

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

Revised as of November 15, 2018

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\* Capitalized terms used and not otherwise defined herein have the meanings assigned to them in the Rulebook of Cboe Futures Exchange, LLC, as in effect from time to time (the “Rulebook”). All references herein to any “Rule” are to such Rule as set forth in the Rulebook.

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**I. RESERVED**

Amended October 17, 2012 (12-26); December 15, 2014 (14-17); May 24, 2015 (15-12); February 25, 2018 (17-017).

**II. RESERVED**

Amended November 4, 2011 (11-23); October 17, 2012 (12-26); December 15, 2014 (14-17); May 24, 2015 (15-12); June 5, 2016 (16-009); February 25, 2018 (17-017).

### **III. Resolution of Error Trades (Rule 416)**

#### **A. *General Policy***

##### *1. Invoking Error Trade Policy*

Any request by a Trading Privilege Holder to invoke the error trade policy with respect to any trade must be made to the Trade Desk as soon as possible in a form and manner prescribed by the Exchange. Additionally, an employee of the Exchange can bring a potential error trade to the Trade Desk's attention. The Trade Desk may provide assistance only to Trading Privilege Holders. In all cases, if a potential error trade is not brought to the Trade Desk's attention within eight minutes after the relevant trade occurred, such trade will stand, except as provided in Part B below.

##### *2. Notice that Trade Under Review*

When a potential error trade is brought to the Trade Desk's attention, the Trade Desk will disseminate a notice to the parties to the trade that the trade is under review.

##### *3. Procedure Followed by Trade Desk*

The Trade Desk will determine for any potential error trade that is brought to the Trade Desk's attention whether the trade price is in the "no bust range" for the relevant Contract, as set forth in the Rules governing such Contract. With respect to trades involving a Spread Order, the Trade Desk may also consider the theoretical net price of the Spread Order and apply the "no bust range" in relation to that theoretical net price (such that if the net trade price of the Spread Order was inside (outside) that "no bust range", all of the trades involving the Spread Order would be treated as inside (outside) the "no bust range"). In making a determination regarding the theoretical net price of a Spread Order, the Trade Desk may consider all relevant factors, including the net of the true market prices of the Contracts that comprise the individual legs of the Spread Order (each determined in the manner described above) and the net price of other Spread Orders of the same type.

In determining whether the trade price is within the "no bust range," the Trade Desk will determine what the true market price for the relevant Contract was immediately before the potential error trade occurred. In making such determination, the Trade Desk may consider all relevant factors, including the last trade price for such Contract, a better bid or offer price, a more recent price in a different contract month or series and the prices of related contracts trading on the Exchange or other markets.

4. *Trade Price Inside “No Bust Range”*

If the Trade Desk determines that the trade price of a potential error trade was inside the “no bust range” for the relevant Contract, such trade will stand and no further action will be taken. No such trade can be busted by agreement of the parties to such trade.

5. *Trade Price Outside “No Bust Range”*

If the Trade Desk determines that the trade price of a potential error trade was outside the “no bust range” for the relevant Contract, the Trade Desk will review the circumstances surrounding such trade to determine whether such trade should be busted. The factors that may be considered by Trade Desk in this connection include: the market conditions immediately before and after such trade occurred; the volatility of the market; the prices of related instruments in other markets; whether one or more parties to such trade believe that such trade was made at a valid price; and any other factors that the Trade Desk may deem relevant. The Trade Desk shall make its decision as promptly as practicable. Such decision shall be final.

If a trade is busted, the Trade Desk will cancel such trade.

If a trade is not busted, the parties thereto cannot reverse such trade, except as provided in Part B below. The parties to any such trade may also not “trade out” of such trade by entering into a pre-arranged offsetting transaction; *provided that* the parties may engage in pre-execution discussions with each other in accordance with procedures established by the Exchange from time to time.

6. *Notice of Final Action*

As soon as a decision regarding a potential error trade has been made, the Trade Desk will disseminate a notice to the parties to the trade, indicating whether such trade is busted or stands.

