October 19, 2020

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-2020-029

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended ("Act"), and § 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 modify the halt period for standard-sized Cboe Volatility Index ("VX") futures, Mini Cboe Volatility Index ("VXM") futures, and S&P 500 Variance ("VA") futures following a Level 1 or Level 2 Market Decline. The Amendment will become effective on or after November 2, 2020, on an implementation date to be announced by the Exchange through the issuance of an Exchange notice.

CFE Rule 417A (Market-Wide Trading Halts Due to Extraordinary Market Volatility) provides that CFE will halt trading in all CFE contracts subject to Rule 417A and not reopen trading in those contracts for specified time frames if there is a Level 1, 2, or 3 Market Decline. A Market Decline is a decline in the price of the S&P 500 Index between 8:30 a.m. and 3:00 p.m. on a trading day as compared to the closing price of the S&P 500 Index for the immediately preceding trading day. A Level 1 Market Decline is a Market Decline of 7%, a Level 2 Market Decline is a Market Decline of 13%, and a Level 3 Market Decline is a Market Decline of 20%. A Level 1 or Level 2 Market Decline triggers a 15 minute trading halt if it occurs prior to or at 2:25 p.m. A Level 3 Market Decline that occurs at any time between 8:30 a.m. and 3:00 p.m. triggers a trading halt until the next trading day. A trading halt under Rule 417A and the comparable rules of other exchanges is commonly known as a circuit breaker trading halt. The CFE contract specification rule chapters specify which CFE contracts are subject to Rule 417A. Three of those contracts are VX futures, VXM futures, and VA futures. All times referenced in this rule certification submission are in Chicago time.

Chicago Mercantile Exchange Inc. ("CME") and The Board of Trade of the City of Chicago, Inc. ("CBOT") recently modified the halt period following a Level 1 or Level 2 Market Decline under their circuit breaker trading halt rules from 15 minutes to 10 minutes for a number of equity index futures offered for trading on CME and CBOT.[1] The equity index futures to which this change applied

[1] See CME Submission No. 20-392, dated September 25, 2020.

included, among others, E-mini S&P 500 Index futures.

The purpose of the Amendment is to align the halt period following a Level 1 or Level 2 Market Decline for VX, VXM, and VA futures with the halt period following a Level 1 or Level 2 Market Decline applicable to E-mini S&P 500 Index futures. VX and VXM futures are futures on the Cboe Volatility Index ("VIX Index"). The VIX Index is a financial benchmark designed to be an up-to-the-minute market estimate of expected volatility of the S&P 500 Index. VA futures are futures based on the realized variance of the S&P 500 Index. Given the interrelationships between VX futures, VXM futures, VA futures, E-mini S&P 500 Index futures, and the S&P 500 Index, market participants may trade between, and conduct trading strategies involving, VX, VXM, VA, and E-mini S&P 500 Index futures. CFE believes that retaining the current alignment between these halt periods will be beneficial to market participants. Among other things, CFE believes that retaining this alignment will reduce the risks to market participants that hold positions across these products that would exist if they were not able to trade in VX, VXM, and VA futures while trading is occurring in E-mini S&P 500 Index futures. Taking this approach is also consistent with CME's implementation of a 10 minute halt period for Nasdaq-100 Volatility Index futures following a Level 1 or Level 2 Market Decline.[2]

Accordingly, the Amendment revises CFE Rule 1202(i) (Price Limits and Halts), CFE Rule 1702(i) (Price Limits and Halts), and CFE Rule 2302(i) (Price Limits and Circuit Breaker Halts) in the contract specification rule chapters applicable to VX, VXM, and VA futures to provide that the halt period under Rule 417A applicable to VX, VXM, and VA futures following a Level 1 or Level 2 Market Decline will be 10 minutes.

CFE also notes that Rule 417A(e) provides that nothing in Rule 417A shall be construed to limit the ability of the Exchange to halt or suspend trading in any contract pursuant to any other Exchange rule or policy. Therefore, although it is CFE's intent to resume trading in VX, VXM, and VA futures at the conclusion of the 10 minute halt period following a Level 1 or Level 2 Market Decline, there may be circumstances in which a continued trading halt is appropriate. Accordingly, the amended language is worded in terms of when the Exchange may resume trading in VX, VXM, and VA futures following a trading halt triggered by a Level 1 or Level 2 Market Decline.

Additionally, the Amendment revises Rule 417A to note that the rules governing the relevant contract may provide for a different halt period following a Level 1 or Level 2 Market Decline than the 15 minute halt period referenced in Rule 417A to make clear that the contract specification rule chapter for a product may alter this general provision.

