



January 13, 2020

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-2020-001

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 clarify when CFE may re-open trading in a CFE contract following a Level 3 Market Decline. The effective date of the Amendment will be on January 28, 2020.

CFE Rule 417A (Market-Wide Trading Halts Due to Extraordinary Market Volatility) provides that CFE will halt trading in all CFE contracts subject to Rule 417A and not reopen trading in those contracts for specified time frames if there is a Level 1, 2, or 3 Market Decline. A trading halt under Rule 417A and comparable rules of other Designated Contract Markets (“DCMs”) and securities exchanges that apply to equity-related products is commonly known as a circuit breaker trading halt. The CFE contract specification rule chapters specify which CFE contracts are subject to Rule 417A. Of the contracts currently listed for trading on CFE, Rule 417A applies to Cboe Volatility Index (VX) futures, S&P 500 Variance (VA) futures, and corporate bond index (IBHY and IBIG) futures. A Market Decline is a decline in the price of the S&P 500 Index between 8:30 a.m. and 3:00 p.m. on a trading day as compared to the closing price of the S&P 500 Index for the immediately preceding trading day. All times referenced in this rule certification submission are in Chicago time.

A Level 3 Market Decline means a Market Decline of 20%. Rule 417A(c)(ii) provides that if a Level 3 Market Decline occurs at any time during the trading day, the Exchange shall halt trading in all contracts subject to Rule 417A until the next trading day.

CFE is making a clarifying amendment to add some additional explanation to Rule 417A(c)(ii) to specifically state what is intended by this provision in order to avoid the potential for ambiguity. Specifically, CFE is revising Rule 417(c)(ii) to make clear that CFE may resume trading in a contract subject to Rule 417A following a Level 3 Market Decline at the normal opening time for trading in that contract on the next business day in accordance with the normal opening process for that contract (which is the start of the next trading day in that contract). For example, the normal opening time for trading in Cboe Volatility Index (VX) futures on a Business Day is at 5:00 p.m. on

the prior calendar day (e.g., VX futures have trading hours on a business day Tuesday from 5:00 p.m. on Monday to 3:15 p.m. on Tuesday and from 3:30 p.m. to 4:00 p.m. on Tuesday). Accordingly, if a Level 3 Market Decline occurred on a Monday, the Exchange may resume trading in VX futures for business day Tuesday at 5:00 p.m. on Monday in accordance with the normal opening process for VX futures.

The Amendment reflects how CFE interprets and has previously interpreted the meaning of the provisions of current Rule 417A(c)(ii). The Amendment is not intended to change those current provisions. Instead, the Amendment is simply intended to provide further clarity regarding the meaning of the current provisions of Rule 417A(c)(ii).

The additional language that CFE is adding to Rule 417A(c)(ii) is similar to the language of Rule 417A(d). Rule 417A(d) provides that if a circuit breaker is initiated in contracts subject to Rule 417A due to a Level 1 (7%) or Level 2 (13%) Market Decline, CFE may resume trading in those contracts any time after the applicable 15-minute halt period. CFE intends to resume trading in a contract subject to Rule 417A following a Level 3 Market Decline at the normal opening time for trading in that contract on the next business day in accordance with the normal opening process for that contract. At the same time, Rule 417A(e) provides that nothing in Rule 417A shall be construed to limit the ability of the Exchange to halt or suspend trading in any contract pursuant to any other Exchange rule or policy. Therefore, although it is CFE's intent to resume trading as indicated, there may be circumstances in which a continued trading halt is appropriate. Accordingly, the added language is worded in terms of when the Exchange may resume trading in a contract. As is CFE's current practice, CFE would disseminate notice to its Trading Privilege Holders of any trading halt or determination to delay the opening of a contract.

