



July 12, 2018

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-2018-014

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 amend Policies and Procedures XX, XXIII, and XXIV of the Policies and Procedures Section of the CFE Rulebook, which currently set forth the New Foreign Trader Incentive Program, the Foreign Proprietary Trading Firm Incentive Program, and the Southern Hemisphere New Proprietary Trading Firm Incentive Program (“Programs”). The Programs are being replaced by a revised fee structure for CFE Trading Privilege Holder (“TPH”) transactions in Cboe Volatility Index (“VX”) futures. The Amendment will become effective on or after August 1, 2018, on a date to be announced by the Exchange through the issuance of an Exchange notice.

The New Foreign Trader Incentive Program provides for transaction fee rebates in VX and Cboe Russell 2000 Volatility Index (“VU”) futures to traders associated with foreign proprietary trading firms and trading arcades that are TPHs upon satisfaction of a trading volume threshold in VX and VU futures. The Foreign Proprietary Trading Firm Incentive Program provides for transaction fee rebates in VX and VU futures to foreign proprietary trading firms that are TPHs at varying rebate levels based upon their trading volume in VX and VU futures. The Southern Hemisphere New Proprietary Trading Firm Incentive Program provides for transaction fee rebates in VX and VU futures to proprietary trading firms that are TPHs located in the Southern Hemisphere at varying rebate levels based upon their trading volume in VX and VU futures and provides for other fee waivers to these TPHs. Each of the Programs provides that the Exchange may determine to allow the Program to expire on its expiration date, extend the term of the Program, or replace or modify the Program at any time.

CFE also notes that it recently delisted two VU futures expirations, has one VU futures expiration outstanding which will expire prior to the effective date of this rule certification, and is not listing any additional VU futures expirations at this time. Therefore, although the Programs encompass trading volume in VU futures, the Programs as a practical matter currently relate almost exclusively to trading in VX futures.

Concurrent with the submission of this rule certification, CFE is submitting a separate rule

certification to the Commission to implement a revised fee structure for VX futures.¹ Like each of the Programs, the revised fee structure for VX futures provides for transaction fee rebates to TPHs based on their trading volume in VX futures. In particular, the revised fee structure for TPH transactions in VX futures includes a base TPH transaction fee rate less any applicable rebate(s) from two rebate schedules for TPH VX futures transactions. A TPH may qualify for the first rebate based upon VX TPH Volume of the TPH as a percentage of the total VX TPH Volume of all TPHs. A TPH may qualify for the second rebate based upon the average daily VX TPH Volume of the TPH. VX TPH Volume includes TPH transaction volume in VX futures for which the Customer Type Indicator (“CTI”) code is 1, 2, or 3.

Accordingly, CFE is replacing the Programs in their entirety with the revised VX futures fee structure. Specifically, the Amendment deletes each of the Programs from the Policies and Procedures Section of the CFE Rulebook and thus terminates the Programs. CFE will implement the Amendment and the termination of the Programs effective upon the same date that CFE implements the revised VX futures fee structure. CFE believes that the revised VX futures fee structure will serve the same purpose as the Programs by further incentivizing TPHs to trade in VX futures and thus increase liquidity in VX futures to the benefit of all Exchange market participants. Additionally, the revised VX futures fee structure will be applicable to all TPHs and TPHs will not need to submit an application to receive the benefits of the revised VX futures fee structure as is required under the Programs.

One TPH with traders in the New Foreign Trader Incentive Program and that is a participant in the Foreign Proprietary Trading Firm Incentive Program has provided CFE with feedback that the TPH prefers that CFE retain these Programs as that TPH perceives that the TPH and its traders will pay higher VX futures fees in the absence of the Programs. In response, CFE believes that having a single VX futures fee structure for all TPHs is equitable in that it treats all TPHs in the same manner. Additionally, all TPHs, including any current Program participants, will be able to avail themselves of the revised VX futures fee structure and the different VX futures fee tiers under that fee structure based upon their VX futures trading volume.

CFE believes that the Amendment is consistent with Designated Contract Market Core DCM Core Principle 7 (Availability of General Information) in that the Amendment reflects the deletion of the Programs by removing the description of the Programs from CFE’s 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 ~~stricken~~ text, consists of the following:

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¹ See CFE Rule Certification Submission Number CFE-2018-012 dated July 12, 2018.

Cboe Futures Exchange, LLC
Policies and Procedures Section of Rulebook

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XX. New Foreign Trader Incentive Program Reserved

