



October 17, 2013

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-2013-34

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 an amendment (“Amendment”) to amend CFE Rules to further expand extended trading hours for CBOE Volatility Index (“VIX”) futures. The Amendment will become effective on or after November 1, 2013, on a date to be announced by the Exchange through the issuance of a circular.

CFE recently expanded extended trading hours for VIX futures by introducing an additional extended trading hours period on Monday through Thursday from 3:30 p.m. to 4:15 p.m., which is the first trading hours period for Business Days Tuesday through Friday.¹ Trading commences in VIX futures on each calendar day at 7:00 a.m. The period between 7:00 a.m. and 8:30 a.m. is an extended trading hours period and is: (i) the first trading hours period for Mondays, and (ii) the second trading hours period for Business Days Tuesday through Friday. Regular trading hours in VIX futures are from 8:30 a.m. to 3:15 p.m. Monday through Friday.

CFE is further expanding extended trading hours in VIX futures by changing the start time of trading on each calendar day from 7:00 a.m. to 2:00 a.m. Monday through Friday. To effectuate this change, the Exchange is changing all references to “7:00 a.m.” to “2:00 a.m.” in the regular trading and holiday schedule trading hours charts that are set forth in CFE Rule 1202(b). CFE is also providing for an extended trading hours period from 2:00 a.m. to 10:30 a.m. on the calendar day of certain holidays, including domestic holidays that are always observed on a Monday, Thanksgiving and Independence Day. In connection with these changes, CFE is clarifying in Rule 1202(b) how the halt period will function between two extended trading hours periods on the same business day. In addition, the Exchange is adding a definition of holiday

¹ See CFE Rule Certification Submission Number CFE-2013-32. All times referenced in this rule certification are Chicago time.

trading session to Rule 1202(b). A holiday trading session includes extended trading hours on the calendar day of the holiday and any extended trading hours for the holiday on the previous calendar day. Holiday trading sessions are not separate business days and are part of the next business day.

CFE is also amending Rule 1202(i)(iii), which provides for the initiation of a trading halt in all VIX futures during the time period from 3:30 p.m. to 4:15 p.m. if there is a 5 or 8 index point movement in the VIX futures front contract month. The Exchange is amending that Rule by adding additional time periods (from 2:00 a.m. to 7:00 a.m. and during extended trading hours on the calendar day of a holiday) during which that halt provision will also be in effect.

Additionally, CFE is narrowing the price reasonability widths that are applicable to Mini VIX futures under CFE Rule 1402(s). The Exchange narrowed the price reasonability widths that are applicable to VIX futures when it recently expanded extended trading hours for VIX futures. These price reasonability widths are applicable during both regular and extended trading hours for VIX futures. Since the Mini VIX futures contract is a scaled contract on the same index as the VIX futures contract, the Exchange believes that it is appropriate to have the same price reasonability widths apply to both products.

Finally, the Exchange is making technical, non-substantive changes to CFE Rules 1202(b) and 1202(q). The Exchange is also clarifying in Rule 1202(q) that any Trade at Settlement (TAS) Block Trade or TAS Exchange of Contract for Related Position transaction reported to the Exchange later than three minutes prior to the close of regular trading hours at the end of a Business Day may only be for the next Business Day.

CFE believes that the Amendment is consistent with Designated Contract Market Core Principles 4 (Prevention of Market Disruption), 7 (Availability of General Information) and 9 (Execution of Transactions) under Section 5 of the Act because: (i) the application of the trading halt provision due to VIX futures price movements during the time period from 2:00 a.m. to 7:00 a.m. and during extended trading hours on the calendar day of a holiday will contribute toward reducing the potential risk of price distortions and market disruptions; (ii) the revised VIX futures trading hours provisions will describe to market participants and the public how the expanded VIX futures trading hours will function; and (iii) the extension of VIX futures trading hours benefits the marketplace by making VIX futures more available for trading by market participants.

CFE received one objection to overnight VIX futures trading which expressed the view that VIX futures could contribute to a global market decline if one were to occur during overnight hours. In relation to this comment, CFE notes that it has included two trading halt provisions in CFE Rules 1202(i)(iii) and 1202(i)(iv) which will halt trading in VIX futures based on specified market movements during overnight trading hours. Specifically, as further described in Rule 1202(i)(iii), CFE will initiate a trading halt in VIX futures during the time period from 2:00 a.m. to 7:00 a.m. if there is a 5 or 8 index point movement in the VIX futures front contract month as measured by the best bid on the upside and the best offer on the downside in relation to the daily settlement price for that contract month from the prior business day. Additionally, as further described in Rule 1202(i)(iv), CFE will initiate a trading halt during overnight hours if a price limit is triggered in the E-mini S&P 500 Index futures contract traded on Chicago Mercantile Exchange. Because CFE has included both a trading halt provision based on VIX futures price movements and a trading halt provision that is based on the price limits of another significant equity index futures product that trades overnight, CFE believes that these trading halt provisions will contribute toward reducing the potential risk of price distortions and market disruptions.

