



August 26, 2014

Via Electronic Mail

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-2014-018

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 position limit rules for CFE contracts on various volatility indexes. The Amendment will become effective on September 11, 2014.

All CFE contracts on volatility indexes, with the exception of the CBOE Volatility Index (VIX) futures contract which is subject to position accountability, are subject to position limits. CFE periodically reviews position limit levels and has determined to make the following changes to the positions limits for the below identified contracts:

- For the CBOE Short-Term Volatility Index (“VXST”) futures contract, establish a 1 day-to-expiration spot position limit of 5,000 contracts;
- For Individual Stock Based and Exchange-Traded Fund Based Volatility Index security futures: (i) reduce the all months position limit from 50,000 contracts to 30,000 contracts; (ii) reduce the spot month position limit from 30,000 contracts to 10,000 contracts; and (iii) replace the 5 days-to-expiration spot position limit of 13,500 contracts with a 1 day-to-expiration spot position limit of 1,000 contracts;<sup>1</sup> and

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<sup>1</sup> This change is consistent with Commission Regulation §41.25(a)(3)(i), which requires that a designated contract market “adopt a net position limit no greater than 13,500 (100-share) contracts applicable to positions held during the last five trading days of an expiring contract month [ ]” for security futures contracts. This is because the newly reduced spot month position limit of 10,000 contracts is applicable sooner than the “last five trading days of an expiring contract month” and is less than the statutory maximum of 13,500 contracts during that five-day period. Also, the Exchange is replacing the 5-days-to-expiration limit with a 1-day-to-expiration limit because any potential pressures on liquidity are most acute on the day before expiration.

- For both the CBOE Nasdaq-100 Volatility Index (“VXN”) futures contract and the Russell 2000 Volatility Index (“RVX”) futures contract, establish a 1 day-to-expiration spot position limit of 2,500 contracts.

The Exchange will continue to periodically review position limit levels in order to determine whether existing position limit levels should remain or be adjusted. Accordingly, the Exchange may determine to increase the position limits that are the subject of this Amendment in the future. Among other things, CFE will review trading volume data and liquidity in the applicable contract, and may propose alternate position limit levels. Any such change would be accomplished by way of a rule certification with the Commission.

CFE believes that the Amendment is consistent with Designated Contract Market Core Principle 5 (Position Limits or Accountability) under Section 5 of the Act because the Amendment: (i) amends the position limits for futures contracts on volatility indexes in conformity with Commission Regulation §150.5(b)(3) (Exchange-set Speculative Position Limits); and (ii) amends the position limits for security futures contracts on Individual Stock Based and Exchange-Traded Fund Based Volatility Indexes in conformity with Commission Regulation §41.25 (Additional Conditions for Trading Security Futures Products).

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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**Chapter 13**  
**CBOE Short-Term Volatility Index Futures Contract Specifications**

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**Rule 1302. Contract Specifications**

(a) – (c) No change.

(d) *Position Limits.* [A person may not own or control more than 5,000 contracts net long or net short in all VXST futures contract expirations combined.] VXST futures are subject to position limits under Rule 412.

A person: (1) may not own or control more than 5,000 contracts net long or net short in all VXST futures contract expirations combined; and (2) may not own or control more than 5,000 contracts net long or net short in the expiring VXST futures contract, commencing at the start of trading hours for the Business Day immediately preceding the final settlement date of the expiring VXST futures contract.

For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding shall be cumulated.

The foregoing position limit shall not apply to positions that are subject to a position limit exemption meeting the requirements of Commission Regulations and CFE Rules.

(e) – (s) No change.

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**Chapter 16**  
**Individual Stock Based and Exchange-Traded Fund Based**  
**Volatility Index Security Futures Contract Specifications**

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**Rule 1602. Contract Specifications**

(a) – (c) No change.

(d) *Position Limits.* Volatility Index futures are subject to position limits under Rule 412.

A person may not own or control: (1) more than [50,000] 30,000 contracts net long or net short in all Volatility Index futures contracts on the same Volatility Index combined; (2) more than [30,000] 10,000 contracts net long or net short in the expiring futures contract month for a Volatility Index future; and (3) more than [13,500] 1,000 contracts net long or net short in the expiring contract for a Volatility Index future [held during the last 5 trading days for the expiring Volatility Index futures contract month] , commencing at the start of trading hours for the Business Day immediately preceding the final settlement date for the expiring Volatility Index futures contract. [For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding shall be cumulated.]

For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding shall be cumulated.

The foregoing position limits shall not apply to positions that are subject to a position limit exemption meeting the requirements of Commission Regulations and CFE Rules.

(e) – (s) No change.

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**Chapter 17**  
**CBOE Nasdaq-100 Volatility Index Futures Contract Specifications**

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**Rule 1702. Contract Specifications**

(a) – (c) No change.

(d) *Position Limits.* [A person may not own or control more than 5,000 contracts net long or net short in all contract months of a VXN futures contract combined.] VXN futures are subject to position limits under Rule 412.

A person may not own or control: (1) more than 5,000 contracts net long or net short in all VXN futures contracts combined; and (2) more than 2,500 contracts net long or net short in the expiring VXN futures contract, commencing at the start of trading hours for the Business Day immediately preceding the final settlement date of the expiring VXN futures contract.

For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding shall be cumulated.

The foregoing position limit shall not apply to positions that are subject to a position limit exemption meeting the requirements of Commission Regulations and CFE Rules.

(e) – (s) No change.

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**Chapter 21**  
**CBOE Russell 2000 Volatility Index Futures Contract Specifications**

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**Rule 2102. Contract Specifications**

(a) – (c) No change.

(d) *Position Limits.* [A person may not own or control more than 5,000 contracts net long or net short in all contract months of an RVX futures contract combined.] VXN futures are subject to position limits under Rule 412.

A person may not own or control: (1) more than 5,000 contracts net long or net short in all RVX futures contracts combined; and (2) more than 2,500 contracts net long or net short in the expiring RVX futures contract, commencing at the start of trading hours for the Business Day immediately preceding the final settlement date of the expiring RVX futures contract

For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding shall be cumulated.

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The foregoing position limit shall not apply to positions that are subject to a position limit exemption meeting the requirements of Commission Regulations and CFE Rules.

(e) – (s) No change.

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Questions regarding this submission may be directed to Arthur Reinstein at (312) 786-7570 or Jenny Golding at (312) 786-7466. Please reference our submission number CFE-2014-018 in any related correspondence.

CBOE Futures Exchange, LLC

A handwritten signature in black ink, appearing to read "James F. Lubin". The signature is written in a cursive style with a large initial "J" and "L".

By: James F. Lubin  
Senior Managing Director

cc: Nancy Markowitz (CFTC)