The purpose of the New Foreign Trader Incentive Program (“Program”) is to incentivize new traders associated with proprietary trading firms and trading arcades 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 or trading arcade;
 - not have previously traded in any product listed on the Exchange;
 - have received training from the proprietary trading firm or trading arcade 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 in a form and manner prescribed by 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 or trading arcade that are located in a foreign jurisdiction approved by the Exchange pursuant to Rule 305B and that proprietary trading firm or trading arcade 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 in a form and manner prescribed by 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.~~
- ~~• A trader shall be deemed to become a participant in the Program on the date of the first transaction in VX or VU futures by the trader's account(s) with the proprietary trading firm or trading arcade following the trader's selection as a Program participant by the Exchange.~~
- ~~• For purposes of the Program, a trading arcade is defined as a legal entity that provides a legal, risk management, and physical structure and trading facilities to traders who are owners, employees, contractors, or Authorized Traders of the entity in return for sharing of trading profits. The funds used for trading may be corporate pools of funds or commingled individual/corporate funds. All trading must be conducted in accounts of the trading arcade which are held in the name of the trading arcade. All funds contributed must be at risk of and subject to loss from any and all trading activity of the trading arcade. Thus, funds contributed by an individual trader are not only at risk and subject to loss from the individual's trading activity of the trading arcade account, but are at risk and subject to loss from any and all trading activity of the trading arcade.~~

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) with the proprietary trading firm or trading arcade;~~
 - ~~○ 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 match trade prevention functionality under Rule 406B.~~
- ~~• 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 expire on December 31, 2018. 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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XXIII. Foreign Proprietary Trading Firm Incentive Program Reserved

~~—The purpose of the Foreign Proprietary Trading Firm Incentive Program (“Program”) is to incentivize 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 proprietary trading firm to participate in the Program, the proprietary trading firm must:
 - ~~○ agree to receive information from the Exchange and be contacted by Exchange representatives by phone, electronic mail, and postal mail;~~
 - ~~○ submit to the Exchange in a form and manner prescribed by the Exchange any application form(s) and documentation required by the Exchange in connection with participation in the Program;~~
 - ~~○ be located in a foreign jurisdiction approved by the Exchange pursuant to Rule 305B;~~
 - ~~○ be an effective Trading Privilege Holder during the time period that the firm participates in the Program; and~~
 - ~~○ not be affiliated with the Exchange.~~~~
- ~~• The Exchange shall select as Program participants those proprietary trading firms that satisfy the above eligibility criteria.~~

Benefits

- ~~• The Exchange will issue a rebate in accordance with the table below with respect to transaction fees that satisfy all of the following criteria (“Qualifying Transaction Fees”):
 - ~~○ transaction fees in VX and VU futures;~~
 - ~~○ excluding block trade and regulatory fees;~~
 - ~~○ assessed for contract purchases and sales for the trading firm’s designated account(s) during a calendar month;~~~~

- ~~executed during the time period in which the proprietary trading firm is a participant in the Program;~~

~~if the volume of VX and VU futures contracts traded for the trading firm's designated account(s) during that calendar month meets or exceeds the applicable minimum volume thresholds for a rebate to be applicable.~~

- ~~There are two minimum volume thresholds that must be satisfied during a calendar month in order for a rebate to be applicable for that calendar month:~~
 - ~~a minimum threshold for total trading volume in VX and VU futures (inclusive of transactions during both regular trading hours and extended trading hours ("ETH")); and~~
 - ~~a minimum threshold for trading volume in VX and VU futures during ETH.~~
- ~~If a rebate tier applies for a calendar month pursuant to the table below, the rebate percentage is applied to all Qualifying Transaction Fees during that calendar month and not just to transaction fees for transactions at or above the applicable volume thresholds. If more than one rebate tier is satisfied for a calendar month, the rebate tier with the highest rebate percentage is applied for that calendar month.~~

Rebate Tier	Minimum Monthly VX and VU Volume Threshold	Minimum Monthly VX and VU ETH Volume Threshold	Monthly Rebate Percentage
Tier 1	50,000	7,500	15%
Tier 2	80,000	10,000	30%
Tier 3	130,000	15,000	45%

- ~~Contract volume for purposes of the Program shall be measured per contract side.~~
- ~~If a participating proprietary trading firm does not meet the minimum volume thresholds for a rebate to be applicable for a calendar month, the firm will remain a participant in the Program and remain eligible to generate rebates for subsequent calendar months during the term of the Program if the firm meets minimum volume thresholds during those subsequent calendar months.~~

Other Provisions

- ~~A proprietary trading firm 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 proprietary trading firm will execute transactions in Exchange products under the Program. The application of rebates with respect to transactions by the account of a proprietary trading firm 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 proprietary trading firm for the application of rebates under the Program may not be used by any party other than that proprietary trading firm to execute transactions in Exchange products under the Program. Transactions made by any party other~~

~~than the proprietary trading firm do not qualify for rebates or the satisfaction of the trading volume threshold under the Program in relation to that proprietary trading firm.~~

- ~~• A proprietary trading firm participant in the Program 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 proprietary trading firm participant in the Program will be assessed an administrative fee of \$100.00 per month for each calendar month during which the firm is a participant in the Program.~~
- ~~• Each proprietary trading firm participant in the Program is required to utilize Exchange match trade prevention functionality under Rule 406B.~~
- ~~• During the time period in which a proprietary trading firm is a participant in the Program, the firm and its Authorized Traders are not eligible for the application of Day Trade fees for Exchange products under the Program, are not eligible to participate in the New European Futures Commission Merchant Incentive Program and are not eligible to participate in the Southern Hemisphere New Foreign Proprietary Trading Firm Incentive Program.~~