CFE believes that the impact of the Amendment will be beneficial to the public and market participants. CFE is not otherwise 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 it 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:

CBOE Futures Exchange, LLC Rules

* * * * *

CFE Rule 1202. CBOE Volatility Index Futures Contract Specifications

- (a) No changes.
- (b) *Schedule and Prohibited Order Types.* The Exchange may list for trading up to nine near-term serial months and five months on the February quarterly cycle for the VIX futures contract. The final settlement date for the VIX futures contract shall be on the Wednesday that is thirty days prior to the third Friday of the calendar month immediately following the month in which the applicable VIX futures contract expires. If the third Friday of the month subsequent to expiration of the applicable VIX futures contract is a CBOE holiday, the final settlement date for the contract shall be thirty days prior to the CBOE business day immediately preceding that Friday.

The trading days for VIX futures are any Business Days the Exchange is open for trading.

The trading hours for VIX futures contracts are set forth in the charts below and are in Chicago time. The trading hours for VIX futures contracts during extended trading hours and regular trading hours shall constitute a single trading session for a Business Day.

Trading Week with No Exchange Holiday. Unless otherwise specified below in relation to Exchange holidays, [this] the following schedule applies.

Type of Trading Hours	Monday	Tuesday – Friday
Extended Trading Hours	[7:00] <u>2:00</u> a.m. to 8:30 a.m.	3:30 p.m. to 4:15 p.m. (previous day)* - and - [7:00] <u>2:00</u> a.m. to 8:30 a.m.
Regular Trading Hours	8:30 a.m. to 3:15 p.m.	8:30 a.m. to 3:15 p.m.

Domestic Holidays Always Observed on Mondays. The below schedule applies when the following domestic holidays are observed: Martin Luther King, Jr. Day, Presidents’ Day,

Memorial Day and Labor Day.

Type of Trading Hours	Monday	Tuesday
Extended	[None] <u>2:00 a.m. to 10:30 a.m.*</u>	[7:00] <u>2:00 a.m. to 8:30 a.m.</u>
Regular	None	8:30 a.m. to 3:15 p.m.

International Holidays. The below schedule applies when the following international holidays are observed: New Year's Day, Good Friday and Christmas Day.

Type of Trading Hours	Prior Business Day that Week (If Monday)	Prior Business Day that Week (If Tuesday – Thursday)	Holiday	Next Business Day that Week (If Tuesday - Friday)
Extended	[7:00] <u>2:00 a.m. to 8:30 a.m.</u>	3:30 p.m. to 4:15 p.m. (previous day)* - and - [7:00] <u>2:00 a.m. to 8:30 a.m.</u>	None	[7:00] <u>2:00 a.m. to 8:30 a.m.</u>
Regular	8:30 a.m. to 12:15 p.m. - or - 8:30 a.m. to 3:15 p.m. The Exchange closes at 12:15 p.m. on Christmas Eve and at 3:15 p.m. on New Year's Eve and Holy Thursday.	8:30 a.m. to 12:15 p.m. - or - 8:30 a.m. to 3:15 p.m. The Exchange closes at 12:15 p.m. on Christmas Eve and at 3:15 p.m. on New Year's Eve and Holy Thursday.	None	8:30 a.m. to 3:15 p.m.

Thanksgiving. The below schedule applies when the Thanksgiving Day holiday is observed.

Type of Trading Hours	Wednesday	Thanksgiving	Friday
Extended	3:30 p.m. to 4:15 p.m. ([previous day] <u>Tuesday</u>)* - and - [7:00] <u>2:00</u> a.m. to 8:30 a.m.	3:30 p.m. to 4:15 p.m. ([previous day] <u>Wednesday</u>)* - and - <u>2:00 a.m. to 10:30 a.m.*</u>	[7:00] <u>2:00</u> a.m. to 8:30 a.m.
Regular	8:30 a.m. to 3:15 p.m.	None	8:30 a.m. to 12:15 p.m.

Independence Day. The below schedule applies when the Independence Day holiday is observed.