CFE believes that the Amendment is consistent with the DCM Core Principles under Section 5 of the Act. In particular, CFE believes that the Amendment is consistent with DCM Core Principles 4 (Prevention of Market Disruption) and 7 (Availability of General Information). Commission Regulation 38.255 under Core Principle 4 provides that a DCM must establish and maintain risk control mechanisms to prevent and reduce the potential risk of price distortions and market disruptions, including, but not limited to, market restrictions that pause or halt trading in market conditions prescribed by the DCM. Core Principle 7 provides, among other things, that a DCM shall make available to market authorities, market participants, and the public accurate information concerning the rules, regulations, and mechanisms for executing transactions on or through the facilities of the DCM. The Amendment is consistent with both of these Core Principles in that the Amendment further clarifies when CFE may re-open trading following a type of trading halt provided for under CFE rules.

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 ~~strikethrough~~ text, consists of the following:

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**Cboe Futures Exchange, LLC**

## Rulebook

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### 417A. Market-Wide Trading Halts Due to Extraordinary Market Volatility

(a) The Exchange will halt trading in all Contracts subject to this Rule and shall not reopen trading in those Contracts for the time periods specified in this Rule if there is a Level 1, 2 or 3 Market Decline. The rules governing a particular Contract shall set forth whether the Contract is subject to this Rule.

(b) For purposes of this Rule:

(i) A “Market Decline” means a decline in price of the S&P 500 Index between 8:30 a.m. and 3:00 p.m. (all times are CT) on a trading day as compared to the closing price of the S&P 500 Index for the immediately preceding trading day. The Level 1, Level 2 and Level 3 Market Declines that will be applicable for the trading day will be the levels publicly disseminated by securities information processors.

(ii) A “Level 1 Market Decline” means a Market Decline of 7%.

(iii) A “Level 2 Market Decline” means a Market Decline of 13%.

(iv) A “Level 3 Market Decline” means a Market Decline of 20%.

(c) Halts in Trading:

(i) If a Level 1 or Level 2 Market Decline occurs after 8:30 a.m. and up to and including 2:25 p.m. or, in the case of an early scheduled close, 11:25 a.m., the Exchange shall halt trading in all Contracts subject to this Rule for 15 minutes after a Level 1 or Level 2 Market Decline. The Exchange shall halt trading based on a Level 1 or Level 2 Market Decline only once per trading day. The Exchange will not halt trading if a Level 1 or Level 2 Market Decline occurs after 2:25 p.m. or, in the case of an early scheduled close, 11:25 a.m.

(ii) If a Level 3 Market Decline occurs at any time during the trading day, the Exchange shall halt trading in all Contracts subject to this Rule until the next trading day.

Specifically, the Exchange may resume trading in a Contract subject to this Rule following a Level 3 Market Decline at the normal opening time for trading in that Contract on the next Business Day in accordance with the normal opening process for that Contract (which is the start of the next trading day in that contract). For example, the normal opening time for trading in Cboe Volatility Index (“VX”) futures on a Business Day is at 5:00 p.m. Chicago time on the prior calendar day (e.g., VX futures have trading hours on a Business Day Tuesday from 5:00 p.m. on Monday to 3:15 p.m. on Tuesday and from 3:30 p.m. to 4:00 p.m. on Tuesday). Accordingly, if a Level 3 Market Decline occurred on a Monday, the Exchange may

resume trading in VX futures for Business Day Tuesday at 5:00 p.m. Chicago time on Monday in accordance with the normal opening process for VX futures.

(d) If a circuit breaker is initiated in all Contracts subject to this Rule due to a Level 1 or Level 2 Market Decline, the Exchange may resume trading in each Contract any time after the 15-minute halt period.

(e) Nothing in this Rule shall be construed to limit the ability of the Exchange to halt or suspend trading in any Contract pursuant to any other Exchange rule or policy.

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Questions regarding this submission may be directed to Arthur Reinstein at (312) 786-7570 or Michael Margolis at (312) 786-7153. Please reference our submission number CFE-2020-001 in any related correspondence.

Cboe Futures Exchange, LLC

[/s/ Matthew McFarland](#)

By: Matthew McFarland  
Managing Director