



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 Product Certification and Rule Certification
for CBOE Russell 2000 Volatility Index Futures Contract
Submission Number CFE-2013-36

Dear Ms. Jurgens:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended ("Act"), and §40.2 and §40.6 of the regulations promulgated by the Commodity Futures Trading Commission under the Act, CBOE Futures Exchange, LLC ("CFE" or "Exchange") hereby submits rules ("Rules") and terms and conditions for a new product to be traded on CFE, which are attached hereto along with a chart that summarizes the product specifications. The new product is the CBOE Russell 2000 Volatility Index ("RVX") futures contract ("Product"). The Product will be listed for trading on CFE commencing on or after November 1, 2013 on a date to be announced by the Exchange through the issuance of a circular and the Rules and terms and conditions for RVX futures (including DPM market performance benchmarks and product specific DPM benefits) will become effective on or after November 1, 2013 on a date to be announced by the Exchange through the issuance of a circular.¹

The underlying index for the Product is the CBOE Russell 2000 Volatility Index ("RVX"). The RVX is based on real-time prices of options on the Russell 2000 Index ("RUT") listed on Chicago Board Options Exchange, Incorporated ("CBOE") and is designed to reflect investors' consensus view of future (30-day) expected market volatility of the RUT. The RVX calculation generally uses quotes of RUT option series from two nearby expiration months. Approximately 50 or more RUT option series are used to calculate the RVX at any given time. Information regarding the RVX, including the current methodology for computing the RVX, may be found on CBOE's website at the following internet address: <http://www.cboe.com/micro/rvx>.

The RVX qualifies as a broad-based security index pursuant to the 2004 Joint Order issued by the Securities and Exchange Commission and the Commodity Futures Trading Commission ("Commissions") dated March 25, 2004 (Securities Exchange Act Release No.

¹ RVX futures were previously listed for trading on CFE from July 6, 2007 through February 18, 2010. See CFE Submission Numbers 2007-05 and 2010-02.

49469) as amended by the 2009 Joint Order issued by the Commissions dated November 17, 2009 (Securities Exchange Act Release No. 61020) (“Joint Order”) in that:

- (1) The RVX measures the magnitude of changes in the level of the RUT over a defined period of time, which magnitude is calculated using prices of options on the RUT and represents an annualized standard deviation of percent changes in the level of the RUT;
- (2) The RUT is a broad-based security index and is not a narrow-based security index as that term is defined in Section 1(a)(25) of the Act and Section 3(a)(55) of the Securities Exchange Act of 1934 (“Exchange Act”);
- (3) The RVX has more than 9 component securities, all of which are options on the RUT;
- (4) No component security of the RVX comprises more than 30% of the RVX's weighing;
- (5) The five highest weighted component securities of the RVX in the aggregate do not comprise more than 60% of the RVX's weighting;
- (6) CFE certifies that the RUT complies with the criteria set forth in condition (5) of the Joint Order;
- (7) Options on the RUT are listed and traded on CBOE, a national securities exchange registered under Section 6 of the Exchange Act; and
- (8) The aggregate average daily trading volume in options on the RUT on CBOE is approximately 49,611 contracts calculated as of the preceding 6 full months.

CFE certifies that the Product complies with the Act and the rules thereunder.

The rule chapter setting forth contract specifications for RVX futures will be Chapter 21.

CFE is amending CFE Policy and Procedure X (DPM Market Performance Benchmarks Program) to provide for market performance benchmarks and a revenue sharing provision for the Designated Primary Market Maker (“DPM”) for RVX futures. The Exchange may consider in the future replacing the revenue sharing provision with a 30% DPM trade participation right priority under CFE Rule 406(b)(iii).

