Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-7

File No.* SR - 2021 - * 008

Amendment No. (req. for Amendments *)

Proposed Rule Change by * CBOE Futures Exchange

Pursuant to Rule 19b-7 under the Securities Exchange Act of 1934.

☑ Initial * ☐ Amendment * ☐ Withdrawal

☐ Exhibit 2 Sent as Paper Document ☐ Exhibit 3 Sent as Paper Document

Description

Provide a brief description of the proposed rule change (limit 250 characters, required when Initial is checked *).

The proposed rule change provides additional guidance regarding disruptive practices consistent with changes that other DCMs have recently implemented and with the CFTC Electronic Trading Risk Principles.

Contact Information

Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.

First Name *	Michael	Last Name *	Margolis
Title *	Assistant Corporate Secretary		
E-mail *	mmargolis@cboe.com		
Telephone *	(312) 786-7153	Fax	

SRO Governing Body Action

Describe action on the proposed rule change taken by the members or board of directors or other governing body of the SRO (limit 250 characters, required *).

A CFE Managing Director approved the proposed rule change on October 5, 2021 pursuant to delegated authority.

Signature

Note: Clicking the signature block below will initiate digitially signing the form. A digitial signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Pursuant to the requirements of the Securities Exchange Act of 1934,

CBOE Futures Exchange

has duly caused this filling to be signed on its behalf by the undersigned thereunto duly authorized officer.

Mike Margolis Date: 2021.10.05 13:46:01 -05'00'

Date	10/05/2021		
By (Name *)	Michael Margolis	(Title *)	Assistant Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-7 instructions please refer to the EFFS website.

Exhibit 1- Notice of Proposed Rule Change (required when Initial)

Add Remove View

21-008 Disruptive Trading Practices Exh

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal.

The Notice section of this Form 19b-7 must comply with the guidelines for publication in the Federal Register, as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC and CFTC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases and Commodities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

Add Remove View

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction E, they shall be filed in accordance with Instruction F.

☐ Exhibit Sent As Paper Document

Exhibit 3 - Form, Report, or Questionnaire

Add Remove View

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change. If such documents cannot be filed electronically in accordance with Instruction E, they shall be filed in accordance with Instruction F.

☐ Exhibit Sent As Paper Document

Exhibit 4 - Proposed Rule Text

Add Remove View

21-008 Disruptive Trading Practices Exh

The self-regulatory organization must attach as Exhibit 4 proposed changes to rule text. Exhibit 4 shall be considered part of the proposed rule change.

☐ Exhibit Sent As Paper Document

Exhibit 5 - Date of Effectiveness of Proposed Rule Change

The self-regulatory organization must attach one of the following:

☑ CFTC Certification

☐ CFTC Request that Review of Proposed Rule Change is not Necessary

☐ Request for CFTC Approval of Proposed Rule Change

☐ Indication of CFTC Approval of Proposed Rule Change

☐ CFTC Determination that Review of Proposed Rule Change is not Necessary

CFTC Certification: Attach a copy of the certification submitted to the CFTC pursuant to section 5c(c) of the Commodity Exchange Act.

Add Remove View

21-008 Disruptive Trading Practices Exh

☐ Exhibit Sent As Paper Document

Partial Amendment

Add Remove View

If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission staff's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

Exhibit 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-CFE-2021-008)

Self-Regulatory Organizations; Cboe Futures Exchange, LLC; Notice of a Filing of a Proposed Rule Change Regarding Disruptive Trading Practices.

Pursuant to Section 19(b)(7) of the Securities Exchange Act of 1934 ("Act"),[1] notice is hereby given that on October 5, 2021 Cboe Futures Exchange, LLC ("CFE" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change described in Items I, II, and III below, which Items have been prepared by CFE. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons. CFE also has filed this proposed rule change with the Commodity Futures Trading Commission ("CFTC"). CFE filed a written certification with the CFTC under Section 5c(c) of the Commodity Exchange Act ("CEA")[2] on October 5, 2021.

I. Self-Regulatory Organization's Description of the Proposed Rule Change

The Exchange proposes to provide additional guidance in its rules regarding prohibited disruptive practices.

The rule amendments included as part of this proposed rule change are to apply to all products traded on CFE, including both non-security futures and any security futures that may be listed for trading on CFE. The scope of this filing is limited solely to the application of the proposed rule change to security futures that may be traded on CFE. Although no security futures are currently listed for trading on CFE, CFE may list security futures for trading in the future.

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[1] 15 U.S.C. § 78s(b)(7).

[2] 7 U.S.C. § 7a-2(c).

The text of the proposed rule change is attached as Exhibit 4 to the filing but is not attached to the publication of this notice.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, CFE included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. CFE has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, Proposed Rule Change

1. Purpose

CFE Rule 620 (Disruptive Practices) prohibits various disruptive practices and CFE Policy and Procedure XVIII (Disruptive Trading Practices) ("P&P 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 proposed rule change proposes to make the following clarifying updates in relation to these provisions.

CFE is proposing to amend the provisions of Section E of P&P XVIII in the following manner.

The title of Section E of P&P XVIII is currently "Orders entered by mistake." The proposed rule change proposes to revise the title of Section E of P&P XVIII to be "Orders entered by mistake or error" to clarify that Section E of P&P XVIII covers Orders entered either by mistake or error. The Exchange considers the terms "mistake" and "error" to be synonyms for one another while recognizing that a mistake may be

more associated with human action while an error may be more associated with system behavior. To the extent that there is a difference between the two terms and that Section E of P&P XVIII refers to "errors" within the text of the provision, the Exchange is making this change to make clear that a mistake is encompassed within the references to "errors" in the text of the provision.