**B. *Policy When Error Trade Not Brought to Trade Desk’s Attention Within Time Limit***

This Part B applies only to any error trade that cannot be busted under Part A above because it was not brought to the Trade Desk’s attention within the eight-minute time limit specified therein. The procedures described in this Part B cannot be used if the trade price of the error trade in question was within the “no bust range” for the relevant Contract at the relevant time.

1. *Both Parties Agree to Transfer Position*

Upon the request of either party to an error trade that cannot be busted under Part A above, the Exchange may disclose to that party the identity of the other party to the trade. If both parties to an error trade agree, they may transfer the position resulting from such trade between each other. Any such transfer must be made at



the original trade price and for the same quantity as the original trade. The parties may also, but are not required to, provide for a cash adjustment to compensate one side of such error trade. Any such transfer must be reported to the Exchange in a form and manner prescribed by the Exchange.

## 2. *Arbitration of Disputes*

If the parties to an error trade do not agree to transfer the position resulting from such trade, then the party causing such trade may file an arbitration claim against the Trading Privilege Holder representing the other side in accordance with the arbitration rules incorporated by reference into Chapter 8. Any such arbitration claim must be filed not later than by the close of business on the Business Day immediately succeeding the day on which such error trade occurred. Any such arbitration claim will be dismissed if the owner of the account on the other side of the error trade is not a Trading Privilege Holder or any Person otherwise subject to the jurisdiction of the arbitration. If not dismissed, arbitration proceedings will be conducted in accordance with the arbitration rules incorporated by reference into Chapter 8. In deciding the claim, consideration will be given to, among other factors, the reasonableness of the actions taken by each party and what action (*e.g.*, laying off the position in another market) the party on the other side of the error trade took before being notified that such trade was being questioned. The maximum amount that can be recovered in any such arbitration proceedings is the difference between the error trade price and the true market price for the relevant Contract immediately before such error trade occurred, as determined on the basis of the factors listed in Part A above.

## C. *Voluntary Adjustment of Trade Price*

When an error trade outside of the “no bust range” for the relevant Contract is busted in accordance with Part A above, the parties to such trade may agree voluntarily to keep such trade but to adjust its price, provided all of the following conditions are met:

1. The quantity of the position being transferred must be identical to the quantity of the error trade that was busted.
2. In the case of an error trade below the true market price for the relevant Contract, the adjusted price must be the lowest price at which such Contract traded at or about the time of the error trade without such trades being busted. In the case of an error trade above the true market price for the relevant Contract, the adjusted price must be the highest price at which such Contract traded at or about the time of the error trade without such trades being busted.
3. The parties to any adjusted trade must report such trade to the Clearing Corporation not later than by the close of business on the Business Day immediately succeeding the day on which such error trade occurred. Any such adjusted trade must also be reported to the Exchange in a form and manner prescribed by the Exchange.

**D. *Busting Trades When Trading Privilege Holder is on Both Sides of the Trade***

Notwithstanding any other provision of this policy, the Trade Desk is authorized to bust any trade regardless of the price range in which the trade occurs if (i) the trade resulted from the matching of a Trading Privilege Holder's Order for the Trading Privilege Holder's own account with another Order for that Trading Privilege Holder's own account and (ii) the Trading Privilege Holder brings the relevant trade to the Trade Desk's attention within eight minutes after the relevant trade occurred in a form and manner prescribed by the Exchange. Notwithstanding the application of the preceding sentence, Trading Privilege Holders remain obligated to comply with the Rules of the Exchange, including without limitation, Rule 616 (Wash Trades).

**E. *Busting Trades That Occur After a Regulatory Halt is Instituted***

As provided by Rule 417, trades in a Single Stock Future or in a Narrow-Based Stock Index Future made after the time an underlying regulatory halt is instituted and before trading has been resumed in the affected Security Future Contract are subject to cancellation or "bust" by the Trade Desk.