CFE believes that the Product and Rules are consistent with Designated Contract Market Core Principle 3 (Contracts Not Readily Susceptible to Manipulation). The Exchange represents that, consistent with the guidance set forth under Appendix C to Part 38 of the Commission’s Regulations (Demonstration of Compliance that a Contract is Not Readily Susceptible to Manipulation), CFE, among other things: (1) conducted market research so that the design of the RVX futures contract meets the risk management needs of prospective users and promotes price discovery and (2) consulted with market users and obtained their views and opinions during the contract design process to ensure that the RVX futures contract terms and conditions reflect the underlying cash market and that the futures contract will perform the intended risk management and/or price discovery functions.

CFE also believes that the Product and Rules are consistent with Core Principles 5 (Position Limitations or Accountability) 7 (Availability of General Information), 8 (Daily Publication of Trading Information) and 9 (Execution of Transactions) under Section 5 of the Act. The Exchange notes in this regard that: (i) the Rules establish a position limit level of 5,000 contracts in conformity with Commission Regulation §150.5(b)(3) (Exchange-set Speculative Position Limits); (ii) the chart that summarizes the product specifications will be posted and maintained on CFE's website; and (iii) volume, open interest, settlement prices and other price information will be made available publicly on a daily basis on CFE's website consistent with Commission Regulation §16.01. The Exchange also believes that the DPM program provisions for RVX futures will have a positive impact on the price discovery process by increasing the liquidity in RVX futures traded on CFE's centralized market and will incentivize the DPM to devote its efforts to improving market quality in RVX futures.

CFE believes that the impact of the Product and Rules will be beneficial to the public and market participants. CFE is not aware of any substantive opposing views to the Product and Rules. CFE hereby certifies that the Product and Rules comply 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.

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-2013-36 in any related correspondence.

CBOE Futures Exchange, LLC

A handwritten signature in black ink, appearing to read "James F. Lubin". The signature is stylized and cursive.

By: James F. Lubin
Senior Managing Director

cc: Philip Colling (CFTC)
Thomas Leahy (CFTC)
National Futures Association

Summary Product Specifications Chart for CBOE Russell 2000 Volatility Index Futures

CONTRACT NAME:	CBOE Russell 2000 Volatility Index (RVX) Futures
LISTING DATE:	November 1, 2013
DESCRIPTION:	The RVX is based on real-time prices of options on the Russell 2000 Index, listed on Chicago Board Options Exchange, Incorporated (“CBOE”) (Symbol: RUT), and is designed to reflect investors’ consensus view of future (30-day) expected market volatility of the Russell 2000 Index.
CONTRACT SIZE:	The contract multiplier for the RVX futures contract is \$1,000.
TRADING HOURS:	8:30 a.m. - 3:15 p.m. Chicago time. All Orders, quotes, cancellations and Order modifications for RVX futures during trading hours must be received by the Exchange by no later than 3:14:59 p.m. Chicago time and will be automatically rejected if received by the Exchange during trading hours after 3:14:59 p.m. Chicago time.
TRADING PLATFORM:	CBOE Command.
CONTRACT MONTHS:	Up to nine near-term serial months and five months in the February quarterly cycle (February, May, August, November) may be listed for the RVX futures contract.
TICKER SYMBOLS:	Futures – VU Cash Index – RVX
PRICING CONVENTIONS:	Both futures prices and cash index levels are stated in decimal format.
MINIMUM PRICE INTERVALS:	0.05 of one CBOE Russell 2000 Volatility Index point (equal to \$50.00 per contract). The individual legs and net prices of spread trades in the RVX futures contract may be in increments of 0.01 CBOE Russell 2000 Volatility Index points, which has a value of \$10.00.
DOLLAR VALUE PER TICK:	\$50.00 per contract.
CROSSING TWO OR MORE ORIGINAL ORDERS:	The eligible size for an original Order that may be entered for a cross trade with one or more other original Orders pursuant to Rule 407 is one Contract. The Trading Privilege Holder or Authorized Trader, as applicable, must expose to the market for at least five seconds under Rule 407(a) at least one of the original Orders that it intends to cross.
PRE-EXECUTION DISCUSSIONS:	The Order Exposure Period under Policy and Procedure IV before an Order may be entered to take the other side of another Order with respect to which there has been pre-execution discussions is five seconds after the first Order was entered into the CBOE System.
EXCHANGE OF CONTRACT FOR RELATED POSITION TRANSACTIONS:	Exchange of Contract for Related Position (ECRP) transactions may be entered into with respect to RVX futures contracts. Any ECRP transaction must satisfy the requirements of CFE Rule 414. The minimum price increment for an ECRP transaction involving the RVX futures contract is 0.01 index points.

