



February 19, 2016

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-2016-002

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 amend the provisions of CFE Rule 513A (Risk Controls). The Amendment will become effective on or after March 4, 2016, on a date to be announced by the Exchange through the issuance of a circular.

CFE makes available certain parameterized risk control settings to CFE Clearing Members. Specifically, Rule 513A(d) provides that each Clearing Member shall have the ability, in a form and manner prescribed and provided by the Exchange, to set the following parameterized risk control thresholds for a CFE Trading Privilege Holder (“TPH”) with respect to orders and quotes for which the Clearing Member is identified in the order or quote submission as the Clearing Member for the execution of the order or quote: (i) a limit on the quantity per order or quote; (ii) a limit on the number of contracts bought per trading day; and (iii) a limit on the number of contracts sold per trading day.

CFE is making three changes in relation to these parameterized risk control provisions.

First, CFE is amending Rule 513A(d) to provide that CFE’s trading system will, in a form and manner prescribed and provided by the Exchange, automatically treat any combination of CFE parameterized risk control, TPH login, and product that does not have a risk control threshold set by the applicable Clearing Member as being set to a threshold level of zero. CFE Rule 513A(h) requires Clearing Members to obtain access to and utilize the risk control mechanisms that the Exchange makes available for use by Clearing Members, and this change will systematically enforce this requirement in relation to parameterized risk controls.

Second, since the parameterized risk control limit on the quantity per order or quote will now automatically be set to zero if it is not set for any combination of TPH login or product, CFE is eliminating its current default pre-trade order size limit. This default order size limit is described in CFE Rule 513A(a) and the default level for this limit for each CFE product is set forth in the CFE contract specification rule chapter for that product. These rule provisions

currently apply the default order size limit level unless a Clearing Member sets a different limit under Rule 513A(a) or a parameterized risk control limit on the quantity per order under Rule 513A(d). The Amendment deletes Rule 513A(a), the default order size limit levels included in each contract specification rule chapter, and a provision in Rule 513A(d) which provides that any order size limits under Rule 513A(a) are applicable unless a different parameterized risk control limit on the quantity per order is set under Rule 513A(d).

Third, CFE is making clear in Rule 513A(d) that a Clearing Member may comply with the requirement under Rule 513A(h) to utilize CFE's parameterized risk controls by obtaining access to parameterized risk controls and either (i) setting parameterized risk controls or (ii) relying upon the automated settings that automatically treat any combination of parameterized risk control, TPH login, and product that does not have a risk control threshold set by the Clearing Member as being set to a threshold level of zero.

Finally, the Amendment includes some non-substantive wording changes.

CFE believes that the Amendment is consistent with Designated Contract Market Core Principle 4 (Prevention of Market Disruption) under Section 5 of the Act. CFE's parameterized risk controls are intended to reduce the potential risk of price distortions and market disruptions, and the Amendment provides for the systematic enforcement of the requirement that Clearing Members utilize CFE's parameterized risk controls.

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:

* * * * *

Chapter 5

Obligations of Trading Privilege Holders

* * * * *

Rule 513A. Risk Controls

(a) Reserved. [*Pre-Trade Order Size Limits.* Each Clearing Member shall have the ability, in a form and manner prescribed and provided by the Exchange, to set a maximum pre-trade order size limit by product in accordance with this Rule 513A(a). Each limit shall apply in a manner determined by the Exchange to all orders in an Exchange product that are received by the CBOE System for which the Clearing Member is identified in the order submission as the Clearing Member for the execution of the order, regardless of the Trading Privilege Holder that submits the order to the CBOE System. Each limit set for an Exchange product shall apply to all contract expirations or series, as applicable, in that product. Each limit will apply to simple orders and will also apply to spread orders utilizing as the spread order size the number of times the applicable ratio is being submitted as part of the spread order. The CBOE System shall reject any order

received by the CBOE System that exceeds the applicable limit. The Exchange shall set a default maximum pre-trade order size limit by product which shall be set forth in the rules governing the applicable Contract and which shall apply if a Clearing Member does not set a different limit in accordance with this Rule 513A(a).]

(b) – (c) No change.