**F. *Busting or Adjusting Trades in the S&P 500 Variance Futures Contract***

In its sole discretion, the Trade Desk is authorized to bust or adjust a trade in the S&P 500 Variance futures contract if it determines that there has been an error in the calculation of the number of variance units or the futures converted contract price for the trade (referred to as a standard formula input error). The determination as to whether a standard formula input error occurred is solely within the Trade Desk's discretion. The busting or adjustment of a trade by the Trade Desk due to a standard formula input error may only occur on the same calendar or Business Day that the trade occurred.

**G. *Busting or Adjusting Block Trades and the Contract Leg of Exchange of Contract for Related Position Transactions Inputted with Mistake, Inaccuracy or Error***

The Trade Desk is authorized to bust or adjust a Block Trade or the Contract leg of an Exchange of Contract for Related Position transaction if both (i) there was a mistake, inaccuracy or error in the information that was inputted into the CFE System for the Block Trade or the Contract leg of the Exchange of Contract for Related Position transaction and (ii) an Authorized Reporter or party on each side of the transaction agree upon the mistake, inaccuracy or error that occurred and notify the Trade Desk of the mistake, inaccuracy or error in a form and manner prescribed by the Exchange by no later than 4:00 p.m. Chicago time on the Business Day of the transaction.

**H. *Busting or Adjusting Trades Not Correctly Processed Due to System Malfunction***

The Trade Desk is authorized to bust or adjust any trade that is not correctly processed by the CFE System due to a system malfunction.

**I. *Busting or Adjusting Trades to Mitigate Market Disrupting Events***

The Trade Desk, in consultation with an Exchange officer, is authorized to bust or adjust any trade (i) when necessary to mitigate market disrupting events caused by malfunctions in the CFE System or errors in Orders submitted by Trading Privilege Holders and market participants or (ii) if the Trade Desk believes that allowing the trade to stand as executed could have a material adverse effect on the integrity of the market.

**J. *Busting Trades Rejected by the Clearing Corporation***

The Trade Desk is authorized to bust any trade that is not accepted for clearing by the Clearing Corporation.

**K. *Busting Leg Components of Block Trade and Exchange of Contract for Related Position Spread Transactions***

Upon the request of one of the parties to the transaction, the Trade Desk is authorized to bust the Contract leg components of a Block Trade or Exchange of Contract for Related position transaction that are part of a spread or strip if the submission of one of the Contract leg components of the transaction is rejected by the CFE System because it would cause a net long (short) risk control pursuant to Rule 513A(c) to be exceeded.

**L. *Notice of Trade Busts and Adjustments***

The Exchange shall disseminate notice of any bust of a trade pursuant to this Policy and Procedure III through Exchange Market Data. The Exchange shall provide notice of any adjustment of a trade pursuant to this Policy and Procedure III to the parties to that trade.

**M. *Cancellation of Orders Due to System Malfunction***

The Trade Desk is authorized to cancel Orders as it deems necessary to maintain a fair and orderly market if a technical or systems issue or malfunction occurs with the CFE System. The Trade Desk shall disseminate notice to impacted Trading Privilege Holders of any cancellation of Orders pursuant to this Part O.

Amended June 8, 2004 (04-16); August 4 (05-22); February 23, 2009 (09-03); March 2, 2009 (09-06); June 3, 2009 (09-13); March 22, 2011 (11-05); September 27, 2012 (12-18); October 17, 2012 (12-26); October 28, 2013 (13-32); May 1, 2014 (14-08); May 4, 2015 (15-08); May 15, 2015 (15-13); June 30, 2015 (15-17); February 25, 2018 (17-017); February 25, 2018 (18-002); November 15, 2018 (18-026).

#### **IV. Pre-Execution Discussions (Rule 613)**

Any Trading Privilege Holder or Authorized Trader may engage in pre-execution discussions with respect to any Contract, in accordance with the principles set forth below, with any other Trading Privilege Holder or Authorized Trader, in order to discuss the possible execution of an Order for such Contract with one or more potential counterparties and thereby obtain some assurance that there will be a counterparty ready and willing to take the other side of such Order.