The first sentence of Section E of P&P XVIII currently provides that: "An unintentional, accidental, or 'fat-finger' Order will not constitute a violation of Rule 620, but such activity may be a violation of other Exchange rules, including, but not limited to, Rule 608 (Acts Detrimental to the Exchange; Acts Inconsistent with Just and Equitable Principles of Trade; Abusive Practices)." The proposed rule change proposes to insert the word "typically" after the word "not" so that the sentence provides that an unintentional, accidental, or "fat-finger" Order will not typically constitute a violation of Rule 620, but such activity may be a violation of other Exchange rules, including, but not limited to, Rule 608.

The second sentence of Section E of P&P XVIII currently provides that: "Market participants are expected to take steps to mitigate the occurrence of errors, and their impact on the market." The proposed rule change proposes to further flesh out this sentence by revising it to provide that: "Market participants are expected to take reasonable steps or otherwise have controls to prevent, detect and mitigate the occurrence of errors, market disruptions and system anomalies and their impact on the market." This proposed additional language clarifies that market participants are expected to take reasonable steps or to otherwise have controls in place to prevent, detect, and mitigate the

occurrence of errors, market disruptions and system anomalies, and their impact on the market.

The proposed rule change proposes to add the following sentence at the end of Section E of P&P XVIII in reference to the second sentence of Section E of P&P XVIII: "Failure to take reasonable steps to prevent, detect and mitigate such errors, market disruptions, system anomalies or impacts may violate Rule 609 (Supervision) or other Exchange rules." This sentence is intended to provide additional clarity to market participants about how P&P XVIII interacts with other CFE rules.

Section K of P&P XVIII describes factors that may be considered in determining whether a market participant intended to disrupt the orderly conduct of trading or the fair execution of transactions or demonstrated a reckless disregard for the orderly conduct of trading or the fair execution of transactions. CFE is proposing to amend Section K of P&P XVIII to provide that additional factors that may be considered in this regard include, but are not limited to, the impact to other market participants' ability to trade, engage in price discovery, or manage risk. CFE believes that the addition of these added non-exhaustive factors will provide further clarity regarding how CFE determines whether a market participant intended to disrupt, or demonstrated a reckless disregard for, the orderly conduct of trading or the fair execution of transactions.

CFE also proposes to make the following clarifying updates to the provisions of Section U of P&P XVIII.

The title of Section U of P&P XVIII is currently "Submission of partial messages to reduce latency or purposeful corruption of data packets." The proposed rule change proposes to revise the title of Section U of P&P XVIII to be "Submission of partial

messages to reduce latency or purposeful submission of intentionally corrupted or malformed data packets."

The second sentence of Section U of P&P XVIII currently provides that: "Purposefully corrupting or constructing malformed data packets also has the potential to disrupt the systems of the Exchange." The proposed rule change proposes to revise this sentence to provide that: "Purposefully submitting intentionally corrupted or malformed data packets also has the potential to disrupt the systems of the Exchange."

The proposed revisions to Section U of P&P XVIII are intended clarify that activity within the scope of Section U of P&P XVIII relating to corrupted or malformed data packets involves the purposeful submission of intentionally corrupted or malformed data packets.

CFE also is proposing to add an example of prohibited activity under Rule 620. In particular, P&P XVIII includes a non-exhaustive list of various examples of conduct that may be found to violate Rule 620. The additional example provides a specific illustration of a trading strategy that may violate Rule 620 which involves purposefully submitting malformed data packets to CFE's trading system ("CFE System") as part of a trading strategy to reduce latency. In particular, this type of trading strategy may violate Rule 620(b)(iv) which provides that no Person shall intentionally or recklessly submit or cause to be submitted an actionable or non-actionable message(s) that has the potential to disrupt the systems of the Exchange or other market participants.

The proposed additional example includes the following fact pattern: A market participant engages in a trading strategy where the market participant's trading system is designed to purposefully submit malformed data across one or more physical connections

to the Exchange. For example, based on information received, the participant's trading system begins constructing an order message (e.g., an Ethernet Frame, TCP or IP packet, etc.). The trading system is designed so that if further information is received during construction that negates the desire or need to trade the order being constructed, the trading system will stop construction and submit the incomplete data to the Exchange. Because the incomplete data (e.g., a TCP/IP packet missing required TCP or IP fields such as Sequence Number or Destination Port) cannot be properly processed by a network switch or receiving device at the logical or physical entry point to the CFE System, the receiving device will discard the data. If no further information is received by the trading system during construction that would negate the desire or need to trade the order, the trading system will complete construction of, and submit, the data so that an Order message from the trading system is able to reach the CFE System. The practice of submitting to the Exchange purposefully incomplete or malformed data packets has the potential to disrupt the systems of the Exchange and may violate Rule 620(b)(iv).

The purposeful submission of intentionally corrupted or malformed data packets has the potential to impact the systems of the Exchange and the Exchange believes that this activity serves no useful purpose. Accordingly, the proposed rule change further clarifies how this type of activity may violate Rule 620 and P&P XVIII.

