



September 13, 2019

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-2019-017

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 (“Commission”) under the Act, Cboe Futures Exchange, LLC (“CFE” or “Exchange”) hereby submits a CFE rule amendment (“Amendment”) to establish a new Lead Market Maker Program (“LMM Program”) for Cboe® iBoxx® iShares® \$ Investment Grade Corporate Bond Index (“IBIG”) futures. The Amendment is set forth in a segregated confidential Appendix A to this submission. The Amendment will become effective on or after September 26, 2019, on a date to be announced by the Exchange through the issuance of an Exchange notice.

Any CFE Trading Privilege Holder (“TPH”) organization may apply to the Exchange for appointment as a lead market maker (“LMM”) in the LMM Program for IBIG futures. There is no limit on the number of TPHs that the Exchange may approve as LMMs for IBIG futures under the LMM Program. TPHs are selected by the Exchange as LMMs under the LMM Program based on the Exchange’s judgment as to which applicants are most qualified to perform the functions of an LMM for IBIG futures based on specified criteria. The LMM Program provides for market performance benchmarks that LMMs must satisfy in order to receive specified benefits. The market performance benchmarks include parameters with respect to minimum two-sided quote size and maximum quote width. The market performance benchmarks are applicable during IBIG futures trading hours. The Amendment revises the qualification criteria for participation in the LMM Program for IBIG futures, the market performance benchmarks for IBIG futures that LMMs must satisfy in order to receive specified benefits under the LMM Program, and the benefits that LMMs receive under the LMM Program in relation to acting as an LMM for IBIG futures. The benefits under the LMM Program are intended to attract and retain liquidity providers in IBIG futures. The Exchange believes that the market performance benchmarks and associated benefits under the LMM Program strike the appropriate balance to incentivize and retain liquidity providers in IBIG futures.

The Amendment establishes a separate LMM Program for IBIG futures from the LMM Program for Cboe® iBoxx® iShares® \$ High Yield Corporate Bond Index (“IBHY”) futures. CFE currently has a combined LMM Program for both products. Concurrent with the submission of this rule certification filing, the Exchange is submitting a separate rule certification filing to the

Commission to establish an amended stand-alone LMM Program for IBHY futures.<sup>1</sup> Exhibit 1 to this submission includes a description of the LMM Program for IBIG futures which CFE will include in Policy and Procedure XVII of the Policies and Procedures Section of the CFE Rulebook.<sup>2</sup>

The LMM Program expires on September 30, 2019, unless the LMM Program is extended by the Exchange. CFE may determine to extend the term of the LMM Program and LMM appointments under the LMM Program, allow the LMM Program and LMM appointments under the LMM Program to expire, terminate the LMM Program and all LMM appointments under the LMM Program at any time, or amend or replace the LMM Program with a different market maker program at any time. Any of these actions, other than allowing the LMM Program to expire, would be done through a subsequent rule amendment submission to the Commission.

CFE believes that the Amendment is consistent with Designated Contract Market Core Principles 2 (Compliance with Rules), 4 (Prevention of Market Disruption), 9 (Execution of Transactions), and 12 (Protection of Markets and Market Participants) under Section 5 of the Act. All LMMs in the amended LMM Program are obligated by CFE Rule 308 to comply with Exchange rules and are required under the terms of the LMM Program to utilize Exchange match trade prevention functionality under CFE Rule 406B with respect to trading in IBIG futures. The Exchange will also surveil for wash trading by LMM Program participants as further described in a segregated confidential Appendix B to this submission. Exchange rules include prohibitions against fraudulent, non-competitive, unfair, and abusive trading practices, and the Exchange will monitor trading in IBIG futures for violative activity such as manipulative trading and market abuse. The Exchange believes that the LMM Program will have a positive impact on the price discovery process by fostering improved liquidity, market width and size, and volume in IBIG futures traded on CFE's centralized market and by incentivizing market participants to devote their efforts to enhancing market quality in IBIG futures. Enhanced market quality benefits all participants in the IBIG futures market. Accordingly, 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 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.