It is permissible for any Trading Privilege Holder or Authorized Trader, prior to entering any Order into the CFE System, to agree with another Trading Privilege Holder or Authorized Trader that such other Person will take the other side of such Order after waiting a designated period of time after such Order is entered into the CFE System by the first Person (“Order Exposure Period”); provided that if one of the Orders is a Customer Order and the other Order is not a Customer Order, the Customer Order must be entered first.

The Order Exposure Period shall be prescribed by the rules governing the relevant Contract.

If an Order is placed by a Trading Privilege Holder on behalf of a Customer in accordance with the foregoing paragraphs, such Customer must consent in advance to such Trading Privilege Holder engaging in pre-execution discussions with respect to such Order and the Trading Privilege Holder shall exercise due diligence in the handling and execution of the Order in accordance with Rule 512. Proceeding in this manner does not violate Rule 613 because advance consent is obtained from the Customer and is consistent with ensuring that the CFE System remains an open and competitive trading system because the Order is exposed to other market participants. For purposes of this policy, pre-execution discussions shall not be deemed to include discussions between a Trading Privilege Holder or Authorized Trader and the Customer that placed the Order with such Trading Privilege Holder or Authorized Trader.

Amended November 4, 2004 (04-20); March 6, 2008 (08-01); February 21, 2013 (13-07); February 25, 2018 (17-017).

**V. Emergency and Physical Emergency Delegations and Procedures (Rule 418)**

**A. *Specific Emergency and Physical Emergency Delegations***

*1. Emergency Delegations*

Chapter 1 defines the term “Emergency” and provides a non-exclusive list of circumstances that may constitute an Emergency.

Rule 418(a) grants the President or any individual designated by the President the authority to determine on behalf of the Board the existence of an Emergency and the authority to take actions in response to an Emergency, including all of the actions listed below. The President or the President’s designee may also order the removal of any restriction previously imposed based upon a determination that the Emergency no longer exists or has sufficiently abated to permit the function of the Exchange to continue in an orderly manner.

Pursuant to Rule 418(a), the following individuals in addition to the President are authorized as designees of the President to determine the existence of an Emergency and to take the actions specified in the delegations below in response to an Emergency. These additional individuals may also order the removal of any restriction that the applicable individual has been delegated the authority to impose based upon a determination by the applicable individual that the Emergency no longer exists or has sufficiently abated to permit the function of the Exchange to continue in an orderly manner.

The Senior Person in Charge of the Trade Desk refers to the individual in charge of the Trade Desk at the applicable time.

<b>Rule</b>	<b>Emergency Actions</b>	<b>Emergency Delegations</b>
414(n) 415(k)	Temporarily modifying a Permissible Agreement Period, Reporting Deadline, Permissible Reporting Period, and/or permissible manner of notification to the Exchange of Exchange of Contract for Related Position transactions or Block Trades for all Trading Privilege Holders	<ul style="list-style-type: none"><li>• Chief Regulatory Officer</li></ul>
417A(a)	Halting trading if there is a Level 1, 2 or 3 Market Decline	<ul style="list-style-type: none"><li>• Senior Person in Charge of Trade Desk</li></ul>