The proposed rule change is consistent with similar updated guidance provided by other designated contract markets ("DCMs") regarding disruptive practices.[3] The

[3] These DCMs are ICE Futures U.S., Inc. ("ICE"), 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 rule certification filings to the CFTC to effectuate their respective updated guidance. See, e.g., ICE

Exchange believes that aligning its guidance regarding disruptive trading practices across DCMs where appropriate protects the Exchange, investors, and the public interest by promoting uniform expectations among market participants regarding disruptive trading practices.

CFE also believes that the proposed rule change is consistent with the Electronic Trading Risk Principles recently adopted by the CFTC.[4] The Electronic Trading Risk Principles are intended to address the potential risk of a DCM's trading platform experiencing a market disruption or system anomaly due to electronic trading. For example, CFTC Regulation 38.251(e)[5] provides that a DCM must adopt and implement rules governing market participants subject to its jurisdiction to prevent, detect, and mitigate market disruptions or system anomalies associated with electronic trading. The proposed rule change furthers the goals of the Electronic Trading Risk Principles by making clear, among other things, (i) that market participants are expected to take reasonable steps or otherwise have controls to prevent, detect, and mitigate the occurrence of errors, market disruptions, and system anomalies and their impact on the market and (ii) that factors which may be considered in determining whether a market participant intended to disrupt, or demonstrated a reckless disregard for, the orderly conduct of trading or the fair execution of transactions include, but are not limited to, the impact to other market participants' ability to trade, engage in price discovery, or manage risk.

Submission 21-44 (June 22, 2021) and CME Submission No. 20-306 (July 16, 2021), which are available on the CFTC website.

4 See CFTC Final Rule regarding Electronic Trading Risk Principles, 86 FR 2048 (January 11, 2021).

5 17 CFR § 38.251(e).

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,[6] in general, and furthers the objectives of Sections 6(b)(1)[7] and 6(b)(5)[8] in particular, in that it is designed:

- to enable the Exchange to enforce compliance by its Trading Privilege Holders and persons associated with its Trading Privilege Holders with the provisions of the rules of the Exchange,
- to prevent fraudulent and manipulative acts and practices,
- to promote just and equitable principles of trade,
- to remove impediments to and perfect the mechanism of a free and open market and a national market system,
- and in general, to protect investors and the public interest.

The proposed rule change provides additional guidance regarding disruptive practices that violate CFE Rule 620. CFE considers the disruptive trading practices addressed by the proposed rule change to be prohibited by existing CFE rules, including current Rule 620, P&P XVIII, CFE Rule 608 (Acts Detrimental to the Exchange, Acts Inconsistent with Just and Equitable Principles of Trade; Abusive Practices) and CFE Rule 609 (Supervision). CFE also considers the provisions that are proposed to be added to P&P XVIII relating to factors that the Exchange may consider in assessing whether conduct violates Rule 620 and relating to purposefully submitting intentionally corrupted or malformed data packets to be within the scope of existing CFE rules, including current

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6 15 U.S.C. § 78f(b).

7 15 U.S.C. § 78f(b)(1).

8 15 U.S.C. § 78f(b)(5).

Rule 620 and P&P XVIII. Although this is the case, CFE believes that it is beneficial to provide additional guidance to market participants through the inclusion of further detail in CFE's rules regarding prohibited disruptive practices.

By further describing prohibited disruptive trading practices in CFE's rules and by providing additional guidance relating to the application of CFE's rule provisions with respect to disruptive trading practices, the proposed changes to P&P XVIII contribute to the protection of CFE's market and market participants from abusive practices; to the promotion of fair and equitable trading on CFE's market; and to precluding activity on CFE's market that is disruptive to the operation of the Exchange or the ability of other market participants to trade, engage in price discovery, or manage risk.

Accordingly, the Exchange believes that the proposed rule change will benefit market participants because it will provide greater clarity regarding the Exchange's current prohibited disruptive trading practices and the various factors that CFE may consider in assessing whether conduct violates Rule 620. Additionally, the Exchange believes that the proposed rule change will strengthen its ability to carry out its responsibilities as a self-regulatory organization by providing further guidance regarding the type of activity that is prohibited under CFE Rule 620. In addition, the proposed rule change benefits market participants by contributing to the protection of CFE's market and market participants from abusive practices and to the promotion of a fair and orderly market.

The Exchange also believes that the proposed rule change is equitable and not unfairly discriminatory in that the rule amendments included in the proposed rule change would apply equally to all market participants.

B. Self-Regulatory Organization's Statement on Burden on Competition

CFE does not believe that the proposed rule changes will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. Specifically, the Exchange believes that the proposed rule change will not burden intra-market competition because the clarifying updates to the prohibited disruptive trading practices will apply equally to all market participants. The Exchange also believes that these clarifying updates will help to foster a fair and orderly market and contribute to furthering the promotion of fair and equitable trading on the Exchange. Additionally, the proposed rule change is designed to make CFE's disruptive trading practice rules consistent with the existing rules and guidance published by other DCMs and thus will not burden intermarket competition.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The proposed rule change will become operative on October 20, 2021. At any time within 60 days of the date of effectiveness of the proposed rule change, the Commission, after consultation with the CFTC, may summarily abrogate the proposed rule change and require that the proposed rule change be refiled in accordance with the provisions of Section 19(b)(1) of the Act.[9]

IV. Solicitation of Comments

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[9] 15 U.S.C. § 78s(b)(1).

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments**:**

- Use the Commission's Internet comment form http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CFE-2021-008 on the subject line.

Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, Station Place, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-CFE-2021-008. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (http://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 am and 3:00 pm. Copies of such filing also will be available for inspection and copying at the principal office of Cboe Futures Exchange, LLC. All comments received will be posted

without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CFE-2021-008 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[10]

Secretary

[10] 17 CFR § 200.30-3(a)(73).

Exhibit 4

Set forth below are proposed changes to the rule text, with additions represented by underscoring and deletions represented by [bracketing].

* * * * *

Cboe Futures Exchange, LLC
Policies and Procedures Section of Rulebook

* * * * *

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. - D. No changes.

E. Orders entered by mistake or error

An unintentional, accidental, or "fat-finger" Order will not typically constitute a violation of Rule 620, but such activity may be a violation of other Exchange rules, including, but not limited to, Rule 608 (Acts Detrimental to the Exchange; Acts Inconsistent with Just and Equitable Principles of Trade; Abusive Practices). Market participants are expected to take reasonable steps or otherwise have controls to prevent, detect and mitigate the occurrence of errors, market disruptions and system anomalies and their impact on the market. This is particularly true for entities that run algorithmic trading applications, or otherwise submit large numbers of automated Orders to the market. Failure to take reasonable steps to prevent, detect and mitigate such errors, market disruptions, system anomalies or impacts may violate Rule 609 (Supervision) or other Exchange rules.

F. - J. No changes.

K. The Exchange's definition of "orderly conduct of trading or the fair execution of transactions"

Whether a market participant intends to disrupt the orderly conduct of trading or the fair execution of transactions or demonstrates a reckless disregard for the orderly conduct of trading or the fair execution of transactions may be evaluated only in the context of the specific instrument, market conditions, and other circumstances present at the time in question. Some of the factors that may be considered in determining whether there was orderly conduct or the fair execution of transactions were described by the Commission as follows: "[A]n orderly market may be characterized by, among other things, parameters such as a rational relationship between consecutive prices, a strong

correlation between price changes and the volume of trades, levels of volatility that do not dramatically reduce liquidity, accurate relationships between the price of a derivative and the underlying such as a physical commodity or financial instrument, and reasonable spreads between contracts for near months and for remote months." Antidisruptive Practices Authority, 78 Fed. Reg. at 31,895-96. Additional factors that may be considered include, but are not limited to, the impact to other market participants' ability to trade, engage in price discovery or manage risk. Volatility alone, however, will not be presumptively interpreted as disorderly or disruptive as market volatility can be consistent with markets performing their price discovery function.

L. - T. No changes.

U. Submission of partial messages to reduce latency or purposeful [corruption of] submission of intentionally corrupted or malformed data packets

Engaging in a pattern and practice of submitting partial messages for the purpose of seeking to reduce latency has the potential to disrupt the systems of the Exchange. Purposefully [corrupting or constructing] submitting intentionally corrupted or malformed data packets also has the potential to disrupt the systems of the Exchange. The Exchange considers any market participant engaging in either of these practices as part of a trading strategy to have recklessly disregarded the potential to disrupt the systems of the Exchange in violation of Rule 620(b)(iv).

V. - W. No changes.

X. Examples of Prohibited Activity

The following is a non-exhaustive list of various examples of conduct that may be found to violate Rule 620.

- A market participant enters one or more Orders to generate selling or buying interest in a specific contract. By entering the Orders, often in substantial size relative to the contract's overall pending order volume, the market participant creates a misleading and artificial appearance of buy- or sell-side pressure. The market participant places these large Orders at or near the best bid and offer prevailing in the market at the time. The market participant benefits from the market's reaction by either receiving an execution on an already resting Order on the opposite side of the book from the larger Order(s) or by obtaining an execution by entering an opposing side Order subsequent to the market's reaction. Once the smaller Orders are filled, the market participant cancels the large Orders that had been designed to create the false appearance of market activity. Placing a bona fide Order on one side of the market while entering Order(s) on the other side of the market without intention to trade those Orders violates Rule 620.

- A market participant places buy (or sell) Orders that the market participant intends to have executed, and then immediately enters numerous sell (or buy)

Orders for the purpose of attracting interest to the resting Orders. The market participant placed these subsequent Orders to induce or trick other market participants to execute against the initial Order. Immediately after the execution against the resting Order, the market participant cancels the open Orders.

- A market participant enters one or more Orders in a particular market (Market A) to identify algorithmic activity in a related market (Market B). Knowing how the algorithm will react to order activity in Market A, the participant first enters an Order or Orders in Market B that the market participant anticipates would be filled opposite the algorithm when ignited. The participant then enters an Order or Orders in Market A for the purpose of igniting the algorithm and creating momentum in Market B. This results in the market participant's Order(s) in Market B being filled opposite the algorithm. This conduct violates Rule 620(b)(i), as the Orders in Market A were not intended to be executed, and Rule 620(b)(ii), as the Orders in Market A were intended to mislead participants in related markets. If the conduct resulted in a disruption to the orderly execution of transactions, it may also violate Rule 620(b)(iv).

- A market participant enters a large aggressor buy (sell) Order at the best offer (bid) price, trading opposite the resting sell (buy) Orders in the book, which results in the remainder of the original aggressor Order resting first in the queue at the new best bid (offer). As the market participant anticipated and intended, other participants join the market participant's best bid (offer) behind the market participant in the queue. The market participant then enters a large aggressor sell (buy) Order into the market participant's now resting buy (sell) Order at the top of the book. The market participant's use of the Exchange's match trade prevention functionality or other wash blocking functionality cancels the market participant's resting buy (sell) Order, such that market participant's aggressor sell (buy) Order then trades opposite the Orders that joined and were behind the market participant's best bid (offer) in the book.