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 3 (Contracts Not Readily Subject to Manipulation) in that the Amendment serves to retain risk management features of VX, VXM, and VA futures and their utility when they are used in conjunction with other futures products; (ii) DCM Core Principle 4 (Prevention of Market Disruption) because the Amendment contributes to the prevention of potential price distortions and increased risks to market participants that trade between, and conduct trading strategies involving, VX, VXM, VA, and E-mini S&P 500 Index futures that would exist if they were not able to transact in VX, VXM, and VA futures while trading in E-mini S&P 500 Index futures is occurring and because the Amendment contributes to coordination between the circuit breaker trading halt provisions of CFE and CME; and (iii) DCM Core Principle 7 (Availability of General Information) because the Amendment describes in CFE's rules the trading halt provisions that will apply to VX, VXM, and VA

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[2] See CME Rules 37902.I and 35902.I.3.a.

futures in the event of a Level 1 or Level 2 Market Decline.

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

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

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Cboe Futures Exchange, LLC
Rulebook

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417A. Market-Wide Trading Halts Due to Extraordinary Market Volatility

(a) The Exchange will halt trading in all Contracts subject to this Rule and shall not reopen trading in those Contracts for the time periods specified in this Rule if there is a Level 1, 2 or 3 Market Decline. The rules governing a particular Contract shall set forth whether the Contract is subject to this Rule.

(b) For purposes of this Rule:

(i) A "Market Decline" means a decline in price of the S&P 500 Index between 8:30 a.m. and 3:00 p.m. (all times are CT) on a trading day as compared to the closing price of the S&P 500 Index for the immediately preceding trading day. The Level 1, Level 2 and Level 3 Market Declines that will be applicable for the trading day will be the levels publicly disseminated by securities information processors.

(ii) A "Level 1 Market Decline" means a Market Decline of 7%.

(iii) A "Level 2 Market Decline" means a Market Decline of 13%.

(iv) A "Level 3 Market Decline" means a Market Decline of 20%.

(c) Halts in Trading:

(i) If a Level 1 or Level 2 Market Decline occurs after 8:30 a.m. and up to and including 2:25 p.m. or, in the case of an early scheduled close, 11:25 a.m., the Exchange shall halt trading in all Contracts subject to this Rule for 15 minutes after a Level 1 or Level 2 Market Decline (or for a different time period after a Level 1 or Level 2 Market Decline if specified in the rules governing the relevant Contract). The Exchange shall halt trading based on a Level 1 or Level 2 Market Decline only once per trading day. The Exchange will not halt trading if a Level 1 or Level 2 Market Decline occurs after 2:25 p.m. or, in the case of an early scheduled close, 11:25 a.m.

(ii) If a Level 3 Market Decline occurs at any time during the trading day, the Exchange shall halt trading in all Contracts subject to this Rule until the next trading day.

Specifically, the Exchange may resume trading in a Contract subject to this Rule following a Level 3 Market Decline at the normal opening time for trading in that Contract on the next Business Day in accordance with the normal opening process for that Contract (which is the start of the next trading day in that contract). For example, the normal opening time for trading in Cboe Volatility Index ("VX") futures on a Business Day is at 5:00 p.m. Chicago time on the prior calendar day (e.g., VX futures have trading hours on a Business Day Tuesday from 5:00 p.m. on Monday to 3:15 p.m. on Tuesday and from 3:30 p.m. to 4:00 p.m. on Tuesday). Accordingly, if a Level 3 Market Decline occurred on a Monday, the Exchange may resume trading in VX futures for Business Day Tuesday at 5:00 p.m. Chicago time on Monday in accordance with the normal opening process for VX futures.

(d) If a circuit breaker is initiated in all Contracts subject to this Rule due to a Level 1 or Level 2 Market Decline, the Exchange may resume trading in each Contract any time after the 15-minute halt period <u>(or different halt period if specified in the rules governing the relevant Contract)</u>.

(e) Nothing in this Rule shall be construed to limit the ability of the Exchange to halt or suspend trading in any Contract pursuant to any other Exchange rule or policy.

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1202. Contract Specifications

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(a) - (h) No changes.

(i) *Price Limits and Halts*.

