well, to ensure that all such Market Orders are processed in time sequence.~~

~~(vi) — If trading in any Contract is halted while a Market Order for such Contract is held in queue in accordance with this paragraph (b), the CBOE System will hold such Order until, and execute it at, the next opening of trading in the relevant Contract; *provided* that any Day Order will be automatically purged if such opening does not occur on the same trading day.~~

~~(c) — The term “Threshold Width” means, with respect to a particular Contract, a bid and offer for a minimum size set forth in the rules governing such Contract and within the maximum width set forth in such rules. A Threshold Width is measured as the range between the highest bid and lowest offer starting at the highest bid and going up to the lowest offer. If this range is less than or equal to the Threshold Width amount, a Threshold Width is deemed to exist and not exceeded. If there is no bid, the bid is deemed to be zero for purposes of measuring the Threshold Width. If there is no offer, a Threshold Width is deemed not to exist and is deemed to be exceeded. If the order book is crossed (the highest bid is higher than the lowest offer) or locked (the highest bid equals the lowest offer), a Threshold Width is deemed to exist and not exceeded.~~

~~(d) — This Policy and Procedure does not apply to spreads, to Trade at Settlement transactions or during the opening or re-opening process for a Contract pursuant to Rule 405B.~~

## ~~H. Spread Order Processing IL RESERVED~~

~~(a) The CBOE System will support the following types of Spread Orders: two legged spreads where the ratio of the number of Contracts in one leg to the number of Contracts in the other leg is 1:1 and 1:2; three legged spreads where the ratio is 1:1:1 or 1:2:1; four legged spreads where the ratio is 1:1:1:1; and any other spread type from time to time approved by the Exchange.~~

~~(b) A Spread Order may only include Contracts for the same Exchange product and may not include Contracts for different Exchange products.~~

~~(c) The CBOE System will treat each Spread Order as a unique product for all purposes and will assign each a unique product identifier.~~

~~(d) Spread Orders may not be submitted as Market Orders or with any of the contingencies set forth in Rule 404(h), except as an Immediate or Cancel Order.~~

~~(e) A spread moves into an open state for trading when the process to determine the opening price and opening trade(s), if any, for each leg of the spread is completed under Rule 405B, subject to the following exception. If the width of the prevailing market for any leg of a spread exceeds the applicable Threshold Width, the spread will not open for trading until such time that the width of the prevailing market for all legs of the spread do not exceed the applicable Threshold Width.~~

~~(f) A Spread Order will be fully or partially executed against individual Orders or quotes in the legs of the spread that are residing in the CBOE System as long as (i) the Spread Order can be executed in full (or partially executed while maintaining the ratio of the Spread Order for the unexecuted portion) against the individual leg Orders and quotes residing in the CBOE System and (ii) the width of the prevailing market for each leg of the spread does not exceed the applicable Threshold Width for the relevant Contract.~~

~~(g) A Spread Order will be fully or partially executed against an opposite side spread order that is residing in the CBOE System as long as (i) the Spread Order is not able, or is no longer able, to execute against individual leg Orders and quotes residing in the CBOE System pursuant to paragraph (d) above and (ii) the width of the prevailing market for each leg of the spread does not exceed the applicable Threshold Width for the relevant Contract.~~

~~(h) Once a Spread Order is executed, the CBOE System will:~~

~~(i) Disseminate to the Trading Privilege Holder or Authorized Trader that placed such Spread Order a fill report for the spread in its entirety and the individual legs;~~

~~(ii) Submit the transaction to clearing as separate trades in the individual legs of the spread; and~~

~~(iii) Disseminate last sale reports for the individual legs, with an indication that the last sale is part of a spread trade, to any information processor then employed by the Exchange.~~

~~(i) The provisions of this Policy and Procedure II shall only apply to TAS transactions to the extent set forth in Rule 404A(e).~~

### **III. Resolution of Error Trades (Rule 416)**

#### **A. *General Policy***

##### *1. Invoking Error Trade Policy*

Any request by a Trading Privilege Holder to invoke the error trade policy with respect to any trade must be made to the ~~help desk~~Trade Desk as soon as possible in a form and manner prescribed by the Exchange. Additionally, an employee of the Exchange can bring a potential error trade to the ~~help desk~~Trade Desk's attention.

The ~~help desk~~Trade Desk may provide assistance only to Trading Privilege Holders. In all cases, if a potential error trade is not brought to the ~~help desk~~Trade Desk's attention within eight minutes after the relevant trade occurred, such trade will stand, except as provided in Part B below.

2. Procedure Followed by Help Desk*Notice that Trade Under Review*

When a potential error trade is brought to the ~~help desk~~Trade Desk's attention, the ~~help desk~~Trade Desk will disseminate a notice to the parties to the trade that the trade is under review.

3. Procedure Followed by Trade Desk

The Trade Desk will determine for any potential error trade that is brought to the Trade Desk's attention whether the trade price is in the "no bust range" for the relevant Contract, as set forth in the Rules governing such Contract. With respect to trades involving a Spread Order, the ~~help desk~~Trade Desk may also consider the theoretical net price of the Spread Order and apply the "no bust range" in relation to that theoretical net price (such that if the net trade price of the Spread Order was inside (outside) that "no bust range", all of the trades involving the Spread Order would be treated as inside (outside) the "no bust range"). In making a determination regarding the theoretical net price of a Spread Order, the ~~help desk~~Trade Desk may consider all relevant factors, including the net of the true market prices of the Contracts that comprise the individual legs of the Spread Order (each determined in the manner described above) and the net price of other Spread Orders of the same type.

In determining whether the trade price is within the "no bust range," the ~~help desk~~Trade Desk will determine what the true market price for the relevant Contract was immediately before the potential error trade occurred. In making such determination, the ~~help desk~~Trade Desk may consider all relevant factors, including the last trade price for such Contract, a better bid or offer price, a more recent price in a different contract month or series and the prices of related contracts trading on the Exchange or other markets.

~~3.4.~~ Trade Price Inside "No Bust Range"

If the ~~help desk~~Trade Desk determines that the trade price of a potential error trade was inside the "no bust range" for the relevant Contract, such trade will stand and no further action will be taken. No such trade can be busted by agreement of the parties to such trade.

~~4.5.~~ Trade Price Outside "No Bust Range"

If the ~~help desk~~Trade Desk determines that the trade price of a potential error trade was outside the "no bust range" for the relevant Contract, ~~it will send an alert to all CBOE Workstations that are able to receive text messages for such Contract from the CBOE System, indicating that such trade may be an error trade. The help desk will also attempt to contact all parties to such trade. If all parties to a trade agree to bust such trade within 10 minutes from the time that the error trade alert message was sent, then such trade will be busted. If any party to such trade cannot be contacted or~~

~~does not agree to bust such trade, Exchange staff~~ the Trade Desk will review the circumstances surrounding such trade to determine whether such trade should be busted. The factors that may be considered by ~~Exchange staff~~ Trade Desk in this connection include: the market conditions immediately before and after such trade occurred; the volatility of the market; the prices of related instruments in other markets; whether one or more parties to such trade believe that such trade was made at a valid price; and any other factors that ~~Exchange staff~~ the Trade Desk may deem relevant. ~~Exchange staff~~ The Trade Desk shall make its decision as promptly as practicable. Such decision shall be final.

If a trade is busted, ~~either by agreement of the parties thereto or by Exchange staff,~~ the help desk the Trade Desk will cancel such trade. ~~The error trade price and any invalid price quotes due to an error trade that is busted will be removed from the Exchange's official record of time and sales.~~

If a trade is not busted, the parties thereto cannot reverse such trade, except as provided in Part B below. The parties to any such trade may also not "trade out" of such trade by entering into a pre-arranged offsetting transaction; *provided* that the parties may engage in pre-execution discussions with each other in accordance with procedures established by the Exchange from time to time.

5. ~~Contingency Orders Triggered by Error Trade~~

~~If an error trade is busted, either by agreement of the parties thereto or by Exchange staff, the help desk will also (a) bust all trades that were triggered as a result of contingency Orders being triggered by such trade and (b) cancel all bids and offers that were entered into the CBOE System as a result of contingency Orders being triggered by such trade. The help desk will notify the Trading Privilege Holders responsible for the trades so busted and the bids or offers so cancelled so that the original Orders can be re-entered into the CBOE System.~~

6. *Notice of Final Action*

As soon as a decision regarding a potential error trade has been made, the ~~help desk~~ Trade Desk will disseminate a notice to the parties to the trade, indicating whether such trade is busted or stands. ~~In the case of a busted trade, the help desk will attempt to facilitate a resolution by re-establishing Orders and their respective priorities in the CBOE System.~~

**B. *Policy When Error Trade Not Brought to ~~Help~~Trade Desk's Attention Within Time Limit***

This Part B applies only to any error trade that cannot be busted under Part A above because it was not brought to the ~~help desk~~ Trade Desk's attention within the eight-minute time limit specified therein. The procedures described in this Part B cannot be used if the trade price of the error trade in question was within the "no bust range" for the relevant Contract at the relevant time.

1. *Both Parties Agree to Transfer Position*

If both parties to an error trade agree, they may transfer the position resulting from such trade between each other. Any such transfer must be made at the original trade

price and for the same quantity as the original trade. The parties may also, but are not required to, provide for a cash adjustment to compensate one side of such error trade. Any such transfer must be reported to the Exchange in ~~the~~ a form and manner ~~from time to time~~ prescribed by the Exchange.

## 2. *Arbitration of Disputes*

If the parties to an error trade do not agree to transfer the position resulting from such trade, then the party causing such trade may file an arbitration claim against the Trading Privilege Holder representing the other side. ~~Written notice of in accordance with the arbitration rules incorporated by reference into Chapter 8. Any such arbitration claim must be given to the Exchange filed~~ not later than by the close of business on the Business Day immediately succeeding the day on which such error trade occurred. Any such arbitration claim will be dismissed if the owner of the account on the other side of the error trade is not a Trading Privilege Holder or any Person otherwise subject to the Exchange's jurisdiction of the arbitration. If not dismissed, arbitration proceedings will be conducted in accordance with the arbitration rules incorporated by reference into Chapter 8. In deciding the claim, consideration will be given to, among other factors, the reasonableness of the actions taken by each party and what action (*e.g.*, laying off the position in another market) the party on the other side of the error trade took before being notified that such trade was being questioned. The maximum amount that can be recovered in any such arbitration proceedings is the difference between the error trade price and the true market price for the relevant Contract immediately before such error trade occurred, as determined on the basis of the factors listed in Part A above.

## C. *Voluntary Adjustment of Trade Price*

When an error trade outside of the “no bust range” for the relevant Contract is busted in accordance with Part A above, the parties to such trade may agree voluntarily to keep such trade but to adjust its price, provided all of the following conditions are met:

1. The quantity of the position being transferred must be identical to the quantity of the error trade that was busted.
2. In the case of an error trade below the true market price for the relevant Contract, the adjusted price must be the lowest price at which such Contract traded at or about the time of the error trade without such trades being busted. In the case of an error trade above the true market price for the relevant Contract, the adjusted price must be the highest price at which such Contract traded at or about the time of the error trade without such trades being busted.
3. The parties to any adjusted trade must report such trade to the Clearing Corporation not later than by the close of business on the Business Day immediately succeeding the day on which such error trade occurred. Any such adjusted trade must also be reported to the Exchange ~~on~~ in a form approved and manner prescribed by the Exchange.



