



March 18, 2014

Via Electronic Mail

Ms. Melissa Jurgens
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-2014-05

Dear Ms. Jurgens:

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 amend CFE rules relating to position accountability. The Amendment will become effective on April 2, 2014.

CFE Rule 412A (Position Accountability) sets forth CFE’s rule provisions that govern position accountability. The only CFE product that is currently subject to position accountability is the CBOE Volatility Index (“VIX”) future. CFE’s other products are currently subject to position limits. The position accountability levels for VIX futures are set forth in CFE Rule 1202(d), which is part of the CFE contract specification rule chapter for VIX futures. There are three different position accountability levels that apply to VIX futures: (i) a level that applies at any time to all VIX futures contract months combined; (ii) a level that applies to the expiring VIX futures contract month, commencing at the start of trading hours for the Friday prior to the final settlement date of that contract month; and (iii) a lower level than provided in (ii) that applies to the expiring VIX futures contract month, commencing at the start of trading hours for the business day immediately preceding the final settlement date of that contract month. Rule 1202(d) also contains other information related to the specific application of position accountability to VIX futures. Position accountability requirements apply to CFE Trading Privilege Holders (“TPHs”) and, pursuant to CFE Rule 308, apply to others subject to CFE jurisdiction to the same extent that the requirements apply to TPHs.

The Amendment amends Rule 412A to add a requirement to provide notice to the Exchange prior to exceeding a position accountability level solely for an expiring contract. Specifically, if at the time of commencement of trading hours for the business day immediately preceding the business day on which a position accountability level solely for an expiring contract becomes applicable a TPH either controls aggregate positions in the contract in excess of that position accountability level or intends to control aggregate positions in the contract in excess of that level, the TPH is required to provide notice of the foregoing to CFE. Also, during the time

period in which a position accountability level solely for an expiring contract is applicable, a TPH is required to provide notice to CFE no later than one full business day prior to exceeding that position accountability level. Additionally, the Amendment amends Rule 412A to provide that TPHs that are required to provide these notices are subject to the same requirements that apply to TPHs that control aggregate positions in excess of a position accountability level and to provide that CFE may require TPHs to comply with prospective levels or limits prescribed by CFE which equal or exceed the applicable position accountability levels. Finally, the Amendment makes some conforming and non-substantive language changes to Rule 412A and Rule 1202(d).

CFE believes that the Amendment is consistent with Designated Contract Market Core Principle 5 (Position Limitations or Accountability) under Section 5 of the Act. In particular, the Amendment will enable CFE to receive earlier notice of instances in which TPHs and others may exceed position accountability levels for expiring contracts and thus will allow CFE to request information from and provide direction to these parties in relation to their positions before position accountability levels for expiring contracts are exceeded.

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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CFE Rule 412A. Position Accountability

(a) The Exchange shall designate for each Contract whether it is subject to position limits or is subject to position accountability. This Rule 412A governs Contracts that are subject to position accountability.

(b) The Exchange shall designate one or more position accountability levels for each Contract that is subject to position accountability.

(c) A Trading Privilege Holder shall provide notice to the Exchange in a form and manner prescribed by the Exchange prior to, or within one Business Day of exceeding, an all-expirations-combined position accountability level.

(d) If at the time of commencement of trading hours for the Business Day immediately preceding the Business Day on which a position accountability level solely for an expiring contract becomes applicable a Trading Privilege Holder either controls aggregate positions in the expiring contract in excess of that position accountability level or intends to control aggregate positions in the expiring contract in excess of that position accountability level at the time it becomes applicable, the Trading Privilege Holder shall provide notice of the

foregoing to the Exchange in a form and manner prescribed by the Exchange and within the time frame designated by the Exchange. During the time period in which a position accountability level solely for an expiring contract is applicable, a Trading Privilege Holder shall provide notice to the Exchange in a form and manner prescribed by the Exchange no later than one full Business Day prior to exceeding that position accountability level.