(i) *Price Limits During Extended Trading Hours*. Pursuant to Rule 413, VX futures are subject to the following price limits during extended trading hours:

(A) Each VX futures Contract shall have a price limit that is 70% above the daily settlement price for that VX futures Contract for the prior Business Day (an "Upper Price Limit") and a price limit that is 30% below the daily settlement price for that VX futures Contract for the prior Business Day (a "Lower Price Limit"). An Upper Price Limit and a Lower Price Limit may also be referred to as a "Price Limit."

(B) The CFE System will not consummate the execution of any trade in a VX futures Contract that is at a price that is more than the Upper Price Limit for that VX futures Contract or that is less than the Lower Price Limit for that VX futures Contract.

(C) The CFE System will reject or cancel back to the sender any Limit Order to buy with a limit price that is above the Upper Price Limit and any Limit Order to sell with a limit price that is below the Lower Price Limit. Upon the triggering of a Stop Limit Order, the CFE System will cancel the Stop Limit Order back to the sender if it is a Stop Limit Order to buy that is triggered to a limit price which is above the Upper Price Limit or is a Stop Limit Order to sell that is triggered to a limit price which is below the Lower Price Limit.

(D) The Upper Price Limit and Lower Price Limit will be applicable with respect to the execution of single leg VX Orders. The Upper Price Limit and Lower Price Limit will apply to VX Spread Orders in that each leg of a VX Spread Order will be subject to the applicable Upper Price Limit and Lower Price Limit for that individual leg and may not be executed at a price that is more than the Upper Price Limit for that single leg VX futures Contract or less than the Lower Price Limit for that single leg VX futures Contract. The Upper Price Limit and Lower Price Limit shall not apply to TAS Orders because TAS transactions may only occur within a permissible price range.

(E) The price limit provisions of this Rule 1202(i)(i) shall be applicable during the opening process for a VX futures Contract during extended trading hours.

(F) In calculating a Price Limit, the calculation will be rounded to the nearest minimum increment in the VX futures Contract, with the midpoint between two consecutive increments rounded up.

(G) The daily settlement price that will be utilized to calculate the Price Limits for a newly listed VX futures Contract will be the daily settlement price of the VX futures Contract with the nearest expiration date in calendar days to the expiration date of the newly listed VX futures Contract. If there is a VX futures Contract with an earlier expiration date and a VX futures Contract with a later expiration date that each meet this criterion, the daily settlement price of the VX futures Contract with the earlier expiration date will be utilized.

(H) Notwithstanding any provisions of this Rule 1202(i)(i), the Trade Desk may, in its absolute and sole discretion, take any action it determines necessary to protect market integrity. For avoidance of doubt, this authority includes, but is not limited to, modifying or eliminating the Price Limit parameters in this Rule 1202(i)(i) at any time. The senior person in charge of the Trade Desk may exercise the authority of the Trade Desk under this Rule 1202(i)(i)(H). The Trade Desk will promptly issue an alert with respect to actions taken pursuant to this Rule 1202(i)(i)(H).

(ii) *Consideration of Halts and Price Limit Activation in Other Markets*. The Exchange shall take into consideration any trading halt in Cboe Volatility Index options and S&P 500 Index options traded on Cboe Options and any trading halt or price limit activation in the E-mini S&P 500 Index ("E-mini") futures contract traded on Chicago Mercantile Exchange in determining whether or not to halt trading in VX futures under Rule 418(a)(ix) during extended trading hours.

(iii) *Circuit Breaker Halts.* Trading in VX futures contracts shall be halted pursuant to Rule 417A if there is a Level 1, 2 or 3 Market Decline, except that the halt period provided for under Rule 417A(c)(i) following a Level 1 or Level 2 Market Decline shall be 10 minutes instead of 15 minutes and the Exchange may resume trading in VX futures contracts any time after the 10-minute halt period.

*E-Mini® is a registered trademark of Chicago Mercantile Exchange, Inc. The Exchange and VX futures are not affiliated with**,** and have not been authorized, sponsored, or otherwise approved by, Chicago Mercantile Exchange, Inc.

(j) - (r) No changes.

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1702. Contract Specifications

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(a) - (h) No changes.

(i) *Price Limits and Halts*.

(i) *Price Limits During Extended Trading Hours*. Pursuant to Rule 413, VXM futures are subject to the following price limits during extended trading hours:

(A) Each VXM futures Contract shall have a price limit that is 70% above the daily settlement price for that VXM futures Contract for the prior Business Day (an "Upper Price Limit") and a price limit that is 30% below the daily settlement price for that VXM futures Contract for the prior Business Day (a "Lower Price Limit"). An Upper Price Limit and a Lower Price Limit may also be referred to as a "Price Limit."

