



May 26, 2023

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-2023-010

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 Futures Exchange, LLC (“CFE” or “Exchange”) hereby submits a CFE rule amendment (“Amendment”) to amend the Lead Market Maker Program (“LMM Program”) for Cboe[®] iBoxx[®] iShares[®] \$ High Yield Corporate Bond Index (“IBHY”) futures. The Amendment is set forth in a segregated confidential Appendix A to this submission. The Amendment will become effective on or after June 12, 2023, on a date to be announced by the Exchange through the issuance of an Exchange notice.

Any CFE Trading Privilege Holder (“TPH”) organization may apply to the Exchange for appointment as a lead market maker (“LMM”) under the amended LMM Program. Each LMM application, LMM appointment, and LMM under the Program is specific to a TPH and to one of that TPH’s Executing Firm IDs (“EFIDs”) referred to as an “LMM Program EFID”. Accordingly, a TPH may apply for and receive more than one LMM appointment under the Program, each of which is applicable to that TPH and to a different LMM Program EFID of that TPH. In that case, each of those LMMs is separately subject to the provisions of the Program, including the market performance benchmark and benefit provisions of the Program, as a single LMM.

There is no limit on the number of LMMs that the Exchange may appoint as LMMs for IBHY futures under the amended LMM Program. LMMs are selected by the Exchange under the amended LMM Program based on the Exchange’s judgment as to which applicants are most qualified to perform the functions of an LMM for IBHY futures based on specified criteria.

The amended LMM Program provides for market performance benchmarks that LMMs must satisfy in order to receive specified benefits. The market performance benchmarks include parameters with respect to minimum two-sided quote size and maximum quote width. The amended LMM Program includes market performance benchmarks that are applicable during regular trading hours for IBHY futures and market performance benchmarks that are applicable during a segment of extended trading hours for IBHY futures. The benefits under the amended LMM Program are intended to attract and retain liquidity providers in IBHY futures. Exhibit 1 to this submission includes the description of the amended LMM Program which CFE will include in

Policy and Procedure XV of the Policies and Procedures Section of the CFE Rulebook.¹ The Exchange believes that the market performance benchmarks and associated benefits under the amended LMM Program strike the appropriate balance to incentivize and retain liquidity providers in IBHY futures.

The amended LMM Program expires on December 31, 2023, unless the amended LMM Program is extended by the Exchange. CFE may determine to extend the term of the amended LMM Program and LMM appointments under the amended LMM Program, allow the amended LMM Program and LMM appointments under the amended LMM Program to expire, terminate the amended LMM Program and all LMM appointments under the amended LMM Program at any time, or amend or replace the amended LMM Program with a different market maker program at any time. Any of these actions, other than allowing the amended LMM Program to expire, would be done through a subsequent rule amendment submission to the Commission.

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 DCM Core Principles 2 (Compliance with Rules), 4 (Prevention of Market Disruption), 9 (Execution of Transactions), and 12 (Protection of Markets and Market Participants). CFE notes in this regard that: Each LMM in the amended LMM Program is obligated by CFE Rule 308 (Consent to Exchange Jurisdiction) to comply with Exchange rules. Each LMM is also required under the terms of the amended LMM Program to utilize Exchange match trade prevention functionality under CFE Rule 406B (Match Trade Prevention) with respect to trading in IBHY futures through its LMM Program EFID. Exchange rules include prohibitions against fraudulent, non-competitive, unfair, and abusive trading practices, and the Exchange will monitor trading in IBHY futures for violative activity such as wash trading, manipulative trading, and market abuse. The Exchange believes that the amended LMM Program will have a positive impact on the price discovery process by fostering improved liquidity, market width and size, and trading volume in IBHY futures traded on CFE’s centralized market and by incentivizing market participants to devote their efforts to enhancing market quality in IBHY futures. Enhanced market quality benefits all participants in the IBHY futures market. Accordingly, 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 it 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 or Shane Wilkerson at (484) 798-9350. Please reference our submission number CFE-2023-010

¹ See Exhibit 2 for disclaimers and trademarks with respect to IBHY futures relating to and of Markit Indices Limited and BlackRock Fund Advisors.

in any related correspondence.