Type of Trading Hours	Prior Business Day that Week (If Monday)	Prior Business Day that Week (If Tuesday – Thursday)	July 4	Next Business Day that Week (If Tuesday - Friday)
Extended	[7:00] <u>2:00</u> a.m. to 8:30 a.m.	3:30 p.m. to 4:15 p.m. (previous day)* - and - [7:00] <u>2:00</u> a.m. to 8:30 a.m.	[None] <u>2:00</u> <u>a.m. to 10:30</u> <u>a.m. if July 4</u> <u>on a Monday -</u> <u>Thursday*</u> <u>None if July 4</u> <u>on a Friday</u>	[7:00] <u>2:00</u> a.m. to 8:30 a.m.
Regular	8:30 a.m. to 12:15 p.m.	8:30 a.m. to 12:15 p.m.	None	8:30 a.m. to 3:15 p.m.

*Trading in VIX futures is halted after the close of [the first period of] an extended trading hours period and prior to the start of the [second period of] next extended trading hours period on the same Business Day. The CBOE System will complete the processing of trades that are in the course of being processed by the CBOE System prior to the start of such a halt period. Since these halt periods are a regular feature of VIX futures trading hours, they shall not be considered the declaration of a trading halt by the Exchange.

A holiday trading session includes extended trading hours on the calendar day of the holiday and any extended trading hours for the holiday on the previous calendar day. Holiday trading sessions are not separate Business Days and are part of the next Business Day. Trades in VIX

futures made during a holiday trading session will be submitted for clearing for the next Business Day.

All Orders, quotes, cancellations and Order modifications for VIX futures during trading hours must be received by the Exchange by no later than [3:14:59 p.m. Chicago time] one second prior to the close of trading hours at the end of a Business Day and will be automatically rejected if received by the Exchange during trading hours after [3:14:59 p.m. Chicago time] this cutoff time.

Market Orders for VIX futures contracts will not be accepted by the Exchange during extended trading hours for the VIX futures contract or during any other time period outside of regular trading hours for the VIX futures contract. Any Market Orders for VIX futures contracts received by the Exchange outside of regular trading hours for the VIX futures contract will be automatically rejected.

(c) – (h) No changes.

(i) *Price Limits and Halts.*

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

(ii) *Circuit Breaker Halts.* Trading in VIX futures contracts shall be halted pursuant to Rule 417A if there is a Level 1, 2 or 3 Market Decline.

(iii) *Halts Due to VIX Futures Price Movements During Extended Trading Hours.*

Trading in VIX futures will be halted for 15 minutes if during VIX futures extended trading hours [the time period] from 3:30 p.m. Chicago time to 4:15 p.m. Chicago time, from 2:00 a.m. Chicago time to 7:00 a.m. Chicago time [of VIX futures extended trading hours] or on the calendar day of a holiday

(A) the best bid in the VIX futures front contract month is 5 or more index points above the daily settlement price of that contract month on the prior Business Day;
or

(B) the best offer in the VIX futures front contract month is 5 or more index points below the daily settlement price of that contract month on the prior Business Day.

After trading commences following such a halt, trading in VIX futures will be halted for 15 minutes if during VIX futures extended trading hours for that Business Day [the time period] from 3:30 p.m. Chicago time to 4:15 p.m. Chicago time, from 2:00 a.m. Chicago time to 7:00 a.m. Chicago time [of VIX futures extended trading hours] or on the calendar day of a holiday

(A) the best bid in the VIX futures front contract month is 8 or more index points above the daily settlement price of that contract month on the prior Business Day;
or

(B) the best offer in the VIX futures front contract month is 8 or more index points below the daily settlement price of that contract month on the prior Business Day.

The Exchange shall commence a trading halt in VIX futures pursuant to the provisions of this Rule 1202(i)(iii) 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 1202(i)(iii) shall be construed to limit the ability of the Exchange to extend the time period of a halt pursuant to this Rule 1202(i)(iii) or to halt trading in VIX futures during the foregoing time periods pursuant to any other Exchange rule or policy.

This Rule 1202(i)(iii) shall not apply from 7:00 a.m. Chicago time to 8:30 a.m. Chicago time during VIX futures extended trading hours (other than on the calendar day of a holiday) or during VIX futures regular trading hours.

If the provisions of Rule 1202(i)(iv) become applicable on a Business Day due to the triggering of a price limit in the E-mini S&P 500 Index (“E-mini”) futures contract traded on Chicago Mercantile Exchange (“CME”), this Rule 1202(i)(iii) shall no longer be applicable on that Business Day following the time at which Rule 1202(i)(iv) first becomes applicable on that Business Day.

