



December 16, 2015

Mr. Christopher 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-2015-035

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 adopt new CFE Policy and Procedure XX to set forth the New Foreign Trader Incentive Program (“Program”). The Amendment will become effective on January 1, 2016.

The Program provides an incentive for new traders associated with foreign proprietary trading firms who have not previously traded in CFE products to trade on the Exchange in designated products and thus increase liquidity in those products to the benefit of all CFE market participants. The designated CFE products under the Program are CBOE Volatility Index (“VX”) futures and CBOE Russell 2000 Volatility Index (“VU”) futures.

In order to be eligible to participate in the Program, a trader must (i) be a trader associated with a proprietary trading firm; (ii) not have previously traded in any CFE product; (iii) have received training from the proprietary trading firm that includes an overview of CFE’s products; (iv) agree to receive information from CFE and be contacted by CFE representatives; (v) submit any required application form(s) and documentation in connection with participation in the Program; and (vi) trade on CFE through facilities of the proprietary trading firm that are located in a foreign jurisdiction approved by CFE pursuant to Rule 305B (Foreign Trading Privilege Holders). Additionally, the proprietary trading firm must (i) be located in an approved foreign jurisdiction; (ii) become effective as a CFE Trading Privilege Holder (“TPH”) on or after January 1, 2016 and not have been an effective TPH prior to that date; (iii) remain effective as a TPH during the time period that the trader participates in the Program; (iv) submit any required application form(s) and documentation in connection with the trader’s participation in the Program; and (v) not be affiliated with CFE. CFE will select as Program participants those traders that satisfy the above eligibility criteria, and there is no limit on the number of traders that may participate in the Program.

The Program provides for the rebate of transaction fees in VX and VU futures, excluding block trade and regulatory fees, assessed for contract purchases and sales by the trader’s

account(s) that are executed during the time period in which the trader is a participant in the Program, for up to a maximum of 20,000 contracts. Rebates under the Program are made to the CFE Clearing Member that was originally assessed the transaction fees for the qualifying transactions. Contract purchases and sales by the trader's account(s) must collectively total at least 3,000 contracts in VX and VU futures during a calendar quarter in order for the trader to remain a Program participant and for rebates to apply with respect to transactions in that calendar quarter. Contract volume for purposes of the Program is measured per contract side. Trader participants in the Program are required to utilize CFE self-trade prevention functionality so that the above contract volume does not include self-trades. These traders are also not eligible for CFE Day Trade fees in VX and VU futures.

The term of the Program shall be from January 1, 2016 through December 31, 2016. The Exchange may determine to extend the term of the Program or replace or modify the Program at any time through a subsequent rule amendment submission to the Commission. The Program is similar to a new trader incentive program that has been used by other designated contract markets.¹

CFE believes that the Amendment is consistent with Designated Contract Market Core Principles 2 (Compliance with Rules), 9 (Execution of Transactions), and 12 (Protection of Markets and Market Participants) under Section 5 of the Act. CFE has established the category of foreign traders eligible for participation in the Program for legitimate business purposes in connection with its efforts to expand its international user base and to compete internationally with domestic and foreign exchanges. The Program treats all parties eligible for the Program equally. CFE believes that the Program will contribute to the provision of a competitive, open, and efficient market and the price discovery process on CFE by incentivizing foreign traders to trade in VX and VU futures, thus fostering increased liquidity in those products. Additionally, CFE believes that the Program will contribute to promoting fair and equitable trading on CFE by requiring traders that participate in the Program to use CFE's self-trade functionality, so as to not provide an incentive for self-trades in connection with receiving rebates or meeting the contract volume threshold under the Program.

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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¹ See CME Submission No. 14-567, dated December 16, 2014, regarding the New Trader Incentive Program of Chicago Mercantile Exchange Inc., The Board of Trade of the City of Chicago, Inc., and New York Mercantile Exchange, Inc.

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

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XX. New Foreign Trader Incentive Program

The purpose of the New Foreign Trader Incentive Program (“Program”) is to incentivize new traders associated with proprietary trading firms located in foreign jurisdictions to trade designated Exchange products and thus increase liquidity in those products to the benefit of all Exchange market participants.