#### **D. *Schedule of Administrative Fees***

~~When an error trade is taken to Exchange staff and busted pursuant to Part A above, the party responsible for the error shall pay any applicable administrative fee to the Exchange in accordance with the fee schedule published by the Exchange from time to time.~~

~~When a party responsible for an error trade is able to have the resulting position transferred pursuant to Part B.1 above, or brings an arbitration claim pursuant to Part B.2 above, such party shall pay any applicable administrative fee to the Exchange, in addition to any applicable arbitration fees, in accordance with the fee schedule published by the Exchange from time to time.~~

#### **~~E. *Busting Trades After System Freeze*~~**

~~In the case of certain types of CBOE System failures, it is possible that the matching engine will “freeze” with live Orders in the queue waiting to be matched. When the CBOE System is “unfrozen”, the pending Orders can be matched before the help desk can halt the matching engine. The help desk is authorized to bust any trade resulting from matches in these circumstances if, and only if, the price of such trade is outside of the “no bust range” for the relevant Contract at the time that a confirmation of such trade was sent.~~

#### **~~F. *Busting Trades When Trading Privilege Holder is on Both Sides of the Trade*~~**

~~Notwithstanding any other provision of this policy, the help desk~~Trade Desk~~ is authorized to bust any trade regardless of the price range in which the trade occurs if (i) the trade resulted from the matching of a Trading Privilege Holder’s ~~bid, offer, or Order~~ for the Trading Privilege Holder’s own account with another ~~bid or offer of that Trading Privilege Holder or another Order~~ for that Trading Privilege Holder’s own account and (ii) the Trading Privilege Holder brings the relevant trade to the help desk~~Trade Desk’s attention within eight minutes after the relevant trade occurred in a form and manner prescribed by the Exchange. Notwithstanding the application of the preceding sentence, Trading Privilege Holders remain obligated to comply with the Rules of the Exchange, including without limitation, Rule 616 (Wash Trades).~~~~

#### **~~E.G. *Busting Trades That Occur After a Regulatory Halt is Instituted*~~**

~~As provided by Rule 417, trades in a Single Stock Future or in a Narrow-Based Stock Index Future made after the time an underlying regulatory halt is instituted and before trading has been resumed in the affected Security Future Contract are subject to cancellation or “bust” by the help desk~~Trade Desk~~.~~

#### **~~F.H. *Busting or Adjusting Trades in the S&P 500 Variance Futures Contract*~~**

~~In its sole discretion, the Help~~Trade~~ Desk is authorized to bust or adjust a trade in the S&P 500 Variance futures contract if it determines that there has been an error as to in the value calculation of the ~~calculated realized~~number of variance, the value of the discount factor, or the value of the daily interest rate has resulted in an incorrect units or the futures converted contract price for the trade (referred to as a standard formula input error). The determination as to whether a standard formula input error occurred is solely within the Help~~Trade~~ Desk’s discretion. The busting or adjustment of a trade by the Help~~Trade~~ Desk due to a standard formula input error ~~must~~may only occur on the same day~~calendar or Business Day~~ that the trade occurred.~~

***G.I. Busting or Adjusting Block Trades and the Contract Leg of Exchange of Contract for Related Position Transactions Posted by Mistake***

~~The help desk is authorized to bust or adjust any~~In the event that it is necessary for the Trade Desk to assist an Authorized Reporter by submitting information relating to a Block Trade or Contract leg of an Exchange of Contract for Related Position transaction posted by the help desk if to the CFE System on behalf of the Authorized Reporter, the Trade Desk is authorized to bust or adjust that Block Trade or the Contract leg of that Exchange of Contract for Related Position transaction if both (i) there is a mistake or inaccuracy in the manner in which the help desk posted the Block Trade or Contract Leg and an Authorized Reporter for or party to the transaction notifies the help desk of the mistake or error in accordance with Rule 414(j) or Rule 415(i), as applicable, within thirty minutes from the time the help desk transmits the transaction summary for the transaction to the Authorized Reporters for the transaction.~~The help desk is authorized to bust or adjust any Block Trade or Contract leg of an Exchange of Contract for Related Position transaction that is electronically reported to the CBOE System if all of the following three conditions are satisfied: (i) there was a mistake or inaccuracy in the electronic submission of that transaction to the CBOE System or in the content of the transaction summary;~~Trade Desk inputted the information into the CFE System and (ii) an Authorized Reporter for or party to the transaction notifies the help deskTrade Desk of the mistake or error in accordance with Rule 414(o) or Rule 415(n), as applicable, within thirty minutes of the time the CBOE System transmits the transaction summary to the Authorized Reporters for the transaction; and (iii) an Authorized Reporter or party on both sides of the transaction agree upon the inaccuracy in the electronic submission or content of the transaction summary and the corrections to the inaccurate informationa form and manner prescribed by the Exchange within thirty minutes from the time the transaction is reported in Exchange Market Data.

***H.J. Busting or Adjusting Trades Not Correctly Processed Due to System Malfunction***

~~The help desk~~Trade Desk is authorized to bust or adjust any trade that is not correctly processed by the ~~CBOE~~CFE System due to a system malfunction.

***K. VX Futures Trades During Extended Trading Hours that Occur After Triggering Event and Before Resulting Trading Halt***

~~Any trades in VX futures during VX futures extended trading hours that occur after the triggering event for the initiation of a trading halt under Rule 1202(i)(iii) or Rule 1202(i)(iv) (as a result of a 5 or 8 index point movement in the VX futures front contract month or a price limit in the E mini S&P 500 future traded on the Chicago Mercantile Exchange) and before a trading halt in VX futures can be initiated on the Exchange pursuant to Rule 1202(i)(iii) or Rule 1202(i)(iv) as a result of the triggering event will not be busted by the Help Desk by reason of the fact that they occurred during that time frame. The other provisions of this policy shall continue to be applicable with respect to those trades.~~

***L.E. Busting or Adjusting Trades to Mitigate Market Disrupting Events***

~~The help desk~~Trade Desk, in consultation with the ~~President or a Managing Director~~an Exchange officer, is authorized to bust or adjust any trade (i) when necessary to mitigate market disrupting events caused by malfunctions in the CBOE~~CFE~~ System or errors in orders or quotesOrders submitted by Trading Privilege Holders and market participants or (ii) if the Trade Desk believes that allowing the trade to stand as executed could have a material adverse effect on the integrity of the market.

**J.M. *Busting Trades Rejected by the Clearing Corporation***

The ~~help desk~~Trade Desk is authorized to bust any trade that is not accepted for clearing by the Clearing Corporation.

**K. *Busting Leg Components of Block Trade and Exchange of Contract for Related Position Spread Transactions***

Upon the request of one of the parties to the transaction, the Trade Desk is authorized to bust the Contract leg components of a Block Trade or Exchange of Contract for Related position transaction that are part of a spread or strip if the submission of one of the Contract leg components of the transaction is rejected by the CFE System because it would cause a net long (short) risk control pursuant to Rule 513A(c) to be exceeded.

**L.N. *Notice of Trade Busts and Adjustments***

The ~~help desk~~Exchange shall disseminate notice of any bust ~~or of a trade pursuant to this Policy and Procedure III through Exchange Market Data.~~ The Exchange shall provide notice of any adjustment of a trade pursuant to this Policy and Procedure III to the parties to that trade.

**OM. *Cancellation of Orders ~~and Quotes~~ Due to System Malfunction***

The ~~help desk~~Trade Desk is authorized to cancel ~~orders or quotes~~Orders as it deems necessary to maintain a fair and orderly ~~markets~~market if a technical or systems issue or malfunction occurs with the ~~CBOE~~CFE System. The ~~help desk~~Trade Desk shall disseminate notice to impacted Trading Privilege Holders of any cancellation of ~~orders or quotes~~Orders pursuant to this Part ~~NO~~.

**IV. *Pre-Execution Discussions (Rule 613)***

Any Trading Privilege Holder or Authorized Trader may engage in pre-execution discussions with respect to any Contract, in accordance with the principles set forth below, with any other Trading Privilege Holder or Authorized Trader, in order to discuss the possible execution of an Order for such Contract with one or more potential counterparties and thereby obtain some assurance that there will be a counterparty ready and willing to take the other side of such Order.

It is permissible for any Trading Privilege Holder or Authorized Trader, prior to entering any Order into the ~~CBOE~~CFE System, to agree with another Trading Privilege Holder or Authorized Trader that such other Person will take the other side of such Order after waiting a designated period of time after such Order is entered into the ~~CBOE~~CFE System by the first Person (“Order Exposure Period”); provided that if one of the Orders is a Customer Order and the other Order is not a Customer Order, the Customer Order must be entered first.

The Order Exposure Period shall be prescribed by the rules governing the relevant Contract.

If an Order is placed by a Trading Privilege Holder on behalf of a Customer in accordance with the foregoing paragraphs, such Customer must consent in advance to such Trading Privilege Holder engaging in pre-execution discussions with respect to such Order and the Trading Privilege Holder shall exercise due diligence in the handling and execution of the Order in accordance with Rule 512. Proceeding in this manner does not violate Rule 613 because advance consent is obtained from the Customer and is consistent with ensuring that

the CBOE CFE System remains an open and competitive trading system because the Order is exposed to other market participants. For purposes of this policy, pre-execution discussions shall not be deemed to include discussions between a Trading Privilege Holder or Authorized Trader and the Customer that placed the Order with such Trading Privilege Holder or Authorized Trader.

**V. Emergency and Physical Emergency Delegations and Procedures (Rules 135 and Rule 418)**

**A. *Specific Emergency and Physical Emergency Delegations***

*1. Emergency Delegations*

~~Rule 135~~Chapter 1 defines the term “Emergency” and provides a non-exclusive list of circumstances that may constitute an Emergency.

Rule 418(a) grants the President or any individual designated by the President the authority to determine on behalf of the Board the existence of an Emergency and the authority to take actions in response to an Emergency, including all of the actions listed below. The President or the President’s designee may also order the removal of any restriction previously imposed based upon a determination that the Emergency no longer exists or has sufficiently abated to permit the function of the Exchange to continue in an orderly manner.

Pursuant to Rule 418(a), the following individuals in addition to the President are authorized as designees of the President to determine the existence of an Emergency and to take the actions specified in the delegations below in response to an Emergency. These additional individuals may also order the removal of any restriction that the applicable individual has been delegated the authority to impose based upon a determination by the applicable individual that the Emergency no longer exists or has sufficiently abated to permit the function of the Exchange to continue in an orderly manner.

The Senior Person in Charge of the Trade Desk refers to the individual in charge of the Trade Desk at the applicable time.

<b>Rule</b>	<b>Emergency Actions</b>	<b>Emergency Delegations</b>
<u>414(n)</u> <u>415(k)</u>	<u>Temporarily modifying a Permissible Agreement Period, Reporting Deadline, Permissible Reporting Period, and/or permissible manner of notification to the Exchange of Exchange of Contract for Related Position transactions or Block Trades for all Trading Privilege Holders</u>	(III) <u>Chief Representative or Vice Officer</u>
417A(a)	Halting trading if there is a Level 1, 2 or 3 Market Decline	• Senior Person in Charge of <del>Help</del> <u>Trade</u> Desk

Rule	Emergency Actions	Emergency Delegations
417A(d)	Resuming trading after the 15-minute halt period following a Level 1 or Level 2 Market Decline	<ul style="list-style-type: none"> <li>Senior Person in Charge of <del>Help</del>Trade Desk</li> </ul>
418(a)(i)	Limiting trading to liquidation only, in whole or in part	<ul style="list-style-type: none"> <li>Managing Director</li> </ul>
418(a)(ii)	Extending or shortening, as applicable, the Expiration Date or expiration duration of any Contract	<ul style="list-style-type: none"> <li>Managing Director</li> </ul>
418(a)(iii)	Extending the time of delivery, changing delivery points or the means of delivery provided in the rules governing any Contract	<ul style="list-style-type: none"> <li>Managing Director</li> </ul>
418(a)(iv)	Imposing or modifying position <del>or price</del> limits or intraday market restrictions with respect to any Contract	<ul style="list-style-type: none"> <li>Managing Director</li> <li><u>Chief Regulatory Officer</u></li> </ul>
<u>1202(i)(i)</u> <u>(H)</u> <u>2102(i)(i)</u> <u>(H)</u> <u>418(a)(iv)</u>	<u>Action necessary to protect market integrity, such as imposing or modifying price limits with respect to any Contract</u>	<ul style="list-style-type: none"> <li><u>Senior Person in Charge of Trade Desk</u></li> </ul>
418(a)(v)	Ordering the liquidation of Contracts, the fixing of a settlement price or any reduction in positions	<ul style="list-style-type: none"> <li>Managing Director</li> </ul>
418(a)(vi)	Ordering the transfer of Contracts, and the money, securities, and property securing such Contracts, held on behalf of Customers by any Trading Privilege Holder to one or more other Trading Privilege Holders willing to assume such Contracts or obligated to do so	<ul style="list-style-type: none"> <li>Managing Director</li> </ul>
418(a)(vii)	Extending, limiting or changing hours of trading	<ul style="list-style-type: none"> <li>Managing Director or</li> <li>Senior Person in Charge of <del>Help</del>Trade Desk</li> </ul>
418(a)(viii)	<del>Declaring a fast market in</del> <u>Temporarily changing the Threshold Width, risk control settings or price reasonability ranges for a Contract</u>	<ul style="list-style-type: none"> <li>Managing Director or</li> <li>Senior Person in Charge of <del>Help</del>Trade Desk</li> </ul>

