May 22, 2015

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-2015-016

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 adopt new CFE Policy and Procedure XVII to set forth the Lead Market Maker Program for Weekly (Non-Standard) CBOE Volatility Index Futures Expirations ("Program"). The Amendment will become effective on or after July 23, 2015 on the date that Weekly (Non-Standard) CBOE Volatility Index ("VX") futures expirations are first listed for trading on the Exchange. The Program expires on June 30, 2017, unless the Program is extended by the Exchange through a subsequent rule amendment submission to the Commission.

CFE plans to expire its existing VX futures contract every Wednesday instead of once a month. As is the case today, the final settlement value of the standard (monthly) VX future expiration will be calculated using A.M.-settled S&P 500 Index ("SPX") options traded on Chicago Board Options Exchange, Incorporated that expire on the third Friday in the subsequent month. These VX futures expirations have the ticker symbol "VX." The final settlement value of the new VX futures expirations will be calculated using P.M.-settled SPX options that expire every Friday (other than the third Friday of the month). These VX futures expirations shall have the ticker symbol "VX" followed by a number denoting the specific week of the calendar year during which the contract is settled and are referred to as Weekly (Non-Standard) VX futures expirations. The Program will only apply to the new Weekly (Non-Standard) VX futures expirations.

The Program provides for the appointment of up to two lead market makers ("LMMs") and sets forth market performance benchmarks applicable to the appointed LMMs under the Program. The Program also sets forth three benefits that are intended to attract and retain dedicated liquidity providers in new Weekly (Non-Standard) VX futures expirations.

The primary market performance benchmarks under the Program will be for each LMM to provide, at least 85% of the time throughout each trading day during regular trading hours which are from 8:30 a.m. to 3:15 p.m. (Chicago time) in VX futures, a 2-sided quote with: (1) a collective minimum size of 100 contracts on each side of the market aggregated across all Weekly (Non-Standard) VX expirations; (2) a minimum size on each side of the market of 25

contracts in the front Weekly (Non-Standard) VX expiration; and (3) a minimum size on each side of the market of 10 contracts in each of the other Weekly (Non-Standard) VX expirations. The maximum width of these 2-sided quotes will be $0.15 in all Weekly (Non-Standard) VX expirations. Each LMM must identify in advance to the Exchange the login(s) through which the LMM will provide quotes to satisfy the market performance benchmarks under the Program and will be required to utilize the CFE self-trade prevention functionality provided for under CFE Rule 406A. The market performance benchmarks relating to the provision of quotes may also be satisfied through the equivalent provision of orders instead of quotes.

To incentivize LMMs to be prepared to provide liquidity when Weekly (Non-Standard) VX expirations are first listed for trading, the Exchange is providing for a one-time incentive payment. This payment is to help defray start-up and back office costs of an LMM to be prepared to act as in that capacity in advance of the initial listing date and is contingent upon successfully testing with the Exchange at least two weeks prior to the initial listing date and satisfying the market performance benchmarks during regular trading hours which are from 8:30 a.m. to 3:15 p.m. (Chicago time) on the first 5 trading days for these new contracts. After Weekly (Non-Standard) VX expirations are first listed on the Exchange, each LMM will receive an incentive payment from the Exchange for each calendar month during which the LMM acts as an LMM for Weekly (Non-Standard) VX expirations. This monthly incentive payment will terminate if the average daily trading volume ("ADV") in all Weekly (Non-Standard) VX expirations reaches 5,000 contracts during a calendar month. After termination of the monthly incentive payment, a revenue share will apply that will be allocated pro-rata to the LMMs and be subject to a cap.

In the past, CFE has found it challenging to secure and retain liquidity providers for new products. Weekly (Non-Standard) VX expirations are like a new product in that CFE has not previously listed any Weekly (Non-Standard) VX expirations and they are a new, non-standard feature that CFE is introducing for VX futures. The Exchange believes that the market performance benchmarks and associated benefits under the Program strike the appropriate balance to incentivize and retain dedicated liquidity providers in the new Weekly (Non-Standard) VX expirations.

