



January 18, 2018

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-2018-001

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 trading halt provisions relating to Cboe Bitcoin (USD) (“XBT”) futures under CFE Rule 1302 (Contract Specifications). The Amendment will become effective on February 1, 2018.

Rule 1302(i) generally provides for a 2 minute trading halt in XBT futures in the event of a 10% upward or downward XBT futures price movement and for a 5 minute trading halt in XBT futures in the event of a 20% upward or downward XBT futures price movement. CFE is making the following refinements to these trading halt provisions based on CFE’s experience in administering these provisions since CFE launched trading in XBT futures on December 10, 2017:

- CFE is making more explicit that the above trading halt periods are for a minimum of 2 minutes and for a minimum of 5 minutes. This is also the case under the current language of Rule 1302(i)(ii).
- CFE is adding additional trading halt periods of a minimum of 5 minutes any time there is any additional 10% upward or downward XBT futures price movement. This will provide clarity as to what halt levels will apply in the event of an upward or downward XBT futures price movement in excess of 20%. In addition to these additional trading halt periods, the CFE Help Desk continues to retain the ability to halt trading in XBT futures at any time if appropriate prior to reaching a particular halt level in the interest of protecting market integrity pursuant to Rule 1302(i)(iv) and under CFE’s emergency authority pursuant to CFE Rule 418. The Help Desk will also continue to have the discretion to modify price movement parameters under Rule 1302(i)(ii) at any time in the interest of market integrity based on the facts and circumstances at that time.

- CFE is providing that a halt will generally no longer be triggered at a particular upward or downward XBT futures price movement level during the remainder of a business day after trading commences following a halt at that level. This is consistent with how the current XBT futures trading halt provisions function. CFE is providing for this provision to generally apply since the Help Desk could determine in the interest of market integrity to apply a particular halt level more than once within a business day. For example, the Help Desk could determine to do so if the XBT reference price is changed within a business day as described below, depending on, among other things, the differential between the two XBT reference prices.
- CFE is changing the XBT reference price that is used as the baseline from which to measure XBT futures price movements for certain business days for purposes of the trading halt provisions under Rule 1302(i)(ii). For any business day that begins on Sunday and does not include a holiday trading session, the XBT reference price will be the opening trade price (or first trade price if there is no opening trade) of the XBT futures contract closest to expiration on that business day. For any business day that includes a holiday trading session or follows a holiday, the same will be the case except that if that business day includes a previously designated halt period within a holiday trading session, the XBT reference price following the designated halt period will be the first trade price of the XBT futures contract closest to expiration following the conclusion of the designated halt period. For example, on various holidays, trading in XBT futures is halted during a several hour designated halt period between two trading periods. As is currently the case, the XBT reference price for any other business day will continue to be daily settlement price of the XBT futures contract closest to expiration on the prior business day. CFE is making these changes since utilizing the daily settlement price from the prior business day may not be an appropriate reflection of a baseline value of the XBT futures contract closest to expiration at the commencement of trading on that business day in light of the length of time that has elapsed between when that price was established and the beginning of that business day. This approach is consistent with discretion that the Help Desk has utilized in setting the XBT reference price under Rule 1302(i)(iv) in the interest of market integrity since the launch of XBT futures and this change codifies this approach into Rule 1302(i)(ii). The Help Desk will also continue to have the discretion to set a different XBT reference price at any time under Rule 1302(i)(iv) in the interest of market integrity based on the facts and circumstances at that time.
- CFE is making clear that the XBT reference price will shift to be determined in relation to the XBT futures contract that is next closest to expiration when the XBT futures contract that is closest to expiration stops trading on its final settlement date.
- CFE is splitting out into a separate provision within Rule 1302(i)(ii) that the trading halt provisions of Rule 1302(i)(ii) apply during regular and extended trading hours for XBT futures (as is currently the case).
- CFE is providing within Rule 1302(i)(iv) that one example of a situation in which the Help Desk may determine not to halt trading in XBT futures under Rule 1302(i)(ii) in order to protect market integrity would be a determination by the Help Desk not to halt trading during the last 15 minutes of trading on a business day. For example, the Help Desk may determine based on the facts and circumstances at the time that halting trading in XBT futures close in time to the close of trading hours (when

market participants are seeking to trade at a price at or close to the closing price) may be more disruptive to the market than not halting trading at that time.

For the reasons stated above, CFE believes that the Amendment is consistent with Designated Contract Market Core Principles 4 (Prevention of Market Disruption) and 9 (Execution of Transactions) under Section 5 of the Act in that the Amendment contributes to reducing the potential risk of price distortions and market disruptions and enhances the ability of CFE to facilitate price discovery and an efficient, fair, and orderly market.

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://cfe.cboe.com/aboutcfe/rules.aspx>) concurrent with the filing of this submission with the Commission.