Rule	Emergency Actions	Emergency Delegations
418(a)(ix)	Temporarily Changing the Threshold Width, Pre Trade Order Size Limit or Price Reasonability Ranges for a Contract	<input type="checkbox"/> <del>Managing Director or</del> <input type="checkbox"/> <del>Senior Person in Charge of Help Desk</del>
418(a)( <del>ix</del> )	Suspending, curtailing, halting or delaying the opening of trading in any or all Contracts	<ul style="list-style-type: none"> <li>• Managing Director or</li> <li>• Senior Person in Charge of <del>Help</del><u>Trade</u> Desk</li> </ul>
418(a)( <del>ix</del> )	Modifying circuit breakers	<ul style="list-style-type: none"> <li>• Managing Director</li> </ul>
418(a)( <del>ix</del> )	Requiring Clearing Members, Trading Privilege Holders or Customers to meet special margin requirements	<ul style="list-style-type: none"> <li>• Managing Director or</li> <li>• Chief Regulatory Officer</li> </ul>
418(a)( <del>ix</del> <u>xi</u> )	Altering any settlement terms or conditions of a Contract	<ul style="list-style-type: none"> <li>• Managing Director</li> </ul>
418(a)( <del>ix</del> <u>xi</u> i)	Suspending any provision of the Rules of the Exchange or the Rules of the Clearing Corporation	<ul style="list-style-type: none"> <li>• Managing Director or</li> <li>• Chief Regulatory Officer</li> </ul>
418(a)( <del>ix</del> <u>xi</u> ii)	Modifying any provisions of the Rules of the Exchange or the Rules of the Clearing Corporation	<ul style="list-style-type: none"> <li>• Managing Director</li> </ul>
418(a)( <del>ix</del> <u>xiv</u> )	Providing for the carrying out of such actions through the Exchange's agreements with a third-party provider of clearing or regulatory services	<ul style="list-style-type: none"> <li>• Managing Director or</li> <li>• Chief Regulatory Officer</li> </ul>
1202(i)(iii)	<del>Halting trading in VX futures during extended trading hours if there is a 5 or 8 index point movement in the VX futures front contract month</del>	<input type="checkbox"/> <del>Senior Person in Charge of Help Desk</del>
1202(i)(iii)	<del>Resuming trading during VX futures extended trading hours following a trading halt due to a 5 or 8 index point movement in the VX futures front contract month</del>	<input type="checkbox"/> <del>Senior Person in Charge of Help Desk</del>
1202(i)(iv)	<del>Halting trading in VX futures during extended trading hours if a price limit is triggered in the E-mini S&amp;P 500 Index futures contract traded on Chicago Mercantile Exchange</del>	<input type="checkbox"/> <del>Senior Person in Charge of Help Desk</del>

<b>Rule</b>	<b>Emergency Actions</b>	<b>Emergency Delegations</b>
1202(i)(iv)	Resuming or commencing trading in VX futures during VX futures extended trading hours following the triggering of a price limit in the E-mini S&P 500 Index futures contract traded on Chicago Mercantile Exchange	<input type="checkbox"/> Senior Person in Charge of Help Desk

## 2. *Physical Emergency Delegations*

Rule 418(b) governs emergencies affecting the physical functions of the Exchange and provides a non-exclusive list of circumstances that may constitute such a “Physical Emergency.”

Rule 418(b) grants the President or any individual designated by the President the authority to determine on behalf of the Board the existence of a Physical Emergency and the authority to take actions in response to a Physical Emergency, including all of the actions listed below. The President or the President’s designee may also order the removal of any restriction previously imposed based upon a determination that the Physical Emergency no longer exists or has sufficiently abated to permit the function of the Exchange to continue in an orderly manner.

Pursuant to Rule 418(b), the following individuals in addition to the President are authorized as designees of the President to determine the existence of a Physical Emergency and to take the actions specified in the delegations below in response to a Physical Emergency. These additional individuals may also order the removal of any restriction that the applicable individual has been delegated the authority to impose based upon a determination by the applicable individual that the Physical Emergency no longer exists or has sufficiently abated to permit the function of the Exchange to continue in an orderly manner.

<b>Rule</b>	<b>Physical Emergency Actions</b>	<b>Physical Emergency Delegations</b>
418(b)	Delaying the opening of trading in one or more Contracts	<ul style="list-style-type: none"> <li>• Managing Director or</li> <li>• Senior Person in Charge of <del>Help</del>Trade Desk</li> </ul>
418(b)	Suspending, curtailing or halting trading in one or more Contracts	<ul style="list-style-type: none"> <li>• Managing Director or</li> <li>• Senior Person in Charge of <del>Help</del>Trade Desk</li> </ul>
418(b)	Extending or shortening trading hours for one or more Contracts	<ul style="list-style-type: none"> <li>• Managing Director</li> </ul>
418(b)	Closing the Exchange	<ul style="list-style-type: none"> <li>• Managing Director</li> </ul>

**B. *Procedures for Exercise of Emergency and Physical Emergency Delegations***

In the event that action is taken by the President or other individual with delegated authority in response to an Emergency or Physical Emergency as provided for in Paragraph A, the Board shall be advised of (1) the circumstances that gave rise to the determination of the Emergency or Physical Emergency, (2) the action taken in response to the Emergency or Physical Emergency, and (3) the outcome of events relating to the Emergency or Physical Emergency. This notification shall be provided to the Board no later than its next meeting and shall be provided sooner to the extent required by Rule 418(c) or if the President or other individual with delegated authority with respect to the action taken determines that it would be advisable to do so under the circumstances.

In determining how soon the foregoing notification should be provided to the Board, the President or other individual with delegated authority with respect to the action taken should consider the significance of the action taken and of any continuing market impact resulting from that action. For example, the ~~declaration of a fast market or the imposition a trading halt of limited duration~~ are ~~is~~ the type ~~of actions~~ action that would not normally be expected to be immediately brought to the Board's attention. Conversely, the ordering of the transfer of Contracts, and the money, securities, and property securing such Contracts, held on behalf of a Customer by a Trading Privilege Holder to another Trading Privilege Holder who assumed such Contracts would normally be expected to be expeditiously brought to the Board's attention.

**VI. Trading Privilege Holder Permit Program**

Any Person that desires to become a Trading Privilege Holder is required to obtain a Trading Privilege Holder permit ("TPH Permit").

Initially, the Exchange will make available 2,500 TPH Permits. The Exchange may subsequently make available additional TPH Permits if the initial supply of 2,500 TPH Permits is exhausted.

TPH Permits may be obtained by any Person that is a trading permit holder of Cboe Options with Cboe Options trading privileges and any other Person that satisfies the requirements set forth in Rule 304(a).

Each Person desiring to obtain a TPH Permit must submit an application to the Exchange in a form and manner prescribed by the Exchange pursuant to Rule 305 and become approved by the Exchange as a Trading Privilege Holder. Each Trading Privilege Holder may permit one or more individuals to act as its Authorized Traders pursuant to Rule 303.

Any organization that desires to become a Clearing Member of the Exchange is required to become a Trading Privilege Holder and to obtain a TPH Permit. Additionally, in order to be an Exchange Clearing Member, an organization is required to be a member of the Clearing Corporation that is authorized under the rules of the Clearing Corporation to clear trades in Contracts traded on the Exchange.

~~CFE issues two different types of TPH Permits. The first type of TPH Permit is the Order Entry Trading Permit that provides an order entry bandwidth allowance, up to three logins to the CBOE System and Each TPH Permit provides a Trading Privilege Holder status. The second type of TPH Permit is the Quoting and Order Entry Trading Permit that provides a~~



~~quoting and order entry bandwidth allowance, up to three logins to the CBOE System and with Trading Privilege Holder status and entitles a Trading Privilege Holder to Trading Privileges on the Exchange. If additional logins and/or bandwidth are required, Trading Privilege Holders must obtain one or more additional TPH Permits, as applicable from the Exchange in a form and manner prescribed by the Exchange.~~

A Pool Manager may obtain a single TPH Permit for the Pool Manager and all of the Pools approved under Rule 305A for which it acts as Pool Manager. If there is more than one Pool Manager for a Pool or Pools, the Pool Managers for the Pool(s) may obtain a single Trading Permit for the Pool Managers and all of the Pools approved under Rule 305A for which they act as Pool Manager. Pool Managers and Pools must have a separate EFID or EFIDs for trading on the Exchange involving each distinct combination of Pool Manager, Pool, and clearing number for that trading.

TPH Permit holders shall have all of the rights and obligations of Trading Privilege Holders under the Rules of the Exchange except to the extent otherwise provided under this Policy and the Rules of the Exchange.

Any recipient of a TPH Permit as permitted by Rule 302 is required to provide the Exchange with the appropriate application materials and to be approved as a Trading Privilege Holder pursuant to Rule ~~304~~305 before the recipient will be permitted to act as a Trading Privilege Holder.

A TPH Permit is non-transferable, non-assignable and may not be sold or leased, except that a Trading Privilege Holder may, with the prior written consent of the Exchange, transfer a TPH Permit to a Trading Privilege Holder organization or organization approved to be a Trading Privilege Holder: (i) which is an Affiliate; or (ii) which continues substantially the same business without regard to the form of the transaction used to achieve such continuation, e.g., merger, sale of substantially all assets, reincorporation, reorganization or the like.

~~The term of each TPH Permit~~All Order Entry Trading Permits and Quoting and Order Entry Trading Permits issued for use prior to the migration of the CFE System to Bats technology shall expire upon the completion of the migration. Each Trading Privilege Holder that has one or more Order Entry Trading Permits and Quoting and Order Entry Trading Permits at the time of the migration shall be issued, in a form and manner prescribed by the Exchange, a single TPH permit for use following the migration. The term of each TPH permit that is issued and for use following the migration and that is outstanding at the end of 2016 shall be automatically extended until December 31, 2017 unless the TPH Permit holder notifies the Exchange in a form and manner and within the time period prescribed by the Exchange that the TPH Permit holder would like to have the TPH permit expire on December 31, 2016. All TPH Permits issued and outstanding during 2017 shall expire on December 31, 2017.2018 shall expire on December 31, 2018. The Exchange may determine to extend the term of these TPH Permits~~permits~~ or allow these TPH Permits~~permits~~ to expire. The Exchange may also replace the TPH Permit program with a different permit program at any time.

The issuance of a TPH permit does not include the issuance of a port or EFID. A Trading Privilege Holder must separately obtain in a form and manner prescribed by the Exchange any ports or EFIDs that the Trading Privilege Holder desires to obtain.

All Exchange fees applicable to TPH Permit holders and all other Exchange fees will be as set forth in a separate Exchange fee schedule.

## VII. Security Futures Market Maker Registration Policy and Procedures

### A. *Security Futures Market Maker Program*

Pursuant to Exchange Rule 514, the Exchange has adopted a market maker program under which one or more Trading Privilege Holders or Authorized Traders may be designated as market makers in respect of one or more Security Futures to provide liquidity and orderliness in the market for such Security Futures. To be designated as an Exchange market maker in Security Futures, a Trading Privilege Holder or Authorized Trader must complete and file with the Exchange a Market Maker Registration Form. By signing the registration form the Trading Privilege Holder or Authorized Trader will confirm that ~~it~~the Person meets and will continue to meet the qualifications to act as market maker in Security Futures in accordance with Exchange Rules. The ~~member~~Trading Privilege Holder or Authorized Trader will be required to identify all Security Futures for which ~~it~~the Person seeks to be designated as a market maker and ~~elect which~~undertake to perform all of the ~~two alternative sets of~~ market maker obligations specified in Exchange Rule 517(n)~~-it intends to undertake~~.

### B. *Market Maker Exclusion from Customer Margin Requirements*

To qualify for the market maker exclusion in Exchange Rule 517(n) for purposes of the Exchange's customer margin rules relating to Security Futures, a ~~person~~Person must:

- (1) be a Trading Privilege Holder or Authorized Trader that is registered with the Exchange as a dealer in Security Futures as defined in Section 3(a)(5) of the Exchange Act;
- (2) be registered as a floor trader or a floor broker under Section 4f(a)(1) of the CEA or as a dealer with the Securities and Exchange Commission ("SEC") under Section 15(b) of the Exchange Act;
- (3) maintain records sufficient to prove compliance with the requirements of Exchange Rule 517(n) and Commission Rule 41.42(c)(2)(v) and SEC Rule 400(c)(2)(v) under the Exchange Act as applicable, including without limitation trading account statements and other financial records sufficient to detail activity; and
- (4) hold itself out as being willing to buy and sell Security Futures for its own account on regular or continuous basis.

In addition, the market maker exclusion provides that any market maker that fails to comply with the rules of the Exchange or the margin rules adopted by the SEC and the Commission shall be subject to disciplinary action in accordance with Chapter 7 of the Exchange's rules, and that appropriate sanctions in the case of any such failure shall include, without limitation, a revocation of such market maker's registration as a dealer in Security Futures.