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<sup>1</sup> See CFE Rule Certification Submission Number CFE-2019-016 dated September 13, 2019 ("CFE-2019-016"). CFE-2019-016 eliminates the combined LMM Program for IBHY and IBIG futures and amends the provisions of the existing combined LMM Program to have its new terms apply solely to IBHY futures. The instant filing establishes new provisions for the IBIG LMM Program which are separate and apart from the prior combined LMM Program terms.

<sup>2</sup> See Exhibit 2 for disclaimers and trademarks with respect to IBHY and IBIG futures relating to and of Markit Indices Limited and BlackRock Fund Advisors.

Questions regarding this submission may be directed to Arthur Reinstein at (312) 786-7570. Please reference our submission number CFE-2019-017 in any related correspondence.

Cboe Futures Exchange, LLC

[/s/ Matthew McFarland](#)

By: Matthew McFarland  
Managing Director

## EXHIBIT 1

(Additions are shown in underlined text and deletions are shown in ~~stricken~~ text)

### **Cboe Futures Exchange, LLC Policies and Procedures Section of Rulebook**

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#### **XVII. Cboe® iBoxx® iShares® \$ Investment Grade Corporate Bond Index Futures Lead Market Maker Program**

The Cboe® iBoxx® iShares® \$ Investment Grade Corporate Bond Index (“IBIG”) Futures Lead Market Maker Program (“Program”) is applicable with respect to IBIG futures.

Trading Privilege Holder (“TPH”) organizations may apply to the Exchange for appointment as a lead market maker (“LMM”) in the Program. There is no limit on the number of TPHs that the Exchange may approve as LMMs under the Program. Any TPH that desires to apply for LMM status in the Program should submit an application in the form of a letter outlining the organization’s qualifications and commitments. TPHs shall be selected by the Exchange based on the Exchange’s judgment as to which applicants are most qualified to perform the functions of an LMM under the Program. Factors to be considered in making this selection may include, but are not limited to, satisfaction of the qualifications listed below as well as any one or more of the factors listed in Rule 515(b), as applied to LMM applicants instead of with respect to DPM applicants.

The following describes the qualifications, requirements, market performance benchmarks, benefits, and appointment term under the Program unless otherwise specified.

#### **Qualifications**

- Ability to automatically and systematically provide two-sided markets during ~~CB Index~~ IBIG futures trading hours.

#### **Requirements**

- Each LMM shall identify in advance to the Exchange the EFIDs through which the LMM will provide Orders to satisfy the market performance benchmarks under the Program.
- Each LMM is required to utilize Exchange match trade prevention functionality under Rule 406B with respect to trading in IBIG futures.

#### **Market Performance Benchmarks**

- Each LMM shall provide Orders in IBIG futures in conformity with specified criteria relating to minimum two-sided quote size and maximum quote width. These criteria apply during IBIG futures trading hours.
- The Exchange may terminate, place conditions upon or otherwise limit a TPH’s appointment as an LMM under the Program if the TPH fails to satisfy the market performance benchmarks under the Program. However, failure of a TPH to satisfy the

market performance benchmarks under the Program shall not be deemed a violation of Exchange rules.

### **Benefits**

- An LMM is eligible to receive specified benefits in connection with acting as an LMM under the Program.

### **Term**

- The Program and each LMM appointment under the Program will expire on September 30, 2020. The Exchange may determine to extend the term of the Program and LMM appointments under the Program, allow the Program and LMM appointments under the Program to expire, terminate the Program and all LMM appointments under the Program at any time or amend or replace the Program with a different market maker program at any time.

