



December 1, 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-2017-019

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (“Act”), and §40.6(a) of the regulations promulgated by the Commodity Futures Trading Commission (“Commission”) under the Act, Cboe Futures Exchange, LLC (“CFE” or “Exchange”) hereby submits a CFE rule amendment (“Amendment”) to adopt new CFE Policy and Procedure IX to set forth the Cboe Bitcoin (USD) Futures Lead Market Maker Program (“Program”). The Amendment will become effective on December 15, 2017 or such later date as the Exchange may announce by circular.

The Program provides for the appointment of up to three lead market makers (“LMMs”) and sets forth market performance benchmarks applicable to the appointed LMMs under the Program. The Program also sets forth three benefits that are intended to attract and retain dedicated liquidity providers in XBT futures.

The primary market performance benchmarks under the Program are for each LMM to provide two-sided markets in near term XBT futures expirations with minimum quote sizes and maximum quote widths and to provide a competitive two-sided market in a spread with legs in those contracts. Each LMM must identify in advance to the Exchange the login(s) through which the LMM will provide orders or quotes to satisfy the market performance benchmarks under the Program and will be required to utilize the CFE self-trade prevention functionality provided for under CFE Rule 406A with respect to trading in XBT futures.

To incentivize LMMs to provide liquidity in XBT futures and to help defray start-up and other costs of acting as an LMM in XBT futures, the Program provides for a waiver of LMM transaction fees in XBT futures for approximately a one year period and a monthly incentive payment during the term of the Program that becomes a revenue share if certain XBT futures volume levels are reached. The monthly incentive payment will terminate if the average daily trading volume (“ADV”) in all XBT futures expirations reaches 25,000 contracts for three consecutive months. After termination of the monthly incentive payment, a revenue share of CFE XBT futures transaction fees will apply which will be allocated pro-rata to the LMMs based on their proprietary trading volume in XBT futures.

The Exchange believes that the market performance benchmarks and associated benefits under the Program strike the appropriate balance to incentivize and retain dedicated liquidity

providers in this new product.

The Program expires on November 30, 2019, unless the Program is extended by the Exchange. CFE may determine to extend the term of the Program and LMM appointments under the Program, allow the Program and 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. One modification to the Program that CFE may make is to terminate the monthly incentive payment under the Program after twelve months if the ADV threshold is not reached during that time period and then apply the revenue share under the Program. Any of these actions, other than allowing the Program and appointments under the Program to expire, would be done through a subsequent rule amendment submission to the Commission.

CFE believes that the Amendment is consistent with Core Principle 9 (Execution of Transactions) under Section 5 of the Act. The Exchange believes that the Program will have a positive impact on the price discovery process by fostering improved liquidity, market width and size, and volume in XBT futures traded on CFE's centralized market and will incentivize LMMs to devote their efforts to enhancing market quality in XBT futures. Accordingly, CFE believes that the impact of the Amendment will be beneficial to the public and market participants.

CFE is not aware of any substantive opposing views to the Amendment. CFE hereby certifies that the Amendment complies with the Act and the regulations thereunder. CFE further certifies that it has posted a notice of pending certification with the Commission and a copy of this submission on CFE's Web site (<http://cfe.cboe.com/aboutcfe/rules.aspx>) concurrent with the filing of this submission with the Commission.

The Amendment, marked to show additions in underlined text and deletions in [bracketed] text, consists of the following:

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IX. Cboe Bitcoin (USD) Futures Lead Market Maker Program

Trading Privilege Holder ("TPH") organizations may apply to the Exchange for appointment as a lead market maker ("LMM") in the CFE Bitcoin (USD) ("XBT") Futures Lead Market Maker Program ("Program").

The Exchange may approve up to three 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 spot bitcoin.

- Ability to automatically and systematically provide two-sided markets during extended trading hours and regular trading hours.

Market Performance Benchmarks

- Each LMM shall identify in advance to the Exchange the login(s) through which the LMM will provide Orders or quotes to satisfy the market performance benchmarks under the Program. Each LMM is required to utilize Exchange self-trade prevention functionality under Rule 406A with respect to trading in XBT futures.
- Each LMM shall provide Orders or quotes:
 - in the two XBT futures contracts with the nearest expirations,
 - at least 90% of the time,
 - throughout each trading day during both regular trading hours and extended trading hours for XBT futures,
 - that result in three two-sided quotes with minimum quote sizes and maximum quote widths in those contracts as set forth in the table below.