Term

~~— The term of the Program shall be from April 1, 2017 through December 31, 2018. 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.~~

XXIV. Southern Hemisphere New Proprietary Trading Firm Incentive Program Reserved

~~The purpose of the Southern Hemisphere New Proprietary Trading Firm Incentive Program (“Program”) is to incentivize new proprietary trading firms located in the Southern Hemisphere 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

- ~~● The Program is limited to five eligible proprietary trading firms.~~
- ~~● In order for a proprietary trading firm to participate in the Program, the firm must:~~
 - ~~○ not have previously traded in any product 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 in a form and manner prescribed by the Exchange any application form(s) and documentation required by the Exchange in connection with participation in the Program;~~
 - ~~○ be located in a jurisdiction in the Southern Hemisphere approved by the Exchange pursuant to Rule 305B;~~
 - ~~○ become effective as a Trading Privilege Holder on or after April 1, 2017 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 firm participates in the Program;~~
 - ~~○ not be affiliated with the Exchange.~~
- ~~● The Exchange shall select as Program participants the first five proprietary trading firms that satisfy the above eligibility criteria.~~

Benefits

~~— Transaction Fee Rebates~~

- ~~● The Exchange will issue a rebate in accordance with the table below with respect to transaction fees that satisfy all of the following criteria (“Qualifying Transaction Fees”):~~
 - ~~○ transaction fees in VX and VU futures,~~
 - ~~○ excluding block trade and regulatory fees,~~
 - ~~○ assessed for contract purchases and sales for the trading firm’s designated account(s) during a calendar month,~~
 - ~~○ executed during the time period in which the proprietary trading firm is a participant in the Program,~~
- ~~if the volume of VX and VU futures contracts traded for the trading firm’s designated~~

~~account(s) during that calendar month meets or exceeds the applicable minimum volume thresholds for a rebate to be applicable.~~

- ~~• There are two minimum volume thresholds that must be satisfied during a calendar month in order for a rebate to be applicable for that calendar month:
 - ~~○ a minimum threshold for total trading volume in VX and VU futures (inclusive of transactions during both regular trading hours and extended trading hours (“ETH”)), and~~
 - ~~○ a minimum threshold for trading volume in VX and VU futures during ETH.~~~~
- ~~• If a rebate tier applies for a calendar month pursuant to the table below, the rebate percentage is applied to all Qualifying Transaction Fees during that calendar month and not just to transaction fees for transactions at or above the applicable volume thresholds. If more than one rebate tier is satisfied for a calendar month, the rebate tier with the highest rebate percentage is applied for that calendar month.~~

Rebate Tier	Minimum Monthly VX and VU Volume Threshold	Minimum Monthly VX and VU ETH Volume Threshold	Monthly Rebate Percentage
Tier 1	50,000	10,000	15%
Tier 2	80,000	20,000	30%
Tier 3	130,000	40,000	45%

- ~~• Contract volume for purposes of the Program shall be measured per contract side.~~
- ~~• If a participating proprietary trading firm does not meet the minimum volume thresholds for a rebate to be applicable for a calendar month, the firm will remain a participant in the Program and remain eligible to generate rebates for subsequent calendar months during the term of the Program if the firm meets minimum volume thresholds during those subsequent calendar months.~~
- ~~• Any contract volume for which a rebate is applicable under another Exchange incentive program may not be used to satisfy the minimum volume thresholds or to generate a rebate under this Program.~~

~~— Historical Market Data Fee Waiver~~

- ~~• The Exchange will provide three months of VX futures historical market data to each participating proprietary trading firm at no cost.~~

~~— Trading Permit Fee Waiver~~

- ~~• The Exchange will waive monthly Trading Permit Fees during 2018 for each participating proprietary trading firm.~~

~~— Direct Data Access Fee Waiver~~

- ~~• The Exchange will waive the Direct Data Access Fee for CFE data for the first six months~~

during which a proprietary trading firm participates in the Program.

Other Provisions

- ~~A proprietary trading firm 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 firm will execute transactions in Exchange products under the Program. The application of rebates with respect to transactions by an account of a proprietary trading firm 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 proprietary trading firm for the application of rebates under the Program may not be used by any party other than that proprietary trading firm to execute transactions in Exchange products under the Program. Transactions made by any party other than the proprietary trading firm do not qualify for rebates or the satisfaction of the trading volume threshold under the Program in relation to that proprietary trading firm.~~
- ~~A proprietary trading firm participant in the Program 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 proprietary trading firm participant in the Program is required to utilize Exchange match trade prevention functionality under Rule 406B.~~
- ~~During the time period in which a proprietary trading firm is a participant in the Program, the firm and its Authorized Traders are not eligible for the application of Day Trade fees for Exchange products under the Program, are not eligible to participate in the New European Futures Commission Merchant Incentive Program and are not eligible to participate in the Foreign Proprietary Trading Firm Incentive Program.~~

Term

~~The term of the Program shall be from April 1, 2017 through December 31, 2018. 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-2018-014 in any related correspondence.

Cboe Futures Exchange, LLC

[/s/ Matthew McFarland](#)

By: Matthew McFarland
Managing Director