



September 12, 2012

Via Electronic Mail

Mr. David Stawick

Secretary

Commodity Futures Trading Commission

Three Lafayette Centre

1155 21st Street, N.W.

Washington, D.C. 20581

Re: CBOE Futures Exchange, LLC Product Certification and Rule Certification
For S&P 500 Variance Futures Contract
Submission Number CFE-2012-18

Dear Mr. Stawick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended ("Act"), and §40.2 and §40.6 of the regulations promulgated by the Commodity Futures Trading Commission under the Act, CBOE Futures Exchange, LLC ("CFE" or "Exchange") hereby submits rules ("Rules") and terms and conditions for a new product to be traded on CFE, which are attached hereto along with a chart that summarizes the product specifications. The new product is the S&P 500 Variance futures contract ("Product"). The Product will be listed for trading on CFE commencing on September 27, 2012 and the Rules and terms and conditions for S&P 500 Variance futures will become effective on September 27, 2012.

S&P 500 Variance futures are based on the realized variance of the S&P 500 Composite Stock Price Index ("S&P 500"). The final settlement value for the contract will be determined based on a standardized formula for calculating the realized variance of the S&P 500 measured from the time of initial listing until expiration of the contract.

CFE has listed variance futures contracts in the past; however, those contracts have not gained any significant traction.¹ The Exchange believes that this is due, in part, to contract design features of the earlier variance futures contracts that differ from contract features of variance products traded in the over-the-counter ("OTC") marketplace. In order to compete more effectively with the OTC marketplace, CFE has developed a new exchange traded future that has contract terms similar to variance products traded in the OTC marketplace. There are two notable differences between the earlier variance futures contracts traded on the Exchange and the newly designed S&P 500 variance futures contract. First, the earlier variance futures contracts were quoted in variance points for a stated number of futures contracts. The newly designed S&P 500 variance futures contract will be quoted in terms of volatility points (e.g., 25.65) and vega notional (e.g., 100,000 vega). At trade execution, prices will be converted from volatility points

¹ See e.g., CFE Submission Numbers 2006-05 (Product Self Certification for the CBOE S&P 500 Twelve-Month Variance futures contract) and 2011-02 (Rule Self Certification that, among other things, changed the name of the CBOE S&P 500 Twelve-Month Variance futures contract to the CBOE S&P 500 Variance futures contract). Chapter 23 sets forth the contract specifications for the CBOE S&P 500 Variance futures contract.

to an adjusted futures price and the traded quantity will be converted from vega notional to variance units. Second, the manner in which daily variation margin is calculated will be different than the earlier variance futures contract. In OTC transactions, collateral is posted and accumulates earned interest while it is pledged (and restricted) over the life of an OTC contract. In exchange traded futures transactions, posted margin has a daily profit/loss ("P&L"), but does not accumulate earned interest. The newly designed S&P 500 variance futures contract attempts to reconcile these two manners of margining and incorporates a theoretical interest payment into the manner in which daily margin is processed in an exchange listed environment (i.e., interest is earned on the daily P&L of the posted margin).

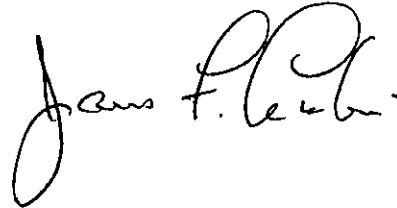
The rule chapter setting forth contract specifications for S&P 500 Variance futures will be Chapter 23.

There are no outstanding CBOE S&P 500 Variance futures contracts that are listed for trading. Effective prior to the opening of trading on September 27, 2012, CFE will (1) delete the rule text of CFE Rule Chapter 23, which sets forth the contract specifications for CBOE S&P 500 Variance futures, and (2) set forth new rule text for CFE Rule Chapter 23, which will be the new contract specifications for S&P 500 Variance futures. CFE will also amend CFE Policy and Procedure II (Resolution of Error Trades (Rule 416)) to add specific criteria for busting erroneous trades in S&P 500 Variance futures contracts. Finally, CFE will delete the provisions pertaining to the CBOE S&P 500 Variance futures contract from CFE Policy and Procedure X (DPM Market Performance Benchmarks Program) since CFE will not have a Designated Primary Market Maker ("DPM") for this contract.

