



June 2, 2014

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-2014-12

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 reflect in CFE Rule 513A (Risk Controls) additional functionality that CFE is adding to its quote risk monitor (“QRM”) mechanism risk control. The Amendment will become effective on or after June 20, 2014, on a date to be announced by the Exchange through the issuance of a circular.

CFE Rule 513A(f) describes the QRM mechanism that CFE makes available to Trading Privilege Holders (“TPHs”). The QRM mechanism currently enables a TPH with quoting capability to establish a limit on the number of contracts traded in a product over a specified time interval resulting from trade executions against the TPH’s quotes. If this contract limit is reached, the QRM mechanism cancels the TPH’s resting quotes until the TPH refreshes them. The Amendment adds additional provisions to Rule 513A(f) to describe new features that CFE is adding to this product-based QRM functionality as well as a new Exchange-wide QRM functionality that CFE is implementing.

First, in addition to allowing TPHs with quoting capability to set a specified contract limit, TPHs with quoting capability will be able to establish two other product-based limits: (i) a limit on the cumulative percentage of the original quoted size of the TPH for each side of each Contract in a product that is traded by the TPH and (ii) a limit on the Contracts in a product for which either side of the TPH’s quote is fully traded. Like with the contract limit, if either of these two additional limits is reached during a specified time interval, the QRM mechanism cancels the TPH’s resting quotes until the TPH refreshes them.

In addition, the Amendment adds an Exchange-wide QRM functionality. The triggering of one of a TPH’s product-based QRM limits is referred to as a QRM Incident. The Exchange-wide QRM functionality enables a TPH with quoting capability to establish a limit on the number of QRM Incidents for that TPH on an Exchange-wide basis. If this limit is reached during a

specified time interval, the QRM mechanism cancels the TPH's resting quotes and orders in all products on the Exchange until the TPH reactivates its ability to send quotes.

The QRM mechanism may only be utilized for logins and acronym groups that a TPH obtains from one or more Quoting and Order Entry Trading Permits. The product-based QRM limits may be set by login or acronym group and the Exchange-wide QRM limit may be set by login, acronym group, or collectively for all of a TPH's logins and acronym groups from Quoting and Order Entry Trading Permits. In some circumstances, there may be a brief time delay between when an Exchange-wide QRM limit is triggered and when a TPH's quotes (and orders, if applicable) are cancelled. The Amendment also includes clarifying language changes to Rule 513A(f).

CFE believes that the Amendment is consistent with Designated Contract Market Core Principles 2 (Compliance with Rules) and 4 (Prevention of Market Disruption) under Section 5 of the Act. The QRM mechanism is intended to reduce the potential risk of price distortions and market disruptions, and the Amendment further augments that mechanism.

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:

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CBOE Futures Exchange, LLC Rules

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CFE Rule 513A. Risk Controls

(a) - (e) No changes.

(f) *Quote Risk Monitor Mechanism.* Each Trading Privilege Holder with Trading Privileges that enable the Trading Privilege Holder to submit quotes to the CBOE System may establish parameters by which the Exchange will activate the Quote Risk Monitor ("QRM") Mechanism. The QRM Mechanism shall function in a form and manner prescribed and provided by the Exchange. The [that use the] QRM Mechanism [shall specify] includes both a product-based functionality ("Product-Based QRM") and an Exchange-wide functionality ("Exchange-Wide QRM") as further described below:

(i) The Product-Based QRM allows a Trading Privilege Holder to specify by product: (1) a maximum number of contracts for that product ("Contract Limit") and a rolling time period in milliseconds within which that [Contract Limit] limit is to be measured ("Measurement Interval"); (2) a maximum cumulative percentage for that product ("Cumulative Percentage Limit"), where the cumulative percentage is the sum of the percentages of the original quoted size of the Trading Privilege Holder for each side