BLOCK TRADES:	<p>Pursuant to Rule 415(a)(i), the minimum Block Trade quantity for the RVX futures contract is 100 contracts if there is only one leg involved in the trade. If the Block Trade is executed as a spread order, one leg must meet the minimum Block Trade quantity for the RVX futures contract and the other leg(s) must have a contract size that is reasonably related to the leg meeting the minimum Block Trade quantity. If the Block Trade is executed as a transaction with legs in multiple contract months and all legs of the Block Trade are exclusively for the purchase or exclusively for the sale of RVX futures contracts (a “strip”), the minimum Block Trade quantity for the strip is 150 contracts and each leg of the strip is required to have a minimum size of 50 contracts.</p> <p>The minimum price increment for a Block Trade in the RVX futures contract is 0.01 index points.</p>
NO BUST RANGE:	<p>Pursuant to Rule 416, the CFE error trade policy may only be invoked for a trade price that is greater than 10% on either side of the market price of the applicable RVX futures contract. In accordance with Policy and Procedure III, the Help Desk will determine what the true market price for the relevant Contract was immediately before the potential error trade occurred. In making that determination, the Help Desk may consider all relevant factors, including the last trade price for such Contract, a better bid or offer price, a more recent price in a different contract month and the prices of related contracts trading on the Exchange and other markets.</p>
TERMINATION OF TRADING:	<p>The close of trading on the day before the Final Settlement Date. When the last trading day is moved because of a CFE holiday, the last trading day for expiring RVX futures contracts will be the day immediately preceding the last regularly scheduled trading day.</p>
FINAL SETTLEMENT DATE:	<p>The Wednesday that is thirty days prior to the third Friday of the calendar month immediately following the month in which the contract expires ("Final Settlement Date"). If the third Friday of the month subsequent to expiration of the applicable RVX futures contract is a CBOE holiday, the Final Settlement Date for the contract shall be thirty days prior to the CBOE business day immediately preceding that Friday.</p>
FINAL SETTLEMENT VALUE:	<p>The final settlement price for RVX futures shall be a Special Opening Quotation (“SOQ”) of RVX calculated from the sequence of opening prices on CBOE of the options used to calculate the index on the settlement date. The opening price for any series in which there is no trade shall be the average of that option’s bid price and ask price on CBOE as determined at the opening of trading. The final settlement value will be rounded to the nearest \$0.01. If the final settlement value is not available or the normal settlement procedure cannot be utilized due to a trading disruption or other unusual circumstance, the final settlement value will be determined in</p>

	accordance with the rules and bylaws of The Options Clearing Corporation.
DELIVERY:	Settlement of RVX futures contracts will result in the delivery of a cash settlement amount on the business day immediately following the Final Settlement Date. The cash settlement amount on the Final Settlement Date shall be the final mark to market amount against the final settlement price of the RVX futures contract multiplied by \$1,000.00.
POSITION LIMITS:	<p>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.</p> <p>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.</p>
MINIMUM REPORTABLE LEVEL:	200 or more contracts.

* * * * *

Rule Chapter Setting Forth Contract Specifications for CBOE Russell 2000 Volatility Index Futures

* * * * *

CHAPTER 21 CBOE RUSSELL 2000 VOLATILITY INDEX FUTURES CONTRACT SPECIFICATIONS

2101. Scope of Chapter

This chapter applies to trading in futures on the CBOE Russell 2000 Volatility Index (“RVX”). The procedures for trading, clearing, settlement, and any other matters not specifically covered herein shall be governed by the generally applicable rules of the Exchange. After previously being listed for trading on the Exchange, RVX futures were re-listed for trading on the Exchange commencing on November 1, 2013.

