December 10, 2018

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-2018-031

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended ("Act"), and §40.6(a) of the regulations promulgated by the Commodity Futures Trading Commission ("Commission") under the Act, Cboe Futures Exchange, LLC ("CFE" or "Exchange") hereby submits a CFE rule amendment ("Amendment") to amend CFE Policy and Procedure X which sets forth CFE's DPM Market Performance Benchmarks Program ("DPM Program"). A version of the Amendment which sets forth the full terms of the amended DPM Program is included in a segregated confidential Appendix A to this submission. The Amendment will become effective on January 1, 2019.

CFE Rule 515 allows CFE to appoint designated primary market makers ("DPMs") and to allocate a CFE contract to a DPM for that contract. The DPM Program includes general and product specific market performance benchmarks that a DPM which has been allocated a CFE contract must satisfy in order to receive specified benefits under the DPM Program. The DPM Program currently applies to two CFE contracts: S&P 500 Variance ("VA") futures and Cboe Russell 2000 Volatility Index ("VU") futures. The benefits under the DPM Program are intended to attract and retain liquidity providers in these contracts. The DPM Program currently expires on December 31, 2018. The Amendment extends the term of the DPM Program for an additional year until December 31, 2019. As is currently the case, CFE may determine to further extend the term of the DPM Program or terminate or replace the DPM Program at any time through a subsequent rule amendment submission to the Commission. The Amendment also clarifies that CFE may prorate benefits to a DPM if the DPM only partially satisfies market performance benchmarks under the DPM Program. Exhibit 1 to this submission includes an amended description of the DPM Program which CFE will include in Policy and Procedure X of the Policies and Procedures Section of the CFE Rulebook.

CFE believes that the Amendment is consistent with Designated Contract Market Core Principles 2 (Compliance with Rules), 4 (Prevention of Market Disruption), 9 (Execution of Transactions), and 12 (Protection of Markets and Market Participants) under Section 5 of the Act. All DPM Program participants are obligated by CFE Rule 308 to comply with Exchange rules and are required under the terms of the DPM Program to utilize Exchange match trade prevention functionality under CFE Rule 406B with respect to trading in allocated contracts. The Exchange also surveils for wash trading by DPM Program participants. Exchange rules include prohibitions against fraudulent, non-competitive, unfair, and abusive trading practices, and the Exchange monitors trading in CFE contracts for violative activity such as manipulative trading and market abuse. The Exchange believes that the DPM Program has a positive impact on the price discovery process by fostering improved liquidity, market width and size, and volume in products traded on CFE's centralized market for which there are DPMs appointed and incentivizes DPMs to devote their efforts to enhancing market quality. Enhanced market quality benefits all participants in these products. Accordingly, CFE believes that the impact of the Amendment will be beneficial to the public and market participants.

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

Questions regarding this submission may be directed to Arthur Reinstein at (312) 786-7570 or Nicole Gordon at (312) 786-8109. Please reference our submission number CFE-2018-031 in any related correspondence.

Cboe Futures Exchange, LLC

/s/ Matthew McFarland

By: Matthew McFarland
Managing Director

EXHIBIT 1

(Additions are shown in <u>underlined</u> text and
deletions are shown in ~~stricken~~ text)

Cboe Futures Exchange, LLC
Policies and Procedures Section of Rulebook

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X. DPM Market Performance Benchmarks Program

Each DPM that is allocated a Contract as a DPM shall comply with the general and product specific DPM market performance benchmarks set forth below and shall receive the DPM participation right set forth in the rules governing the relevant Contract. In addition, if product specific DPM benefits are set forth below with respect to a particular Contract, the DPM that is allocated that Contract shall receive those benefits.

The Exchange may terminate, place conditions upon or otherwise limit a Trading Privilege Holder's approval to act as a DPM or a DPM's allocation of Contracts in accordance with Rule 515 if the DPM fails to satisfy the market performance benchmarks under this Policy and Procedure. <u>For example, the Exchange may reduce a monthly benefit to a DPM under this Policy and Procedure through a proration that takes into consideration the extent to which the DPM does not satisfy the applicable market performance benchmarks during the applicable calendar month.</u> 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 <u>("Program")</u> under this Policy and Procedure will expire on December 31, ~~2018~~ <u>2019</u>. 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.

<u>General DPM Market Performance Benchmarks</u>

- 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 match trade prevention functionality under Rule 406B 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-sided quotes in S&P 500 Variance futures contract months as set forth in the table below.~~

~~Continuous Two-Sided 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 unusual market conditions in S&P 500 Variance futures or SPX options traded on Cboe Options or other extenuating circumstances 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 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 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.~~

- The DPM shall provide Orders in S&P 500 Variance futures in conformity with specified criteria relating to minimum two-sided quote size and maximum quote width.

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-sided minimum quotes with minimum quote sizes and maximum quote widths as set forth in the table below.~~

~~First Continuous Two-Sided Quote~~	
~~Minimum Quote Size~~	~~Maximum Quote Width Calculated as~~

	~~a Percentage of Offer Price~~
~~5 x 5~~	~~2%~~
~~Second Continuous Two-Sided Quote~~	
~~Minimum Quote Size~~	~~Maximum Quote Width Calculated as a Percentage of Offer Price~~
~~10 x 10~~	~~5%~~
~~Third Continuous Two-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-sided quote during Regular Trading Hours in response to a request from the Exchange that the DPM post a market for a VU future or futures.~~

- ~~The above market performance benchmarks shall be subject to relief in the event of unusual market conditions in VU futures or Russell 2000 ("RUT") options traded on Cboe Options or other extenuating circumstances to be determined solely by the Exchange. Under conditions as specified in the foregoing sentence, the DPM shall use commercially reasonably efforts during Regular Trading Hours to provide Orders that result in a continuous two-sided quote and to provide Orders that result in a two-sided quote in response to a request from the Exchange that the DPM post a market for a VU future or futures.~~

- <u>The DPM shall provide Orders in VU futures in conformity with specified criteria relating to minimum two-sided quote size and maximum quote width.</u>

<u>Product Specific DPM Benefits</u>

<u>S&P 500 Variance Futures</u>

- ~~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.~~

- <u>The DPM is eligible to receive specified benefits in connection with acting as the DPM in S&P 500 Variance futures under the Program.</u>

<u>VU Futures</u>

- ~~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.~~

- <u>The DPM is eligible to receive specified benefits in connection with acting as the DPM in VU futures under the Program.</u>

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