September 19, 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-2023-017

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 revise CFE's error trade policy. Exhibit 1 to this submission sets forth the rule changes included in the Amendment. The Amendment will become effective on or after October 3, 2023, on a date to be announced by the Exchange through the issuance of an Exchange notice.

Overview

CFE's error trade policy is codified in Policy and Procedure III (Resolution of Error Trades) ("P&P III") of the Policies and Procedures Section of the CFE Rulebook. The Amendment revises the provisions of P&P III relating to notification to the CFE's Trade Desk ("Trade Desk") of potential error trades and relating to resolution by the Trade Desk of error trades in CFE futures products.

Notification of Potential Error Trades

Part A of P&P III currently provides that any request by a CFE Trading Privilege Holder ("TPH") to invoke the error trade policy with respect to any trade must be made to the Trade Desk as soon as possible in a form and manner prescribed by the Exchange. Additionally, Part A provides in this regard that if a potential error trade is not brought to the Trade Desk's attention within eight minutes after the relevant trade occurred, the trade stands, except as provided in Part B of P&P III. Part B applies if an error trade cannot be busted or adjusted under Part A because it was not brought to the Trade Desk's attention within the eight minute time limit.

The Exchange currently requires pursuant to the provisions of Part A that a TPH must complete a written form and electronically submit that form to the Trade Desk within eight minutes of the time of execution of a potential error trade in order to invoke the error trade policy with respect to that potential error trade.

The Exchange is revising Part A to provide that a TPH must, in a form and manner prescribed by the Exchange, do both of the following in order to invoke the error trade policy for a potential error trade:

(i) notify the Trade Desk of the potential error trade by telephone as soon as possible and in no event later than eight minutes following the execution time of the potential error trade; and

(ii) electronically submit to the Trade Desk a written notification regarding the potential error trade, with the information required to be included in the notification as designated by the Exchange, within twenty minutes following the execution time of the potential error trade.

The Exchange believes that these revised notification provisions will make it easier for a TPH to report a potential error trade within the required time frame since a TPH will be allowed to provide an initial notification by telephone within eight minutes following the execution time of the trade instead of needing to prepare and electronically submit a written form during that time frame. Additionally, the Exchange believes that the Trade Desk will still be able to commence its error trade review process for a potential error trade within the same eight minute time frame that currently exists through the receipt of a telephonic notice regarding the potential error trade during that time frame. The Exchange also believes that requiring a TPH to provide an electronic notification with further information regarding a potential error trade within twenty minutes following the execution of the trade will contribute to ensuring that the Trade Desk has sufficient information relating to the trade that is in a written and documented form.

As is currently the case, the Amendment also revises Part A to make clear that:

(i) The Trade Desk provides assistance regarding potential error trades only to TPHs. Thus, for example, a customer needs to interface with the Trade Desk through the broker for the customer that is a TPH.

(ii) If either or both of the notification requirements described above (i.e., the provision of a telephonic notification within an eight minute time frame and an electronic written notification within a twenty minute time frame) are not satisfied with respect to a potential error trade, trade will stand, except as provided in Part B.

(iii) Part A does not apply with respect to trade busts and adjustments under Parts D through M of P&P III. Parts D through M address other types of trade busts and adjustments, such as busting or adjusting a Block Trade or the contract leg of an Exchange of Contract for Related Position transaction inputted with a mistake, inaccuracy, or error; busting or adjusting trades not correctly processed due to a CFE trading system malfunction; or busting or adjusting trades to mitigate market disrupting events. Parts D through M apply by their own terms and either have different notification provisions or do not include notification provisions.

With regard to this third clarification regarding how Parts D through M apply by their own terms, the Amendment also removes the current reference in Part A to the Trade Desk being able to receive notice of potential error trades from Exchange employees, subject to the current eight minute notification time frame. The Exchange views these types of situations as scenarios that could arise under Parts D through M rather than under Part A and with respect to which the notification provisions under Part A are not applicable.

Consistent with the revisions to Part A, the Amendment also revises Part B to provide that Part B is now applicable when either or both of the notification requirements under Part A were not satisfied with respect to an error trade rather than when an error trade was not brought to the Trade Desk's attention within the eight minute time limit. The Amendment does not revise any of the other provisions of Part B.

