



September 27, 2023

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-2023-02E

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 the Exchange’s Futures Commission Merchant (“FCM”) Build Out Incentive Program (“Build Out Program” or the “Program”) and an amendment to its Rulebook in connection with incentive programs offered by the Exchange (“Amendment”). The Build Out Program is set forth in a segregated confidential **Exhibit A** to this submission. The Build Out Program may become effective on or after October 12, 2023, on a date to be announced by the Exchange through the issuance of an Exchange notice, and the Amendment will become effective on October 12, 2023.

Rulebook Amendments

The CDE Rulebook currently notes that the Exchange may establish programs that provide Participants with financial incentives for meeting trading volume or liquidity thresholds as may be established by the Exchange. CDE seeks to make clear that the Exchange may also establish programs that provide Participants with financial incentives for other additive or economically beneficial activity.

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

RULE 517. ~~Liquidity Provider~~ Incentive Programs

- (a) The Exchange may from time to time establish programs that provide Participants with financial incentives for meeting trading volume or liquidity thresholds or for other additive or economically beneficial activity as may be established by the Exchange.

Build Out Program

The Exchange intends to list digital asset futures on a margin basis in Q4 2023, which will be cleared through futures commission merchant (“FCM”) clearing members of Cboe Clear Digital,

LLC (“Cboe Clear”), CDE’s affiliated derivatives clearing organization.¹ The Build Out Program provides a one-time incentive for FCMs to become a Clearing Member of the Exchange to connect to and provide access to Cboe Clear Digital, LLC (“Cboe Clear”) ² in advance of CDE’s launch of physically- and financially- settled margined futures contracts in late 2023. A Clearing Member of the Exchange is an entity that is approved for clearing membership at Cboe Clear and is authorized pursuant to the Cboe Clear rules to clear trades in CDE contracts, and meets CDE membership qualifications. In order to become a Clearing Member of the Exchange, connect to Cboe Clear, and provide clearing services for Exchange participants, FCMs need to incur costs and spend internal resources to build out their systems and complete testing required to establish the connection. The Program is intended to incentivize FCMs to become Clearing Members of the Exchange and offer clearing services through Cboe Clear Digital for margin futures contracts listed and traded on CDE in light of these costs and the requisite resource commitment to expend the effort to do so.

In order to be eligible to participate in the Build Out Program, a participant must (i) meet the definition of an FCM under the Exchange rules; (ii) submit to the Exchange between September 28, 2023 and October 15, 2023 a written request to participate in the Program; (iii) meet the criteria for becoming a Clearing Member of the Exchange pursuant to CDE Rule 902 and submit to the Exchange all Participant Documentation required to become a Clearing Member of the Exchange pursuant to CDE Rule 903; and (iv) complete required technical specifications as set forth in Exhibit A. The Exchange will select as Program participants the first two FCMs that submit a written request to the Exchange to participate in the Program, satisfy the above eligibility criteria, and offer the most economic benefit in support of clearing physically and settled margin contracts.

The Build Out Program will commence October 12, 2023 and terminate on December 4, 2023. The Exchange may determine to extend the term of the Program, allow the Program to expire, or replace or modify the Program at any time.

Core Principle Compliance

CDE believes that the Program is consistent with Designated Contract Market Core Principles 2 (Compliance with Rules), 9 (Execution of Transactions), and 12 (Protection of Markets and Market Participants) under Section 5 of the Act. CDE has made the Program available to FCMs for legitimate business purposes in connection with its efforts to incentivize FCMs to connect to Cboe Clear and become Clearing Members of the Exchange to enable FCM customers to access Cboe Digital margin products. Such an incentive program will also enable CDE and Cboe Clear to expand marketability and visibility to other FCMs, which will spur interest in both the margin products and CDE broadly. The Program treats all parties eligible for the Program equally. CDE believes that the Program will contribute to the provision of a competitive, open, and efficient market by attracting more FCMs to provide access and clearing services to customers, which will encourage more customers to participate on the Exchange through FCMs, increasing overall participation and liquidity on the Exchange.

CDE believes that the Amendment to the Rulebook is consistent with DCM Core Principle 19, as the revised rules do not result in any unreasonable restraint of trade or impose any material anticompetitive burden on trading on the contract market.

Public Information

¹ In early June 2023, Cboe Clear, through which all Exchange products are settled and cleared, received Commission approval of an amended order of registration for Cboe Clear to clear digital asset futures on a margined basis for FCMs.

² The Exchange notes that in order to become a Clearing Member of the Exchange, a participant must become a Clearing Member of Cboe Clear. See CDE Rule 902(a).

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/ Katherine Kirkpatrick

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