- A market participant places large quantity Orders during the pre-opening period in an effort to artificially increase or decrease the EOP with the intent to attract other market participants. Once others join the market participant's bid or offer, the market participant cancels the market participant's Orders shortly before the opening.

- During the pre-opening period, a market participant enters a large Order priced at a bid higher than the existing best bid or at an offer lower than the existing best offer, and continues to systematically enter successive Orders priced further through the book until it causes a movement in the best bid or best offer. These Orders are subsequently cancelled. The market participant continues to employ this strategy on both sides of the market for the purpose

of determining the depth of support at a specific price level for the product before the market opens.

- A market participant enters a large number of messages for the purpose of overloading the quotation systems of other market participants with excessive market data messages to create "information arbitrage."

- A market participant enters messages for the purpose of creating latencies in the market or in information dissemination by the Exchange for the purpose of disrupting the orderly functioning of the market.

- A market participant engages in a trading strategy where the market participant's trading system is designed to purposefully corrupt data sent across one or more physical connections to the Exchange. For example, prior to the occurrence of an event or signal, the market participant's trading system begins transmitting to the Exchange data necessary for an Order message (e.g., Ethernet frame; Internet Protocol (IP) packet; Transmission Control Protocol (TCP) packet; etc.). The trading system is designed so that if the event or signal does not occur as expected, the trading system will corrupt the partially transmitted data, for instance by invalidating the Frame Check Sequence (FCS) checksum causing the packet or Ethernet frame to be dropped by a network switch or receiving device at the logical or physical entry point to the CFE System. If the event does occur as expected, the trading system will complete the partially transmitted data so that an Order message from the trading system is able to reach the Exchange trading platform. The practice of purposefully corrupting data packets submitted to the Exchange has the potential to disrupt the systems of the exchange and may violate Rule 620(b)(iv).

- A market participant engages in a trading strategy where the market participant's trading system is designed to purposefully send to the Exchange untradeable Orders or Orders that have no reasonable probability of trading. For example, prior to the occurrence of an event or signal, the market participant's trading system begins transmitting to the Exchange data necessary for an Order message (e.g., Ethernet frame; TCP packet; etc.). The trading system is designed so that if the event or signal does not occur as expected, the trading system will complete the partially transmitted data and successfully submit an Order message to the Exchange. However, because the event or signal did not occur as expected, the trading system is designed to render the completed Order message untradeable or improbable of trading. This may be accomplished, for example, by submitting the Order message as a Fill or Kill Order type with a price or quantity that causes the Order to immediately be cancelled by the trading platform. This may also be accomplished, for example, by submitting the Order message at an off-market price, deep in the order book, and intending to cancel that Order prior to execution. The practice of purposefully sending untradeable Orders or Orders that have no reasonable probability of trading may violate Rule 620(b)(iv).

Further, it is a violation of Rule 620(b)(i) if the market participant intends, at the time of Order entry, to cancel the Order prior to execution.

- A market participant engages in a trading strategy where the market participant's trading system is designed to purposefully submit malformed data across one or more physical connections to the Exchange. For example, based on information received, the participant's trading system begins constructing an order message (e.g., an Ethernet Frame, TCP or IP packet, etc.). The trading system is designed so that if further information is received during construction that negates the desire or need to trade the order being constructed, the trading system will stop construction and submit the incomplete data to the Exchange. Because the incomplete data (e.g., a TCP/IP packet missing required TCP or IP fields such as Sequence Number or Destination Port) cannot be properly processed by a network switch or receiving device at the logical or physical entry point to the CFE System, the receiving device will discard the data. If no further information is received by the trading system during construction that would negate the desire or need to trade the order, the trading system will complete construction of, and submit, the data so that an Order message from the trading system is able to reach the CFE System. The practice of submitting to the Exchange purposefully incomplete or malformed data packets has the potential to disrupt the systems of the Exchange and may violate Rule 620(b)(iv).

* * * * *

October 5, 2021

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-2021-026

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended ("Act"), and Regulation 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 provide additional guidance regarding prohibited disruptive practices. Exhibit 1 to this submission sets forth the rule changes included in the Amendment. The Amendment will become effective on October 20, 2021.

CFE Rule 620 (Disruptive Practices) prohibits various disruptive practices and CFE Policy and Procedure XVIII (Disruptive Trading Practices) ("P&P 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 the following clarifying updates to P&P XVIII.

- CFE is amending the provisions of Section E of P&P XVIII in the following manner:

  - The title of Section E of P&P XVIII is currently "Orders entered by mistake". The Amendment revises the title of Section E of P&P XVIII to be "Orders entered by mistake or error" to clarify that Section E of P&P XVIII covers Orders entered either by mistake or error. The Exchange considers the terms "mistake" and "error" to be synonyms for one another while recognizing that a mistake may be more associated with human action while an error may be more associated with system behavior. To the extent that there is a difference between the two terms and that Section E of P&P XVIII refers to "errors" within the text of the provision, the Exchange is making this change to make clear that a mistake is encompassed within the references to "errors" in the text of the provision.