((b)e) A Trading Privilege Holder that is required to provide notice to the Exchange pursuant to paragraph (c) or (d) above or that controls aggregate positions in a Contract in excess of [the] a position accountability [levels designated by the Exchange for that Contract] level during the time period in which the position accountability level is applicable shall be subject to the following provisions with respect to position accountability:

(i) The Trading Privilege Holder shall provide to the Exchange[, prior to or within one business day of exceeding a position accountability level, and at any time upon request by the Exchange,] with such information as the Exchange may prescribe or request pertaining to: the nature and size of the positions, the trading strategy employed with respect to the positions, the Trading Privilege Holder's intentions with respect to the positions, any hedging activities relating to the positions and any other information relating to the positions or the Trading Privilege Holder's intentions with respect to the positions as the Exchange may prescribe or request;

(ii) The Exchange may, in its sole discretion, require the Trading Privilege Holder (a) not to further increase any positions that are above the applicable position accountability levels, (b) to reduce any positions that are above the applicable position accountability levels, or (c) to comply with any prospective levels or limits prescribed by the Exchange which equal or exceed the applicable position accountability levels or the size of the positions controlled by the Trading Privilege Holder;

(iii) The Trading Privilege Holder shall hold all positions in excess of the applicable position accountability levels in an account or accounts designated in writing to the Exchange and shall not transfer or move the positions to another account absent advance written notice to and approval by the Exchange; and

(iv) Any positions in excess of the applicable position accountability levels shall be initiated and liquidated in an orderly manner.

((c)f) In determining whether any Trading Privilege Holder has exceeded the position accountability levels established by the Exchange, all positions in accounts for which such Trading Privilege Holder, by power of attorney or otherwise, directly or indirectly controls trading (as set forth in Commission Regulation §1.3(j) and Commission Regulation §150.5(g)), whether on a proprietary basis or on behalf of Customers, shall be included. Position accountability levels shall apply to positions held by two or more Trading Privilege Holders acting pursuant to an express or implied agreement or understanding in the same manner as if such positions were held by a single Person

((d)g) If a Trading Privilege Holder exceeds a position accountability level as a result of maintaining positions at more than one Clearing Member, the Trading Privilege Holder will be deemed to have waived the confidentiality of its positions and the identity of the Clearing Members at which the positions are maintained.

([e]h) To the extent that a Trading Privilege Holder does not comply with any written or verbal instruction issued by the Exchange with respect to position accountability levels, such non-compliance may constitute a violation of this Rule 412A.

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CFE Rule 1202. Contract Specifications

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(a) - (c) No changes.

(d) *Position Accountability.* VIX futures are subject to position accountability under Rule 412A.

[A person is subject to the position accountability requirements set forth in Rule 412A if the person] The position accountability levels for VIX futures are: (i) [owns] ownership or control[s] at any time of more than 50,000 contracts net long or net short in all VIX futures contract months combined, (ii) [owns] ownership or control[s] of more than 30,000 contracts net long or net short in the expiring VIX futures contract month, commencing at the start of trading hours for the Friday prior to the final settlement date of the expiring VIX futures or (iii) [owns] ownership or control[s] of more than 10,000 contracts net long or net short in the expiring VIX futures contract month, commencing at the start of trading hours for the Business Day immediately preceding the final settlement date of the expiring VIX futures.

For purposes of this Rule, the start of trading hours for the Friday prior to the final settlement date of expiring VIX futures and the start of trading hours for the Business Day immediately preceding the final settlement date of expiring VIX futures shall occur upon commencement of the first period of extended trading hours for the trading session for that Business Day.

For the purposes of this Rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding shall be cumulated.

(e) - (s) No changes.

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Questions regarding this submission may be directed to Arthur Reinstein at (312) 786-7570 or Jenny Golding at (312) 786-7466. Please reference our submission number CFE-2014-05 in any related correspondence.

CBOE Futures Exchange, LLC

A handwritten signature in black ink, appearing to read "James F. Lubin". The signature is written in a cursive style with a large initial "J" and "L".

By: James F. Lubin
Senior Managing Director

cc: Nancy Markowitz (CFTC)