Cboe Futures Exchange, LLC

[/s/ Laura Fuson](#)

By: Laura Fuson
Managing Director

EXHIBIT 1

(Additions are shown in underlined text and deletions are shown in ~~stricken~~ text)

Cboe Futures Exchange, LLC Policies and Procedures Section of Rulebook

* * * * *

XV. Cboe[®] iBoxx[®] iShares[®] \$ High Yield Corporate Bond Index Futures Lead Market Maker Program

The Cboe[®] iBoxx[®] iShares[®] \$ High Yield Corporate Bond Index (“IBHY”) Futures Lead Market Maker Program (“Program”) is applicable with respect to IBHY futures.

Trading Privilege Holder (“TPH”) organizations may apply to the Exchange for appointment as a lead market maker (“LMM”) under the Program. Each LMM application, LMM appointment, and LMM under the Program is specific to a TPH and to one of that TPH’s Executing Firm IDs (“EFIDs”) referred to as an “LMM Program EFID”.

Accordingly, a TPH may apply for and receive more than one LMM appointment under the Program, each of which is applicable to that TPH and to a different LMM Program EFID of that TPH. In that case, each of those LMMs is separately subject to the provisions of the Program, including the market performance benchmark and benefit provisions of the Program, as a single LMM.

There is no limit on the number of LMMs that the Exchange may appoint under the Program. Any TPH that desires to apply for LMM status under the Program should submit an application in a form and manner prescribed by the Exchange.

LMMs shall be selected by the Exchange based on the Exchange’s judgment as to which applicants are most qualified to perform the functions of an LMM under the Program. Factors to be considered in making this selection may include, but are not limited to, satisfaction of the qualifications listed below as well as any one or more of the factors listed in Rule 515(b), as applied to LMM applicants instead of with respect to DPM applicants.

The following describes the qualifications, requirements, market performance benchmarks, benefits, and appointment term under the Program unless otherwise specified.

Qualifications

- Ability to automatically and systematically provide two-sided markets during for IBHY ~~futures trading hours~~.

Requirements

- Each LMM shall designate in advance to the Exchange an LMM Program EFID. An LMM Program EFID is a single EFID through which the LMM will provide Orders to satisfy the market performance benchmarks under the Program. The LMM Program EFID designated by an LMM must be an EFID assigned to that TPH and may not be an EFID of another

TPH. An LMM shall inform the Exchange in advance if the LMM determines to change its LMM Program EFID.

- Each LMM is required to utilize Exchange match trade prevention functionality under Rule 406B with respect to trading in IBHY futures through its LMM Program EFID.

Market Performance Benchmarks

- Each LMM shall provide Orders in IBHY futures in conformity with specified criteria relating to minimum two-sided quote size and maximum quote width in order to receive specified benefits. ~~These~~ Certain of these criteria apply during ~~IBHY futures~~ regular trading hours for IBHY futures and certain of these criteria apply during a specified segment of extended trading hours for IBHY futures.
- The Exchange may terminate, place conditions upon or otherwise limit a TPH's appointment as an LMM under the Program if the TPH fails to satisfy both the market performance benchmarks under the Program applicable during regular trading hours for IBHY futures and during a specified segment of extended trading hours for IBHY futures. However, failure of a TPH to satisfy the market performance benchmarks under the Program shall not be deemed a violation of Exchange rules.

Benefits

- An LMM is eligible to receive specified benefits in connection with acting as an LMM under the Program.

Term

- The Program and each LMM appointment under the Program will expire on December 31, 2023. The Exchange may determine to extend the term of the Program and LMM appointments under the Program, allow the Program and LMM appointments under the Program to expire, terminate the Program and all LMM appointments under the Program at any time or amend or replace the Program with a different market maker program at any time.