**C. Market Maker Categories Obligations**

Exchange Rule 517(n) specifies ~~two alternative ways for~~ how a Trading Privilege Holder or Authorized Trader ~~to satisfy~~ satisfies the requirement that a market maker hold itself out as being willing to buy and sell Security Futures for its own account on a regular or continuous basis. Each Trading Privilege Holder or Authorized Trader seeking market maker designation must register ~~for one of the following two~~ as a market maker categories in Security Futures and ~~will undertake to perform all of the following obligations set forth in the elected category:~~

*Category 1.*—~~The market maker will provide Orders that result in continuous two-sided quotations throughout the trading day for all delivery months of Security Futures representing a meaningful proportion of the total trading volume on the Exchange from Security Futures in which that market maker is designated as a market maker, subject to relaxation during unusual market conditions as determined by the Exchange (such as a fast market in either a Security Future or a security underlying such Security Future) at which times such market maker must use its best efforts to quote continuously and competitively provide Orders that result in continuous and competitive quotations; and (y) when providing quotations, quotes for a minimum of one contract~~ Orders, provides Orders with a maximum bid/ask spread of no more than the greater of \$5.00 or 150 percent% of the bid/ask spread in the primary market for the security underlying each Security Future; or

*Category 2.*—~~The market maker will respond to at least 75 percent of the requests for quotations for all delivery months of Security Futures representing a meaningful proportion of the total trading volume on the Exchange from Security Futures in which that market maker is designated as a market maker, subject to relaxation during unusual market conditions as determined by the Exchange (such as a fast market in either a Security Future or a security underlying such Security Future) at which times such market maker must use its best efforts to quote competitively; and when responding to requests for quotation, quotes within five seconds for a minimum of one contract with a maximum bid/ask spread of no more than the greater of \$5.00 or 150 percent of the bid/ask spread in the primary market for the security underlying each Security Future.~~

For purposes of ~~Categories 1 and 2 above~~ the preceding paragraph, beginning on the 181<sup>st</sup> calendar day after the commencement of trading of Security Futures, a “meaningful proportion of the total trading volume on the Exchange from Security Futures in which that market maker is designated as a market maker” shall mean a minimum of ~~20 percent%~~ 20 percent% of such trading volume.

~~A market maker may satisfy the obligations under Category 1 or 2 above relating to the provision of quotations through the equivalent provision of orders instead of quotes.~~

**D. Qualification for “60/40” Tax Treatment**

To qualify as a “dealer” in security futures contracts within the meaning of Section 125(g)(9) of the Internal Revenue Code of 1986, as amended (the “Code”), a Trading Privilege Holder or Authorized Trader is required (i) to register as a market maker for purposes of the Exchange’s margin rules ~~under Category 1 or Category 2 above;~~ (ii) to undertake in ~~its~~ that

Person's registration form to provide quotations through Orders for all products specified for the market maker exclusion from the Exchange margin rules; and (iii) to quote through Orders a minimum size of :

- (A) ten (10) contracts for each product not covered by (B) or (C) below;
- (B) five (5) contracts for each product specified by the ~~member~~Trading Privilege Holder or Authorized Trader to the extent such quotations are provided for delivery months other than the next two delivery months then trading; and
- (C) one (1) contract for any single stock futures contract where the average market price for the underlying stock was \$100 or higher for the preceding calendar month or for any futures contract on a narrow-based security index, as defined by Section 1a(25) of the CEA.

~~A Trading Privilege holder or Authorized Trader may satisfy the above requirements relating to the provision of quotations through the equivalent provision of orders instead of quotes.~~

#### **E. Products**

As noted above in completing the Market Maker Registration Form, a ~~member~~Trading Privilege Holder or Authorized Trader must specify all Security Futures for which ~~it~~that Person intends to act as a market maker. The Exchange will assign to the Trading Privilege Holder or Authorized Trader all of the Security Futures listed on its registration form, unless the Exchange provides written notice to the Trading Privilege Holder or Authorized Trader identifying any Security Futures for which such assignment is withheld. A Trading Privilege Holder or Authorized Trader may change the list of Security Futures for which ~~it~~that Person undertakes to act as market maker for any calendar quarter by filing a revised Market Maker Registration Form with the Exchange on any business day prior to the last trading day of such quarter, and such change shall be effective retroactive to the first trading day of such quarter. Each market maker shall be responsible for maintaining books and records that confirm that ~~it~~the market maker has fulfilled ~~it~~the market maker's quarterly obligations under the market maker category elected on its Market Maker Registration Form in respect of all Security Futures designated for that calendar quarter.

\* \* \* \* \*

#### **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~~any 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. For example, the Exchange may reduce a DPM Revenue Pool or other payment to a DPM provided for under this Policy and Procedure by the pro-rated amount attributable to any trading days during the relevant time period for the payment on which the DPM does not satisfy 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, 2017. 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.
- 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 self-match -trade prevention functionality under Rule 406A-B with respect to trading in allocated Contracts.

### **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 Orders that result in continuous two-way-sided quotes in S&P 500 Variance futures contract months as set forth in the table below.

Continuous Two-WaySided Quote	
Months to Maturity	Maximum Quote Width
0 – 1	300 basis points
2-3	150 basis points
4-9	100 basis points
Months to Maturity	Maximum Quote Width
10-18	125 basis points
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 or unusual~~ market conditions in S&P 500 Variance futures or SPX options traded on Cboe Options 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 Orders that result in a continuous two-sided quote and to ~~respond to requests for a quote~~ provide Orders that result in a two-sided quote in response to a request from the Exchange that the DPM post a market for an S&P 500 Variance future or futures.
- 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~~ provide Orders that result in a two-sided quote in response to a request from the Exchange that the DPM post a market for S&P 500 Variance stub positions.

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

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

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

- The DPM shall provide Orders that result in a two-way-sided quote during Regular Trading Hours in response to a request from the Exchange that the DPM post a market for ~~an~~ a VU future or futures.
- The above market performance benchmarks shall be subject to relief in the event of a ~~fast or unusual~~ market conditions in VU futures or Russell 2000 (“RUT”) options traded on Cboe Options 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 Orders that result in a continuous two-sided quote and to ~~respond to requests for a quote~~ provide Orders that result in a two-sided quote in response to a request 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, that the DPM post a market for a VU future or futures.~~

## **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%
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.

### **VU 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 VU futures, the Exchange will maintain a DPM Revenue Pool for the DPM for that quarter equal to 15% of total net transaction fees (excluding regulatory fees and Day Trade fee rebates) collected by the Exchange for transactions in VU futures.
- Payment to the DPM from the DPM Revenue Pool for a calendar quarter will be made following the end of the calendar quarter.

~~**XI. Cboe/CBOT 10 Year U.S. Treasury Note Volatility Index Lead Market Maker Program**~~  
~~**XI. RESERVED**~~

~~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 quotations.~~

~~**Market Performance Benchmark**~~

- ~~Throughout the trading day between 7:00 a.m. and 3:15 p.m. (Chicago time), each LMM in the Program shall provide at least 95% of the time a 2-sided quote for a minimum of 25 contracts within a maximum width of \$0.05 in all contract months.~~
- ~~The above market performance benchmark shall be subject to relief in the event of a fast market in the VXTY futures contract or the component options on 10 Year Treasury Note futures listed on the Chicago Board of Trade (“CBOT”) (ticker: OZN options) or other extenuating circumstances or unusual market conditions to be determined solely by the Exchange. Under conditions as specified in the foregoing sentence, each LMM in the Program 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 an LMM 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 benchmark under the Program shall not be deemed a violation of Exchange rules.~~

~~**Benefits**~~

~~**Transaction Fee Waiver**~~

- ~~Transaction fees in the VXTY futures contract (other than the CFE Regulatory Fee) shall be waived through June 30, 2014 for each LMM under the Program~~



- In order to receive the transaction fee waiver, each LMM must identify to the Exchange in advance the specific login(s) that the LMM will use in connection with VXTY futures trading.

### **LMM Trade Participation Right**

- LMMs under the Program shall be afforded the following trade participation priority over orders and quotes placed by others in each VXTY futures contract when one or more LMMs is quoting at the best bid/offer in that contract immediately prior to the execution of the relevant transaction.
  - The LMM trade participation right will be 30%.
- If there is more than one LMM quoting at the best bid/offer, the 30% trade participation right will be allocated among those LMMs by price-time priority in the following manner:
  - If the size of the quote of the LMM that was first in time at the best/bid offer (among the LMMs quoting at the best bid/offer) is greater than or equal to the quantity attributable to the 30% trade participation right for the transaction, the entire 30% trade participation right will be allocated to that LMM for the transaction.
  - If the size of the quote of the LMM that was first in time at the best bid/offer (among the LMMs quoting at the best bid/offer) is less than the quantity attributable to the 30% trade participation right for the transaction, the remaining quantity attributable to the 30% participation right will next be allocated to the LMM that was second in time at the best bid/offer (among the LMMs quoting at the best bid/offer). This process of allocating the remaining trade participation right to the LMMs quoting at the best bid/offer in time order will continue until the quantity attributable to the 30% participation right is fully allocated or the quantity of each LMM's quote at the best bid/offer is exhausted.
  - An LMM may not be allocated a total quantity through the trade participation right that is greater than the quantity that the LMM is quoting at the best/bid offer.
  - If the application of the trade participation right would result in allocation to an LMM of a number of contracts that is not a whole number, that number will be rounded up to the next whole number if the fractional portion of that number is 0.5 or greater and will be rounded down to the previous whole number if the fractional portion of that number is less than 0.5.
- The base allocation method of price-time priority in VXTY futures and the LMM trade participation right priority in VXTY futures shall interact in the following manner:
  - LMMs will receive any allocation resulting from the LMM trade participation right priority and any further allocation resulting from the subsequent application of price-time priority to an LMM's remaining quote at the best bid/offer.
- For purposes of the Program, references in the Program to quoting and quotes by an LMM shall only be deemed to include a quote from an LMM and shall not be deemed to include a proprietary order from an LMM.

## Term

The Program and each LMM appointment under the Program will expire on December 31, 2016. 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.

\* \* \* \* \*

## **XVII. 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 ~~systemically~~systematically provide ~~quotations through the use of quotes or orders~~Orders.

### **Market Performance Benchmarks**

- Each LMM shall identify in advance to the Exchange the ~~login~~EFID(s) through which the LMM will provide ~~quotes~~Orders to satisfy the market performance benchmarks under the Program. Each LMM is required to utilize Exchange self-match trade prevention functionality under Rule 406~~AB~~ 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 a ~~fast or unusual~~ market conditions in the VX futures or SPX options traded on Cboe Options or other extenuating circumstances ~~or unusual market conditions~~ 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 ~~respond to requests for a quote.~~
- ~~Each LMM may satisfy the above market performance benchmarks relating to the provision of quotes through the equivalent provision of orders instead of quotes.~~ 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 pool 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 ~~quotes and proprietary orders~~ 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, 2017. 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.

### **XVIII. Disruptive Trading Practices (Rule 620)**

Rule 620 prohibits disruptive trading practices as described by the Rule. The following are a non-exclusive list of factors that the Exchange may consider in assessing whether conduct violates Rule 620.

#### **A. Factors the Exchange may consider in assessing whether conduct violates Rule 620**

The Exchange may consider a variety of factors in assessing whether conduct violates Rule 620, including, but not limited to:

- whether the market participant's intent was to induce others to trade when they otherwise would not;
- whether the market participant's intent was to affect a price rather than to change the market participant's position;
- whether the market participant's intent was to create misleading market conditions;
- market conditions in the impacted market(s) and related markets;
- the effect on other market participants;
- the market participant's historical pattern of activity;
- the market participant's Order<sup>2</sup> entry and cancellation activity;
- the size of the Order(s) relative to market conditions at the time the Order(s) was placed;
- the size of the Order(s) relative to the market participant's position and/or capitalization;
- the number of Orders;
- the ability of the market participant to manage the risk associated with the Order(s) if fully executed;
- the duration for which the Order(s) is exposed to the market;
- the duration between, and frequency of, non-actionable messages;
- the queue position or priority of the Order in the order book;

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<sup>2</sup>For purposes of this Policy and Procedure, all references to Orders include Orders and quotes.

- the prices of preceding and succeeding bids, offers, and trades;
- the change in the best offer price, best bid price, or last sale price, ~~or other price (such as the Expected Opening Price (“EOP”))~~ that results from the entry of the Order; and
- the market participant’s activity in related markets.

**B. Meaning of the term “misleading” in the context of Rule 620(b)(ii)**

The language is intended to be a more specific statement of the general requirement that market participants are not permitted to act in violation of just and equitable principles of trade. This section of the Rule prohibits a market participant from entering Orders or messages with the intent of creating the false impression of market depth or market interest. The Exchange generally will find the requisite intent where the purpose of the participant’s conduct was, for example, to induce another market participant to engage in market activity.