(B) The CFE System will not consummate the execution of any trade in a VXM futures Contract that is at a price that is more than the Upper Price Limit for that VXM futures Contract or that is less than the Lower Price Limit for that VXM futures Contract.

(C) The CFE System will reject or cancel back to the sender any Limit Order to buy with a limit price that is above the Upper Price Limit and any Limit Order to sell with a limit price that is below the Lower Price Limit. Upon the triggering of a Stop Limit Order, the CFE System will cancel the Stop Limit Order back to the sender if it is a Stop Limit Order to buy that is triggered to a limit price which is above the Upper Price Limit or is a Stop Limit Order to sell that is triggered to a limit price which is below the Lower Price Limit.

(D) The Upper Price Limit and Lower Price Limit will be applicable with respect to the execution of single leg VXM Orders. The Upper

Price Limit and Lower Price Limit will apply to VXM Spread Orders in that each leg of a VXM Spread Order will be subject to the applicable Upper Price Limit and Lower Price Limit for that individual leg and may not be executed at a price that is more than the Upper Price Limit for that single leg VXM futures Contract or less than the Lower Price Limit for that single leg VXM futures Contract. The Upper Price Limit and Lower Price Limit shall not apply to TAS Orders because TAS transactions may only occur within a permissible price range.

(E) The price limit provisions of this Rule 1702(i)(i) shall be applicable during the opening process for a VXM futures Contract during extended trading hours.

(F) In calculating a Price Limit, the calculation will be rounded to the nearest minimum increment in the VXM futures Contract, with the midpoint between two consecutive increments rounded up.

(G) The daily settlement price that will be utilized to calculate the Price Limits for a newly listed VXM futures Contract will be the daily settlement price of the VXM futures Contract with the nearest expiration date in calendar days to the expiration date of the newly listed VXM futures Contract. If there is a VXM futures Contract with an earlier expiration date and a VXM futures Contract with a later expiration date that each meet this criterion, the daily settlement price of the VXM futures Contract with the earlier expiration date will be utilized.

(H) Notwithstanding any provisions of this Rule 1702(i)(i), the Trade Desk may, in its absolute and sole discretion, take any action it determines necessary to protect market integrity. For avoidance of doubt, this authority includes, but is not limited to, modifying or eliminating the Price Limit parameters in this Rule 1702(i)(i) at any time. The senior person in charge of the Trade Desk may exercise the authority of the Trade Desk under this Rule 1702(i)(i)(H). The Trade Desk will promptly issue an alert with respect to actions taken pursuant to this Rule 1702(i)(i)(H).

(ii) *Consideration of Halts and Price Limit Activation in Other Products and Markets*. In determining whether or not to halt trading in VXM futures under Rule 418(a)(ix) during extended trading hours, the Exchange shall take into consideration:

(A) any trading halt in VX futures;

(B) any trading halt in Cboe Volatility Index options and S&P 500 Index options traded on Cboe Options; and

(C) any trading halt or price limit activation in the E-mini S&P 500 Index ("E-mini") futures contract traded on Chicago Mercantile Exchange.

(iii) *Circuit Breaker Halts.* Trading in VXM futures contracts shall be halted pursuant to Rule 417A if there is a Level 1, 2 or 3 Market Decline<u>, except that the halt period provided for under Rule 417A(c)(i) following a Level 1 or Level 2</u>

Market Decline shall be 10 minutes instead of 15 minutes and the Exchange may resume trading in VXM futures contracts any time after the 10-minute halt period.

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(j) - (r) No changes.

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2302. Contract Specifications

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(a) - (h) No changes.

(i) *Price Limits and Circuit Breaker Halts*. Pursuant to Rule 413, S&P 500 Variance futures contracts are not subject to price limits.

Trading in S&P 500 Variance futures contracts shall be halted pursuant to Rule 417A if there is a Level 1, 2 or 3 Market Decline, except that the halt period provided for under Rule 417A(c)(i) following a Level 1 or Level 2 Market Decline shall be 10 minutes instead of 15 minutes and the Exchange may resume trading in S&P 500 Variance futures contracts any time after the 10-minute halt period.

(j) - (s) No changes.

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Questions regarding this submission may be directed to Arthur Reinstein at (312) 786-7570 or Michael Margolis at (312) 786-7153. Please reference our submission number CFE-2020-029 in any related correspondence.

Cboe Futures Exchange, LLC

/s/ Troy Yeazel

By: Troy Yeazel
Managing Director