<u>XBT Futures Contract with Nearest Expiration</u>	
<u>First Two-Sided Quote</u>	
<u>Minimum Quote Size</u>	<u>Maximum Quote Width</u>
<u>5 x 5</u>	<u>10.00 points USD/XBT</u>
<u>Second Two-Sided Quote</u>	
<u>Minimum Quote Size</u>	<u>Maximum Quote Width</u>
<u>25 x 25</u>	<u>20.00 points USD/XBT</u>
<u>Third Two-Sided Quote</u>	
<u>Minimum Quote Size</u>	<u>Maximum Quote Width</u>
<u>25 x 25</u>	<u>30.00 points USD/XBT</u>
<u>XBT Futures Contract with Second Nearest Expiration</u>	
<u>First Two-Sided Quote</u>	
<u>Minimum Quote Size</u>	<u>Maximum Quote Width</u>
<u>5 x 5</u>	<u>10.00 points USD/XBT</u>
<u>Second Two-Sided Quote</u>	
<u>Minimum Quote Size</u>	<u>Maximum Quote Width</u>
<u>10 x 10</u>	<u>20.00 points USD/XBT</u>
<u>Third Two-Sided Quote</u>	
<u>Minimum Quote Size</u>	<u>Maximum Quote Width</u>
<u>10 x 10</u>	<u>30.00 points USD/XBT</u>

- Each LMM shall provide Orders or quotes:
 - in the XBT futures two legged spread with one leg in the XBT futures contract with the nearest expiration and one leg in the XBT futures contract with the second nearest expiration,
 - at least 90% of the time,

- throughout each trading day during both regular trading hours and extended trading hours for XBT futures,
- that result in competitive two-sided quotes in that spread.
- Additionally, during the last minute of regular trading hours on each Business Day (generally during the time period from 3:14 p.m. to 3:15 p.m. Chicago time), each LMM shall provide Orders or quotes that result in two-sided quotes in conformity with the above-referenced two-sided quote benchmarks 100% of the time (instead of 90% of the time).
- The above market performance benchmarks shall be subject to relief in the event of unusual market conditions in XBT futures or in bitcoin in U.S. dollars traded on the Gemini Exchange or other extenuating circumstances to be determined solely by the Exchange. Under conditions as specified in the preceding sentence, each LMM shall use commercially reasonable efforts to provide Orders or quotes that result in two-sided quotes in the XBT futures expirations and spreads referenced above and to provide Orders or quotes that result in a two-sided quote in response to a request from the Exchange that the LMM post a market for an XBT futures 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

Transaction Fee Waiver

- There will be a transaction fee waiver for LMMs under the Program for the first full twelve calendar months following the launch of trading in XBT futures and for any initial partial calendar month of trading in XBT futures ("Waiver Period").
- This transaction fee waiver will apply to transaction fees in XBT futures (other than any regulatory fees) for transactions resulting from quotes and proprietary Orders provided by LMMs under the Program.
- This transaction fee waiver will apply to each TPH appointed as an LMM under the Program during the portion of the Waiver Period in which the TPH acts as an LMM under the Program.

Monthly Incentive Payment

- Each TPH appointed as an LMM under the Program shall receive a payment from the Exchange in the amount of \$25,000 per calendar month for each calendar month during which the TPH acts as an LMM under the Program ("Monthly Incentive Payment"). If a TPH acts as an LMM for XBT futures 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 XBT futures reaches 25,000 contracts per month during three consecutive calendar months. The termination of the Monthly Incentive Payment provision of the Program will occur at the end of the third consecutive calendar month in which the 25,000 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 XBT futures subsequently falls below the 25,000 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 25,000 ADV threshold is reached for three consecutive calendar months 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 under the Program during that month. The revenue pool will be equal to 25% of the total transaction fees (excluding any regulatory fees) collected by the Exchange for transactions in XBT futures during that month.
- The revenue pool will be allocated on a pro-rata basis to the TPHs that acted as an LMM under the Program during the applicable calendar month based on the contract volume of those TPHs in XBT futures during that month resulting from quotes and proprietary Orders provided by those LMMs.
- Payments from the revenue pool for a calendar month will be made to LMMs following the end of the applicable calendar quarter.

Term

- The Program and each LMM appointment under the Program will expire on November 30, 2019. The Exchange may determine to extend the term of the Program and LMM appointments under the Program, allow the Program and LMM appointments under the Program to expire, terminate the Program and all LMM appointments under the Program at any time or replace the Program with a different LMM program at any time.

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Questions regarding this submission may be directed to Arthur Reinstein at (312) 786-7570 or Nicole Gordon at (312) 786-8109. Please reference our submission number CFE-2017-

019 in any related correspondence.

Cboe Futures Exchange, LLC

/s/ Andrew Lowenthal

By: Andrew Lowenthal
Senior Managing Director