



April 17, 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-2020-010

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 initially implement quoting functionality on CFE’s trading system (“CFE System”) solely with respect to trade at settlement (“TAS”) transactions. The Amendment will become effective on or after May 1, 2020, on an implementation date for the quoting functionality to be announced by the Exchange through the issuance of an Exchange notice.

CFE previously submitted two rule certifications to the Commission to amend CFE’s rules to implement quoting functionality.<sup>1</sup> The quoting functionality will allow for the submission of bulk messages that may contain multiple quotes in a single bulk message through the use of quoting match capacity allocations. CFE has not yet implemented the quoting functionality. CFE had planned to implement the quoting functionality for all types of trading on CFE. CFE now plans to implement the quoting functionality in phases in light of recent circumstances relating COVID-19 and how those circumstances may have impacted the ability of CFE Trading Privilege Holders (“TPHs”) that desire to use the quoting functionality to complete any system work and testing in order to do so. Specifically, CFE is going to initially implement the quoting functionality solely with respect to TAS transactions. Then, at a later time to be determined, CFE plans to proceed with implementing the quoting functionality for all types of trading on CFE.

As is further described in CFE Rule 404A (Trade at Settlement Transactions), a TAS transaction is a transaction in a contract at a price equal to the daily settlement price, or a specified differential above or below the daily settlement price, for the contract on a business day. The rules governing each CFE product specify whether or not TAS transactions are permitted in the product. The CFE System treats each TAS single leg expiration (also referred to as a TAS contract) like a unique

---

<sup>1</sup> CFE submitted CFE Rule Certification Submission Number CFE-2020-002 on January 29, 2020 (“CFE-2020-002”) to provide for the implementation of quoting functionality on the CFE System. CFE subsequently submitted CFE Rule Certification Submission Number CFE-2020-008 on April 2, 2020 (“CFE-2020-008”) to make some technical updates to the rule amendments in CFE-2020-002.

contract from a system perspective.

Because CFE plans to implement the quoting functionality for all types of trading on CFE at a later date, CFE is retaining all of the rule provisions relating to the quoting functionality (including any rule provisions that relate to the use of the quoting functionality for non-TAS contracts). CFE believes that it is beneficial to TPHs to retain all of these rule provisions so that TPHs can take them into consideration in connection with the future implementation of the quoting functionality for non-TAS contracts.

To make clear that the quoting functionality may currently only be used with respect to TAS contracts, CFE is adding a provision to that effect in the CFE rule that describes the quoting functionality. In particular, CFE is revising new paragraph (b) of CFE Rule 404 (Acceptable Orders) to provide that notwithstanding any other provisions of CFE rules, currently quoting match capacity allocations, bulk messages, and quotes may only be used for TAS contracts and may not be used for non-TAS contracts. CFE will submit subsequent rule amendment submission to the Commission to remove this provision prior to permitting use of the quoting functionality for non-TAS contracts.

CFE believes that the Amendment is consistent with the Designated Contract Market (“DCM”) Core Principles under Section 5 of the Act. In particular, CFE believes that the Amendment is consistent with: (i) DCM Core Principle 7 (Availability of General Information) because the Amendment describes in CFE’s rules the manner of operation of the quoting functionality, including in particular that the functionality currently may only be used with respect to TAS transactions; (ii) DCM Core Principle 9 (Execution of Transactions) in that the updated quoting functionality will contribute to the provision by CFE of a competitive, open, and efficient market and mechanism for executing transactions that protects the price discovery process of trading on CFE’s centralized market for TAS transactions; and (iii) DCM Core Principle 20 (System Safeguards) because CFE will have conducted internal testing regarding the quoting functionality prior to its implementation and TPHs utilizing the quoting functionality will have gone through a CFE certification process in order to use of the functionality.

CFE sought input from TPHs regarding the manner and timing of implementation of the quoting functionality in light of COVID-19, received varied input, and took that input into consideration in determining to proceed with the Amendment. In particular, CFE sought input regarding potentially delaying the entire implementation of the quoting functionality or initially implementing the functionality solely for TAS contracts. In light of the high level of readiness to utilize the quoting functionality by those TPHs that trade in the TAS market which desire to use the quoting functionality, CFE believes it is beneficial to implement the quoting functionality for the TAS market so that those TPHs can avail themselves of the functionality in the TAS market. CFE is delaying the implementation of the quoting functionality for non-TAS contracts because the current level of readiness is not as high for other TPHs that desire to use the quoting functionality.

CFE believes that the impact of the Amendment will be beneficial to the public and market participants. 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://markets.cboe.com/us/futures/regulation/rule\\_filings/cfe/](http://markets.cboe.com/us/futures/regulation/rule_filings/cfe/)) concurrent with the filing of this submission with the Commission.

The rule changes included in the Amendment are shown below as changes to CFE’s rules as set forth in CFE-2020-002 and modified by CFE-2020-008. Additions are marked in underlined text and deletions are marked in ~~strikethrough~~ text.

\* \* \* \* \*

## Cboe Futures Exchange, LLC Rules

\* \* \* \* \*

### 404. Acceptable Orders

- (a) No changes.
- (b) *Bulk Messages and Quotes.* Any Trading Privilege Holder may submit Bulk Messages and Quotes to the CFE System in a form and manner prescribed and provided by the Exchange. Notwithstanding any other provisions of the Rules of the Exchange, currently quoting match capacity allocations, Bulk Messages, and Quotes may only be used for TAS Contracts and may not be used for non-TAS Contracts.

(i) *Bulk Message.* A “Bulk Message” is a message type that may be utilized to submit multiple Quotes to the CFE System in a single message. Bulk Messages are subject to the following parameters:

(A) The Exchange may designate a maximum number of Quotes that may be submitted in a Bulk Message.