CFE believes that the Amendment is consistent with Core Principle 9 (Execution of Transactions) under Section 5 of the Act. The Exchange believes that the Program will have a positive impact on the price discovery process by fostering improved liquidity, market width and size, and volume in Weekly (Non-Standard) VX expirations traded on CFE's centralized market and will incentivize LMMs to devote their efforts to enhancing market quality in these expirations. Accordingly, 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 <u>underlined</u> text and deletions in [bracketed] text, consists of the following:

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XVII. Lead Market Maker Program for Weekly (Non-Standard) CBOE Volatility Index Futures Expirations

Trading Privilege Holder ("TPH") organizations may apply to the Exchange for appointment as a lead market maker ("LMM") in the Lead Market Maker Program for Weekly (Non-Standard) CBOE Volatility Index Futures Expirations ("Program"). The specific CBOE Volatility Index ("VX") futures covered by this Program are those contracts that have a "VX" ticker symbol followed by a number denoting the specific week of a calendar year. The final settlement value of these contracts is calculated using P.M.-settled S&P 500 Index ("SPX") options traded on CBOE, and these contracts are referred to as "Weekly (Non-Standard) VX expirations." The Program does not apply to VX futures expirations that have a "VX" ticker symbol, for which the final settlement value is calculated using A.M.-settled SPX options.

The Exchange may approve up to two TPHs as LMMs in the Program. Any TPH that desires to apply for LMM status in the Program should submit an application in the form of a letter outlining the organization's qualifications and commitments. TPHs shall be selected by the Exchange based on the Exchange's judgment as to which applicants are most qualified to perform the functions of an LMM under the Program. Factors to be considered in making this selection may include, but are not limited to, satisfaction of the qualifications listed below as well as any one or more of the factors listed in Rule 515(b), as applied to LMM applicants instead of with respect to DPM applicants.

The following describes the qualifications, market performance benchmarks, benefits, and appointment term under the Program unless otherwise specified.

Qualifications

- Experience in trading futures and/or options on volatility indexes.
- Ability to automatically and systemically provide quotations through the use of quotes or orders.

Market Performance Benchmarks

- Each LMM shall identify in advance to the Exchange the login(s) through which the LMM will provide quotes to satisfy the market performance benchmarks under the Program. Each LMM is required to utilize Exchange self-trade prevention functionality under Rule 406A.
- Throughout each trading day during regular trading hours which are from 8:30 a.m. to 3:15 p.m. (Chicago time) in VX futures, each LMM shall provide at least 85% of the time 2-sided quotes with:
    - a collective minimum size of 100 contracts on each side of the market aggregated across all Weekly (Non-Standard) VX expirations;
    - a minimum size on each side of the market of 25 contracts in the front Weekly (Non-Standard) VX expiration; and

- a minimum size on each side of the market of 10 contracts in each of the other Weekly (Non-Standard) VX expirations.

The maximum width of these 2-sided quotes shall be $0.15 in all Weekly (Non-Standard) VX expirations.

- The above market performance benchmarks shall be subject to relief in the event of a fast market in the VX futures or SPX 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 preceding sentence, each LMM shall use commercially reasonable efforts to provide a continuous quote and to respond to requests for a quote.

- Each LMM may satisfy the above market performance benchmarks relating to the provision of quotes through the equivalent provision of orders instead of quotes.

- The Exchange may terminate, place conditions upon or otherwise limit a TPH's appointment as an LMM under the Program or not make payments to a TPH under the Program if the TPH fails to satisfy the market performance benchmarks under the Program. However, failure of a TPH to satisfy the market performance benchmarks under the Program shall not be deemed a violation of Exchange rules.