(iv) *Halts Due to E-mini®* Price Limits During Extended Trading Hours.*

Trading in VIX futures will be halted if a price limit is triggered in the E-mini futures contract traded on CME during VIX futures extended trading hours. Following the initiation of such a VIX futures trading halt, the Exchange may resume trading in VIX futures during VIX futures extended trading hours if the E-mini futures contract is no longer limit offered, limit bid or halted as a result of triggering a price limit or the Exchange determines that trading in VIX futures may resume consistent with the maintenance of a fair and orderly market.

If trading in VIX futures resumes and the E-mini futures contract moves from and then back to a limit or halt state as a result of triggering a price limit during VIX futures extended trading hours, the process set forth in the preceding paragraph shall be repeated.

The Exchange shall commence a trading halt in VIX futures pursuant to the provisions of this Rule 1202(i)(iv) as soon as practicable following the triggering of a price limit in the E-mini futures contract, and there may be time between the triggering of the E-mini price limit and the commencement of the VIX futures trading halt.

If the E-mini futures contract is limit offered, limit bid or halted as a result of triggering a price limit at the time that the Exchange is scheduled to commence the [first or second] next period of extended trading hours in VIX futures, the Exchange may commence trading in VIX futures during that session if the Exchange determines that trading in VIX futures may commence consistent with the maintenance of a fair and orderly market.

Nothing in this Rule 1202(i)(iv) shall be construed to limit the ability of the Exchange to halt trading in VIX futures during VIX futures extended trading hours pursuant to any other Exchange rule or policy.

This Rule 1202(i)(iv) shall not apply during VIX futures regular trading hours.

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

(j) – (p) No changes.

(q) *Trade at Settlement Transactions.* Trade at Settlement ("TAS") transactions pursuant to Rule 404A are permitted in VIX futures and may be transacted on the CBOE System, as spread transactions, as Block Trades (including as spread transactions but not as a strip) and as Exchange of Contract for Related Position transactions. The trading hours for [A]all types of TAS transactions in VIX futures [may be entered into] are during extended trading hours and during regular trading hours until [3:12 p.m. Chicago time] three minutes prior to the close of regular trading hours at the end of a Business Day. All Orders, quotes, cancellations and Order modifications for TAS transactions during trading hours must be received by the Exchange by no later than [3:11:59 p.m. Chicago time] three minutes and one second prior to the close of trading hours at the end of a Business Day and will be automatically rejected if received by the Exchange during trading hours after [3:11:59 p.m. Chicago time] this cutoff time. Any TAS Block Trade or TAS Exchange of Contract for Related Position transaction reported to the Exchange later than three minutes prior to the close of regular trading hours at the end of a Business Day may only be for the next Business Day.

The permissible price range for all types of TAS transactions in VIX futures is from \$100 (0.10 index points x \$1,000) below the daily settlement price to \$100 above the daily settlement price. The permissible minimum increment for TAS non-spread transactions in VIX futures that are transacted on the CBOE System is 0.01 index points, and the permissible minimum increment for TAS spread transactions, Block Trades and Exchange of Contract for Related Position transactions in VIX futures is 0.01 index points.

(r) – (s) No changes.

* * * * *

CFE Rule 1402. Mini CBOE Volatility Index Futures Contract Specifications

(a) – (r) No changes.

(s) *Price Reasonability Checks.* Pursuant to and as further described in Rule 513A(b), the CBOE System shall in a manner determined by the Exchange reject (i) any buy order with a limit price in a Mini VIX futures contract if the limit price upon receipt of the order by the CBOE System is more than a designated amount above the prevailing best offer in that contract and (ii) any sell order with a limit price in a Mini VIX futures contract if the limit price upon receipt of the order by the CBOE System is more than a designated amount below the prevailing best bid in that contract. The designated amounts for the price reasonability checks referenced in the

preceding sentence are as follows:

Price Range	Designated Amount
0 – 15.00	[1.50] <u>1.00</u>
15.01 – 25.00	[2.50] <u>2.00</u>
25.01 – 35.00	[3.50] <u>3.00</u>
35.01 – 50.00	5.00
50.01+	[7.50] <u>7.00</u>

* * * * *

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-2013-34 in any related correspondence.

CBOE Futures Exchange, LLC



By: James F. Lubin
Senior Managing Director

cc: Nancy Markowitz (CFTC)
National Futures Association
The Options Clearing Corporation