  - The first sentence of Section E of P&P XVIII currently provides that: "An unintentional, accidental, or 'fat-finger' Order will not constitute a violation of Rule 620, but such activity may be a violation of other Exchange rules, including, but not limited to, Rule 608 (Acts Detrimental to the Exchange; Acts Inconsistent with Just and Equitable Principles of Trade; Abusive Practices)." The Amendment inserts the word "typically" after the word "not" in that sentence so that the sentence provides that an unintentional,

accidental, or "fat-finger" Order will not typically constitute a violation of Rule 620, but such activity may be a violation of other Exchange rules, including, but not limited to, Rule 608.

- The second sentence of Section E of P&P XVIII currently provides that: "Market participants are expected to take steps to mitigate the occurrence of errors, and their impact on the market." The Amendment further fleshes out this sentence by revising it to provide that: "Market participants are expected to take reasonable steps or otherwise have controls to prevent, detect and mitigate the occurrence of errors, market disruptions and system anomalies and their impact on the market."

- The Amendment adds the following sentence at the end of Section E of P&P XVIII in reference to the second sentence of Section E of P&P XVIII: "Failure to take reasonable steps to prevent, detect and mitigate such errors, market disruptions, system anomalies or impacts may violate Rule 609 (Supervision) or other Exchange rules."

- Section K of P&P XVIII describes factors that may be considered in determining whether a market participant intended to disrupt the orderly conduct of trading or the fair execution of transactions or demonstrated a reckless disregard for the orderly conduct of trading or the fair execution of transactions. CFE is amending Section K of P&P XVIII to provide that additional factors that may be considered in this regard include, but are not limited to, the impact to other market participants' ability to trade, engage in price discovery, or manage risk.

- CFE is making the following clarifying updates to the provisions of Section U of P&P XVIII:

  - The title of Section U of P&P XVIII is currently "Submission of partial messages to reduce latency or purposeful corruption of data packets". The Amendment revises the title of Section U of P&P XVIII to be "Submission of partial messages to reduce latency or purposeful submission of intentionally corrupted or malformed data packets".

  - The second sentence of Section U of P&P XVIII currently provides that: "Purposefully corrupting or constructing malformed data packets also has the potential to disrupt the systems of the Exchange." The Amendment revises this sentence to provide that: "Purposefully submitting intentionally corrupted or malformed data packets also has the potential to disrupt the systems of the Exchange."

    - CFE is adding an example of prohibited activity under Rule 620.

  - P&P XVIII includes a non-exhaustive list of various examples of conduct that may be found to violate Rule 620.

    - The additional example provides a specific illustration of a trading strategy that may violate Rule 620 which involves purposefully submitting malformed data packets to CFE's trading system ("CFE System") as part of a trading strategy to reduce latency. In particular, this type of trading strategy may violate Rule 620(b)(iv) which provides that no Person shall intentionally or recklessly submit or cause to be submitted an actionable or non-actionable message(s) that has the potential to disrupt the systems of the Exchange or other market participants.

- The example includes the following fact pattern: A market participant engages in a trading strategy where the market participant's trading system is designed to purposefully submit malformed data across one or more physical connections to the Exchange. For example, based on information received, the participant's trading system begins constructing an order message (e.g., an Ethernet Frame, TCP or IP packet, etc.). The trading system is designed so that if further information is received during construction that negates the desire or need to trade the order being constructed, the trading system will stop construction and submit the incomplete data to the Exchange. Because the incomplete data (e.g., a TCP/IP packet missing required TCP or IP fields such as Sequence Number or Destination Port) cannot be properly processed by a network switch or receiving device at the logical or physical entry point to the CFE System, the receiving device will discard the data. If no further information is received by the trading system during construction that would negate the desire or need to trade the order, the trading system will complete construction of, and submit, the data so that an Order message from the trading system is able to reach the CFE System. The practice of submitting to the Exchange purposefully incomplete or malformed data packets has the potential to disrupt the systems of the Exchange and may violate Rule 620(b)(iv).

The Amendment is consistent with similar updated guidance provided by other designated contract markets ("DCMs") regarding disruptive practices.[1]

CFE believes that the Amendment is consistent with the Designated Contract Market ("DCM") Core Principles under Section 5 of the Act. In particular, CFE believes that the Amendment is consistent with DCM Core Principles 2 (Compliance with Rules), 4 (Prevention of Market Disruption), 7 (Availability of General Information), and 12 (Protection of Markets and Market Participants) in that the Amendment provides additional guidance regarding disruptive practices that violate CFE Rule 620. CFE considers the revisions to P&P XVIII relating to factors that the Exchange may consider in assessing whether conduct violates Rule 620 and to include an additional example of prohibited activity under Rule 620 to be within the scope of existing CFE rules, including current Rule 620, P&P XVIII, Rule 608, and Rule 609. Although this is the case, CFE believes that it is beneficial to provide additional guidance to market participants through the inclusion of further detail in P&P XVIII.

CFE also believes that the Amendment is consistent, in particular, with the Electronic Trading Risk Principles recently adopted by the Commission.[2] The Electronic Trading Risk Principles are intended to address the potential risk of a DCM's trading platform experiencing a market disruption or system anomaly due to electronic trading. For example, CFTC Regulation 38.251(e) provides that a DCM must adopt and implement rules governing market participants subject to its jurisdiction to prevent, detect, and mitigate market disruptions or system anomalies associated with electronic trading. The Amendment furthers the goals of the Electronic Trading Risk Principles by making clear, among other things, (i) that market participants are expected to take

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[1] These DCMs are ICE Futures U.S., Inc. ("ICE"), 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 rule certification filings to the CFTC to effectuate their respective updated guidance. See, e.g., ICE Submission 21-44 (June 22, 2021) and CME Submission No. 20-306 (July 16, 2021), which are available on the CFTC website.