CFE believes that the impact of the Product and Rules will be beneficial to the public and market participants. CFE is not aware of any substantive opposing views to the Product and Rules. CFE hereby certifies that the Product and Rules comply 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.

Questions regarding this submission may be directed to Arthur Reinstein at (312) 786-7570 or Jenny Klebes-Golding at (312) 786-7466. Please reference our submission number CFE-2012-18 in any related correspondence.

CBOE Futures Exchange, LLC



By: James F. Lubin
Managing Director

cc: Philip Colling (CFTC)
Thomas Leahy (CFTC)
National Futures Association
The Options Clearing Corporation

**Summary Product Specifications Chart for
S&P 500 Variance Futures**

CONTRACT NAME:	S&P 500 Variance futures
LISTING DATE:	September 27, 2012
DESCRIPTION:	S&P 500 Variance futures are exchange-traded futures contracts based on the realized variance of the S&P 500 Composite Stock Price Index (S&P 500). The final settlement value for the contract will be determined based on a standardized formula for calculating the realized variance of the S&P 500 measured from the time of initial listing until expiration of the contract. The standard formula inputs for discount factor and daily interest rate are determined by the Exchange.
CONTRACT SIZE:	The contract multiplier for the S&P 500 Variance futures contract is \$1 per variance unit. One contract equals one variance unit.
TRADING HOURS:	8:30 a.m. - 3:15 p.m. (Chicago time).
CONTRACT MONTHS:	The Exchange may list contract months on S&P 500 Variance futures that correspond to the listed contract months for S&P 500 Index options listed on Chicago Board Options Exchange, Incorporated (CBOE).
TICKER SYMBOL:	VA
PRICING QUOTATION:	<p>The S&P 500 Variance futures contract is quoted in terms of volatility points (e.g., 25.65) and vega notional (e.g., 100,000 vega). At trade execution, price is converted from volatility points to an adjusted futures price (rounded to the nearest 0.0001), and quantity is converted from vega notional to variance units. The conversion formulas are as follows:</p> <p><i>Volatility Points to Adjusted Futures Price:</i></p> $F_t = DF(t, T)(k - k_0) - ARMVM + 1000$ <p>Where, DF(t, T) = OIS discount factor from time t to maturity T.</p> $k = \frac{252}{N_e - 1} \times \left(\left(\text{volatility strike}^2 \times \frac{(N_e - 1 - n)}{252} \right) + \left(\sum_{i=1}^n R_i^2 \times 10,000 \right) \right)$ <p>k_0 = Initial Variance Strike – see below ARMVM = Accumulated Return on Modified Variation Margin - see below N_e = Number of expected S&P 500 values needed to calculate daily returns from the date the contract is listed until settlement. n = Number of returns to date</p> $R_i = \ln\left(\frac{P_{i+1}}{P_i}\right)$ <p><i>Vega Notional to Variance Units:</i></p> $\text{Variance Units}^* = \frac{\text{Vega Notional}}{2 \times \text{Volatility Strike}} \times \frac{N_e - 1}{N_e - 1 - n}$ <p>Where, N_e = Number of expected S&P 500 values needed to calculate daily returns from the date the contract is listed until settlement. n = Number of returns to date</p>