**C. Specific amount of time an Order should be exposed to the market**

Although the amount of time an Order is exposed to the market may be a factor that is considered when determining whether the Order constituted a disruptive trading practice, there is no prescribed safe harbor. The Exchange will consider a variety of factors, including exposure time, to determine whether an Order or Orders constitute a disruptive practice.

**D. Modification or cancellation of an Order once it has been entered**

An Order, entered with the intent to execute a bona fide transaction, that is subsequently modified or cancelled due to a perceived change in circumstances does not constitute a violation of Rule 620.

**E. Orders entered by mistake**

An unintentional, accidental, or “fat-finger” Order will not constitute a violation of Rule 620, but such activity may be a violation of other Exchange rules, including, but not limited to, Rule 608 (Acts Detrimental to the Exchange; Acts Inconsistent with Just and Equitable Principles of Trade; Abusive Practices). Market participants are expected to take steps to mitigate the occurrence of errors, and their impact on the market. This is particularly true for entities that run algorithmic trading applications, or otherwise submit large numbers of automated Orders to the market.

**F. Partial fill of an Order**

While execution of an Order, in part or in full, may be one indication that an Order was entered in good faith, an execution does not automatically cause the Order to be considered compliant with Rule 620. Orders must be entered in an attempt to consummate a trade. A variety of factors may lead to a violative Order ultimately achieving an execution. The Exchange will consider a multitude of factors in assessing whether Rule 620 has been violated.

**G. Making a two-sided market with unequal quantities (e.g., 100 bid at 10 offered)**

Market participants are not precluded from making unequal markets as long as the Orders are entered for the purpose of executing bona fide transactions. If either (or both) Order(s) are entered with prohibited intent, including recklessness, such activity will constitute a violation of Rule 620.

**H. Stop Limit Orders entered for purposes of protecting a position**

Market participants may enter Stop Limit Orders as a means of minimizing potential losses with the hope that the Order will not be triggered. However, it must be the intent of the market participant that the Order will be executed if the specified condition is met. Such an order entry is not prohibited by this Rule.

**I. Entering Order(s) at various price levels throughout the order book in order to gain queue position and subsequently canceling those Orders as the market changes**

It is understood that market participants may want to achieve queue position at certain price levels, and given changing market conditions may wish to modify or cancel those Orders. In the absence of other indicia that the Orders were entered for disruptive purposes, they would not constitute a violation of Rule 620.

**J. “Actionable” and “non-actionable messages in relation to Rule 620(b)(ii), (iii), and (iv)**

Actionable messages are messages that can be accepted by another party or ~~otherwise~~ lead to the execution of a trade or cancelation of an Order. An example of an actionable message is an Order message. Non-actionable messages are those messages submitted to the Exchange that relate to a non-actionable event. An example of a non-actionable message is a ~~Request for Quote~~ heartbeat message transmitted to the CFE System.

**K. The Exchange’s definition of “orderly conduct of trading or the fair execution of transactions”**

Whether a market participant intends to disrupt the orderly conduct of trading or the fair execution of transactions or demonstrates a reckless disregard for the orderly conduct of trading or the fair execution of transactions may be evaluated only in the context of the specific instrument, market conditions, and other circumstances present at the time in question. Some of the factors that may be considered in determining whether there was orderly conduct or the fair execution of transactions were described by the Commission as follows: “[A]n orderly market may be characterized by, among other things, parameters such as a rational relationship between consecutive prices, a strong correlation between price changes and the volume of trades, levels of volatility that do not dramatically reduce liquidity, accurate relationships between the price of a derivative and the underlying such as a physical commodity or financial instrument, and reasonable spreads between contracts for near months and for remote months.” Antidisruptive Practices Authority, 78 Fed. Reg. at 31,895-96. Volatility alone, however, will not be presumptively interpreted as disorderly or disruptive as market volatility can be consistent with markets performing their price discovery function.

**L. Entering Orders that may be considered large for a particular market, and thus may have a potential impact on the market**

The size of an Order or cumulative Orders may be deemed to violate Rule 620 if the entry results in disorderliness in the markets, including, but not limited to, price or volume aberrations. Market participants should further be aware that the size of an Order may be deemed to violate Rule

620 if that Order distorts the integrity of the settlement prices. Accordingly, market participants should be cognizant of the market characteristics of the products they trade and ensure that their Order entry activity does not result in market disruptions. Exigent circumstances may be considered in determining whether a violation of Rule 620 has occurred and, if so, what the appropriate sanction should be for such violation.

**M. Meaning of the “closing period” in Rule 620**

“Closing period” typically refers to the period during which transactions, bids, and offers are reviewed for purposes of informing settlement price determinations.

**N. Factors the Exchange will consider in determining if an act was done with the prohibited intent or reckless disregard of the consequences**

Proof of intent is not limited to instances in which a market participant admits the market participant’s state of mind. Where the conduct was such that it more likely than not was intended to produce a prohibited disruptive consequence, intent may be found. Claims of ignorance, or lack of knowledge, are not acceptable defenses to intentional or reckless conduct. Recklessness has been commonly defined as conduct that “departs so far from the standards of ordinary care that it is very difficult to believe the actor was not aware of what he or she was doing.” *See Drexel Burnham Lambert, Inc. v. CFTC*, 850 F.2d 742, 748 (D.C. Cir. 1988).

**O. Orders entered for the purpose of igniting momentum in the market**

A “momentum ignition” strategy occurs when a market participant initiates a series of Orders or trades in an attempt to ignite a price movement in that market or a related market.

This conduct may be deemed to violate Rule 620 if it is determined the intent was to disrupt the orderly conduct of trading or the fair execution of transactions, if the conduct was reckless, or if the conduct distorted the integrity of the determination of settlement prices. Further, this activity may violate Rule 620(b)(i) if the momentum igniting Orders were intended to be canceled before execution, or if the Orders were intended to mislead others. If the conduct was intended to create artificially high or low prices, this may also constitute a violation of Rule 603 (Market Manipulation).

**P. “Flipping” Orders**

Flipping is defined as the entry of Orders or trades for the purpose of causing turns of the market and the creation of volatility and/or instability.

A “flip” Order typically has two main characteristics. First, it is an aggressor Order (i.e., an Order that takes liquidity). Second, shortly before the entry of the Order, the market participant cancels an Order(s) on the opposite side of the market, typically at the same price as the aggressor Order. The market participant, for example, has flipped from offering to bidding at the same price. The Exchange recognizes there are many variables that can cause a market participant to change that market participant’s perspective of the market. This Rule, therefore, does not prohibit a market participant from changing that market participant’s bias from short (long) to long (short).

Flipping activity may, however, be disruptive to the marketplace. For example, repeated instances of a market participant entering flipping Orders that are each large enough to turn the market (i.e., being of a sufficient quantity to sweep the entire quantity on the book at the particular price level and create a new best bid or best offer price with any remaining quantity from the



aggressor flipping Order) can be disruptive to the orderly conduct of trading or the fair execution of transactions. In considering whether this conduct violates Rule 620, the Exchange would consider, among other factors:

- the impact on other market participants;
- price fluctuations;
- market conditions in the impacted market(s) and related markets;
- the participant's activity in related markets;
- whether the flip involved the cancellation of a large sized Order(s) relative to the existing bid or offer depth; and
- whether repeated flipping turns the market back and forth (e.g., the first flip turns the market in favor of the offer (bid) and the second flip turns the market in favor of the bid (offer)).

**Q. Cancelling an Order via the Exchange's Self-Match Trade Prevention functionality or other self-match prevention technology**

The means by which an Order is cancelled, in and of itself, is not an indicator of whether an Order violates Rule 620. The use of self-match trade prevention functionality in a manner that causes a disruption to the market may constitute a violation of Rule 620. Further, if the resting Order that was cancelled was non-bona fide *ab initio*, it would be considered to have been entered in violation of Rule 620.

**R. Type of pre-open activity prohibited by Rule 620**

Orders entered during the pre-opening period ~~and/or opening rotation period~~ process must be entered for the purpose of executing bona fide transactions upon the opening of the market.

The entry and cancellation of Orders during the pre-opening period ~~and/or opening rotation period~~ process for the purpose of either manipulating the EOPE expected opening price or attempting to identify the depth of the order book at different price levels is prohibited and may be deemed a violation of Rule 620 or other rules.

Other activity related to the pre-opening period may also be considered disruptive, including but not limited to the entry of orders prior to the commencement of the pre-opening period in an attempt to "time" the price-time priority queue for Trade at Settlement ("TAS") transactions, or other similar purposes. For example, during the time period between Exchange Business Days for a Contract product, the entry into the CBOECFE System of a TAS Order in that Contract product prior to the time at which the CBOECFE System disseminates the first Pre-Opening Notice for that Contract under Rule 405B(a)A(a) for TAS Orders in that product is prohibited and may be deemed a violation of Rule 620, Rule 404A(c) or other rules. The CBOECFE System disseminates a Pre-Opening Notice for each TAS Contract ~~expiration and spread~~, and the first Pre-Opening Notice for a particular TAS Contract ~~expiration or spread in a product~~ is the Pre-Opening Notice that establishes the time at which TAS Orders may be submitted for ~~that particular TAS Contract expiration or spread~~ all TAS Contracts in that product.

**S. Orders entered into the CBOE CFE System for the purpose of testing, such as to verify a connection to the CBOE CFE System or a data feed from the CBOE CFE System**

~~CFE~~The Exchange provides a testing environment and test symbols in the CBOE CFE System for Trading Privilege Holders to use for the purpose of testing. The entering of an Order(s) other than in a test environment or test symbol without the intent to execute a bona fide transaction, including for the purpose of verifying connectivity or checking a data feed, is not permissible. This prohibition does not preclude a market participant from entering a bona fide Order that is intended to be executed and where such execution may also serve some other risk management purpose, such as verifying the flow of the executed trades through the market participant's back-office systems.

**T. Creation or execution of user-defined Trading in spreads for the purposes of deceiving or disadvantaging other market participants**

~~Trading Privilege Holders are not permitted to attempt to create any user defined spreads (i.e., spreads created by Trading Privilege Holders on their own) in the CBOE System. If a Trading Privilege Holder would like a type of CFE spread to be created that is not already available in the CBOE System, the Trading Privilege Holder should contact the Help Desk to request creation of the spread.~~

Market participants are reminded that knowingly ~~creating and/or~~ trading spreads in a manner intended to deceive or unfairly disadvantage other market participants is considered a violation of Rule 620.

**U. Examples of Prohibited Activity**

The following is a non-exhaustive list of various examples of conduct that may be found to violate Rule 620.

- A market participant enters one or more Orders to generate selling or buying interest in a specific contract. By entering the Orders, often in substantial size relative to the contract's overall pending order volume, the market participant creates a misleading and artificial appearance of buy- or sell-side pressure. The market participant places these large Orders at or near the best bid and offer prevailing in the market at the time. The market participant benefits from the market's reaction by either receiving an execution on an already resting Order on the opposite side of the book from the larger Order(s) or by obtaining an execution by entering an opposing side Order subsequent to the market's reaction. Once the smaller Orders are filled, the market participant cancels the large Orders that had been designed to create the false appearance of market activity. Placing a bona fide Order on one side of the market while entering Order(s) on the other side of the market without intention to trade those Orders violates Rule 620.
- A market participant places buy (or sell) Orders that the market participant intends to have executed, and then immediately enters numerous sell (or buy) Orders for the purpose of attracting interest to the resting Orders. The market participant placed these subsequent Orders to induce or trick other market participants to execute against the initial Order. Immediately after the execution against the resting Order, the market participant cancels the open Orders.

- A market participant enters one or more Orders in a particular market (Market A) to identify algorithmic activity in a related market (Market B). Knowing how the algorithm will react to order activity in Market A, the participant first enters an Order or Orders in Market B that the market participant anticipates would be filled opposite the algorithm when ignited. The participant then enters an Order or Orders in Market A for the purpose of igniting the algorithm and creating momentum in Market B. This results in the market participant's Order(s) in Market B being filled opposite the algorithm. This conduct violates Rule 620(b)(i), as the Orders in Market A were not intended to be executed, and Rule 620(b)(ii), as the Orders in Market A were intended to mislead participants in related markets. If the conduct resulted in a disruption to the orderly execution of transactions, it may also violate Rule 620(b)(iv).
- A market participant enters a large aggressor buy (sell) Order at the best offer (bid) price, trading opposite the resting sell (buy) Orders in the book, which results in the remainder of the original aggressor Order resting first in the queue at the new best bid (offer). As the market participant anticipated and intended, other participants join the market participant's best bid (offer) behind the market participant in the queue. The market participant then enters a large aggressor sell (buy) Order into the market participant's now resting buy (sell) Order at the top of the book. The market participant's use of ~~CFE's Self Trade Prevention~~the Exchange's match trade prevention functionality or other wash blocking functionality cancels the market participant's resting buy (sell) Order, such that market participant's aggressor sell (buy) Order then trades opposite the Orders that joined and were behind the market participant's best bid (offer) in the book.
- A market participant places large quantity Orders during the pre-opening period in an effort to artificially increase or decrease the EOP with the intent to attract other market participants. Once others join the market participant's bid or offer, the market participant cancels the market participant's Orders shortly before the opening.
- During the pre-opening period, a market participant enters a large Order priced at a bid higher than the existing best bid or at an offer lower than the existing best offer, and continues to systematically enter successive Orders priced further through the book until it causes a movement in the best bid or best offer. These Orders are subsequently cancelled. The market participant continues to employ this strategy on both sides of the market for the purpose of determining the depth of support at a specific price level for the product before the market opens.
- A market participant enters a large number of messages for the purpose of overloading the quotation systems of other market participants with excessive market data messages to create "information arbitrage."