Resolution of Error Trades in Futures Products

Part A currently provides that error trades in futures (also referred to as "Futures" under CFE rules) will generally be busted and that error trades in options on futures (also referred to as "Options" under CFE rules) will generally be adjusted. The Amendment makes the treatment of error trades in futures and options on futures products consistent by providing that error trades in both will generally be adjusted.

Specifically, the Amendment applies the same provisions that currently apply with regard to the resolution of error trades in Options to the resolution of error trades in Futures. Under these provisions:

(i) The Trade Desk is authorized in its sole discretion to adjust a Futures error trade or an Options error trade that was outside the "no bust range" for the relevant Contract, with the following exception.

(ii) If the adjustment of an error trade involving the execution of a Limit Order with a Customer Type Indicator Code of 4 ("CTI Code 4") would result in an adjusted trade price for the transaction that is greater than the limit price of the Limit Order if it was an Order to buy or that is less than the limit price of the Limit Order if it was an Order to sell, the Trade Desk will not adjust the trade and instead is authorized in its sole discretion to bust the trade.

(iii) If the Trade Desk determines that the trade price of a potential error trade was outside the "no bust range" for the relevant Contract, the Trade Desk will review the circumstances surrounding the trade to determine whether the trade should be adjusted or whether in the circumstance described in the preceding paragraph the trade should be busted. The factors that may be considered by Trade Desk in this connection include: the market conditions immediately before and after the trade occurred; the volatility of the market; the prices of related instruments in other markets; whether one or more parties to the trade believe that the trade was made at a valid price; and any other factors that the Trade Desk may deem relevant. The Trade Desk shall make its decision as promptly as practicable. The decision shall be final.

(iv) If a trade is adjusted, the Trade Desk will adjust the price of the transaction to a price that is equal to the highest level of the "no bust range" if the original trade price was above that level or will adjust the price of the transaction to a price that is equal to the lowest level of the "no bust range" if the original trade price was below that level. If a trade is busted, the Trade Desk will cancel the trade.

(v) If a Futures or an Options trade is not adjusted or busted, the parties to the trade cannot reverse the trade, except as provided in Part B, and cannot "trade out" of the trade by entering into a pre-arranged offsetting transaction, except pursuant to CFE rule provisions relating to pre-execution discussions.

The Exchange has received feedback from market participants that adjusting an error trade is generally preferred to busting an error trade because an adjustment only impacts the value of the trade whereas a trade bust impacts a market participant's position in the applicable product and potentially impacts positions from other trades that the market participant has made in relation to the original position. At the same time, the Exchange recognizes that adjusting an error trade involving a customer limit order with CTI Code 4 past the customer's limit price may not be consistent with a customer's expectations and thus treats error trades in that context differently.

Statutory Basis

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 4 (Prevention of Market Disruption) in that the error trade provisions provided for in the Amendment are intended to reduce the potential risk of price distortions and market disruptions;

(ii) DCM Core Principle 7 (Availability of General Information) because the Amendment describes in CFE's rules the notification requirements relating to potential error trades and the manner of resolution of futures error trades and makes CFE's error trade policy more straightforward for market participants by harmonizing the manner in which error trades are resolved in futures and in options on futures; and

(iii) DCM Core Principle 9 (Execution of Transactions) in that CFE's error trade provisions enhance the ability of CFE to facilitate price discovery and an efficient, fair, and orderly market by seeking to balance the adverse effects on market integrity of executing trades and publishing trade information inconsistent with prevailing market conditions while preserving legitimate expectations of trade certainty by market participants.

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.

Contact Information

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-2023-017 in any related correspondence.