	*The number of variance units will be rounded up to the nearest integer.
MINIMUM PRICE INTERVALS:	The minimum price interval is .05 volatility points.
MINIMUM QUOTE AND ORDER SIZES:	The minimum quote size and the minimum order size for the S&P 500 Variance futures contract is 1,000 vega notional and all quotes and orders must be in multiples of 1,000 vega notional.
TERMINATION OF TRADING:	The close of trading on the day before the Final Settlement Date. When the last trading day is a CFE holiday, the last trading day for expiring S&P 500 Variance futures contracts will be the business day immediately preceding the last regularly-scheduled trading day.
FINAL SETTLEMENT DATE:	The third Friday of the expiring month. If the third Friday of the expiring month is a CFE holiday, the Final Settlement Date for the expiring contract shall be the CFE business day immediately preceding the third Friday.
FINAL SETTLEMENT VALUE:	<p>The final settlement price will be determined according to the following formula and rounded to the nearest 0.0001:</p> $F_T = \text{Realized Variance} - k_0 - \text{ARMVM} + 1,000$ <p>The Realized Variance is based on a standardized calculation of the realized variance for the S&P 500. This calculation uses continuously compounded daily returns for a defined period assuming a mean daily price return of zero. The calculated variance is then annualized assuming 252 business days per year. The final realized variance value is this annualized, calculated variance multiplied by 10,000.</p> <p>The Variance Strike, k_0, will be set at 3:15 p.m. (Chicago time) on the business day immediately preceding the first trading day of each S&P 500 Variance futures contract listed.</p> <p>The Accumulated Return on Modified Variation Margin (ARMVM) is an adjustment to the final settlement price to account for the accumulation of interest on daily Variation Margin.</p>
VARIANCE FORMULA:	<p>For purposes of calculating the settlement value, the realized variance is calculated from a series of values of the S&P 500 beginning with the closing price of the S&P 500 on the first day a contract is listed for trading, and ending with the S&P 500 Special Opening Quotation (SOQ) on the final settlement date.</p> $\text{Realized Variance} = \left(252 \times \sum_{i=1}^{N_a-1} \frac{R_i^2}{N_s - 1} \right) \times 10,000$ <p>Where,</p> <p>$R_i = \ln(P_{i+1}/P_i)$ - Daily return of the S&P 500 from P_i to P_{i+1} P_{i+1} - The final value of the S&P 500 used to calculate the daily return. P_i - The initial value of the S&P 500 used to calculate the daily return. N_s - Number of expected S&P 500 values needed to calculate daily returns from the date the contract is listed until settlement. The total number of daily returns expected from the date the contract is listed until settlement is $N_s - 1$. N_a - The actual number of S&P 500 values from the date the contract is listed until settlement used to calculate daily returns. Generally, the actual number of S&P 500 values will equal the expected number of S&P 500 values</p>

	<p>(represented by N_e). However, if one or more “market disruption events” occurs while the contract is listed, the actual number of S&P 500 values will be less than the expected number of S&P 500 values by an amount equal to the number of market disruption events that occurred. The total number of actual daily returns is $N_a - 1$.</p>
<p>VARIANCE STRIKE:</p>	<p>The Variance Strike (“fair variance”) will be set at 3:15 p.m. (Chicago time) on the business day immediately preceding the first trading day of each S&P 500 Variance futures contract listed. It will be set by applying the following formula to S&P 500 Index options with the same expiration date.</p> $k_0 = \left(\frac{2}{T} \sum_i \frac{\Delta K_i}{K_i^2} e^{RT} Q(K_i) - \frac{1}{T} \left[\frac{F}{K_{ATM}} - 1 \right]^2 \right) \times 10,000$ <p> T = Time to expiration F = Forward index level derived from index option prices K_{ATM} = First strike below the forward index level, F K_i = Strike price of i^{th} out-of-the-money option; a call if $K_i > K_0$ and a put if $K_i < K_0$; both put and call if $K_i = K_0$. K_i = Interval between strike prices – half the difference between the strike on either side of K_i; $\square K_i = \frac{K_{i+1} - K_{i-1}}{2}$ R = Risk-free interest rate to expiration $Q(K_i)$ = The midpoint of the bid-ask spread for each option with strike K_i. </p> <p>If the Exchange is unable to calculate the Variance Strike using the above formula at 3:15 p.m. (Chicago time), the Exchange may in its sole discretion establish a Variance Strike that it deems to be a fair and reasonable reflection of what the market was at that time.</p>
<p>ARMVM:</p>	<p>The Accumulated Return on Modified Variation Margin is an adjustment to the final settlement price to account for the accumulation of interest on daily Variation Margin.</p> $ARMVM = \sum_{t=0}^{T-1} (F_t - 1,000) \times \frac{R_t}{360} \times B_{t+1,T}$ <p>Where: F_t = The daily settlement value of the S&P 500 Variance futures contract. R_t = The daily Fed Funds rate applied to the daily Variation Margin $B_{t+1,T}$ = An accumulation factor applied to the daily Variation Margin, which equals $\left(1 + \frac{R_{t+1}}{360}\right) \left(1 + \frac{R_{t+2}}{360}\right) \dots \left(1 + \frac{R_{T-1}}{360}\right)$</p>
<p>MARKET DISRUPTION EVENTS:</p>	<p>A “market disruption event” with respect to the S&P 500 Variance futures contract and as determined by CFE, means (i) the occurrence or existence, on any trading day during the one-half hour period that ends at the Scheduled Close of Trading, of any suspension of, or limitation imposed on, trading on one or more of the primary exchange(s) of the companies comprising the S&P</p>