- A market participant enters messages for the purpose of creating latencies in the market or in information dissemination by the Exchange for the purpose of disrupting the orderly functioning of the market.

\* \* \* \* \*

**XIX Submission Time Frames (Rule 402(c))**

**A. Choe Volatility Index (“VX”) Futures Submission Time Frames**

The time frames during which Trading Privilege Holders may submit ~~quotes, orders, cancels, and order modifications~~ (“~~modifications~~”Orders (including Cancel Orders and Cancel Replace/Modify Orders)) to the ~~CBOE~~CFE System for VX futures are set forth in the chart below.

<b>Time Frame</b>	<b>State of CFE’s Trading System</b>	<b>What May be Submitted to CFE’s Trading System</b>
4: 15 p.m.* to 5:00 p.m. (Sunday)	Pre-Opening Period (“Pre-Open”)	Quotes, orders, cancels and modifications.**
5:00 p.m. (Sunday) to 8:30 a.m. (Monday)	Extended Trading Hours	Quotes, orders, cancels and modifications.
8:30 a.m. to 3:15 p.m. (Monday – Friday)	Regular Trading Hours	Quotes, orders, cancels and modifications until 3:14:59 p.m. (submission cut off time).  After 3:15 p.m. all existing quotes are removed from the CBOE System.

<b><u>Time Frame</u></b>	<b><u>Period Type</u></b>	<b><u>What May be Submitted to CFE System</u></b>
<u>4:00 p.m.* to 5:00 p.m. (Sunday)</u>	<u>Queuing Period</u>	<u>Orders (except Market Orders, Immediate or Cancel Orders and Fill or Kill Orders)**</u>
<u>5:00 p.m. (previous day) to 8:30 a.m. (Monday – Friday)</u>	<u>Extended Trading Hours</u>	<u>Orders (except Market Orders)</u>  <u>Orders (except Market Orders) until 8:00 a.m. in expiring VX future on its final settlement date</u>

<u>8:30 a.m. to 3:15 p.m.</u> <u>(Monday – Friday)</u>	<u>Regular Trading Hours</u>	<u>Orders</u>
<u>3:15 p.m. to 3:30 p.m.</u> <u>(Monday – Friday)</u>	<u>Queuing Period</u>	<u>Orders (except Market Orders, Immediate or Cancel Orders and Fill or Kill Orders)**</u>
<u>3:30 p.m. to 4:00 p.m.</u> <u>(Monday – Friday)</u>	<u>Extended Trading Hours</u>	<u>Orders (except Market Orders)</u>
<u>34:1500 p.m. to 34:2945 p.m.</u> <u>(Monday – Thursday)</u>	<u>ClosedSuspended</u>	<u>It may be possible for cancels to be submitted during portions of this time period.</u> <u>Nothing</u>
<u>3:15 p.m. (Friday) to 4:15 p.m.</u> <u>(Sunday)</u>	<u>Closed</u>	<u>Nothing, except that it may be possible for cancels to be submitted for some period of time after 3:15 p.m. on Friday and for some period of time before 4:15 p.m. on Sunday.</u>
<u>34:2945 p.m.* to 35:3000 p.m.</u> <u>(Monday – Thursday)</u>	<u>Pre-OpenQueuing Period</u>	<u>Orders (except Market Orders, Immediate or Cancel Orders and Fill or Kill Orders)**</u> <u>Quotes, orders, cancels and modifications.**</u>
<u>3:30 p.m. (previous day) to 8:30 a.m. (Tuesday – Friday)</u>	<u>Extended Trading Hours</u>	<u>Quotes, orders, cancels and modifications.</u>  <u>Quotes, orders, cancels and modifications until 7:59:59 a.m. (submission cut off time) in expiring VX future on its final settlement date</u>
<u>54:00 p.m. (Friday) to 4:00 p.m. (Sunday) to 3:13 p.m. (Monday)</u>	<u>Extended and Regular Trading Hours for all types of Trade at Settlement (“TAS”)</u>	<u>Quotes, orders, cancels and modifications until 3:12:59 p.m. (submission cut off time).</u>

	<del>transactions in VX futures</del> <u>Suspended</u>	<p>After 3:13 p.m. all existing TAS quotes are removed from the CBOE System.</p> <p><del>Permitted activity in Pre-Open states above is also applicable with respect to TAS quotes, orders, cancels and modifications.</del></p> <p><u>Nothing</u></p>
<p><del>35:3000</del> p.m. (previous day) to 3:13 p.m. (<del>Tuesday</del><u>Monday</u> – Friday)</p> <p><u>(Solely for Trade at Settlement (“TAS”) transactions in VX futures)</u></p>	<u>Extended and Regular Trading Hours for all types of TAS transactions in VX futures</u>	<p><u>TAS Orders are accepted until 3:13 p.m.</u></p> <p><u>No TAS Orders are accepted from 3:13 p.m. to 4:45 p.m. (Monday – Thursday)</u></p> <p><u>No TAS Orders are accepted from 3:13 p.m. to 4:00 p.m. (Friday)</u></p> <p><u>TAS Orders are accepted from 4:00 p.m. to 5:00 p.m. during Queuing Period (Sunday) and from 4:45 p.m. to 5:00 p.m. during Queuing Period (Monday – Thursday)**</u></p>
<u>Whenever VX futures are in a queuing period</u>	<u>Queuing Period</u>	<u>Orders (except Market Orders, Immediate or Cancel Orders and Fill or Kill Orders)**</u>
Whenever trading in VX futures is halted	Halted	<p><u>Nothing (except Cancel Orders, <del>cancels and modifications.**</del>)</u></p> <p>No quotes.</p>
<u>Whenever trading in VX futures is suspended</u>	<u>Suspended</u>	<u>Nothing</u>

~~\* The pre open state start times referenced are the times that the CBOE System commences its pre-opening process. Accordingly, the CBOE System may not be in a full pre open state at exactly 4:15:00 p.m. on Sundays or at exactly 3:29:00 p.m. on Monday through Friday. The queuing period at the beginning of a Business Day for VX futures commences at the referenced start time for the queuing period plus a randomized time period from zero to three seconds.~~

~~\*\*Quotes and/or orders~~Orders permitted to be submitted to the ~~CBOE~~CFE System during these times are not executable until extended or regular trading hours next commence or open trading resumes following a trading halt or suspension.

## **B. Submission Time Frames for All Exchange Contracts Other Than VX Futures**

~~The pre open state~~queuing period for Exchange Contracts other than VX futures commences at 6:15 a.m. on each weekday. The pre open state start time is the time that the CBOE System commences its pre opening process. Accordingly, the CBOE System may not be in a full pre open state at exactly 6:15:00 a.m. on Monday through Fridayon each weekday at 6:00 a.m. plus a randomized time period from zero to three seconds. The CFE System accepts Orders (including Cancel Orders and Cancel Replace/Modify Orders) for Exchange Contracts other than VX futures during the queuing period (except for Market Orders, Immediate or Cancel Orders and Fill or Kill Orders). Orders permitted to be submitted to the CFE System during the queuing period are not executable until trading hours next commence.

~~The CBOE System accepts orders, quotes, cancels and modification~~trading hours for Exchange Contracts other than VX futures are set forth in the rules governing the applicable Contract. The CFE System accepts Orders (including Cancel Orders and Cancel Replace/Modify Orders) for Exchange Contracts other than VX futures during the pre open state and during the respective trading hours for these Contracts until the applicable submission cut off time (which is one second prior to the close of trading hours) in the applicable Contract. The trading hours for these Contracts are set forth in the contract specification rule chapter for (except to the extent set forth in the rules governing the applicable Contract).

~~Additionally, cancels may generally be submitted in Exchange Contracts other than VX futures Monday through Thursday between 3:15 p.m. and 6:15 a.m. the following day and it may be possible for cancels to be submitted in these Contracts for some period of time after 3:15 p.m. on Friday and for some period of time before 4:15 p.m. on Sunday until 6:15 a.m. on Monday.~~

~~Orders, cancels and modifications may be submitted whenever trading in an Exchange Contract other than VX futures is halted. Quotes may not be submitted in a Contract other than VX futures when that Contract is halted.~~

~~Quotes and/or orders permitted to be submitted to the CBOE System during the pre open state or a trading halt are not executable until trading hours next commence or open trading resumes following the trading halt.~~

## **C. Submissions Made During Other Queuing, Halt or Suspension Periods**

For any Exchange Contract, whenever the Contract is in a queuing period other than a queuing period as described above, the CFE System accepts Orders (including Cancel Orders and Cancel Replace/Modify Orders) except for Market Orders, Immediate or Cancel Orders and Fill or Kill Orders.

For any Exchange Contract, the CFE System does not accept any Orders (including Cancel Replace/Modify Orders) except Cancel Orders whenever the Contract is halted.

For any Exchange Contract, the CFE System does not accept any Orders (including Cancel Orders and Cancel Replace/Modify Orders) whenever the Contract is halted or suspended.

**D.C. Submissions Made Prior to Applicable Pre-Open Start Times**

~~Quotes, orders and modifications~~With the following exception, Orders (including Cancel Orders and Cancel Replace/Modify Orders) that are received prior to the applicable ~~pre-open state start time while the CBOE System is closed will be rejected. It is possible for cancels to be submitted during certain portions of time while the CBOE System is closed as described above. Otherwise, cancels received while the CBOE System is closed~~queuing period start time while the CFE System is in a suspended state will be rejected.

Other Exchange rule provisions also address submissions prior to the start of a ~~pre-open state~~queuing period during the time period between Exchange Business Days for a Contract, including without limitation, Rule 404A(c) and Policy and Procedure XVIII(R).

**E.D. Modified Trading Hours**

Trading hours may be modified or shortened in connection with a holiday or period of mourning. In those instances, the time frames for submission of ~~quotes, orders, cancels and modifications~~Orders (including Cancel Orders and Cancel Replace/Modify Orders) will be modified accordingly.

**E.E. Opening Process**

Rule 405BA contains additional provisions relating to the opening process for Exchange Contacts.

**XX. New Foreign Trader Incentive Program**

The purpose of the New Foreign Trader Incentive Program (“Program”) is to incentivize new traders associated with proprietary trading firms and trading arcades located in foreign jurisdictions to trade designated Exchange products and thus increase liquidity in those products to the benefit of all Exchange market participants.

**Products**

- The Program is applicable with respect to the following products listed on the Exchange:
  - Cboe Volatility Index (“VX”) Futures; and
  - Cboe Russell 2000 Volatility Index (“VU”) Futures.

**Eligibility**

- There is no limit on the number of participants in the Program.



- In order for a trader to participate in the Program, the trader must:
  - be a trader associated with a proprietary trading firm or trading arcade;
  - not have previously traded in any product listed on the Exchange;
  - have received training from the proprietary trading firm or trading arcade that includes an overview of the products listed on the Exchange;
  - agree to receive information from the Exchange and be contacted by Exchange representatives by phone, electronic mail, and postal mail;
  - submit to the Exchange in a form and manner prescribed by the Exchange any application form(s) and documentation required by the Exchange in connection with participation in the Program;
  - trade on the Exchange through facilities of the proprietary trading firm or trading arcade that are located in a foreign jurisdiction approved by the Exchange pursuant to Rule 305B and that proprietary trading firm or trading arcade must:
    - be located in a foreign jurisdiction approved by the Exchange pursuant to Rule 305B;
    - become effective as a Trading Privilege Holder on or after January 1, 2016 and not have been an effective Trading Privilege Holder prior to that date;
    - remain effective as a Trading Privilege Holder during the time period that the trader participates in the Program;
    - submit to the Exchange in a form and manner prescribed by the Exchange any application form(s) and documentation required by the Exchange in connection with the trader's participation in the Program; and
    - not be affiliated with the Exchange.
- The Exchange shall select as Program participants those traders that satisfy the above eligibility criteria.
- A trader shall be deemed to become a participant in the Program on the date of the first transaction in VX or VU futures by the trader's ~~subaccount~~account(s) with the proprietary trading firm or trading arcade following the trader's selection as a Program participant by the Exchange.
- For purposes of the Program, a trading arcade is defined as a legal entity that provides a legal, risk management, and physical structure and trading facilities to traders who are owners, employees, contractors, or Authorized Traders of the entity in return for sharing of trading profits. The funds used for trading may be corporate pools of funds or commingled individual/corporate funds. All trading must be conducted in accounts of the trading arcade which are held in the name of the trading arcade. All funds contributed must be at risk of and subject to loss from any and all trading activity of the trading arcade. Thus, funds contributed

by an individual trader are not only at risk and subject to loss from the individual's trading activity of the trading arcade account, but are at risk and subject to loss from any and all trading activity of the trading arcade.

