



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-2017-026

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 under the Act, Cboe Futures Exchange, LLC (“CFE” or “Exchange”) hereby submits an amendment (“Amendment”) to CFE Policy and Procedure XX to extend the term of CFE’s New Foreign Trader Incentive Program (“Program”). The Amendment will become effective on January 1, 2018.

The Amendment extends the Program for an additional year to provide an incentive for new traders associated with foreign proprietary trading firms and trading arcades who have not previously traded in CFE products to trade on the Exchange in Cboe Volatility Index (“VX”) futures and Cboe Russell 2000 Volatility Index (“VU”) futures. The only change included in the Amendment is the revision of the expiration date of the Program from December 31, 2017 to December 31, 2018. This change will also be applicable to the amended version of the Program that is included in CFE Rule Certification Submission Number CFE-2017-017 when the rule changes in that filing are made effective upon the migration of CFE’s trading system to Bats technology. As was the case previously, CFE may determine to extend the term of the Program or replace or modify the Program at any time through a subsequent rule amendment submission to the Commission.

CFE believes that the Amendment is consistent with Designated Contract Market Core Principles 2 (Compliance with Rules), 9 (Execution of Transactions), and 12 (Protection of Markets and Market Participants) under Section 5 of the Act. CFE has established the categories of foreign traders eligible for participation in the Program for legitimate business purposes in connection with its efforts to expand its international user base and to compete internationally with domestic and foreign exchanges. The Program treats all parties eligible for the Program equally. CFE believes that the Program will continue to contribute to the provision of a competitive, open, and efficient market and the price discovery process on CFE by incentivizing foreign traders to trade in VX and VU futures, thus fostering increased liquidity in those products. Additionally, CFE believes that the Program will continue to contribute to promoting fair and equitable trading on CFE by requiring traders that participate in the Program to use CFE’s self-trade functionality, so as not to provide an incentive for self-trades in connection with receiving rebates or meeting the contract volume threshold under the Program.

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] texts, consists of the following:

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**Cboe Futures Exchange, LLC  
Policies and Procedures**

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**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 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 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.
  - 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(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(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(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 of a trader 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 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 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-trade prevention functionality under Rule 406A.
- 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] 2018. 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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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-2017-026 in any related correspondence.

Cboe Futures Exchange, LLC

[/s/ Andrew Lowenthal](#)

By: Andrew Lowenthal  
Senior Managing Director