[2] See CFTC Final Rule regarding Electronic Trading Risk Principles, 86 FR 2048 (January 11, 2021).

reasonable steps or otherwise have controls to prevent, detect, and mitigate the occurrence of errors, market disruptions, and system anomalies and their impact on the market and (ii) that factors which may be considered in determining whether a market participant intended to disrupt, or demonstrated a reckless disregard for, the orderly conduct of trading or the fair execution of transactions include, but are not limited to, the impact to other market participants' ability to trade, engage in price discovery, or manage risk.

By providing additional guidance relating to the application of CFE's rule provisions with respect to disruptive trading practices, amended P&P XVIII contributes to the protection of CFE's market and market participants from abusive practices; to the promotion of orderly, fair, and equitable trading on CFE's market; and to precluding activity on CFE's market that is disruptive to the operation of the Exchange or the ability other market participants to trade, engage in price discovery, or manage risk.

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://markets.cboe.com/us/futures/regulation/rule_filings/cfe/) 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 Michael Margolis at (312) 786-7153. Please reference our submission number CFE-2021-026 in any related correspondence.

Cboe Futures Exchange, LLC

/s/ Michael Mollet

By: Michael Mollet
Managing Director

EXHIBIT 1

The Amendment, marked to show additions in underlined text and deletions in ~~stricken~~ text, consists of the following:

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Cboe Futures Exchange, LLC
Policies and Procedures Section of Rulebook

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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. - D. No changes.

E. Orders entered by mistake or error

An unintentional, accidental, or "fat-finger" Order will not typically constitute a violation of Rule 620, but such activity may be a violation of other Exchange rules, including, but not limited to, Rule 608 (Acts Detrimental to the Exchange; Acts Inconsistent with Just and Equitable Principles of Trade; Abusive Practices). Market participants are expected to take reasonable steps or otherwise have controls to prevent, detect and mitigate the occurrence of errors, market disruptions and system anomalies and their impact on the market. This is particularly true for entities that run algorithmic trading applications, or otherwise submit large numbers of automated Orders to the market. Failure to take reasonable steps to prevent, detect and mitigate such errors, market disruptions, system anomalies or impacts may violate Rule 609 (Supervision) or other Exchange rules.

F. - J. No changes.

K. The Exchange's definition of "orderly conduct of trading or the fair execution of transactions"

Whether a market participant intends to disrupt the orderly conduct of trading or the fair execution of transactions or demonstrates a reckless disregard for the orderly conduct of trading or the fair execution of transactions may be evaluated only in the context of the specific instrument, market conditions, and other circumstances present at the time in question. Some of the factors that may be considered in determining whether there was orderly conduct or the fair execution of transactions were described by the Commission as follows: "[A]n orderly market may be characterized by, among other things, parameters such as a rational relationship between consecutive prices, a strong correlation between price changes and the volume of trades, levels of volatility that do not dramatically reduce liquidity, accurate relationships between the price of a derivative and the underlying such as a physical commodity or financial instrument, and reasonable spreads between contracts for near months and for remote months." Antidisruptive Practices Authority, 78 Fed. Reg. at 31,895-96. Additional factors that may be considered include, but are not limited to, the impact to other market participants' ability to trade, engage in price discovery or manage risk. Volatility alone,

however, will not be presumptively interpreted as disorderly or disruptive as market volatility can be consistent with markets performing their price discovery function.

L. - T. No changes.

U. Submission of partial messages to reduce latency or purposeful ~~corruption of~~ submission of intentionally corrupted or malformed data packets

Engaging in a pattern and practice of submitting partial messages for the purpose of seeking to reduce latency has the potential to disrupt the systems of the Exchange. Purposefully ~~corrupting or constructing~~ submitting intentionally corrupted or malformed data packets also has the potential to disrupt the systems of the Exchange. The Exchange considers any market participant engaging in either of these practices as part of a trading strategy to have recklessly disregarded the potential to disrupt the systems of the Exchange in violation of Rule 620(b)(iv).

V. - W. No changes.

X. Examples of Prohibited Activity

The following is a non-exhaustive list of various examples of conduct that may be found to violate Rule 620.

- A market participant enters one or more Orders to generate selling or buying interest in a specific contract. By entering the Orders, often in substantial size relative to the contract's overall pending order volume, the market participant creates a misleading and artificial appearance of buy- or sell-side pressure. The market participant places these large Orders at or near the best bid and offer prevailing in the market at the time. The market participant benefits from the market's reaction by either receiving an execution on an already resting Order on the opposite side of the book from the larger Order(s) or by obtaining an execution by entering an opposing side Order subsequent to the market's reaction. Once the smaller Orders are filled, the market participant cancels the large Orders that had been designed to create the false appearance of market activity. Placing a bona fide Order on one side of the market while entering Order(s) on the other side of the market without intention to trade those Orders violates Rule 620.

- A market participant places buy (or sell) Orders that the market participant intends to have executed, and then immediately enters numerous sell (or buy) Orders for the purpose of attracting interest to the resting Orders. The market participant placed these subsequent Orders to induce or trick other market participants to execute against the initial Order. Immediately after the execution against the resting Order, the market participant cancels the open Orders.