2102. Contract Specifications

(a) *Multiplier.* The contract multiplier for each RVX futures contract is \$1,000. For example, a contract size of one RVX futures contract would be \$21,000, if the RVX index level were 21 (21 x \$1,000.00).

(b) *Schedule.* The Exchange may list for trading up to nine near-term serial months and five months on the February quarterly cycle for the RVX futures contract. The final settlement date for the RVX futures contract shall be the Wednesday that is thirty days prior to the third Friday of the calendar month immediately following the month in which the applicable RVX futures contract expires. If the third Friday of the month subsequent to expiration of the applicable RVX futures contract is a CBOE holiday, the final settlement date for the contract shall be thirty days prior to the CBOE business day immediately preceding that Friday.

The trading days for RVX futures contracts shall be the same trading days of options on the Russell 2000 Index traded on CBOE, as those days are determined by CBOE.

The trading hours for RVX futures contracts are from 8:30 a.m. Chicago time to 3:15 p.m. Chicago time.

All Orders, quotes, cancellations and Order modifications for RVX futures during trading hours must be received by the Exchange by no later than 3:14:59 p.m. Chicago time and will be automatically rejected if received by the Exchange during trading hours after 3:14:59 p.m. Chicago time.

(c) *Minimum Increments.* Except as provided in the following sentence, the minimum fluctuation of the RVX futures contract is 0.05 index points, which has a value of \$50.00.

The individual legs and net prices of spread trades in the RVX futures contract may be in increments of 0.01 index points, which has a value of \$10.00.

(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.

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) *Termination of Trading.* Trading in RVX futures contracts terminates on the business day immediately preceding the final settlement date of the RVX futures contract for the relevant spot month. When the last trading day is moved because of a CFE holiday, the last trading day for an expiring RVX futures contract will be the day immediately preceding the last regularly-scheduled trading day.

(f) *Contract Modifications.* Specifications are fixed as of the first day of trading of a contract. If any U.S. government agency or body issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules, and all open and new contracts shall be subject to such government orders.

(g) *Execution Priorities.* Pursuant to Rule 406(a)(i), the base allocation method of price-time priority shall apply to trading in RVX futures.

(h) *Crossing Two Original Orders.* The eligible size for an original Order that may be entered for a cross trade with one or more other original Orders pursuant to Rule 407 is one Contract. The Trading Privilege Holder or Authorized Trader, as applicable, must expose to the market for at least five seconds under Rule 407(a) at least one of the original Orders that it intends to cross.

(i) *Price Limits and Circuit Breaker Halts.* Pursuant to Rule 413, RVX futures contracts are not subject to price limits.

Trading in RVX futures contracts shall be halted pursuant to Rule 417A if there is a Level 1, 2 or 3 Market Decline.

(j) *Exchange of Contract for Related Position.* Exchange of Contract for Related Position transactions, as set forth in Rule 414, may be entered into with respect to RVX futures contracts. Any Exchange of Contract for Related Position transaction must satisfy the requirements of Rule 414.

The minimum price increment for an Exchange of Contract for Related Position involving the RVX futures contract is 0.01 index points.

(k) *Block Trades.* Pursuant to Rule 415(a)(i), the minimum Block Trade quantity for the RVX futures contract is 100 contracts if there is only one leg involved in the trade. If the Block Trade is executed as a spread order, one leg must meet the minimum Block Trade quantity for the RVX futures contract and the other leg(s) must have a contract size that is reasonably related to the leg meeting the minimum Block Trade quantity. If the Block Trade is executed as a transaction with legs in multiple contract months and all legs of the Block Trade are exclusively for the purchase or exclusively for the sale of RVX futures contracts (a “strip”), the minimum Block Trade quantity for the strip is 150 contracts and each leg of the strip is required to have a minimum size of 50 contracts.