	<p>500 in one or more securities that comprise 20 percent or more of the level of the S&P 500; or (ii) if on any trading day the one or more primary exchange(s) determines to change the Scheduled Close of Trading by reducing the time for trading on such day, and either no public announcement of such reduction is made by such exchange or the public announcement of such change is made less than one hour prior to the Scheduled Close of Trading; or (iii) if on any trading day one or more primary exchange(s) fails to open and if in the case of either (i) or (ii) above, in the determination of CFE, such suspension, limitation, or reduction is deemed material. "Scheduled Close of Trading" means that time scheduled by each applicable exchange, as of the opening for trading in the applicable equity security, as the closing time for the trading of such equity security comprising the S&P 500 on the trading day.</p> <p>Generally, if CFE determines that a market disruption event has occurred on a trading day, then the value of the S&P 500 on that day will be omitted from the series of values used to calculate realized variance. For each such market disruption event, the value represented by N_e in the formula set out under the heading "Variance Formula" will be reduced by one.</p> <p>If a market disruption event occurs on the Final Settlement Date, the final settlement value for S&P 500 Variance futures will be determined in accordance with the Rules and By-Laws of The Options Clearing Corporation (OCC). These Rules and By-Laws list actions that may be taken if a final settlement value is unavailable or the normal settlement procedures cannot be utilized. Such actions include, but are not limited to, postponing the Final Settlement Date until the first succeeding trading day in which a market disruption event has not occurred. It is intended that the value of the S&P 500 on the final day in the period, which is used in the calculation of the realized variance for the CFE S&P 500 Variance futures contract, will equal the corresponding final settlement price for expiring series of S&P 500 options listed on CBOE. Once the calculation period for realized variance begins, the value represented by N_e will not change regardless of the number of market disruption events that occur during the period, even if the Final Settlement Date is postponed. If the Final Settlement Date of the expiring futures contract is postponed, the calculation period for the next realized variance will be shortened by the number of market disruption events that occurred at the beginning of the period. Likewise, the value represented by N_e will be reduced by the number of market disruption events that occurred at the beginning of the period. The first daily return of the shortened period for the next realized variance will be calculated using the same procedure as described above (the initial value for the first daily return is the variance strike calculated as specified above on the first day of the period and the final value for the first daily return is the closing value of the S&P 500 on the following trading day). For example, if the Final Settlement Date for the previous realized variance is postponed to Tuesday, the initial value for the first daily return of the next realized variance would be fair variance calculated using the S&P 500 on Tuesday's close and the closing value of the S&P 500 on Wednesday.</p> <p>As soon as practical under the circumstances, CFE shall endeavor to notify Trading Privilege Holders of the existence of a market disruption event. Failure to provide such notice will have no effect on the determination by CFE that a market disruption event has occurred.</p>
DELIVERY:	Settlement of S&P 500 Variance futures contracts will result in the delivery of a cash settlement amount on the business day immediately following the Final

	Settlement Date. The cash settlement amount on the Final Settlement Date shall be the final mark to market amount against the Final Settlement Value of the S&P 500 Variance futures contract multiplied by \$1.00.
POSITION LIMITS:	<p>S&P 500 Variance futures contracts are subject to position limits under Rule 412. A person may not own or control contracts exceeding 125,000 units of variance notional net long or net short in all contract months of an S&P 500 Variance futures contract combined</p> <p>The foregoing position limits shall not apply to positions that are subject to a position limit exemption meeting the requirements of Commission Regulations and CFE Rules.</p>

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

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CHAPTER 23
S&P 500 VARIANCE FUTURES CONTRACT SPECIFICATIONS

2301. Scope of Chapter

This chapter applies to trading in S&P 500 Variance futures contracts. The procedures for trading, clearing, settlement, and any other matters not specifically covered herein shall be governed by the generally applicable rules of the Exchange. The S&P 500 Variance futures contract was first listed for trading on the Exchange on September 27, 2012.

2302. Contract Specifications

(a) *Multiplier.* The contract multiplier for the S&P 500 Variance futures contract is \$1.

(b) *Schedule.* The Exchange may list contract months for S&P 500 Variance futures that correspond to the listed contract months for options on the S&P 500 Composite Stock Price Index listed and traded on CBOE.