Products

- The Program is applicable with respect to the following products listed on the Exchange:
 - CBOE Volatility Index (“VX”) Futures; and
 - CBOE Russell 2000 Volatility Index (“VU”) Futures.

Eligibility

- There is no limit on the number of participants in the Program.
- In order for a trader to participate in the Program, the trader must:
 - be a trader associated with a proprietary trading firm;
 - not have previously traded in any product listed on the Exchange;
 - have received training from the proprietary trading firm that includes an overview of the products listed on the Exchange;
 - agree to receive information from the Exchange and be contacted by Exchange representatives by phone, electronic mail, and postal mail;
 - submit to the Exchange any application form(s) and documentation required by the Exchange in connection with participation in the Program;
 - trade on the Exchange through facilities of the proprietary trading firm that are located in a foreign jurisdiction approved by the Exchange pursuant to Rule 305B and that firm must:
 - be located in a foreign jurisdiction approved by the Exchange pursuant to Rule 305B;
 - become effective as a Trading Privilege Holder on or after January 1, 2016 and not have been an effective Trading Privilege Holder prior to that date;

- remain effective as a Trading Privilege Holder during the time period that the trader participates in the Program;
 - submit to the Exchange any application form(s) and documentation required by the Exchange in connection with the trader's participation in the Program; and
 - not be affiliated with the Exchange.
- The Exchange shall select as Program participants those traders that satisfy the above eligibility criteria.

Benefits

- The Exchange will rebate transaction fees that satisfy all of the following criteria:
 - transaction fees in VX and VU futures,
 - excluding block trade and regulatory fees,
 - assessed for contract purchases and sales by the trader's account(s),
 - executed during the time period in which the trader is a participant in the Program,
 - for up to a maximum of 20,000 contracts,
 - subject to the limitations below.
- Contract purchases and sales by the trader's account(s) must collectively total at least 3,000 contracts in VX and VU futures during a calendar quarter in order for the trader to remain a Program participant and for rebates to apply with respect to transactions in that calendar quarter. If this threshold is not met for a calendar quarter, rebates will not apply with respect to transactions in that calendar quarter and the trader will be removed from the Program. If a trader becomes a Program participant during a calendar quarter after the beginning of the calendar quarter, this threshold will not be applicable for that calendar quarter.
- Contract volume for purposes of the Program shall be measured per contract side.

Other Provisions

- A trader participant in the Program is required to provide written notification to the Exchange in a form and manner prescribed by the Exchange of the account(s) in which the trader will execute transactions in Exchange products under the Program. The application of rebates with respect to transactions by the account of a trader participant in the Program begins on the date of receipt by the Exchange of written notification of that account as specified above.

- Any account identified by a trader for the application of rebates under the Program may not be used by any party other than that trader to execute transactions in Exchange products under the Program. Transactions made by any party other than that trader (such as that trader's firm or other traders) do not qualify for rebates or the satisfaction of the trading volume threshold under the Program in relation to that trader.
- A trader participant in the Program and that trader's firm shall provide any supplemental documentation requested by the Exchange to substantiate that transactions qualify for satisfaction of the trading volume threshold and rebates under the Program. Failure to promptly provide notice of any changes to information provided to the Exchange for purposes of the Program, including account number changes and additions, and supplemental documentation requested by the Exchange may result in ineligibility for the applicable rebates.
- Rebates under the Program are made to the Clearing Member that was originally assessed the transaction fees for the qualifying transactions through the payment of the rebates to that Clearing Member.
- Rebates will be made following the end of the applicable calendar quarter. Rebates accrued but not yet paid prior to the expiration of the Program will be made on this schedule following the expiration of the Program.
- Each trader participant in the Program is required to utilize Exchange self-trade prevention functionality under Rule 406A.
- A trader participant in the Program is not eligible for the application of Day Trade fees for Exchange products under the Program during the time period in which that trader is a participant in the Program.

Term

The term of the Program shall be from January 1, 2016 through December 31, 2016. The Exchange may determine to allow the Program to expire, extend the term of the Program, or replace or modify the Program at any time.

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Questions regarding this submission may be directed to Arthur Reinstein at (312) 786-7570 or Nicole Gordon at (312) 786-8109. Please reference our submission number CFE-2015-035 in any related correspondence.

CBOE Futures Exchange, LLC



By: Michael J. Mollet
Managing Director