Cboe Futures Exchange, LLC

/s/ Laura Fuson

By: Laura Fuson
Managing Director

EXHIBIT 1

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

Cboe Futures Exchange, LLC
Policies and Procedures Section of Rulebook

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III. Resolution of Error Trades (Rule 416)

A. *General Policy*

1. *Invoking Error Trade Policy*

~~Any request by a Trading Privilege Holder to invoke the error trade policy with respect to any trade must be made to the Trade Desk as soon as possible~~ In order to invoke the error trade policy for a potential error trade, a Trading Privilege Holder must, in a form and manner prescribed by the Exchange, do both of the following:

(i) notify the Trade Desk of the potential error trade by telephone as soon as possible and in no event later than eight minutes following the execution time of the potential error trade; and

(ii) electronically submit to the Trade Desk a written notification regarding the potential error trade, with the information required to be included in the notification as designated by the Exchange, within twenty minutes following the execution time of the potential error trade.

~~Additionally, an employee of the Exchange can bring a potential error trade to the Trade Desk's attention.~~ The Trade Desk may provide assistance regarding potential error trades only to Trading Privilege Holders.

~~In all cases, if a potential error trade is not brought to the Trade Desk's attention within eight minutes after the relevant trade occurred, such~~ If either or both of the notification requirements in the preceding paragraph are not satisfied with respect to a potential error trade, trade will stand, except as provided in Part B below.

Part A of this Policy and Procedure does not apply to Block Trades and Exchange of Contract for Related Position transactions and does not apply with respect to trade busts and adjustments under Parts D - M of this Policy and Procedure.

2. *Notice that Trade Under Review*

When a potential error trade is brought to the Trade Desk's attention, the Trade Desk will disseminate a notice to the parties to the trade that the trade is under review.

3. *Procedure Followed by Trade Desk*

The Trade Desk will determine for any potential error trade that is brought to the Trade Desk's attention whether the trade price is in the "no bust range" for the relevant Contract, as set forth in the Rules governing such Contract. With respect to trades involving a Spread Order, the Trade Desk may also consider the theoretical net price of the Spread Order and apply the "no bust range" in relation to that theoretical net price (such that if the net trade price of the Spread Order was inside (outside) that "no bust range", all of the trades involving the Spread Order would be treated as inside (outside) the "no bust range"). In making a determination regarding the theoretical net price of a Spread Order, the Trade Desk may consider all relevant factors, including the net of the true market prices of the Contracts that comprise the individual legs of the Spread Order (each determined in the manner described above) and the net price of other Spread Orders of the same type.

In determining whether the trade price is within the "no bust range," the Trade Desk will determine what the true market price for the relevant Contract was immediately before the potential error trade occurred. In making such determination, the Trade Desk may consider all relevant factors, including the last trade price for such Contract, a better bid or offer price, a more recent price in a different contract month or series, the prices of related contracts trading on the Exchange or other markets and the theoretical value of an Option as determined by the Exchange.

References above and in the Rules governing each Contract to consideration of all relevant factors in relation to the determination of the theoretical net price of a Spread Order and the true market price for a Contract are non-exclusive. Specific factors enumerated above and in the Rules governing each Contract in relation to those determinations are examples of factors that may be considered by the Trade Desk in making those determinations. The Trade Desk may consider other factors as well, such as, for example, the market conditions at the time of the trade, and may determine which factor or factors are relevant for consideration in each determination based upon the facts and circumstances in that particular instance.

4. *Trade Price Inside "No Bust Range"*

If the Trade Desk determines that the trade price of a potential error trade was inside the "no bust range" for the relevant Contract, such trade will stand and no further action will be taken. No such trade can be busted or adjusted by agreement of the parties to such trade.

~~5. *Futures Trade Price Outside "No Bust Range"*~~

~~The Trade Desk is authorized in its sole discretion to bust a Futures error trade that was outside the "no bust range" for the relevant Contract.~~

~~If the Trade Desk determines that the trade price of a potential Futures error trade was outside the "no bust range" for the relevant Contract, the Trade Desk will review the circumstances surrounding such trade to determine whether such trade should be busted. The factors that may be considered by Trade Desk in this connection include: the market conditions immediately before and after such trade occurred; the volatility of the market; the prices of related instruments in other markets; whether one or more parties to such trade believe that such trade was made at a valid price; and any other factors that the Trade Desk may deem relevant. The Trade Desk shall make its~~

~~decision as promptly as practicable. Such decision shall be final.~~

~~If a trade is busted, the Trade Desk will cancel such trade.~~

~~If a trade is not busted, the parties thereto cannot reverse such trade, except as provided in Part B below. The parties to any such trade may also not "trade out" of such trade by entering into a pre-arranged offsetting transaction; *provided* that the parties may engage in pre-execution discussions with each other in accordance with procedures established by the Exchange from time to time.~~

~~6~~ 5. ~~*Options*~~ *Trade Price Outside "No Bust Range"*

The Trade Desk is authorized in its sole discretion to adjust a Futures error trade or an Options error trade that was outside the "no bust range" for the relevant Contract, with the following exception.

