



October 17, 2013

Via Electronic Mail

Ms. Melissa Jurgens  
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-2013-38

Dear Ms. Jurgens:

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 (“CFTC” or “Commission”) under the Act, CBOE Futures Exchange, LLC (“CFE” or “Exchange”) hereby submits a CFE rule amendment (“Amendment”) to clarify the provisions of CFE Rule 406 (Execution of Orders by CBOE System) regarding cancel replace orders and partial cancel orders and with respect to bunched orders. The Amendment will become effective on November 1, 2013.

CFE Trading Privilege Holders (“TPHs”) are able to connect to CFE’s trading system through either a CBOE Market Interface (CMi) or a Financial Information Exchange (FIX) interface. TPHs are free to choose which type of interface to use, and the fees that CFE charges in relation to each type of interface are the same. A CMi interface allows for, among other things, the ability to submit a partial cancel order which reduces the quantity of an existing order. In the event of a partial cancel order, the existing order retains its priority position with its decreased quantity. A FIX interface does not allow for the ability to submit a partial cancel order. Both the CMi and FIX interfaces allow for the ability to submit a cancel replace order. A cancel replace order is an order to cancel an existing order and replace it with a new order for a different quantity or price. A cancel replace order is placed in priority position behind all orders of the same type at the same price. CFE is amending Rule 406(c) to more clearly distinguish between how partial cancel orders and cancel replace orders are processed by CFE’s trading system as described above.

CFE Rule 406(e) currently provides, in pertinent part, that a TPH may enter a bunched order for more than one discretionary customer account into CFE’s trading system by using a designation specific to the allocation group and account controller rather than including each of the individual account numbers, provided the TPH has filed or is filing an allocation scheme for the order in accordance with applicable National Futures Association (NFA) requirements. Because NFA requirements relating to bunched orders reference to the Commission requirements

relating to bunched orders, CFE is amending Rule 406(e) to make direct reference to Commission requirements relating to bunched orders instead of referencing to NFA requirements.

CFE believes that the Amendment is consistent with Designated Contract Market Core Principle 7 (Availability of General Information) in that it clarifies CFE's rule provisions relating to the manner in which its electronic matching platform processes partial cancel orders and cancel replace orders and with Designated Contract Market Core Principle 2 (Compliance with Rules) in that it further clarifies to TPHs that they are required to comply with Commission requirements related to bunched orders.

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.

The Amendment, marked to show additions in underlined text and deletions in [bracketed] text, consists of the following:

\* \* \* \* \*

### **CBOE Futures Exchange, LLC Rules**

\* \* \* \* \*

#### **CFE Rule 406. Execution of Orders by CBOE System**

(a) - (b) No changes.

(c) Particular Order Types. Notwithstanding the general principles described in paragraphs (a) and (b) above, the following shall apply with respect to each of the Order types hereinafter referred to:

(i) *Market Orders and Limit Orders.* Except as otherwise provided in the rules governing a particular Contract, Market Orders are generally afforded execution priority over Limit Orders for such Contract at the same price and on the same side of the market.

(ii) *Cancel Replace Orders and Partial Cancel Orders.* [The modification of] If an existing Order is modified by means of a Cancel Replace Order [affects the priority position of the existing Order, as follows:

(A) If the price of the existing Order is modified], such Cancel Replace Order is placed in priority position behind all Orders of the same type at the same price[;

(B) If the quantity of the existing Order is decreased, such Cancel Replace Order is placed in the same priority position as the existing Order; and

(C) If the quantity of the existing Order is increased, such Cancel Replace Order is placed in priority position behind all Orders of the same type at the same price]. If the quantity of an existing Order is decreased by means of a partial Cancel Order, the existing Order retains its priority position with its decreased quantity.

(iii) *Contingency Orders.* Regardless of the priority method in place for a particular Contract, all types of Contingency Orders (except for Immediate or Cancel Orders or Stop Limit Orders) are placed last in priority behind all other Orders for such Contract, irrespective of when they are entered into the CBOE System. Accordingly, a Contingency Order that was entered before a Limit Order for the same Contract at the same price is treated as if it were entered after such Limit Order. If priority for Orders placed on behalf of Customers is afforded with respect to a particular Contract, Contingency Orders placed on behalf of Customers have priority over other Contingency Orders, but are placed behind all other Orders, for such Contract.

(d) No changes.

(e) Bunched Orders. Subject to compliance with Rule 605 and the sales practice rules referred to therein, each Trading Privilege Holder may enter, or permit its Related Parties to enter (as applicable), a bunched Order for more than one discretionary Customer account into the CBOE System by using a designation specific to the allocation group and account controller rather than including each of the individual account numbers in such Order, provided such Trading Privilege Holder has filed or is filing an allocation scheme for such Order in accordance with applicable [NFA] Commission requirements.

\* \* \* \* \*

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-2013-38 in any related correspondence.

CBOE Futures Exchange, LLC



By: James F. Lubin  
Senior Managing Director

cc: Nancy Markowitz (CFTC)  
National Futures Association  
The Options Clearing Corporation