The final settlement date for an S&P 500 Variance futures contract shall be on the third Friday of the expiring futures contract month. If the third Friday of the expiring month is a CFE holiday, the Final Settlement Date for the expiring contract shall be the CFE business day immediately preceding the third Friday.

The trading days for S&P 500 Variance futures contracts shall be the same trading days of options on the S&P 500 Composite Stock Price Index, as those days are determined by CBOE.

The trading hours for the S&P 500 Variance futures contract are from 8:30 a.m. Chicago time to 3:15 p.m. Chicago time.

(c) *Minimum Increments and Minimum Quote and Order Sizes.* The minimum fluctuation of the S&P 500 Variance futures contract is 0.05 volatility index points.

The minimum quote size and the minimum order size for the S&P 500 Variance futures contract is 1,000 vega notional and all quotes and orders must be in multiples of 1,000 vega notional.

(d) *Position Limits.* A person may not own or control contracts exceeding 125,000 units of variance notional net long or net short in all contract months of an S&P 500 Variance futures contract combined.

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.

The foregoing position limit shall not apply to positions that are subject to a position limit exemption meeting the requirements of Commission Regulations and CFE Rules.

(e) *Termination of Trading.* Trading in S&P 500 Variance futures contracts terminates on the business day immediately preceding the final settlement date of the S&P 500 Variance futures contract for the relevant spot month. When the last trading day is moved because of a CFE holiday, the last trading day for an expiring S&P 500 Variance futures contract will be the day immediately preceding the last regularly-scheduled trading day.

(f) *Contract Modifications.* Specifications are fixed as of the first day of trading of a contract. If any U.S. government agency or body issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules, and all open and new contracts shall be subject to such government orders.

(g) *Execution Priorities.* Pursuant to Rule 406(a)(i), the base allocation method of price-time priority shall apply to trading in S&P 500 Variance futures contracts. A Lead Market Maker trade participation right priority shall overly the price-time priority base allocation method as provided in Policy and Procedure XI.

(h) *Crossing Two Original Orders.* The eligible size for an original Order that may be entered for a cross trade with another original Order pursuant to Rule 407 is a contract amount equal to 1,000 vega notional. The request for quote response period under Rule 407(a) for the request for quote required to be sent before the initiation of a cross trade under Rule 407 is five seconds. Following the request for quote response period, the Trading Privilege Holder or Authorized Trader, as applicable, must expose to the market for at least three seconds under Rule 407(b) at least one of the original Orders that it intends to cross.

(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 whenever a market-wide trading halt commonly known as a circuit breaker is in effect on the New York Stock Exchange in response to extraordinary market conditions.

(j) *Exchange of Contract for Related Position.* Exchange of Contract for Related Position transactions, as set forth in Rule 414, may be entered into with respect to S&P 500 Variance futures contracts. Any Exchange of Contract for Related Position transaction must satisfy the requirements of Rule 414 and must be for a minimum order size of 1,000 vega notional.

(k) *Block Trades.* Pursuant to Rule 415(a)(i), the minimum Block Trade quantity for the S&P 500 Variance futures is a contract amount equaling 200,000 vega notional if there is only one leg involved in the trade. If the Block Trade is executed as a spread order, one leg must meet the minimum Block Trade quantity for the S&P 500 Variance

futures contract and the other leg(s) must have a contract size that is reasonably related to the leg meeting the minimum Block Trade quantity.

(l) *No-Bust Range.* Pursuant to Rule 416 the Exchange error trade policy may only be invoked for: (i) a trade price that is greater than 10% on either side of the market price, quoted in volatility points, of the applicable S&P 500 Variance futures contract (referred to as trade price errors), and (ii) an error as to the value of the calculated realized variance, the value of the discount factor, or the value of the daily interest rate that results in an incorrect converted futures contract price (referred to as standard formula input errors).

In accordance with Policy and Procedure III, for trade price errors, the Help Desk will determine what the true market price for the relevant Contract was immediately before the potential error trade occurred. In making that determination, the Help 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 and the prices of related contracts trading on the Exchange and other markets. In accordance with Policy and Procedure III, for standard formula input errors, the determination of whether an input error occurred is solely within the Help Desk's discretion.