If the adjustment of an ~~Options~~ error trade involving the execution of a Limit Order with a Customer Type Indicator Code of 4 would result in an adjusted trade price for the transaction that is greater than the limit price of the Limit Order if it was an Order to buy or that is less than the limit price of the Limit Order if it was an Order to sell, the Trade Desk will not adjust the trade and instead is authorized in its sole discretion to bust the trade.

If the Trade Desk determines that the trade price of a potential ~~Options~~ error trade was outside the "no bust range" for the relevant Contract, the Trade Desk will review the circumstances surrounding such trade to determine whether such trade should be adjusted or whether in the circumstance described in the preceding paragraph such trade should be busted. The factors that may be considered by Trade Desk in this connection include: the market conditions immediately before and after such trade occurred; the volatility of the market; the prices of related instruments in other markets; whether one or more parties to such trade believe that such trade was made at a valid price; and any other factors that the Trade Desk may deem relevant. The Trade Desk shall make its decision as promptly as practicable. Such decision shall be final.

If a trade is adjusted under Part A of this Policy and Procedure, the Trade Desk will adjust the price of the transaction to a price that is equal to the highest level of the "no bust range" if the original trade price was above that level or will adjust the price of the transaction to a price that is equal to the lowest level of the "no bust range" if the original trade price was below that level. If a trade is busted, the Trade Desk will cancel such trade.

If a trade is not adjusted or busted, the parties thereto cannot reverse such trade, except as provided in Part B below. The parties to any such trade may also not "trade out" of such trade by entering into a pre-arranged offsetting transaction; *provided* that the parties may engage in pre-execution discussions with each other in accordance with procedures established by the Exchange from time to time.

~~7~~ 6. *Notice of Final Action*

As soon as a decision regarding a potential error trade has been made, the Trade Desk will disseminate a notice to the parties to the trade, indicating whether such trade is busted, is adjusted or stands and indicating the adjusted transaction price if the trade is adjusted.

B. ***Policy When Error Trade Not Brought to Trade Desk's Attention Within Time Limit***

This Part B applies only to any error trade that cannot be busted or adjusted under Part A above because ~~it was not brought to the Trade Desk's attention within the eight-minute time limit specified therein~~ either or both of the notification requirements in the first paragraph of Section 1 of Part A were not satisfied with respect to that trade. The procedures described in this Part B cannot be used if the trade price of the error trade in question was within the "no bust range" for the relevant Contract at the relevant time.

1. *Both Parties Agree to Transfer Position*

Upon the request of either party to an error trade that cannot be busted or adjusted under Part A above, the Exchange may disclose to that party the identity of the other party to the trade. If both parties to an error trade agree, they may transfer the position resulting from such trade between each other. Any such transfer must be made at the original trade price and for the same quantity as the original trade. The parties may also, but are not required to, provide for a cash adjustment to compensate one side of such error trade. Any such transfer must be reported to the Exchange in a form and manner prescribed by the Exchange.

2. *Arbitration of Disputes*

If the parties to an error trade do not agree to transfer the position resulting from such trade, then the party causing such trade may file an arbitration claim against the Trading Privilege Holder representing the other side in accordance with the arbitration rules incorporated by reference into Chapter 8. Any such arbitration claim will be dismissed if the owner of the account on the other side of the error trade is not a Trading Privilege Holder or any Person otherwise subject to the jurisdiction of the arbitration. If not dismissed, arbitration proceedings will be conducted in accordance with the arbitration rules incorporated by reference into Chapter 8.

C. - M. No changes.

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