(d) *Parameterized Risk Controls.* Each Clearing Member shall have the ability, in a form and manner prescribed and provided by the Exchange, to set the following parameterized risk control thresholds for a Trading Privilege Holder with respect to orders and quotes for which the Clearing Member is identified in the order or quote submission as the Clearing Member for the execution of the order or quote: (i) a limit on the quantity per order or quote; (ii) a limit on the number of contracts bought per trading day; and (iii) a limit on the number of contracts sold per trading day. Each threshold will apply in a manner determined by the Exchange and will apply separately to simple orders, spread orders and quotes. Clearing Members may set these thresholds at different levels by Trading Privilege Holder or by Trading Privilege Holder login or acronym group for each of these categories. Clearing Members may set a default value for each of these thresholds by Trading Privilege Holder, login or acronym group that will apply to all Exchange products or may set different values by Trading Privilege Holder, login or acronym group on a per-product basis.

With respect to settings of parameterized risk control thresholds by login or acronym group, settings may apply to an individual login only if the applicable login is not designated to an acronym group by the Trading Privilege Holder in a form and manner prescribed by the Exchange. If a login is included in an acronym group, that login may not have individual settings for these thresholds and any settings for the acronym group shall collectively apply to all of the logins in the acronym group.

Threshold values applicable to a product shall apply to all contract expirations or series, as applicable, in that product. If TAS transactions are permitted in a product, threshold values shall apply separately to TAS orders, quotes, and transactions in that product. The quantity of a spread order for purposes of applying the spread order quantity limit shall be the contract quantity of the largest side of the spread order (buy or sell), and the quantity of a quote for purposes of applying the quote quantity limit shall be the quantity of the largest side (bid or ask) of the quote. Parameterized risk control thresholds shall not be applicable to or take into account Block Trades and Exchange of Contract for Related Position transactions. [Any pre-trade order size limits that are applicable pursuant to Rule 513A(a) shall apply unless a different limit is applicable under this Rule 513A(d) in which case the limit applicable under this Rule 513A(d) shall apply.]

The CBOE System will, in a form and manner prescribed and provided by the Exchange, automatically treat any combination of parameterized risk control, login, and product that does not have a risk control threshold set by the applicable Clearing Member as being set to a threshold level of zero. Clearing Members may comply with the requirement under Rule 513A(h) in relation to parameterized risk controls by obtaining access to parameterized risk controls and either (i) setting parameterized risk controls or (ii) relying upon the automated settings described in the preceding sentence.

When a Trading Privilege Holder, login or acronym group exceeds the threshold set [by a Clearing Member] for a parameterized risk control, the CBOE System shall cancel back to the sender any incoming orders and reject any incoming quotes from that Trading Privilege Holder, login or acronym group for which that Clearing Member is identified as the Clearing Member for

the execution of the order or quote. If a quote in a contract expiration or series is rejected because the threshold for a parameterized risk control has been exceeded, any resting quote from the Trading Privilege Holder, login or acronym group, as applicable, in that expiration month or series will be canceled. With respect to the limits on the number of contracts bought or sold per trading day, (i) the number of contracts already counted against the limit upon the receipt of an incoming order or quote shall include the quantity of previous buy or sell executions from that trading day and the quantity of buy or sell orders and quotes already residing in the CBOE System as if those orders and quotes have already been executed and (ii) the CBOE System shall cancel back to the sender any incoming order or reject any incoming quote that, if it were to be executed, would cause the limit to be exceeded when added to the number of contracts already counted against the limit.

(e) – (g) No change.

(h) Clearing Member Requirement. Clearing Members are required to obtain access to and utilize the risk control mechanisms that the Exchange makes available for use by Clearing Members.

* * * * *

Chapter 12
CBOE Volatility Index Futures Contract Specifications

* * * * *

1202. Contract Specifications

(a) – (q) No change.

(r) [*Default Pre-Trade Order Size Limit.* The default maximum pre-trade order size limit for VX futures that will apply if a Clearing Member does not set a different limit in accordance with Rule 513A(a) is 1,000 contracts.]

[(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 VX 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 VX 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	1.00
15.01 – 25.00	2.00
25.01 – 35.00	3.00
35.01 – 50.00	5.00
50.01+	7.00

This Rule 1202([s]r) is not applicable to TAS orders in VX futures. The permissible parameters for TAS orders in VX futures are set forth in Rule 1202(q).