- A market participant enters one or more Orders in a particular market (Market A) to identify algorithmic activity in a related market (Market B). Knowing how the algorithm will react to order activity in Market A, the participant first enters an Order or Orders in Market B that the market participant anticipates would be filled opposite the algorithm when ignited. The participant then enters an Order or Orders in Market A for the purpose of igniting the algorithm and creating momentum in Market B. This results in the market participant's Order(s) in Market B being filled opposite the algorithm. This conduct violates Rule 620(b)(i), as the Orders in Market A were not intended to be executed, and Rule 620(b)(ii), as the Orders in Market A were intended to mislead participants in

related markets. If the conduct resulted in a disruption to the orderly execution of transactions, it may also violate Rule 620(b)(iv).

- A market participant enters a large aggressor buy (sell) Order at the best offer (bid) price, trading opposite the resting sell (buy) Orders in the book, which results in the remainder of the original aggressor Order resting first in the queue at the new best bid (offer). As the market participant anticipated and intended, other participants join the market participant's best bid (offer) behind the market participant in the queue. The market participant then enters a large aggressor sell (buy) Order into the market participant's now resting buy (sell) Order at the top of the book. The market participant's use of the Exchange's match trade prevention functionality or other wash blocking functionality cancels the market participant's resting buy (sell) Order, such that market participant's aggressor sell (buy) Order then trades opposite the Orders that joined and were behind the market participant's best bid (offer) in the book.

- A market participant places large quantity Orders during the pre-opening period in an effort to artificially increase or decrease the EOP with the intent to attract other market participants. Once others join the market participant's bid or offer, the market participant cancels the market participant's Orders shortly before the opening.

- During the pre-opening period, a market participant enters a large Order priced at a bid higher than the existing best bid or at an offer lower than the existing best offer, and continues to systematically enter successive Orders priced further through the book until it causes a movement in the best bid or best offer. These Orders are subsequently cancelled. The market participant continues to employ this strategy on both sides of the market for the purpose of determining the depth of support at a specific price level for the product before the market opens.

- A market participant enters a large number of messages for the purpose of overloading the quotation systems of other market participants with excessive market data messages to create "information arbitrage."

- A market participant enters messages for the purpose of creating latencies in the market or in information dissemination by the Exchange for the purpose of disrupting the orderly functioning of the market.

- A market participant engages in a trading strategy where the market participant's trading system is designed to purposefully corrupt data sent across one or more physical connections to the Exchange. For example, prior to the occurrence of an event or signal, the market participant's trading system begins transmitting to the Exchange data necessary for an Order message (e.g., Ethernet frame; Internet Protocol (IP) packet; Transmission Control Protocol (TCP) packet; etc.). The trading system is designed so that if the event or signal does not occur as expected, the trading system will corrupt the partially transmitted data, for instance by invalidating the Frame Check Sequence (FCS) checksum causing the packet or Ethernet frame to be dropped by a network switch or receiving device at the logical or physical entry point to the CFE System. If the event does occur as expected, the trading system will complete the partially transmitted data so that an Order message from the trading system is able to reach the Exchange trading platform. The practice of purposefully corrupting data packets submitted to the

Exchange has the potential to disrupt the systems of the exchange and may violate Rule 620(b)(iv).

- A market participant engages in a trading strategy where the market participant's trading system is designed to purposefully send to the Exchange untradeable Orders or Orders that have no reasonable probability of trading. For example, prior to the occurrence of an event or signal, the market participant's trading system begins transmitting to the Exchange data necessary for an Order message (e.g., Ethernet frame; TCP packet; etc.). The trading system is designed so that if the event or signal does not occur as expected, the trading system will complete the partially transmitted data and successfully submit an Order message to the Exchange. However, because the event or signal did not occur as expected, the trading system is designed to render the completed Order message untradeable or improbable of trading. This may be accomplished, for example, by submitting the Order message as a Fill or Kill Order type with a price or quantity that causes the Order to immediately be cancelled by the trading platform. This may also be accomplished, for example, by submitting the Order message at an off-market price, deep in the order book, and intending to cancel that Order prior to execution. The practice of purposefully sending untradeable Orders or Orders that have no reasonable probability of trading may violate Rule 620(b)(iv). Further, it is a violation of Rule 620(b)(i) if the market participant intends, at the time of Order entry, to cancel the Order prior to execution.

- A market participant engages in a trading strategy where the market participant's trading system is designed to purposefully submit malformed data across one or more physical connections to the Exchange. For example, based on information received, the participant's trading system begins constructing an order message (e.g., an Ethernet Frame, TCP or IP packet, etc.). The trading system is designed so that if further information is received during construction that negates the desire or need to trade the order being constructed, the trading system will stop construction and submit the incomplete data to the Exchange. Because the incomplete data (e.g., a TCP/IP packet missing required TCP or IP fields such as Sequence Number or Destination Port) cannot be properly processed by a network switch or receiving device at the logical or physical entry point to the CFE System, the receiving device will discard the data. If no further information is received by the trading system during construction that would negate the desire or need to trade the order, the trading system will complete construction of, and submit, the data so that an Order message from the trading system is able to reach the CFE System. The practice of submitting to the Exchange purposefully incomplete or malformed data packets has the potential to disrupt the systems of the Exchange and may violate Rule 620(b)(iv).

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