Benefits

One-Time Incentive Payment

- Each LMM under the Program at the time that Weekly (Non-Standard) VX expirations are first listed for trading on the Exchange shall receive a one-time payment from the Exchange in the amount of $10,000 ("One-Time Incentive Payment") if the LMM has satisfied the following conditions:

  - Not less than two weeks prior to the date of the initial listing of Weekly (Non-Standard) VX expirations on the Exchange, the LMM shall have successfully completed testing with the Exchange to act as an LMM for Weekly (Non-Standard) VX expirations, including through the successful submission by the LMM of test quotes and/or orders to the Exchange for Weekly (Non-Standard) VX expirations; and

  - the LMM shall have satisfied the above market performance benchmarks during regular trading hours which are from 8:30 a.m. to 3:15 p.m. (Chicago time) on the first 5 trading days for Weekly (Non-Standard) VX expirations on the Exchange.

- The One-Time Incentive Payment shall only be made to LMMs under the Program at the time that Weekly (Non-Standard) VX expirations are first listed for trading on the Exchange and shall not be made to any TPH that is subsequently appointed as an LMM under the Program or with respect to any subsequent listing of Weekly (Non-Standard) VX expirations after the date that the initial Weekly (Non-Standard) VX expirations are first listed for trading on the Exchange.

- The One-Time Incentive Payment to LMMs will be made following the end of the

applicable calendar quarter.

Monthly Incentive Payment

- Each TPH appointed as an LMM under the Program shall receive a payment from the Exchange in the amount of $10,000 per calendar month for each calendar month during which the TPH acts as an LMM for Weekly (Non-Standard) VX expirations ("Monthly Incentive Payment"). If a TPH acts as an LMM for Weekly (Non-Standard) VX expirations during a portion of a calendar month, the payment to that TPH for that calendar month will be pro-rated.

- This Monthly Incentive Payment provision of the Program shall terminate if the average daily trading volume ("ADV") in all Weekly (Non-Standard) VX expirations reaches 5,000 contracts during a calendar month. The termination of the Monthly Incentive Payment provision of the Program will occur at the end of the first calendar month in which the 5,000 ADV threshold is reached. Once the Monthly Incentive Payment provision is terminated, the Monthly Incentive Payment provision shall remain terminated, even if ADV in all Weekly (Non-Standard) VX expirations subsequently falls below the 5,000 ADV threshold in a subsequent calendar month.

- Monthly Incentive Payments to LMMs will be made following the end of the applicable calendar quarter. These payments will include any Monthly Incentive Payments accrued prior to the termination of the Monthly Incentive Payment provision of the Program, but not yet paid, if that termination has occurred during the applicable calendar quarter.

Revenue Share

- The Revenue Share provision of the Program shall begin to apply after the calendar month in which the 5,000 ADV threshold is reached and shall not apply before the termination of the Monthly Incentive Payment provision of the Program.

- For each calendar month during which the Revenue Share provision of the Program is applicable, the Exchange will maintain a revenue pool for any TPHs that acted as an LMM for Weekly (Non-Standard) VX expirations under the Program during that month. The revenue pool will be equal to 20% of the total transaction fees (excluding regulatory fees) collected by the Exchange for transactions in Weekly (Non-Standard) VX expirations during that month. The revenue pool will be subject to a cap of $200,000 per month and may not exceed the cap level for a calendar month.

- The revenue pool will be allocated on a pro-rata basis to the TPHs that acted as an LMM for Weekly (Non-Standard) VX expirations during the applicable calendar month based on the contract volume of those TPHs in Weekly (Non-Standard) VX expirations during that month resulting from quotes and proprietary orders provided by those LMMs.

- Payments from the revenue pool for a calendar month will be made to LMMs following the end of the applicable calendar quarter.

- The Revenue Share provision of the Program shall apply for no longer than 18 months. The Revenue Share provision of the Program will terminate at the end of the 18th calendar month in which that provision of the Program is applicable if that provision of

the Program were to be applicable for 18 months during the term of the Program.

Term

- The Program and each LMM appointment under the Program will expire on June 30, 2017. The Exchange may determine to extend the term of the Program and LMM appointments under the Program, allow the Program and LMM appointments under the Program to expire, terminate the Program and all LMM appointments under the Program at any time or replace the Program with a different LMM program at any time.

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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-2015-016 in any related correspondence.

CBOE Futures Exchange, LLC

By: James F. Lubin
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