<b>Rule</b>	<b>Emergency Actions</b>	<b>Emergency Delegations</b>
417A(d)	Resuming trading after the 15-minute halt period following a Level 1 or Level 2 Market Decline	<ul style="list-style-type: none"> <li>• Senior Person in Charge of Trade Desk</li> </ul>
418(a)(i)	Limiting trading to liquidation only, in whole or in part	<ul style="list-style-type: none"> <li>• Managing Director</li> </ul>
418(a)(ii)	Extending or shortening, as applicable, the Expiration Date or expiration duration of any Contract	<ul style="list-style-type: none"> <li>• Managing Director</li> </ul>
418(a)(iii)	Extending the time of delivery, changing delivery points or the means of delivery provided in the rules governing any Contract	<ul style="list-style-type: none"> <li>• Managing Director</li> </ul>
418(a)(iv)	Imposing or modifying position limits or intraday market restrictions with respect to any Contract	<ul style="list-style-type: none"> <li>• Managing Director</li> <li>• Chief Regulatory Officer</li> </ul>
1202(i)(i) (H) 1302(i)(i) (I) 2102(i)(i) (H) 418(a)(iv)	Action necessary to protect market integrity, such as imposing or modifying price limits with respect to any Contract	<ul style="list-style-type: none"> <li>• Senior Person in Charge of Trade Desk</li> </ul>
418(a)(v)	Ordering the liquidation of Contracts, the fixing of a settlement price or any reduction in positions	<ul style="list-style-type: none"> <li>• Managing Director</li> </ul>
418(a)(vi)	Ordering the transfer of Contracts, and the money, securities, and property securing such Contracts, held on behalf of Customers by any Trading Privilege Holder to one or more other Trading Privilege Holders willing to assume such Contracts or obligated to do so	<ul style="list-style-type: none"> <li>• Managing Director</li> </ul>
418(a)(vii)	Extending, limiting or changing hours of trading	<ul style="list-style-type: none"> <li>• Managing Director or</li> <li>• Senior Person in Charge of Trade Desk</li> </ul>

<b>Rule</b>	<b>Emergency Actions</b>	<b>Emergency Delegations</b>
418(a)(viii)	Temporarily changing the Threshold Width, risk control settings or price reasonability ranges for a Contract	<ul style="list-style-type: none"> <li>• Managing Director or</li> <li>• Senior Person in Charge of Trade Desk</li> </ul>
418(a)(ix)	Suspending, curtailing, halting or delaying the opening of trading in any or all Contracts	<ul style="list-style-type: none"> <li>• Managing Director or</li> <li>• Senior Person in Charge of Trade Desk</li> </ul>
418(a)(ix)	Modifying circuit breakers	<ul style="list-style-type: none"> <li>• Managing Director</li> </ul>
418(a)(x)	Requiring Clearing Members, Trading Privilege Holders or Customers to meet special margin requirements	<ul style="list-style-type: none"> <li>• Managing Director or</li> <li>• Chief Regulatory Officer</li> </ul>
418(a)(xi)	Altering any settlement terms or conditions of a Contract	<ul style="list-style-type: none"> <li>• Managing Director</li> </ul>
418(a)(xii)	Suspending any provision of the Rules of the Exchange or the Rules of the Clearing Corporation	<ul style="list-style-type: none"> <li>• Managing Director or</li> <li>• Chief Regulatory Officer</li> </ul>
418(a)(xiii)	Modifying any provisions of the Rules of the Exchange or the Rules of the Clearing Corporation	<ul style="list-style-type: none"> <li>• Managing Director</li> </ul>
418(a)(xiv)	Providing for the carrying out of such actions through the Exchange's agreements with a third-party provider of clearing or regulatory services	<ul style="list-style-type: none"> <li>• Managing Director or</li> <li>• Chief Regulatory Officer</li> </ul>

## 2. *Physical Emergency Delegations*

Rule 418(b) governs emergencies affecting the physical functions of the Exchange and provides a non-exclusive list of circumstances that may constitute such a "Physical Emergency."

Rule 418(b) grants the President or any individual designated by the President the authority to determine on behalf of the Board the existence of a Physical Emergency and the authority to take actions in response to a Physical Emergency, including all of the actions listed below. The President or the President's

designee may also order the removal of any restriction previously imposed based upon a determination that the Physical Emergency no longer exists or has sufficiently abated to permit the function of the Exchange to continue in an orderly manner.

Pursuant to Rule 418(b), the following individuals in addition to the President are authorized as designees of the President to determine the existence of a Physical Emergency and to take the actions specified in the delegations below in response to a Physical Emergency. These additional individuals may also order the removal of any restriction that the applicable individual has been delegated the authority to impose based upon a determination by the applicable individual that the Physical Emergency no longer exists or has sufficiently abated to permit the function of the Exchange to continue in an orderly manner.

