



December 14, 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-2017-022

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 re-adopt CFE Policy and Procedure XI of the Policies and Procedures section of the CFE Rulebook to set forth the Cboe/CBOT 10-Year U.S. Treasury Note Volatility Index (“VXTY”) Futures Lead Market Maker Program (“Program”). The Amendment will become effective on January 1, 2018. The Program expires on December 31, 2018, unless it is extended or amended by CFE through a subsequent rule amendment submission to the Commission.

A prior version of the Program was in place pursuant to CFE Rule Certification Submission Number CFE-2014-23 from November 13, 2014 until it expired on December 31, 2016. Like the prior version of the Program, the new Program provides for the appointment of one or more CFE Trading Privilege Holders to act as lead market makers (“LMMs”) in VXTY futures and sets forth market performance benchmarks applicable to the appointed LMMs under the Program. CFE is not proposing to substantively change the market performance benchmarks that were in place under the prior version of the Program. LMMs will be required to utilize CFE self-trade prevention functionality. As with the prior version of the Program, the Program also sets forth two benefits that are intended to attract and retain dedicated LMM liquidity providers for VXTY futures. CFE is retaining the transaction fee waiver in VXTY futures for LMMs under the Program that was in place under the prior version of the Program and is replacing the LMM trade participation right that was in place under the prior version of the Program with an LMM revenue share. Under the revenue share, CFE will maintain a revenue pool equal to 20% of the total transaction fees (excluding regulatory fees) collected by CFE for transactions in VXTY futures and allocate that revenue pool to LMMs under the Program on a pro-rata basis based on their contract volume in VXTY futures.

CFE believes that the Amendment is consistent with Core Principles 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 VXTY futures traded on CFE’s centralized market and will incentivize LMMs to devote their efforts to enhancing market quality in VXTY 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:

Cboe Futures Exchange, LLC Policies and Procedures

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XI. Cboe/CBOT 10-Year U.S. Treasury Note 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/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 Benchmarks

- Each LMM shall identify in advance to the Exchange the login(s) through which the LMM will provide Orders 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 VXTY futures.
- 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 Orders that result in 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 unusual market conditions in 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 Orders that result in a continuous quote and to 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 VXTY future or futures.

- 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. For example, the Exchange may reduce the applicable monthly revenue share payment to a TPH under the Program by the pro-rated amount attributable to any trading days during the relevant calendar month on which the TPH does not satisfy the market performance benchmarks under the Program. However, failure of a TPH to satisfy the market performance benchmarks under the Program shall not be deemed a violation of Exchange rules.

Benefits

Transaction Fee Waiver

- Transaction fees in the VXTY futures contract (excluding regulatory fees) shall be waived through December 31, 2018 for each LMM under the Program.

Revenue Share

- For each calendar month (including any partial calendar month) during which one or more Trading Privilege Holders act as an LMM for VXTY futures under the Program, the Exchange will maintain a revenue pool for those LMMs for that calendar month. The revenue pool will be equal to 20% of the total transaction fees (excluding regulatory fees) collected by the Exchange for transactions in VXTY futures during that calendar month.
- The revenue pool will be allocated on a pro-rata basis to the TPHs that acted as an LMM for VXTY futures during the applicable calendar month based on the contract volume of those TPHs in VXTY futures during that calendar month resulting from proprietary Orders provided by those LMMs.
- Payments from the revenue pool for a calendar month will be made to the LMMs following the end of the applicable calendar quarter.

Term

- The Program and each LMM appointment under the Program will expire on December 31, 2018. 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-2017-022 in any related correspondence.

Cboe Futures Exchange, LLC

/s/ Andrew Lowenthal

By: Andrew Lowenthal
Senior Managing Director