(B) Subject to the exceptions below, a Bulk Message may be utilized to submit Quotes in multiple Contracts with the same trading symbol root and may not be utilized to submit Quotes for different trading symbol roots in the same Exchange product or in different Exchange products.

For example, a single Bulk Message may not be utilized to submit Quotes in non-TAS Cboe Volatility Index futures expirations (which have a VX trading symbol root) and in TAS Cboe Volatility Index futures expirations (which have a VXT trading symbol root) since these Quotes would be for different trading symbol roots.

The ability to utilize a Bulk Message to submit Quotes in multiple Contracts with the same trading symbol root is subject to the following exceptions:

(1) A Bulk Message may be utilized to enter, modify or cancel only one bid and/or one offer in a Contract. A Bulk Message may not be utilized to enter, modify or cancel bids in a Contract at multiple price levels and/or offers in a Contract at multiple price levels. In order to simultaneously maintain bids at multiple price levels and/or offers at multiple price levels in a Contract through the use of Bulk Messages, the Bulk Messages to enter, modify or cancel the bids and/or offers at the multiple price levels must be submitted with a different EFID or through a different quoting match capacity allocation for each price level.

(2) Any Bulk Message submitted during a queuing period may not be utilized to enter, modify or cancel a bid and/or offer in more than one TAS single leg expiration. In order to utilize Bulk

Messages to enter, modify or cancel bids and/or offers in more than one TAS single leg expiration during a queuing period, multiple Bulk Messages must be used.

(C) The Exchange may allow for the use of different types of Bulk Messages. For example, the Exchange may allow for Bulk Message types with respect to which:

(1) the information for certain information fields designated by the Exchange is provided as a default at the match capacity allocation level instead of being provided in each Bulk Message;

(2) the Bulk Message does not include certain non-required information fields; and/or

(3) the Bulk Message uses a smaller format for certain information fields.

(ii) *Quote*. A Quote is the entry, modification or cancellation of a bid or offer for a Contract through a Bulk Message. Quotes are subject to the following parameters:

(A) A Quote is treated the same as an Order, and the term “Order” shall encompass a Quote, unless the Rules of the Exchange specify otherwise.

(B) A bid or offer submitted through a Quote is treated the same as a Limit Order. A Quote may not be utilized to submit a Market Order or a Stop Limit Order.

(C) A bid or offer submitted through a Quote is treated the same as a Day Order. A Quote may not have any Time in Force condition other than Day.

(D) A Quote may only be submitted for a single Contract leg. A Quote may not be utilized to submit a Spread Order.

(E) For purposes of time priority in the Order book, each Quote submitted in a Bulk Message receives as its time stamp the time stamp for the time at which the Bulk Message was received by the CFE System matching engine. Accordingly, each Quote submitted in a Bulk Message receives the same time stamp for its receipt by the matching engine. Each Quote is then processed by the matching engine as a separate Order.

(F) A Quote is unique per quoting match capacity allocation, EFID, and side. A Quote with a bid for a Contract replaces any existing bid for that Contract established by a previous Quote submitted with the same EFID through the same quoting match capacity allocation, and a Quote with an offer for a Contract replaces any existing offer for that Contract established by a previous Quote submitted with the same EFID through the same quoting match capacity allocation. Accordingly, a bid or offer submitted through a

Quote may be modified or canceled by submitting a subsequent Quote that replaces the existing bid or offer.

(G) A Quote may be submitted with or without a size modifier. As further described below, a size modifier is an instruction to apply the quantity of a Quote in a different manner than if a Quote does not include a size modifier. Specifically, subject to the provisions of Rule 404(b)(ii)(H) below relating to Quote submissions that will cancel an existing bid or offer established by a previous Quote:

(1) When a Quote is submitted to replace an existing bid or offer established by a previous Quote and the replacement Quote does not include a size modifier, the size of the existing bid or offer is changed to the quantity of the replacement Quote.

(2) When a Quote is submitted to replace an existing bid or offer established by a previous Quote and the replacement Quote includes a size modifier, the size of the existing bid or offer is reduced by the quantity of the replacement Quote. If the resulting bid or offer size would be less than or equal to zero after applying the size modifier, the existing bid or offer is canceled.

(H) The following types of Quote submissions will cancel an existing bid or offer established by a previous Quote.

(1) An existing bid or offer in a non-TAS Contract established by a previous Quote will be canceled by:

(aa) the submission of a replacement Quote with a zero size or zero price and without a size modifier;

(bb) the submission of a replacement Quote with both a zero price and a size modifier; or

(cc) the submission of a replacement Quote with both a non-zero size and a size modifier that would cause the resulting Quote size to be less than or equal to zero.

(2) An existing bid or offer in a TAS Contract established by a previous Quote will be canceled by:

(aa) the submission of a replacement Quote with a zero size and without a size modifier; or

(bb) the submission of a replacement Quote with both a non-zero size and a size modifier that would cause the resulting Quote size to be less than or equal to zero.

(I) Unless otherwise specified, any reference in the Rules of the Exchange to a Cancel Order shall also be deemed to include reference to any of the types of Quote submissions described in Rule 404(b)(ii)(H) above that

will a cancel an existing bid or offer established by a previous Quote. Any reference in the Rules of the Exchange to a Cancel Replace/Modify Order shall not be deemed to include reference to a Quote.

(J) A mass cancel, purge request, Portal cancel request or Kill Switch request submitted through the use of CFE System functionality that enables the cancellation of all or a subset of a Trading Privilege Holder's pending Orders with a single message may be utilized to cancel existing bids and offers submitted through Quotes.

\* \* \* \* \*

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-2020-010 in any related correspondence.

Cboe Futures Exchange, LLC

[/s/ Matthew McFarland](#)

By: Matthew McFarland  
Managing Director