



July 23, 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-2015-021

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 (“CFTC” or “Commission”) under the Act, CBOE Futures Exchange, LLC (“CFE” or “Exchange”) hereby submits a CFE rule amendment (“Amendment”) to codify in Rule 404A (Trade at Settlement Transactions) the time periods during which Trade at Settlement (“TAS”) orders and quotes may be entered into CFE’s trading system. The Amendment will become effective on August 6, 2015.

As background, CFE Rule 405B governs the process for opening a CFE contract at the beginning of each business day. As described in Rule 405B(a), CFE has a pre-opening period during which CFE’s trading system accepts quotes and orders which are not executable until trading hours commence. CFE’s trading system disseminates a notice of the commencement of the pre-opening period referred to as the Pre-Opening Notice. CFE Rule 404A governs TAS transactions and provides that, in relevant part, if TAS transactions are permitted in a CFE contract, the rules governing the contract set forth the trading hours for TAS transactions in that contract.¹

CFE is amending Rule 404A to provide that during the time period between Exchange business days for a CFE contract, the entry into CFE’s trading system of a TAS order or quote in that contract prior to the time at which CFE’s trading system disseminates the Pre-Opening Notice for that contract is prohibited. This provision is consistent with similar rules and guidance issued by other designated contract markets (“DCMs”) regarding the entry time of TAS orders on their markets.²

¹ TAS transactions are currently permitted in the CBOE Volatility Index (“VX”) futures contract and are not currently permitted in any other CFE contract. See Rule 1202(q).

² See [CME Submission No. 14-148R](#) (May 8, 2015) (Adoption of New Rule 524 “Trading at Settlement (“TAS”) Transactions” and Issuance of [CME/CBOT Market Regulatory Advisory Notice RA1503-3](#)) and [Trade At Settlements, Frequently Asked Questions April 2015](#) issued by ICE Futures U.S. (providing, in relevant part, on page 2 that “TAS buy and sell orders may be entered from the start of the pre-open period for the respective product...”).

Although CFE's trading system rejects orders that are entered into the trading system prior to the commencement of the pre-opening period and CFE has rules which prohibit disruptive trading practices (including CFE Rule 620 (Disruptive Practices) and CFE Rule 608 (Acts Detrimental to the Exchange, Acts Inconsistent with Just and Equitable Principles of Trade; Abusive Practices)), CFE believes that the Amendment will further mitigate the potential for disruptive impact to its trading system and the market that could occur if market participants submit TAS quotes or orders prior to the dissemination of the Pre-Opening Notice and will contribute to the promotion of fair and equitable trading in CFE's TAS market. Accordingly, CFE believes that the Amendment is consistent with Designated Contract Market Core Principles 2 (Compliance with Rules), 4 (Prevention of Market Disruption), and 12 (Protection of Markets and Market Participants) under Section 5 of the Act.

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 404A. Trade at Settlement Transactions

(a) A Trade at Settlement ("TAS") transaction is a transaction in a Contract at a price or premium equal to the daily settlement price, or a specified differential above or below the daily settlement price, for the Contract on a trading day. The actual amount of a TAS transaction price or premium is determined subsequent to the transaction based upon the daily settlement price of the Contract.

(b) The rules governing a Contract shall specify if TAS transactions are permitted in that Contract. If TAS transactions are permitted in a Contract, the rules governing the Contract shall set forth the extent to which TAS transactions in that Contract may occur on the CBOE System, as spread transactions, as Block Trades and/or as Exchange of Contract for Related Position transactions; the trading hours for TAS transactions in that Contract; the permissible price range from the daily settlement price for each of the permitted types of TAS transactions in that Contract; and the permissible minimum increment for each of the permitted types of TAS transactions in that Contract.

(c) During the time period between Exchange Business Days for a Contract, the entry into the CBOE System of a TAS order or quote in that Contract prior to the time at which the CBOE System disseminates the Pre-Opening Notice for that Contract under Rule 405B(a) is prohibited.

[(c)] (d) TAS orders and quotes in a Contract will interact only with other TAS orders and quotes in the Contract and will not interact with non-TAS orders and quotes in the Contract. The

same execution priorities that are applicable to non-TAS orders and quotes in a Contract shall also apply with respect to TAS orders and quotes in the Contract, unless otherwise specified in the rules governing the Contract.

[(d)] (e) All TAS orders are required to be Day Orders. TAS market orders are not permitted.

[(e)] (f) If TAS spread transactions are permitted in a Contract, (i) the provisions of Exchange Policy and Procedure II relating to spread order processing shall be applicable to those transactions, except that (A) any TAS spreads are required to be two-legged spreads for different expirations of the same Exchange product where the ratio of the number of contracts in one leg to the number of contracts in the other leg is 1:1 and (B) paragraphs (a), (e) and (h)(iii) of Exchange Policy and Procedure II shall not apply to TAS spread transactions and (ii) any TAS Block Trade spread transactions are required to be two-legged spreads where the ratio of the number of contracts in one leg to the number of contracts in the other leg is 1:1.

[(f)] (g) A Threshold Width is always deemed to exist and deemed not exceeded for TAS transactions because TAS transactions may only occur within a permissible price range.

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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-2015-021 in any related correspondence.

CBOE Futures Exchange, LLC

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

By: James F. Lubin
Senior Managing Director