



January 24, 2024

Christopher J. Kirkpatrick
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Re: Cboe Digital Exchange, LLC Rule Certification
Submission Number CDE-2024-03E

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (“Act”), and Regulation 40.6(a) of the regulations promulgated by the Commodity Futures Trading Commission (“CFTC” or “Commission”) under the Act, Cboe Digital Exchange, LLC (“CDE” or “Exchange”) hereby submits updates to its Default Auction Liquidity Provider (“DALP”) Incentive Program (the “Program”), previously self-certified with the Commission pursuant to Regulation 40.6(a) (CDE-2023-09E).¹ The Program is set forth in a segregated confidential **Exhibit A-1** and **Exhibit A-2** (marked changes) to this submission. The updates to the Program (the “Amendment”) will become effective February 7, 2024.

Program Description

The current Program is designed to encourage CDE Trading Privilege Holders (“TPHs”) to become DALPs, thereby attracting additional interest and liquidity on the Exchange and further growing participation, particularly in light of CDE’s new financially-settled margined futures offering which launched on January 11, 2024. Specifically, a DALP is a TPH of the Exchange who desires to participate in one or more default management auctions conducted by the Exchange’s affiliated derivatives clearing organization, Cboe Clear Digital, LLC (“Clearinghouse”) in the event a clearing member of the Clearinghouse is in default (“Auction”). Pursuant to a written DALP Agreement between the Clearinghouse and a DALP, among other requirements, a TPH that is a DALP is required to meet certain minimum participation thresholds in an Auction (“Minimum Participation Requirements”) and minimum quoting metrics on the Exchange during regular trading hours measured on a monthly basis (“Minimum Quoting Metrics”). In order to encourage TPHs to become DALPs and fulfill these requirements, under the Program CDE will select three DALPs will receive a monthly monetary incentive in support of providing liquidity in futures contracts listed on the Exchange.

Amendment Description

The Amendment makes the following updates to the Program:

¹ CDE also submitted rule certification CDE-2024-01E, which made minor and clarifying updates to the Program.

- Under the current Program, CDE will select three DALPs that submit a written request to CDE to participate in the Program and meet specific criteria. The Amendment adds language to clarify that if there are less than three TPH applicants eligible to participate in the Program, the Exchange may select fewer DALPs;
- The Amendment clarifies that the Program Term end date is December 31, 2024 and that the Exchange may determine to renew or extend the Program; and
- The Amendment makes it explicit that the Exchange will determine and apply a FIX session throttle limit, applicable to all DALPs, that allows DALPs to adequately meet the minimum Exchange quoting metrics under the Program. Pursuant to CDE Rule 540, the Exchange may set risk control mechanisms, which includes throttle limits, in a form and manner prescribed and provided by the Exchange.

The Amendment does not make any substantive changes to the Participation Criteria or the total Program Incentive Payment under the Program or the general purpose or function of the Program.

Core Principle Compliance

CDE believes that the Program is consistent with the Designated Contract Market (“DCM”) Core Principles under Section 5 of the Act. In particular, CDE believes that the Program is consistent with DCM Core Principles 2 (Compliance with Rules), 4 (Prevention of Market Disruption), 7 (Availability of General Information), 9 (Execution of Transactions), and 12 (Protection of Markets and Market Participants). Specifically, TPHs eligible to participate in the Program, as DALPs, are obligated to follow the Exchange Rules, which include prohibitions against fraudulent, non-competitive, unfair, and abusive trading practices. The Program will not give any DALP a specific trading advantage as it treats all participants eligible for the Program equally and does not impact order execution priority or otherwise give any Participant an execution advantage. Further, The Exchange notes that the same throttle limits will apply to all DALPs and will function to protect the integrity of the CDE Trading System while allowing DALPs to adequately meet the minimum Exchange quoting metrics under the Program. Also, pursuant to CDE Rule 540, the Exchange will make available to TPHs risk control mechanisms, including applicable throttle limits, in a form and manner provided by the Exchange. Ultimately, the Program will provide TPHs with a meaningful incentive to engage on CDE’s futures markets and will facilitate and accelerate the growth of such markets. The Exchange believes that the Program is beneficial to its futures markets by incentivizing the provision sufficient liquidity in the futures products offered by the Exchange, while also encouraging TPHs to participate in Auctions, thus providing liquidity and transparent pricing in the event of a clearing member default. Accordingly, CDE believes that the impact of the Programs will be beneficial to the public and market participants.

Public Information

We have concurrently posted a notice and copy of this submission on the Exchange’s website at <https://www.cboedigital.com/regulation/exchange-notices/> under “CFTC Submissions.”

Opposing Views

We are not aware of any opposing views to this self-certification.

Certification

Cboe Digital Exchange, LLC hereby certifies to the Commodity Futures Trading Commission, pursuant to the procedures set forth in Commission regulation §40.6, that this submission complies with the Commodity Exchange Act, as amended, and the regulations promulgated thereunder.

If you have any questions regarding this submission, please contact the undersigned at the information below.

Sincerely,

/s/ Rebecca Tenuta

Rebecca Tenuta
Senior Counsel
rtenuta@cboe.com
(773) 485-7926