* * * * *

EXHIBIT 2

The iBoxx[®] iShares[®] \$ High Yield Corporate Bond Index and the iBoxx[®] iShares[®] \$ Investment Grade Corporate Bond Index (the “Indexes”) referenced herein are the property of Markit Indices Limited (“Index Sponsor”) and have been licensed for use in connection with Cboe[®] iBoxx[®] iShares[®] \$ High Yield Corporate Bond Index Futures, Options on Cboe[®] iBoxx[®] iShares[®] \$ High Yield Corporate Bond Index Futures, Cboe[®] iBoxx[®] iShares[®] \$ Investment Grade Corporate Bond Index Futures and Options on Cboe[®] iBoxx[®] iShares[®] \$ Investment Grade Corporate Bond Index Futures. Each party to a transaction in Cboe[®] iBoxx[®] iShares[®] \$ High Yield Corporate Bond Index Futures, Options on Cboe[®] iBoxx[®] iShares[®] \$ High Yield Corporate Bond Index Futures, Cboe[®] iBoxx[®] iShares[®] \$ Investment Grade Corporate Bond Index Futures or Options on Cboe[®] iBoxx[®] iShares[®] \$ Investment Grade Corporate Bond Index Futures acknowledges and agrees that the transaction is not sponsored, endorsed or promoted by the Index Sponsor. The Index Sponsor makes no representation whatsoever, whether express or implied, and hereby expressly disclaims all warranties (including, without limitation, those of merchantability or fitness for a particular purpose or use), with respect to the Indexes or any data included therein or relating thereto, and in particular disclaims any warranty either as to the quality, accuracy and/or completeness of the Indexes or any data included therein, the results obtained from the use of the Indexes and/or the composition of the Indexes at any particular time on any particular date or otherwise and/or the creditworthiness of any entity, or the likelihood of the occurrence of a credit event or similar event (however defined) with respect to an obligation, in the Indexes at any particular time on any particular date or otherwise. The Index Sponsor shall not be liable (whether in negligence or otherwise) to the parties or any other person for any error in the Indexes, and the Index Sponsor is under no obligation to advise the parties or any person of any error therein.

The Index Sponsor makes no representation whatsoever, whether express or implied, as to the advisability of purchasing or selling Cboe[®] iBoxx[®] iShares[®] \$ High Yield Corporate Bond Index Futures, Options on Cboe[®] iBoxx[®] iShares[®] \$ High Yield Corporate Bond Index Futures, Cboe[®] iBoxx[®] iShares[®] \$ Investment Grade Corporate Bond Index Futures and Options on Cboe[®] iBoxx[®] iShares[®] \$ Investment Grade Corporate Bond Index Futures; the ability of the Indexes to track relevant markets’ performances; or otherwise relating to the Indexes or any transaction or product with respect thereto, or of assuming any risks in connection therewith. The Index Sponsor has no obligation to take the needs of any party into consideration in determining, composing or calculating the Indexes. No party purchasing or selling Cboe[®] iBoxx[®] iShares[®] \$ High Yield Corporate Bond Index Futures, Options on Cboe[®] iBoxx[®] iShares[®] \$ High Yield Corporate Bond Index Futures, Cboe[®] iBoxx[®] iShares[®] \$ Investment Grade Corporate Bond Index Futures or Options on Cboe[®] iBoxx[®] iShares[®] \$ Investment Grade Corporate Bond Index Futures, nor the Index Sponsor, shall have any liability to any party for any act or failure to act by the Index Sponsor in connection with the determination, adjustment, calculation or maintenance of the Indexes. iBoxx[®] is a service mark of IHS Markit Limited.

The iBoxx[®] iShares[®] \$ High Yield Corporate Bond Index and the iBoxx[®] iShares[®] \$ Investment Grade Corporate Bond Index (the “Indexes”), futures contracts on the Indexes and options on futures contracts on the Indexes (“Contracts”) are not sponsored by, or sold by BlackRock, Inc. or any of its affiliates (collectively, “BlackRock”). BlackRock makes no representation or warranty, express or implied to any person regarding the advisability of investing in securities, generally, or in the Contracts in particular. Nor does BlackRock make any representation or warranty as to the ability of the Index to track the performance of the fixed income securities market, generally, or the performance of HYG, LQD or any subset of fixed income securities.

BlackRock has not calculated, composed or determined the constituents or weightings of the fixed income securities that comprise the Indexes (“Underlying Data”). BlackRock is not responsible for and has not participated in the determination of the prices and amounts of the Contracts, or the timing of the issuance or sale of such Contracts or in the determination or calculation of the equation by which the Contracts are to be converted into cash (if applicable). BlackRock has no obligation or liability in connection with the administration or trading of the Contracts. BlackRock does not guarantee the accuracy or the completeness of the Underlying Data and any data included therein and BlackRock shall have no liability for any errors, omissions or interruptions related thereto.

BlackRock makes no warranty, express or implied, as to results to be obtained by Markit or its affiliates, the parties to the Contracts or any other person with respect to the use of the Underlying Data or any data included therein. BlackRock makes no express or implied warranties and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to the Underlying Data or any data included therein. Without limiting any of the foregoing, in no event shall BlackRock have any liability for any special, punitive, direct, indirect or consequential damages (including lost profits) resulting from the use of the Underlying Data or any data included therein, even if notified of the possibility of such damages.

iShares[®] is a registered trade mark of BlackRock Fund Advisors and its affiliates.