of each Contract in that product that is traded by the Trading Privilege Holder, and a Measurement Interval for that limit; and (3) a maximum number of Contracts in that product for which either side of the Trading Privilege Holder's quote is fully traded ("Fully Traded Contracts Limit") and a Measurement Interval for that limit. When the Exchange determines that [the] a Trading Privilege Holder has traded [more than] at least the Trading Privilege Holder's Contract Limit, Cumulative Percentage Limit or Fully Traded Contracts Limit for [that] a product [(including all contract months or series, as applicable, in that product)] during any rolling Measurement Interval for the applicable Product-Based QRM limit through trade executions involving quotes from the Trading Privilege Holder, the QRM Mechanism shall cancel all of the Trading Privilege Holder's resting quotes [that are being disseminated with respect to that Trading Privilege Holder] in that product until the Trading Privilege Holder refreshes those quotes. This action by the Exchange is referred to as a QRM Incident. In particular, if the size of a TPH's quote would allow a transaction to be executed against that quote even though the execution of that transaction would exceed a Product-Based QRM limit, the transaction will be executed against the quote and the QRM Mechanism will cancel the TPH's remaining quotes in that product following the execution of that transaction. When a Product-Based QRM limit is triggered for a Trading Privilege Holder in a product, the counters that determine whether each of the Product-Based QRM limits is triggered for that Trading Privilege Holder in that product will be reset. [If TAS transactions are permitted in a product, the Product-Based QRM mechanism shall apply separately to TAS quotes in that product.]

If TAS transactions are permitted in a product, the Product-Based QRM limits shall apply separately to regular quotes in the product and to TAS quotes in the product. If a Product-Based QRM limit is triggered in relation to regular quotes in the product or in relation to TAS quotes in the product, the QRM Mechanism shall cancel both the regular quotes and TAS quotes in the product and this action shall be counted as one QRM Incident. Similarly, if the Exchange has more than one product with the same underlying, the Product-Based QRM limits shall apply separately to the quotes in each product. If a Product-Based QRM limit is triggered in relation to the quotes in one of those products, the QRM Mechanism shall cancel the quotes for all of those products and this action shall be counted as one QRM Incident.

(ii) The Exchange-Wide QRM allows a Trading Privilege Holder to specify a maximum number of QRM Incidents for that Trading Privilege Holder on an Exchange-wide basis ("QRM Incident Limit") and a rolling Measurement Interval for that limit. When the Exchange determines that a Trading Privilege Holder has reached its QRM Incident Limit during any rolling Measurement Interval for that limit, the QRM Mechanism shall cancel all of the Trading Privilege Holder's resting quotes and orders in all products on the Exchange and prevent the Trading Privilege Holder from sending additional quotes and orders to the Exchange until the Trading Privilege Holder reactivates its ability to send quotes and orders in a form and manner prescribed by the Exchange. When the Exchange-Wide QRM is triggered for a Trading Privilege Holder, the counters that determine whether the QRM Incident Limit and each of the Product-Based QRM limits is triggered for that Trading Privilege Holder will be reset. If the Exchange cancels all of the Trading Privilege Holder's resting quotes and orders because the Exchange-Wide QRM is triggered, and the Trading Privilege Holder does not reactivate its ability to send quotes or orders, the block will be in effect only for the Business Day during which the Trading Privilege Holder reached its QRM Incident Limit.

The QRM Mechanism may only be utilized for logins and acronym groups that a Trading Privilege Holder obtains from one or more Quoting and Order Entry Trading Permits. Trading Privilege Holders may set Product-Based QRM limits by login or acronym group and any Product-Based QRM limits established for a particular login or acronym group will only apply with respect to that login or acronym group and to quotes (and orders, as applicable) from that login or acronym group. Settings may apply to an individual login only if the applicable login is not designated to an acronym group by the Trading Privilege Holder in a form and manner prescribed by the Exchange. If a login is included in an acronym group, that login may not have individual settings for Product-Based QRM limits and any settings for the acronym group shall collectively apply to all of the logins in the acronym group. The QRM Incident Limit may be set in the same manner, except that the QRM Incident Limit may also be collectively set for all of a Trading Privilege Holder's logins and acronym groups from Quoting and Order Entry Trading Permits.

Trading Privilege Holders are not required to utilize and set parameters for the Product-Based QRM or the Exchange-Wide QRM.

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Questions regarding this submission may be directed to Arthur Reinstein at (312) 786-7570 or Eric Seinsheimer at (312) 786-8740. Please reference our submission number CFE-2014-12 in any related correspondence.

CBOE Futures Exchange, LLC

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

By: James F. Lubin
Senior Managing Director

cc: Nancy Markowitz (CFTC)