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## EXHIBIT 2

The iBoxx<sup>®</sup> iShares<sup>®</sup> \$ High Yield Corporate Bond Index and the iBoxx<sup>®</sup> iShares<sup>®</sup> \$ Investment Grade Corporate Bond Index (the “Indexes”) referenced herein are the property of Markit Indices Limited (“Index Sponsor”) and have been licensed for use in connection with Cboe<sup>®</sup> iBoxx<sup>®</sup> iShares<sup>®</sup> \$ High Yield Corporate Bond Index Futures and Cboe<sup>®</sup> iBoxx<sup>®</sup> iShares<sup>®</sup> \$ Investment Grade Corporate Bond Index Futures. Each party to a Cboe<sup>®</sup> iBoxx<sup>®</sup> iShares<sup>®</sup> \$ High Yield Corporate Bond Index Futures or Cboe<sup>®</sup> iBoxx<sup>®</sup> iShares<sup>®</sup> \$ Investment Grade Corporate Bond Index Futures transaction acknowledges and agrees that the transaction is not sponsored, endorsed or promoted by the Index Sponsor. The Index Sponsor makes no representation whatsoever, whether express or implied, and hereby expressly disclaims all warranties (including, without limitation, those of merchantability or fitness for a particular purpose or use), with respect to the Indexes or any data included therein or relating thereto, and in particular disclaims any warranty either as to the quality, accuracy and/or completeness of the Indexes or any data included therein, the results obtained from the use of the Indexes and/or the composition of the Indexes at any particular time on any particular date or otherwise and/or the creditworthiness of any entity, or the likelihood of the occurrence of a credit event or similar event (however defined) with respect to an obligation, in the Indexes at any particular time on any particular date or otherwise. The Index Sponsor shall not be liable (whether in negligence or otherwise) to the parties or any other person for any error in the Indexes, and the Index Sponsor is under no obligation to advise the parties or any person of any error therein.

The Index Sponsor makes no representation whatsoever, whether express or implied, as to the advisability of purchasing or selling Cboe<sup>®</sup> iBoxx<sup>®</sup> iShares<sup>®</sup> \$ High Yield Corporate Bond Index Futures or Cboe<sup>®</sup> iBoxx<sup>®</sup> iShares<sup>®</sup> \$ Investment Grade Corporate Bond Index Futures, the ability of the Indexes to track relevant markets’ performances, or otherwise relating to the Indexes or any transaction or product with respect thereto, or of assuming any risks in connection therewith. The Index Sponsor has no obligation to take the needs of any party into consideration in determining, composing or calculating the Indexes. No party purchasing or selling Cboe<sup>®</sup> iBoxx<sup>®</sup> iShares<sup>®</sup> \$ High Yield Corporate Bond Index Futures or Cboe<sup>®</sup> iBoxx<sup>®</sup> iShares<sup>®</sup> \$ Investment Grade Corporate Bond Index Futures, nor the Index Sponsor, shall have any liability to any party for any act or failure to act by the Index Sponsor in connection with the determination, adjustment, calculation or maintenance of the Indexes.

iBoxx<sup>®</sup> is a service mark of IHS Markit Limited.

The iBoxx<sup>®</sup> iShares<sup>®</sup> \$ High Yield Corporate Bond Index and the iBoxx<sup>®</sup> iShares<sup>®</sup> \$ Investment Grade Corporate Bond Index (the “Indexes”) and futures contracts on the Indexes (“Contracts”) are not sponsored by, or sold by BlackRock, Inc. or any of its affiliates (collectively, “BlackRock”). BlackRock makes no representation or warranty, express or implied to any person regarding the advisability of investing in securities, generally, or in the Contracts in particular. Nor does BlackRock make any representation or warranty as to the ability of the Indexes to track the performance of the fixed income securities market, generally, or the performance of HYG, LQD or any subset of fixed income securities.

BlackRock has not calculated, composed or determined the constituents or weightings of the fixed income securities that comprise the Indexes (“Underlying Data”). BlackRock is not responsible for and has not participated in the determination of the prices and amounts of the Contracts, or the timing of the issuance or sale of such Contracts or in the determination or calculation of the equation by which the Contracts are to be converted into cash (if applicable). BlackRock has no obligation or liability in connection with the administration or trading of the Contracts. BlackRock does not

guarantee the accuracy or the completeness of the Underlying Data and any data included therein and BlackRock shall have no liability for any errors, omissions or interruptions related thereto.

BlackRock makes no warranty, express or implied, as to results to be obtained by Markit or its affiliates, the parties to the Contracts or any other person with respect to the use of the Underlying Data or any data included therein. BlackRock makes no express or implied warranties and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to the Underlying Data or any data included therein. Without limiting any of the foregoing, in no event shall BlackRock have any liability for any special, punitive, direct, indirect or consequential damages (including lost profits) resulting from the use of the Underlying Data or any data included therein, even if notified of the possibility of such damages.

iShares® is a registered trade mark of BlackRock Fund Advisors and its affiliates.