



February 22, 2024

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-2024-005

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (“Act”), and Regulation 40.6(a) 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 provide that affiliated parties may be on the same side of an Exchange of Contract for Related Position (“ECRP”) transaction under specified circumstances. Exhibit 1 to this submission sets forth the rule changes included in the Amendment. The Amendment will become effective on March 7, 2024.

CFE Rule 414 (Exchange of Contract for Related Position) includes provisions that govern the execution of ECRP transactions in CFE products. CFE Rule 414(c) provides, in relevant part, that in every ECRP transaction, one party must be the buyer of (or the holder of the long market exposure associated with) the related position and the seller of the corresponding CFE contract and the other party must be the seller of (or the holder of the short market exposure associated with) the related position and the buyer of the corresponding CFE contract.

The Amendment revises Rule 414(c) to provide that, for purposes of Rule 414, a party on one side of an ECRP transaction may either (i) consist of a single party or (ii) collectively consist of affiliated parties where the related position and the corresponding CFE contract are executed for accounts with the same beneficial ownership.

Pursuant to the Amendment, affiliated parties may be on the same side of an ECRP transaction such as in the following circumstances. A party in an ECRP transaction may be the buyer of (or holder of the long market exposure associated with) the related position and an affiliated party may be the seller of the corresponding CFE contract where the related position and the corresponding CFE contract are both executed for accounts with the same beneficial ownership. Similarly, a party to an ECRP transaction may be the seller of (or the holder of the short market exposure associated with) the related position and an affiliated party may be the buyer of the corresponding CFE contract where the related position and the corresponding CFE contract are both executed for accounts with the same beneficial ownership.

The Amendment accommodates situations in which a party may perform different functions or

activities through different commonly owned affiliates or positions are held across commonly owned affiliates. For example, one commonly owned affiliate may engage in futures transactions or hold futures positions and the other commonly owned affiliate may engage in transactions in a related position or hold positions in the related position. In those situations, these affiliates may enter into an ECRP transaction with another party where the related position and the corresponding CFE contract are executed for accounts with the same beneficial ownership with that other party.

The Amendment is consistent with the rules of other designated contract markets (“DCMs”).¹

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 (i) DCM Core Principle 2 (Compliance with Rules) in that the Amendment provides guidance regarding the circumstances under which affiliated parties may be on the same side of an ECRP transaction, which contributes to facilitating compliance with CFE rules; (ii) DCM Core Principle 7 (Availability of General Information) because the Amendment describes in CFE’s rules what is encompassed by a party in the context of a party on one side of an ECRP transaction; and (iii) DCM Core Principle 9 (Execution of Transactions) because the Amendment contributes to the provision by CFE of a competitive, open, and efficient market and mechanism for executing transactions by enhancing the ability of affiliated parties to engage in ECRP transactions while protecting the price discovery process of trading on CFE’s centralized market by subjecting ECRP transactions with affiliated parties on one side of transaction to the same requirements that apply to other ECRP transactions.

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 website (http://www.cboe.com/us/futures/regulation/rule_filings/cfe/) concurrent with the filing of this submission with the Commission.

Questions regarding this submission may be directed to Arthur Reinstein at (312) 786-7570 and Shane Wilkerson at (484) 798-9350. Please reference our submission number CFE-2024-005 in any related correspondence.

Cboe Futures Exchange, LLC

/s/ Laura Fuson

By: Laura Fuson
Managing Director

¹ See Rule 538.A. of each of Chicago Mercantile Exchange, Inc., The Board of Trade of the City of Chicago, Inc., New York Mercantile Exchange, Inc., and Commodity Exchange, Inc.

EXHIBIT 1

The Amendment, marked to show additions in underlined text and deletions in ~~stricken~~ text, consists of the following:

Cboe Futures Exchange, LLC Rulebook

* * * * *

414. Exchange of Contract for Related Position

(a) - (b) No changes.

(c) In every Exchange of Contract for Related Position, one party must be the buyer of (or the holder of the long market exposure associated with) the Related Position and the seller of the corresponding Contract and the other party must be the seller of (or the holder of the short market exposure associated with) the Related Position and the buyer of the corresponding Contract.

For purposes of this Rule 414, a party on one side of an Exchange of Contract for Related Position transaction may either (i) consist of a single party or (ii) collectively consist of affiliated parties where the Related Position and the corresponding Contract are executed for accounts with the same beneficial ownership.

Each party to an Exchange of Contract for Related Position transaction must satisfy any applicable Commission requirements regarding eligibility to participate in the transaction.

Further, the quantity of the Related Position traded in an Exchange of Contract for Related Position must correlate to the quantity represented by the Contract portion of the transaction.

Only Trading Privilege Holders can be the executing parties to an Exchange of Contract for Related Position transaction reported to the Exchange. In order for a party that satisfies the requirements of the preceding paragraph and is not a Trading Privilege Holder to effectuate an Exchange of Contract for Related Position transaction, that party must utilize a Trading Privilege Holder eligible to act in an agency capacity for that party to execute the Exchange of Contract for Related Position transaction on behalf of that party in an agency capacity. A Trading Privilege Holder that acts as a broker for a Customer which satisfies the requirements of the preceding paragraph may authorize the Customer to directly negotiate Exchange of Contract for Related Position transactions for which the Trading Privilege Holder is the executing party in its agency capacity as broker for that Customer, provided that the other requirements of this Rule 414 are satisfied.

(d) - (r) No changes.

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