

May 27, 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-2016-010

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (“Act” or “CEA”), 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 Policy and Procedure XVIII (Disruptive Trading Practices (Rule 620)) to provide further guidance on prohibited disruptive trading practices. The Amendment will become effective on June 13, 2016.

CFE Rule 620 (Disruptive Trading Practices) prohibits various disruptive trading practices and CFE Policy and Procedure XVIII of the Policies and Procedures section of the CFE Rulebook lists various factors that CFE may consider in assessing whether conduct violates Rule 620. The Amendment makes three clarifying updates in relation to these provisions.

First, the Amendment adds Policy and Procedure XVIII to the list of rules in CFE Rule 308(d) which are applicable to market participants that are not CFE Trading Privilege Holders (“TPHs”) or related parties of TPHs and are subject to CFE jurisdiction under CFE Rule 308 (Consent to Jurisdiction). This is a clarifying change in that Policy and Procedure XVIII already applies to these market participants since Rule 620 is one of the rules listed in Rule 308(d) and Policy and Procedure XVIII simply describes how CFE applies Rule 620.

Second, the Amendment adds a reference in Policy and Procedure XVIII to an existing prohibition under CFE Rule 404A(c) as an example of conduct that could also violate Rule 620. Rule 404A(c) provides that during the time period between business days for a CFE contract, the entry into CFE’s trading system of a Trade at Settlement (“TAS”) order in that contract prior to the time at which CFE’s trading system disseminates the pre-opening notice for that contract is prohibited. Consistent with current Rule 404A(c), the Amendment supplements both Policy and Procedure XVIII and Rule 404A(c) to make clear that CFE’s trading system disseminates a pre-opening notice for each TAS contract expiration and spread and that the pre-opening notice for a particular TAS contract expiration or spread is the pre-opening notice that establishes the time at which TAS orders may be submitted for that particular TAS contract expiration or spread.

Third, the Amendment clarifies that a market participant is not precluded from entering a bona fide order that is intended to be executed and where that execution may also serve some other risk management purpose, such as verifying the flow of the executed trades through the market participant’s back-office systems.

The Amendment is consistent with similar updated guidance provided by other designated contract markets (“DCMs”) regarding disruptive practices.<sup>1</sup>

CFE believes that the Amendment is consistent with Designated Contract Market Core Principles 2 (Compliance with Rules), 4 (Prevention of Market Disruption), and 12 (Protection of Markets and Market Participants) under Section 5 of the Act. The Amendment provides additional guidance regarding disruptive trading practices that violate CFE Rule 620 and thus contributes to the protection of CFE’s market and market participants from abusive practices and to the promotion of fair and equitable trading on CFE’s 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.

CFE intends to file the Amendment as it may relate to security futures with the Securities and Exchange Commission pursuant to Section 19(b)(7) of the Securities Exchange Act of 1934.

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  
Rulebook**

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**CFE Rule 308. Consent to Exchange Jurisdiction**

(a) - (c) No changes.

(d) Any Person subject to Rule 308(c) that is not a Trading Privilege Holder or Related Party is bound by and required to comply with the following Rules of the Exchange for purposes of Rule 308(c) to the same extent that a Trading Privilege Holder or Related Party is bound by and required to comply with those Rules of the Exchange: Rules 219, 303A(d)(iii), 303A(d)(iv), 306, 307, 308, 309, 310(a), 401, 402, 404, 404A, 405, 406, 407, 408, 409, 410, 411, 412, 412A, 412B(b), 413, 414, 415, 416, 417, 418, 419, 420, 511, 512A, 516, 517, 601, 602, 603, 604, 606, 607, 608, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, and 620, Chapter 7, Chapter 8, Chapter 9, Chapter 10, Rule 1104, every Exchange Contract Specification Chapter, Exchange Policy and Procedures I, II, III, [and] IV, and XVIII, and the Exchange Fee Schedule.

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<sup>1</sup> These DCMs are Chicago Mercantile Exchange, Inc. (“CME”), The Board of Trade of the City of Chicago, Inc., New York Mercantile Exchange, Inc., and Commodity Exchange, Inc. Each submitted self-certification rule filings to the CFTC pursuant to CFTC Regulation §40.6(a) to effectuate their respective updated guidance. See, e.g., [CME Submission No. 15-436](#) (October 8, 2015), which is available on the CFTC’s website.

**CFE Rule 404A. Trade at Settlement Transactions**

(a) - (b) No changes.

(c) During the time period between Exchange Business Days for a Contract, the entry into the CBOE System of a TAS order or quote in that Contract prior to the time at which the CBOE System disseminates the Pre-Opening Notice for that Contract under Rule 405B(a) is prohibited. The CBOE System disseminates a Pre-Opening Notice for each TAS Contract expiration and spread, and the Pre-Opening Notice for a particular TAS Contract expiration or spread is the Pre-Opening Notice that establishes the time at which TAS orders and quotes may be submitted for that particular TAS Contract expiration or spread.

(d) - (g) No changes.

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**CBOE Futures Exchange, LLC  
Policies and Procedures**

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**CFE Policy and Procedure XVIII. Disruptive Trading Practices (Rule 620)**

Rule 620 prohibits disruptive trading practices as described by the Rule. The following are a non-exclusive list of factors that the Exchange may consider in assessing whether conduct violates Rule 620.

**A. - Q.** No changes.

**R. Type of pre-open activity prohibited by Rule 620**

Orders entered during the pre-opening period and opening rotation period must be entered for the purpose of executing bona fide transactions upon the opening of the market.

The entry and cancellation of Orders during the pre-opening period and opening rotation period for the purpose of either manipulating the EOP or attempting to identify the depth of the order book at different price levels is prohibited and may be deemed a violation of Rule 620 or other rules.

Other activity related to the pre-opening period may also be considered disruptive, including but not limited to the entry of orders prior to the commencement of the pre-opening period in an attempt to “time” the price-time priority queue for Trade at Settlement (“TAS”) transactions, or other similar purposes. For example, during the time period between Exchange Business Days for a Contract, the entry into the CBOE System of a TAS Order in that Contract prior to the time at which the CBOE System disseminates the Pre-Opening Notice for that Contract under Rule 405B(a) is prohibited and may be deemed a violation of Rule 620, Rule 404A(c) or other rules. The CBOE System disseminates a Pre-Opening Notice for each TAS Contract expiration and spread, and the Pre-Opening Notice for a particular TAS Contract expiration or spread is the Pre-Opening Notice that establishes the time at which TAS Orders may be submitted for that particular TAS Contract expiration or spread.

**S. Orders entered into the CBOE System for the purpose of testing, such as to verify a connection to the CBOE System or a data feed from the CBOE System**

CFE provides a testing environment and test symbols in the CBOE System for Trading Privilege Holders to use for the purpose of testing. The entering of an Order(s) other than in a test environment or test symbol without the intent to execute a bona fide transaction, including for the purpose of verifying connectivity or checking a data feed, is not permissible. [CFE provides a testing environment and test symbols in CBOE Command for TPHs to use for the purpose of testing.] This prohibition does not preclude a market participant from entering a bona fide Order that is intended to be executed and where such execution may also serve some other risk management purpose, such as verifying the flow of the executed trades through the market participant's back-office systems.

**T. - U.** 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-2016-010 in any related correspondence.

CBOE Futures Exchange, LLC



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