



December 9, 2014

Mr. Christopher 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-2014-034

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 XVI to set forth the CBOE Nasdaq-100 Volatility Index (“VXN”) Futures Lead Market Maker Program (“Program”). The Amendment will become effective on January 1, 2015. The Program expires on December 31, 2016, unless the Program is extended by the Exchange through a subsequent rule amendment submission to the Commission.

The Program provides for market performance benchmarks applicable to the lead market makers (“LMMs”) under the Program and is intended to attract and retain dedicated LMM liquidity providers for VXN futures by providing for a 20% revenue pool that will be shared and allocated pro-rata among the LMMs based on their contract volume in VXN futures. The new Program allows for the appointment of up to three LMMs in VXN futures.

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 VXN futures traded on CFE’s centralized market and will incentivize LMMs to devote their efforts to enhancing market quality in VXN 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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**CBOE Futures Exchange, LLC
Policies and Procedures**

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XVI. CBOE Nasdaq-100 Volatility Index Futures Lead Market Maker Program

Trading Privilege Holder (“TPH”) organizations may apply to the Exchange for appointment as a lead market maker (“LMM”) in the CBOE Nasdaq-100 Volatility Index (“VXN”) Futures Lead Market Maker Program (“Program”).

The Exchange may approve up to three 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 benchmarks, benefit, 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 Benchmarks

- Throughout the trading day between 8:30 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 5 contracts within a maximum width of \$0.20 in all contract months.
- The above market performance benchmark shall be subject to relief in the event of a fast market in VXN futures or options on the Nasdaq-100 Index traded on CBOE or other extenuating circumstances or unusual market conditions to be determined solely by the Exchange. Under conditions as specified in the foregoing sentence, each LMM in the Program shall use commercially reasonable efforts to provide a continuous quote and to respond to requests for a quote from the Exchange.
- Each LMM may satisfy the above market performance benchmarks relating to the provision of quotes through the equivalent provision of orders instead of quotes.
- 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 benchmarks under the Program shall not be deemed a violation of Exchange rules.

Benefit

- For each calendar quarter (including any partial calendar quarter) during which one or more TPHs act as an LMM for VXN futures under the Program, the Exchange will maintain a revenue pool for those TPHs. The revenue pool will be equal to 20% of the difference between the total transaction fees (excluding regulatory fees) collected by the Exchange for transactions in VXN futures during that quarter and any license fees paid by the Exchange or an Exchange affiliate with respect to those transactions. The revenue pool will be allocated on a pro-rata basis to the TPHs that acted as an LMM for VXN futures during that quarter based on the contract volume of those TPHs in VXN futures during that quarter resulting from quotes and proprietary orders provided by those LMMs. Payment from the revenue pool for a quarter will be made to the LMMs following the end of that quarter.

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.

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Questions regarding this submission may be directed to Arthur Reinstein at (312) 786-7570 or Eric Seinsheimer at (312) 786-8740. Please reference our submission number CFE-2014-034 in any related correspondence.

CBOE Futures Exchange, LLC



By: James F. Lubin
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