* * * * *

Chapter 14
CBOE/CBOT 10-Year U.S. Treasury Note Volatility
Index Futures Contract Specifications

* * * * *

1402. Contract Specifications

(a) – (q) No change.

(r) [*Default Pre-Trade Order Size Limit.* The default maximum pre-trade order size limit for VXTY futures that will apply if a Clearing Member does not set a different time limit in accordance with Rule 513A(a) is 1,000 contracts.]

[(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 VXTY 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 VXTY 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
15.01 - 25.00	2.00
25.01 - 35.00	3.00
35.01 - 50.00	5.00
50.01+	7.50

* * * * *

Chapter 16
Individual Stock Based and Exchange Traded Fund Based
Volatility Index Security Futures Contract Specifications

* * * * *

1602. Contract Specifications

(a) – (q) No change.

(r) [*Default Pre-Trade Order Size Limit.* The default maximum pre-trade order size limit for Volatility Index Futures that will apply if a Clearing Member does not set a different limit in accordance with Rule 513A(a) is 1,000 contracts.]

[(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 Volatility Index 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 Volatility Index 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
15.01 - 25.00	2.50
25.01 - 35.00	3.50
35.01 - 50.00	5.00
50.01+	7.50

* * * * *

Chapter 21
CBOE Russell 2000 Volatility Index Futures Contract Specifications

* * * * *

2102. Contract Specifications

(a) – (q) No change.

(r) [*Default Pre-Trade Order Size Limit.* The default maximum pre-trade order size limit for RVX futures that will apply if a Clearing Member does not set a different limit in accordance with Rule 513A(a) is 1,000 contracts.]

[(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 RVX 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 RVX 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
15.01 - 25.00	2.50
25.01 - 35.00	3.50
35.01 - 50.00	5.00
50.01+	7.50

* * * * *

Chapter 23
S&P 500 Variance Futures Contract Specifications

* * * * *

2302. Contract Specifications

(a) – (q)

(r) [*Default Pre-Trade Order Size Limit.* The default maximum pre-trade order size limit for S&P 500 Variance futures that will apply if a Clearing Member does not set a different limit in accordance with Rule 513A(a) is 200,000 vega notational.]

[(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 an S&P 500 Variance 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 an S&P 500 Variance 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
15.01 - 25.00	2.50
25.01 - 35.00	3.50
35.01 - 50.00	5.00
50.01+	7.50

The prevailing best offer and prevailing best bid are calculated separately for S&P 500 Variance future stub positions based upon the prevailing Orders and quotes for those positions.

[(t)s] *Trading S&P 500 Variance Future Stub Positions.* A stub position in the S&P 500 Variance futures contract is a position that when converted from variance units (number of contracts) to vega notional is equal to an amount that is less than 1 notional equivalent of 1,000 vega notional. Except to the extent modified by this paragraph (t), the provisions of the other paragraphs of this Rule shall continue to be applicable in relation to trading in S&P 500 Variance future stub positions. The sizes of quotes, Orders and trades in S&P 500 Variance future stub positions are expressed and displayed in volatility index points and variance units (number of contracts). Upon receipt of an Order for an S&P 500 Variance stub position, the Exchange will convert the number of variance units (number of contracts) to vega notional and if that amount exceeds 1 notional equivalent of 1,000 vega notional, the Order will be automatically rejected. Quotes for S&P 500 Variance future stub positions that convert to more than 1 notional equivalent of 1,000 vega notional are permitted.

Orders and quotes for S&P 500 Variance future stub positions will only interact with other Orders and quotes for S&P 500 Variance future stub positions and will not interact with non-stub positions in the S&P 500 Variance futures contract.

Spread trades in S&P 500 Variance future stub positions are not permitted.

Market Orders for S&P 500 Variance future stub positions will not be accepted by the Exchange outside of trading hours for the S&P 500 Variance futures contract. Any Market Orders for S&P 500 Variance future stub positions received by the Exchange outside of trading hours for the S&P 500 Variance futures contract will be automatically rejected.

* * * * *

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-2016-002 in any related correspondence.

CBOE Futures Exchange, LLC

A handwritten signature in black ink, appearing to read "Michael J. Mollet". The signature is written in a cursive style with a prominent initial "M".

By: Michael J. Mollet
Managing Director