The minimum price increment for a Block Trade in the RVX futures contract is 0.01 index points.

(l) *No-Bust Range.* Pursuant to Rule 416, the CFE error trade policy may only be invoked for a trade price that is greater than 10% on either side of the market price of the applicable RVX futures contract. In accordance with Policy and Procedure III, the Help Desk will determine what the true market price for the relevant Contract was immediately before the potential error trade occurred. In making that determination, the Help Desk may consider all relevant factors, including the last trade price for such Contract, a better bid or offer price, a more recent price in a different contract month and the prices of related contracts trading in other markets.

(m) *Pre-execution Discussions.* The Order Exposure Period under Policy and Procedure IV before an Order may be entered to take the other side of another Order with respect to which there has been pre-execution discussions is five seconds after the first Order was entered into the CBOE System.

(n) *Reportable Position.* Pursuant to Commission Regulation §15.03 and Commission Regulation Part 17, the position level that is required to be reported to the Commission is any open position in RVX futures contracts at the close of trading on any trading day equal to or in excess of 200 contracts on either side of the market.

(o) *Threshold Widths.* For purposes of Policy and Procedure I and Policy and Procedure II, the Threshold Widths for the RVX futures contract are as follows:

RVX Index Level	Threshold Width
0 - 15.00	1.50
15.01 - 25.00	2.50
25.01 - 35.00	3.50
35.01 - 50.00	5.00
50.01+	7.50

The minimum size of bids and offers that establish a Threshold Width is one contract.

(p) *Daily Settlement Price.* The daily settlement price for each RVX futures contract will be the average of the final bid and final offer for the RVX futures contract at the close of trading, subject to the following. If the average of the final bid and final offer is not at a minimum increment for the RVX futures contract, the daily settlement price shall be the average of the final bid and final offer rounded up to the nearest minimum increment. If there is no bid or offer at the close of trading, the Exchange may in its sole discretion establish a daily settlement price that it deems to be a fair and reasonable reflection of the market.

(q) *Trade at Settlement Transactions.* Trade at Settlement (“TAS”) transactions are not permitted in RVX futures.

(r) *Default Pre-Trade Order Size Limit.* The default maximum pre-trade order size limit for RVX futures that will apply if a Clearing Member does not set a different limit in accordance with Rule 513A(a) is 1,000 contracts.

(s) *Price Reasonability Checks.* Pursuant to and as further described in Rule 513A(b), the CBOE System shall in a manner determined by the Exchange reject (i) any buy order with a limit price in a RVX futures contract if the limit price upon receipt of the order by the CBOE System is more than a designated amount above the prevailing best offer in that contract and (ii) any sell order with a limit price in a RVX futures contract if the limit price upon receipt of the order by the CBOE System is more than a designated amount below the prevailing best bid in that contract. The designated amounts for the price reasonability checks referenced in the preceding sentence are as follows:

Price Range	Designated Amount
0 - 15.00	1.50
15.01 - 25.00	2.50
25.01 - 35.00	3.50
35.01 - 50.00	5.00
50.01+	7.50

2103. Settlement

Settlement of RVX futures contracts will result in the delivery of a cash settlement amount on the business day immediately following the settlement date. The cash settlement amount on the final settlement date shall be the final mark to market amount against the final settlement price of the RVX futures contract multiplied by \$1,000.00. The final settlement price of the RVX futures contract will be rounded to the nearest \$0.01.

Clearing Members holding open positions in RVX futures contracts at the termination of trading in that Contract shall make payment to or receive payment from the Clearing Corporation in accordance with normal variation and performance bond procedures based on the final settlement amount.

If the settlement value is not available or the normal settlement procedure cannot be utilized due to a trading disruption or other unusual circumstance, the settlement value will be determined in accordance with the Rules and By-Laws of The Options Clearing Corporation.

2104. DPM Provisions

(a) *DPM Appointment.* A Trading Privilege Holder will be appointed to act as a DPM for the RVX futures contract pursuant to Rule 515.