(m) *Pre-execution Discussions.* The Order Exposure Period under Policy and Procedure IV before an Order may be entered to take the other side of another Order with respect to which there has been pre-execution discussions is three seconds after the first Order was entered into the CBOE System. If no bid or offer price exist in the relevant S&P 500 Variance futures contract, the RFQ Response Period under Policy and Procedure IV that must elapse following the request for quote that is required to be sent prior to the entry of the first Order is five seconds.

(n) *Reportable Position.* Pursuant to Commission Regulation §15.03 and Commission Regulation Part 17, the position level that is required to be reported to the Commission is any open position in S&P 500 Variance futures contracts at the close of trading on any trading day equal to or in excess of 25 variance units on either side of the market.

(o) *Threshold Widths.* For purposes of Policy and Procedure I and Policy and Procedure II, the Threshold Widths for the S&P 500 Variance futures contract are as follows:

<u>Price Range in Volatility Points</u>	<u>Threshold Width</u>
<u>1 – 15</u>	<u>5.00</u>
<u>16 – 25</u>	<u>7.50</u>
<u>26 – 40</u>	<u>10.00</u>
<u>41 – 100</u>	<u>20.00</u>
<u>101 – 10000</u>	<u>50.00</u>

The minimum size of bids and offers that establish a Threshold Width is a contract amount equal to 1,000 vega notational.

(p) *Daily Settlement Price.* The daily settlement price for each S&P 500 Variance futures contract will be the average of the final bid and final offer for the S&P 500

Variance futures contract at the close of trading converted from volatility points to an adjusted futures price, subject to the following. If the average of the final bid and final offer is not at a minimum increment for the S&P 500 Variance futures contract, the daily settlement price shall be the average of the final bid and final offer rounded up to the nearest minimum increment and then converted from volatility points to an adjusted futures price. If there is no bid or offer at the close of trading, the Exchange may in its sole discretion establish a daily settlement price that it deems to be a fair and reasonable reflection of the market.

(q) *Trade at Settlement Transactions.* Trade at Settlement (“TAS”) transactions are not permitted in S&P 500 Variance futures.

2303. Settlement

Settlement of S&P 500 Variance futures contracts will result in the delivery of a cash settlement amount on the business day immediately following the settlement date. The cash settlement amount on the final settlement date shall be the final mark to market amount against the final settlement price of the S&P 500 Variance futures contract multiplied by \$1.00. The final settlement price of the S&P 500 Variance futures contract will be rounded to the nearest \$0.0001.

Clearing Members holding open positions in S&P 500 Variance futures contracts at the termination of trading in that Contract shall make payment to or receive payment from the Clearing Corporation in accordance with normal variation and performance bond procedures based on the final settlement amount.

If the settlement value is not available or the normal settlement procedure cannot be utilized due to a trading disruption or other unusual circumstance, the settlement value will be determined in accordance with the Rules and By-Laws of The Clearing Corporation.

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CFE Policy and Procedure III. Resolution of Error Trades (Rule 416)

A. – G. No change.

H. *Busting Trades in the S&P 500 Variance Futures Contract*

In its sole discretion, the Help Desk is authorized to bust a trade in the S&P 500 Variance futures contract if it determines that an error as to the value of the calculated realized variance, the value of the discount factor, or the value of the daily interest rate has resulted in an incorrect futures converted contract price. The determination as to whether a standard formula input error occurred is solely within the Help Desk’s discretion. The busting of a trade by the Help Desk due to a standard formula input error must occur on the same day that the trade occurred.

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CFE Policy and Procedure X. DPM Market Performance Benchmarks Program

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[CBOE S&P 500 Variance Futures

- Throughout the trading day during Regular Trading Hours, the DPM shall provide continuous two-way quotes.
- The DPM shall strive to maintain a competitive, liquid market at all times during Regular Trading Hours. Due to the unique, squared nature of the CBOE S&P 500 Variance Future, market variables (volatility, underlying value, etc.) may significantly impact the actual bid/ask differentials and their corresponding size, thereby making a standard convention difficult.
- The DPM shall respond within 5 seconds to each RFQ during Regular Trading Hours.
- The above market performance benchmarks shall be subject to relief in the event of a fast market in the CBOE S&P 500 Twelve-month Variance Future or SPX option or other extenuating circumstances or unusual market conditions to be determined solely by the Exchange. Under conditions as specified in the foregoing sentence, the DPM shall use commercially reasonable efforts during Regular Trading Hours to provide a continuous quote and to respond to requests for a quote from the Exchange.]

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