### **Benefits**

- The Exchange will rebate transaction fees that satisfy all of the following criteria:
  - transaction fees in VX and VU futures,
  - excluding block trade and regulatory fees,
  - assessed for contract purchases and sales by the trader's ~~subaccount~~account(s) with the proprietary trading firm or trading arcade,
  - executed during the time period in which the trader is a participant in the Program,
  - for up to a maximum of 20,000 contracts,
  - subject to the limitations below.
- Contract purchases and sales by the trader's ~~subaccount~~account(s) must collectively total at least 3,000 contracts in VX and VU futures during a calendar quarter in order for the trader to remain a Program participant and for rebates to apply with respect to transactions in that calendar quarter. If this threshold is not met for a calendar quarter, rebates will not apply with respect to transactions in that calendar quarter and the trader will be removed from the Program. If a trader becomes a Program participant during a calendar quarter after the beginning of the calendar quarter, this threshold will not be applicable for that calendar quarter.
- Contract volume for purposes of the Program shall be measured per contract side.

### **Other Provisions**

- A trader participant in the Program is required to provide written notification to the Exchange in a form and manner prescribed by the Exchange of the ~~subaccount~~account(s) in which the trader will execute transactions in Exchange products under the Program. The application of rebates with respect to transactions by the ~~subaccount~~account of a trader participant in the Program begins on the date of receipt by the Exchange of written notification of that ~~subaccount~~account as specified above.
- Any ~~subaccount~~account identified by a trader for the application of rebates under the Program may not be used by any party other than that trader to execute transactions in Exchange products under the Program. Transactions made by any party other than that trader (such as that trader's firm or other traders) do not qualify for rebates or the satisfaction of the trading volume threshold under the Program in relation to that trader.
- A trader participant in the Program and that trader's firm shall provide any supplemental documentation requested by the Exchange to substantiate that transactions qualify for satisfaction of the trading volume threshold and rebates under the Program. Failure to

promptly provide notice of any changes to information provided to the Exchange for purposes of the Program, including ~~subaccount~~account number changes and additions, and supplemental documentation requested by the Exchange may result in ineligibility for the applicable rebates.

- Rebates under the Program are made to the Clearing Member that was originally assessed the transaction fees for the qualifying transactions through the payment of the rebates to that Clearing Member.
- Rebates will be made following the end of the applicable calendar quarter. Rebates accrued but not yet paid prior to the expiration of the Program will be made on this schedule following the expiration of the Program.
- Each trader participant in the Program is required to utilize Exchange ~~self-match~~trade prevention functionality under Rule 406AB.
- A trader participant in the Program is not eligible for the application of Day Trade fees for Exchange products under the Program during the time period in which that trader is a participant in the Program.

### **Term**

The term of the Program shall expire on December 31, 2017. The Exchange may determine to allow the Program to expire, extend the term of the Program, or replace or modify the Program at any time.

### **XXI. Foreign Independent Software Vendor Incentive Program**

~~The purpose of the Foreign Independent Software Vendor Incentive Program (“Program”) is to incentivize foreign Independent Software Vendors to provide connectivity to the Exchange and thus increase liquidity in Exchange products to the benefit all Exchange market participants.~~

### **Products**

- ~~The Program is applicable with respect to all products listed on the Exchange.~~

### **Eligibility**

- ~~The Program may have up to five participants.~~
- ~~A Program participant must:~~
  - ~~meet the definition of an Independent Software Vendor under the Rules of the Exchange;<sup>3</sup>~~

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<sup>3</sup> ~~Rule 302(f) provides that: An Independent Software Vendor is an organization that desires to provide or provides connectivity to the CBOE System on behalf of one or more Trading Privilege Holders and is not itself a Trading Privilege Holder.~~

- ~~o be organized under the laws of a foreign jurisdiction;~~
  - ~~o not be affiliated with the Exchange;~~
  - ~~o not have previously established connectivity to the CBOE System for trading purposes or the receipt of Exchange market data;<sup>4</sup>~~
  - ~~o submit to the Exchange between January 15, 2016 and February 28, 2016 a written request to participate the Program; and~~
  - ~~o complete an Exchange Customer Form and execute an Exchange Independent Software Vendor Market Data Agreement.~~
- ~~The Exchange shall select as Program participants the first five foreign Independent Software Vendors that submit a written request to the Exchange to participate in the Program between January 15, 2016 and February 28, 2016 and satisfy the above eligibility criteria.~~
- ~~Each Program participant must establish full connectivity to the CBOE System for trading purposes and for the receipt of Exchange market data in a form and manner prescribed by the Exchange (“Full Connectivity”).~~

### **Benefits**

- ~~For six consecutive calendar months (subject to the limitation below), a Program participant shall receive a payment from the Exchange in the amount of \$15,000 per calendar month for each of these calendar months during which the Program participant maintains Full Connectivity.~~
- ~~o This six consecutive calendar month period shall commence:
 
    - ~~with March 2016 for those Program participants that first establish and maintain Full Connectivity prior to March 1, 2016; and~~
    - ~~with the first calendar month in which a Program participant first establishes and maintains Full Connectivity for those Program participants that first establish and maintain Full Connectivity on or after March 1, 2016.~~~~
  - ~~o A Program participant that first establishes and maintains Full Connectivity on or after March 1, 2016 shall be entitled to full payment for the first calendar month in~~

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<sup>4</sup> Rule 115 provides that: The term “CBOE System” means (i) the electronic systems administered by or on behalf of the Exchange which perform the functions set out in the Rules of the Exchange, including controlling, monitoring and recording trading on the Exchange and (ii) any connectivity to the foregoing electronic systems that is administered by or on behalf of the Exchange, such as a communications hub in a foreign jurisdiction.

~~which this occurs regardless of the date of that month on which the Program participant first establishes and maintains Full Connectivity.~~

~~For the seventh through twelfth calendar months after the above six consecutive calendar month period (subject to the limitation below), the Program participant shall receive a payment from the Exchange in the amount of \$15,000 per calendar month for each of these calendar months during which:~~

~~o the Program participant maintains Full Connectivity; and~~

~~o the contract volume for transactions executed on the Exchange through the Program participant's front end system and connectivity to the Exchange by one or more Trading Privilege Holders totals 15,000 or more contracts for the month.~~

~~Contract volume for this purpose shall be measured per contract side.~~

~~If the requisite contract volume is not reached during one or more of these calendar months, the Program participant will continue to have the opportunity to reach the requisite contract volume in, and receive the corresponding payment for, other calendar months during this six calendar month period.~~

~~The above time periods are subject to the following limitation: No payment shall be made for any calendar month following the expiration of the Program even if a Program participant has not yet had the opportunity to accrue monthly payments under the Program for six consecutive calendar months of Full Connectivity and/or to accrue monthly payments based on Full Connectivity and contract volume for six calendar months.~~

~~Monthly payments to Program participants will be made following the end of the applicable calendar month. Monthly payments accrued but not yet paid prior to the expiration of the Program will be made on this schedule following the expiration of the Program.~~

### **Other Provisions**

~~Connectivity to the Exchange under the Program is governed by the Rules of the Exchange, including among other things, the requirements under Rule 302 that:~~

~~o connectivity to the CBOE System established by an Independent Software Vendor may not be used by the Independent Software Vendor itself for its own trading activities; and~~

~~o any Trading Privilege Holder that receives connectivity to the CBOE System through an Independent Software Vendor must do so through a separate connection and its own login(s) to the CBOE System that are not utilized by any other Trading Privilege Holder.~~

~~Each Trading Privilege Holder that accesses the Exchange through a Program participant's front end system and connectivity to the Exchange is required to utilize Exchange self trade prevention functionality under Rule 406A.~~

### **Term**

~~\_\_\_\_\_ The term of the Program shall be from January 15, 2016 through February 28, 2017. The Exchange may determine to allow the Program to expire, extend the term of the Program, or replace or modify the Program at any time.~~

## **XXII. New European Futures Commission Merchant Incentive Program**

The purpose of the New European Futures Commission Merchant Incentive Program (“Program”) is to incentivize new futures commission merchants (“FCMs”) and their customers located in European jurisdictions to trade designated Exchange products and thus increase liquidity in those products to the benefit of all Exchange market participants.

### **Products**

- The Program is applicable with respect to the following products listed on the Exchange:
  - Cboe Volatility Index (“VX”) Futures; and
  - Cboe Russell 2000 Volatility Index (“VU”) Futures.

### **Eligibility**

- The Program is limited to five FCM participants.
- In order for an FCM to participate in the Program, the FCM must:
  - be located in a European jurisdiction approved by the Exchange pursuant to Rule 305B;
  - submit to the Exchange any application form(s) and documentation required by the Exchange in connection with participation in the Program;
  - become effective as a Trading Privilege Holder on or after April 1, 2017 and not have been an effective Trading Privilege Holder prior to that date;
  - remain effective as a Trading Privilege Holder during the time period that the FCM participates in the Program; and
  - not be affiliated with the Exchange.
- The Exchange shall select as Program participants the first five FCMs that satisfy the above eligibility criteria.
- In order for a customer to participate in the Program, the customer must:
  - be a customer of an FCM participant in the Program;
  - be located in a European jurisdiction approved by the Exchange pursuant to Rule 305B;

- not have previously traded in any product listed on the Exchange;
- agree to receive information from the Exchange and be contacted by Exchange representatives by phone, electronic mail, and postal mail; and
- submit to the Exchange in a form and manner prescribed by the Exchange any application form(s) and documentation required by the Exchange in connection with participation in the Program.

**Benefits**

Transaction Fee Rebates

- The Exchange will issue a rebate in accordance with the table below with respect to transaction fees that satisfy all of the following criteria (“Qualifying Transaction Fees”):
  - customer transaction fees in VX and VU futures,
  - excluding block trade and regulatory fees,
  - assessed for contract purchases and sales during a calendar quarter for the designated ~~subaccount~~account(s) of a customer of an FCM participant in the Program with that FCM,
  - executed during a time period in which both the FCM and the customer are participants in the Program,
  - subject to the minimum quarterly volume threshold below.
- The rebate tiers in the table below apply with respect to the contract volume within the applicable tier.

Rebate Tier	Quarterly VX and VU Volume of a Customer Participant	Quarterly Rebate Per Contract
Tier 1	0 - 19,999	\$1.40
Tier 2	20,000 and above	\$0.40

- Contract purchases and sales for the designated ~~subaccount~~account(s) of a customer of an FCM participant in the Program with that FCM must collectively total at least 3,000 contracts in VX and VU futures during a calendar quarter in order for the customer to remain a Program participant and for rebates to apply with respect to transactions for that customer in that calendar quarter. If this threshold is not met for a calendar quarter, rebates will not apply with respect to transactions for that customer in that calendar quarter and the customer will be removed from the Program. If a customer becomes a Program participant during a calendar quarter after the beginning of the calendar quarter, this threshold will not be applicable for that calendar quarter.
- Contract volume for purposes of the Program shall be measured per contract side.

Market Data Redistribution Fee Waiver

- The Exchange will waive the Market Data Redistribution Fee for each participating FCM during the time period in which the FCM is a participant in the Program.