(b) *DPM Participation Right.* There is no DPM participation right percentage under Rule 406(b)(iii) for the RVX futures contract.

* * * * *

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

(additions are underlined; deletions are [bracketed])

* * * * *

X. DPM Market Performance Benchmarks Program

Each DPM that is allocated a Contract as a DPM shall comply with the general and product specific DPM market performance benchmarks set forth below and shall receive the DPM participation right set forth in the rules governing the relevant Contract. In addition, if product specific DPM benefits are set forth below with respect to a particular Contract, the DPM that is allocated that Contract shall receive those benefits.

The Exchange may terminate, place conditions upon or otherwise limit a Trading Privilege Holder's approval to act as a DPM or a DPM's allocation of Contracts in accordance with Rule 515 if the DPM fails to satisfy the market performance benchmarks under this Policy and Procedure. However, failure by a DPM to satisfy the market performance benchmarks under this Policy and Procedure shall not be deemed a violation of Exchange rules.

The DPM Market Performance Benchmarks Program under this Policy and Procedure will expire on December 31, 2014. The Exchange may determine to extend the term of the Program, allow the Program to expire, terminate the Program at any time, or replace the Program with a different program at any time.

General DPM Market Performance Benchmarks

- On each trading day between 8:30 a.m. and 3:15 p.m. ("Regular Trading Hours"), each DPM shall hold itself out as being willing to buy and sell each allocated Contract for the DPM's own account on a regular basis.
- Subject to regulatory obligations and requirements and best execution obligations to customers, the firm will work with the Exchange to develop a significant amount of order flow in its allocated Contracts.
- Each DPM shall maintain records sufficient to demonstrate compliance with the Market Performance Benchmarks set forth in this Policy and Procedure that are applicable to that DPM.

* * * * *

Product Specific DPM Market Performance Benchmarks

* * * * *

CBOE Russell 2000 Volatility Index ("RVX") Futures

- Throughout the trading day during Regular Trading Hours, the DPM shall provide at least 95% of the time in each RVX futures contract with 9 months or less until expiration three two-way minimum quotes with minimum quote sizes and maximum quote widths as set forth in the table below.

<u>First Continuous Two-Way Quote</u>	
<u>Minimum Quote Size</u>	<u>Maximum Quote Width Calculated as a Percentage of Offer Price</u>
<u>5 x 5</u>	<u>2%</u>
<u>Second Continuous Two-Way Quote</u>	
<u>Minimum Quote Size</u>	<u>Maximum Quote Width Calculated as a Percentage of Offer Price</u>
<u>10 x 10</u>	<u>5%</u>
<u>Third Continuous Two-Way Quote</u>	
<u>Minimum Quote Size</u>	<u>Maximum Quote Width Calculated as a Percentage of Offer Price</u>
<u>20 x 20</u>	<u>10%</u>

- The DPM shall provide a two-way quote during Regular Trading Hours in response to a request from the Exchange that the DPM post a market for an RVX future or futures.
- The above market performance benchmarks shall be subject to relief in the event of a fast market in RVX futures or Russell 2000 ("RUT") options traded on CBOE or other extenuating circumstances or unusual market conditions to be determined solely by the Exchange. Under conditions as specified in the foregoing sentence, the DPM shall use commercially reasonable efforts during Regular Trading Hours to provide a continuous quote and to respond to requests for a quote from the Exchange.
- The DPM may satisfy above market performance benchmarks relating to the provision of quotes through the equivalent provision of orders instead of quotes.

* * * * *

Product Specific DPM Benefits

* * * * *

RVX Futures

- Beginning January 1, 2014, for each calendar quarter (including any partial calendar quarter) during which a Trading Privilege Holder acts as the DPM for RVX futures, the Exchange will maintain a DPM Revenue Pool for the DPM for that quarter equal to 15% of all transaction fees collected by the Exchange for transactions in RVX futures.
- Payment to the DPM from the DPM Revenue Pool for a calendar quarter will be made following the end of the calendar quarter.