The Amendment, marked to show additions in underlined text and deletions in [bracketed] text, consists of the following:

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**Cboe Futures Exchange, LLC
Rules**

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1302. Contract Specifications

(a) – (h) No changes.

(i) *Price Limits and Halts.*

(i) *No Price Limits.* Pursuant to Rule 413, XBT futures contracts are not subject to price limits.

(ii) *Halts Due to XBT Futures Price Movements.*

Trading in XBT futures will be halted for a minimum of 2 minutes if [during regular or extended trading hours for XBT futures]:

(A) the best bid in the XBT futures contract closest to expiration is 10% or more above the [daily settlement price of that contract on the prior Business Day] XBT Reference Price; or

(B) the best offer in the XBT futures contract closest to expiration is 10% or more below the [daily settlement price of that contract on the prior Business Day] XBT Reference Price.

Trading in XBT futures will be halted for a minimum of 5 minutes:

(A) if the best bid in the XBT futures contract closest to expiration is 20% or

more above the XBT Reference Price; or

(B) any time there is any additional 10% upward movement in the best bid in the XBT futures contract closest to expiration from the XBT Reference Price.

Trading in XBT futures will be halted for a minimum of 5 minutes:

(A) if the best offer in the XBT futures contract closest to expiration is 20% or more below the XBT Reference Price; or

(B) any time there is any additional 10% downward movement in the best offer in the XBT futures contract closest to expiration from the XBT Reference Price.

[After trading commences following such a halt, trading in XBT futures will be halted for 5 minutes if during regular or extended trading hours for XBT futures:

(A) the best bid in the XBT futures contract closest to expiration is 20% or more above the daily settlement price of that contract on the prior Business Day; or

(B) the best offer in the XBT futures contract closest to expiration is 20% or more below the daily settlement price of that contract on the prior Business Day.]

After trading commences following any halt pursuant to this Rule 1302(i)(ii) due to a particular upward or downward percentage movement from the XBT Reference Price during a Business Day, a halt will generally no longer be triggered at that level pursuant to this Rule 1302(i)(ii) during the remainder of that Business Day.

The XBT Reference Price is determined in the following manner:

(A) For any Business Day that begins on a Sunday and does not include a holiday trading session, the XBT Reference Price will be the opening trade price (or first trade price if there is no opening trade) of the XBT futures contract closest to expiration on that Business Day.

(B) For any Business Day that includes a holiday trading session or follows a holiday:

(1) the XBT Reference Price will be the opening trade price (or first trade price if there is no opening trade) of the XBT futures contract closest to expiration on that Business Day; except

(2) if that Business Day includes a previously designated halt period within a holiday trading session, the XBT Reference Price following the designated halt period will be the first trade price of the XBT futures contract closest to expiration following the conclusion of the designated halt period.

(C) For any other Business Day, the XBT Reference Price will be daily settlement price of the XBT futures contract closest to expiration on the prior Business Day.

The Exchange shall commence a trading halt in XBT futures pursuant to the provisions of

this Rule 1302(i)(ii) as soon as practicable following the occurrence of one of the triggering events set forth above and there may be time between the occurrence of a triggering event and the commencement of the trading halt.

Nothing in this Rule 1302(i)(ii) shall be construed to limit the ability of the Exchange to extend the time period of a halt pursuant to this Rule 1302(i)(ii) or to halt trading in XBT futures pursuant to any other Exchange rule or policy.

For purposes of this Rule 1302(i)(ii), the XBT futures contract closest to expiration shall shift to the XBT futures contract that is next closest to expiration at the end of trading hours for the expiring XBT futures contract at 2:45 p.m. Chicago time on the final settlement date for that contract. The XBT Reference Price shall also shift at that time to be determined in relation to the XBT futures contract that is next closest to expiration.

The provisions of Rule 1302(i)(ii) shall apply during regular or extended trading hours for XBT futures.

(iii) *Consideration of Halts on the Gemini Exchange.*

The Exchange shall take into consideration any trading halt in bitcoin in U.S. dollars traded on the Gemini Exchange in determining whether or not to halt trading in XBT futures under Rule 418(a)(x).

(iv) *Actions to Protect Market Integrity.*

Notwithstanding any provisions of Rule 1302(i)(ii), the Help 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 movement parameters in Rule 1302(i)(ii) at any time and/or determining whether to halt or not to halt trading under Rule 1302(i)(ii). Among others, one type of situation in which the Help Desk may determine not to halt trading under Rule 1302(i)(ii) is during the last 15 minutes of trading on a Business Day. The Help Desk will promptly issue an alert with respect to actions taken pursuant to this Rule 1302(i)(iv).

(j) – (r) No changes.

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Questions regarding this submission may be directed to Arthur Reinstein at (312) 786-7570 or Nicole Gordon at (312) 786-8109. Please reference our submission number CFE-2018-001 in any related correspondence.

Cboe Futures Exchange, LLC

/s/ Andrew Lowenthal

By: Andrew Lowenthal
Senior Managing Director