### Other Provisions

- A customer participant in the Program is required to provide written notification to the Exchange in a form and manner prescribed by the Exchange of the subaccount(s) in which the customer will execute transactions in Exchange products under the Program. The application of rebates with respect to transactions for the subaccount of a customer participant in the Program begins on the date of receipt by the Exchange of written notification of that subaccount as specified above.
- Any subaccount identified by a customer for the application of rebates under the Program may not be used by any party other than that customer to execute transactions in Exchange products under the Program. Transactions made by any party other than the participating FCM on behalf of the customer do not qualify for rebates or the satisfaction of the trading volume threshold under the Program in relation to that customer.
- A customer participant in the Program and that customer's FCM shall provide any supplemental documentation requested by the Exchange to substantiate that transactions qualify for satisfaction of trading volume thresholds and rebates under the Program. Failure to promptly provide notice of any changes to information provided to the Exchange for purposes of the Program, including subaccount number changes and additions, and supplemental documentation requested by the Exchange may result in ineligibility for the applicable rebates.
- Rebates under the Program are made to the Clearing Member that was originally assessed the transaction fees for the qualifying transactions through the payment of the rebates to that Clearing Member.
- Rebates will be made following the end of the applicable calendar quarter. Rebates accrued but not yet paid prior to the expiration of the Program will be made on this schedule following the expiration of the Program.
- Each FCM participant in the Program will be assessed an administrative fee of:
  - \$200 per month for each customer of the FCM that is a participant in the Program which is not a proprietary trading firm and is not affiliated with a proprietary trading firm; and
  - \$2,000 per month for each customer of the FCM that is a participant in the Program which is a proprietary trading firm or is affiliated with a proprietary trading firm.
- During the time period in which an FCM or customer is a participant in the Program, the FCM or customer is not eligible for the application of Day Trade fees for Exchange products under the Program, is not eligible to participate in the New Foreign Trader Incentive Program, and is not eligible to participate in the Foreign Proprietary Trading Firm Incentive Program.



## **Term**

The term of the Program shall be from April 1, 2017 through December 31, 2017. The Exchange may determine to allow the Program to expire, extend the term of the Program, or replace or modify the Program at any time.

## **XXIII. Foreign Proprietary Trading Firm Incentive Program**

The purpose of the Foreign Proprietary Trading Firm Incentive Program (“Program”) is to incentivize proprietary trading firms located in foreign jurisdictions to trade designated Exchange products and thus increase liquidity in those products to the benefit of all Exchange market participants.

## **Products**

- The Program is applicable with respect to the following products listed on the Exchange:
  - Cboe Volatility Index (“VX”) Futures; and
  - Cboe Russell 2000 Volatility Index (“VU”) Futures.

## **Eligibility**

- There is no limit on the number of participants in the Program.
- In order for a proprietary trading firm to participate in the Program, the proprietary trading firm must:
  - agree to receive information from the Exchange and be contacted by Exchange representatives by phone, electronic mail, and postal mail;
  - submit to the Exchange in a form and manner prescribed by the Exchange any application form(s) and documentation required by the Exchange in connection with participation in the Program;
  - be located in a foreign jurisdiction approved by the Exchange pursuant to Rule 305B;
  - be an effective Trading Privilege Holder during the time period that the firm participates in the Program; and
  - not be affiliated with the Exchange.
- The Exchange shall select as Program participants those proprietary trading firms that satisfy the above eligibility criteria.

## **Benefits**

- The Exchange will issue a rebate in accordance with the table below with respect to transaction fees that satisfy all of the following criteria (“Qualifying Transaction Fees”):

- transaction fees in VX and VU futures,
- excluding block trade and regulatory fees,
- assessed for contract purchases and sales for the trading firm’s designated account(s) during a calendar month,
- executed during the time period in which the proprietary trading firm is a participant in the Program,

if the volume of VX and VU futures contracts traded for the trading firm’s designated account(s) during that calendar month meets or exceeds the applicable minimum volume thresholds for a rebate to be applicable.

- There are two minimum volume thresholds that must be satisfied during a calendar month in order for a rebate to be applicable for that calendar month:
  - a minimum threshold for total trading volume in VX and VU futures (inclusive of transactions during both regular trading hours and extended trading hours (“ETH”)), and
  - a minimum threshold for trading volume in VX and VU futures during ETH.
- If a rebate tier applies for a calendar month pursuant to the table below, the rebate percentage is applied to all Qualifying Transaction Fees during that calendar month and not just to transaction fees for transactions at or above the applicable volume thresholds. If more than one rebate tier is satisfied for a calendar month, the rebate tier with the highest rebate percentage is applied for that calendar month.

Rebate Tier	Minimum Monthly VX and VU Volume Threshold	Minimum Monthly VX and VU ETH Volume Threshold	Monthly Rebate Percentage
Tier 1	50,000	7,500	15%
Tier 2	80,000	10,000	30%
Tier 3	130,000	15,000	45%

- Contract volume for purposes of the Program shall be measured per contract side.
- If a participating proprietary trading firm does not meet the minimum volume thresholds for a rebate to be applicable for a calendar month, the firm will remain a participant in the Program and remain eligible to generate rebates for subsequent calendar months during the term of the Program if the firm meets minimum volume thresholds during those subsequent calendar months.

**Other Provisions**

- A proprietary trading firm participant in the Program is required to provide written notification to the Exchange in a form and manner prescribed by the Exchange of the account(s) in which the proprietary trading firm will execute transactions in Exchange products under the Program. The application of rebates with respect to transactions by the

account of a proprietary trading firm participant in the Program begins on the date of receipt by the Exchange of written notification of that account as specified above.

- Any account identified by a proprietary trading firm for the application of rebates under the Program may not be used by any party other than that proprietary trading firm to execute transactions in Exchange products under the Program. Transactions made by any party other than the proprietary trading firm do not qualify for rebates or the satisfaction of the trading volume threshold under the Program in relation to that proprietary trading firm.
- A proprietary trading firm participant in the Program shall provide any supplemental documentation requested by the Exchange to substantiate that transactions qualify for satisfaction of the trading volume threshold and rebates under the Program. Failure to promptly provide notice of any changes to information provided to the Exchange for purposes of the Program, including account number changes and additions, and supplemental documentation requested by the Exchange may result in ineligibility for the applicable rebates.
- Rebates under the Program are made to the Clearing Member that was originally assessed the transaction fees for the qualifying transactions through the payment of the rebates to that Clearing Member.
- Rebates will be made following the end of the applicable calendar ~~month~~ quarter. Rebates accrued but not yet paid prior to the expiration of the Program will be made on this schedule following the expiration of the Program.
- Each proprietary trading firm participant in the Program will be assessed an administrative fee of \$100.00 per month for each calendar month during which the firm is a participant in the Program.
- Each proprietary trading firm participant in the Program is required to utilize Exchange ~~self-match~~ trade prevention functionality under Rule 406AB.
- During the time period in which a proprietary trading firm is a participant in the Program, the firm and its Authorized Traders are not eligible for the application of Day Trade fees for Exchange products under the Program, are not eligible to participate in the New European Futures Commission Merchant Incentive Program and are not eligible to participate in the Southern Hemisphere New Foreign Proprietary Trading Firm Incentive Program.

## **Term**

The term of the Program shall be from April 1, 2017 through December 31, 2017. The Exchange may determine to allow the Program to expire, extend the term of the Program, or replace or modify the Program at any time.

## **XXIV. Southern Hemisphere New Proprietary Trading Firm Incentive Program**

The purpose of the Southern Hemisphere New Proprietary Trading Firm Incentive Program (“Program”) is to incentivize new proprietary trading firms located in the Southern Hemisphere to trade designated Exchange products and thus increase liquidity in those products to the benefit of all Exchange market participants.

## Products

- The Program is applicable with respect to the following products listed on the Exchange:
  - Cboe Volatility Index (“VX”) Futures; and
  - Cboe Russell 2000 Volatility Index (“VU”) Futures.

## Eligibility

- The Program is limited to five eligible proprietary trading firms.
- In order for a proprietary trading firm to participate in the Program, the firm must:
  - not have previously traded in any product listed on the Exchange;
  - agree to receive information from the Exchange and be contacted by Exchange representatives by phone, electronic mail, and postal mail;
  - submit to the Exchange in a form and manner prescribed by the Exchange any application form(s) and documentation required by the Exchange in connection with participation in the Program;
  - be located in a jurisdiction in the Southern Hemisphere approved by the Exchange pursuant to Rule 305B;
  - become effective as a Trading Privilege Holder on or after April 1, 2017 and not have been an effective Trading Privilege Holder prior to that date;
  - remain effective as a Trading Privilege Holder during the time period that the firm participates in the Program;
  - not be affiliated with the Exchange.
- The Exchange shall select as Program participants the first five proprietary trading firms that satisfy the above eligibility criteria.

## Benefits

### Transaction Fee Rebates

- The Exchange will issue a rebate in accordance with the table below with respect to transaction fees that satisfy all of the following criteria (“Qualifying Transaction Fees”):
  - transaction fees in VX and VU futures,
  - excluding block trade and regulatory fees,

- assessed for contract purchases and sales for the trading firm’s designated account(s) during a calendar month,
- executed during the time period in which the proprietary trading firm is a participant in the Program,

if the volume of VX and VU futures contracts traded for the trading firm’s designated account(s) during that calendar month meets or exceeds the applicable minimum volume thresholds for a rebate to be applicable.

- There are two minimum volume thresholds that must be satisfied during a calendar month in order for a rebate to be applicable for that calendar month:
  - a minimum threshold for total trading volume in VX and VU futures (inclusive of transactions during both regular trading hours and extended trading hours (“ETH”)), and
  - a minimum threshold for trading volume in VX and VU futures during ETH.
- If a rebate tier applies for a calendar month pursuant to the table below, the rebate percentage is applied to all Qualifying Transaction Fees during that calendar month and not just to transaction fees for transactions at or above the applicable volume thresholds. If more than one rebate tier is satisfied for a calendar month, the rebate tier with the highest rebate percentage is applied for that calendar month.

Rebate Tier	Minimum Monthly VX and VU Volume Threshold	Minimum Monthly VX and VU ETH Volume Threshold	Monthly Rebate Percentage
Tier 1	50,000	10,000	15%
Tier 2	80,000	20,000	30%
Tier 3	130,000	40,000	45%

- Contract volume for purposes of the Program shall be measured per contract side.
- If a participating proprietary trading firm does not meet the minimum volume thresholds for a rebate to be applicable for a calendar month, the firm will remain a participant in the Program and remain eligible to generate rebates for subsequent calendar months during the term of the Program if the firm meets minimum volume thresholds during those subsequent calendar months.
- Any contract volume for which a rebate is applicable under another Exchange incentive program may not be used to satisfy the minimum volume thresholds or to generate a rebate under this Program.

#### Historical Market Data Fee Waiver

- The Exchange will provide three months of VX futures historical market data to each participating proprietary trading firm at no cost.

#### Trading Permit Fee Waiver

- The Exchange will waive the Annual Trading Permit Fee during 2017 for each participating proprietary trading firm.

#### ~~Connectivity~~ Market Data Access Fee Waiver

- The Exchange will waive the Market Data ~~Connectivity~~ Access Fee for CFE data for the first six months during which a proprietary trading firm participates in the Program.

#### Other Provisions

- A proprietary trading firm participant in the Program is required to provide written notification to the Exchange in a form and manner prescribed by the Exchange of the account(s) in which the firm will execute transactions in Exchange products under the Program. The application of rebates with respect to transactions by an account of a proprietary trading firm participant in the Program begins on the date of receipt by the Exchange of written notification of that account as specified above.
- Any account identified by a proprietary trading firm for the application of rebates under the Program may not be used by any party other than that proprietary trading firm to execute transactions in Exchange products under the Program. Transactions made by any party other than the proprietary trading firm do not qualify for rebates or the satisfaction of the trading volume threshold under the Program in relation to that proprietary trading firm.
- A proprietary trading firm participant in the Program shall provide any supplemental documentation requested by the Exchange to substantiate that transactions qualify for satisfaction of the trading volume threshold and rebates under the Program. Failure to promptly provide notice of any changes to information provided to the Exchange for purposes of the Program, including account number changes and additions, and supplemental documentation requested by the Exchange may result in ineligibility for the applicable rebates.
- Rebates under the Program are made to the Clearing Member that was originally assessed the transaction fees for the qualifying transactions through the payment of the rebates to that Clearing Member.
- Rebates will be made following the end of the applicable calendar ~~month~~ quarter. Rebates accrued but not yet paid prior to the expiration of the Program will be made on this schedule following the expiration of the Program.
- Each proprietary trading firm participant in the Program is required to utilize Exchange self-match trade prevention functionality under Rule 406AB.
- During the time period in which a proprietary trading firm is a participant in the Program, the firm and its Authorized Traders are not eligible for the application of Day Trade fees for Exchange products under the Program, are not eligible to participate in the New European Futures Commission Merchant Incentive Program and are not eligible to participate in the Foreign Proprietary Trading Firm Incentive Program.

**Term**

The term of the Program shall be from April 1, 2017 through December 31, 2017. The Exchange may determine to allow the Program to expire, extend the term of the Program, or replace or modify the Program at any time.

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