<b>Rule</b>	<b>Physical Emergency Actions</b>	<b>Physical Emergency Delegations</b>
418(b)	Delaying the opening of trading in one or more Contracts	<ul style="list-style-type: none"> <li>• Managing Director or</li> <li>• Senior Person in Charge of Trade Desk</li> </ul>
418(b)	Suspending, curtailing or halting trading in one or more Contracts	<ul style="list-style-type: none"> <li>• Managing Director or</li> <li>• Senior Person in Charge of Trade Desk</li> </ul>
418(b)	Extending or shortening trading hours for one or more Contracts	<ul style="list-style-type: none"> <li>• Managing Director</li> </ul>
418(b)	Closing the Exchange	<ul style="list-style-type: none"> <li>• Managing Director</li> </ul>

**B. *Procedures for Exercise of Emergency and Physical Emergency Delegations***

In the event that action is taken by the President or other individual with delegated authority in response to an Emergency or Physical Emergency as provided for in Paragraph A, the Board shall be advised of (1) the circumstances that gave rise to the determination of the Emergency or Physical Emergency, (2) the action taken in response to the Emergency or Physical Emergency, and (3) the outcome of events relating to the Emergency or Physical Emergency. This notification shall be provided to the Board no later than its next meeting and shall be provided sooner to the extent required by Rule 418(c) or if the President or other individual with delegated authority with respect to the action taken determines that it would be advisable to do so under the circumstances.

In determining how soon the foregoing notification should be provided to the Board, the President or other individual with delegated authority with respect to the action taken should consider the significance of the action taken and of any continuing market



impact resulting from that action. For example, the imposition a trading halt of limited duration is the type of action that would not normally be expected to be immediately brought to the Board's attention. Conversely, the ordering of the transfer of Contracts, and the money, securities, and property securing such Contracts, held on behalf of a Customer by a Trading Privilege Holder to another Trading Privilege Holder who assumed such Contracts would normally be expected to be expeditiously brought to the Board's attention.

Adopted February 4, 2005 (05-06). Amended July 1, 2005 (05-15); August 8, 2005 (05-25). Deleted February 17, 2005 (06-03). Re-Adopted August 1, 2006 (06-12). Deleted May 15, 2008 (08-05). Re-Adopted May 15, 2008 (08-05). Amended January 12, 2009 (09-01); October 17, 2012 (12-26); October 28, 2013 (13-32); June 30, 2014 (14-15); May 4, 2015 (15-008); July 23, 2015 (15-015); December 3, 2017 (17-018); February 25, 2018 (17-017); February 25, 2018 (18-002).

## **VI. Trading Privilege Holder Permit Program**

Any Person that desires to become a Trading Privilege Holder is required to obtain a Trading Privilege Holder permit (“TPH Permit”).

Initially, the Exchange will make available 2,500 TPH Permits. The Exchange may subsequently make available additional TPH Permits if the initial supply of 2,500 TPH Permits is exhausted.

TPH Permits may be obtained by any Person that is a trading permit holder of Cboe Options with Cboe Options trading privileges and any other Person that satisfies the requirements set forth in Rule 304(a).

Each Person desiring to obtain a TPH Permit must submit an application to the Exchange in a form and manner prescribed by the Exchange pursuant to Rule 305 and become approved by the Exchange as a Trading Privilege Holder. Each Trading Privilege Holder may permit one or more individuals to act as its Authorized Traders pursuant to Rule 303.

Any organization that desires to become a Clearing Member of the Exchange is required to become a Trading Privilege Holder and to obtain a TPH Permit. Additionally, in order to be an Exchange Clearing Member, an organization is required to be a member of the Clearing Corporation that is authorized under the rules of the Clearing Corporation to clear trades in Contracts traded on the Exchange.

Each TPH Permit provides a Trading Privilege Holder with Trading Privilege Holder status and entitles a Trading Privilege Holder to Trading Privileges on the Exchange. Trading Privilege Holders may obtain TPH Permits from the Exchange in a form and manner prescribed by the Exchange.

A Pool Manager may obtain a single TPH Permit for the Pool Manager and all of the Pools approved under Rule 305A for which it acts as Pool Manager. If there is more than one Pool Manager for a Pool or Pools, the Pool Managers for the Pool(s) may obtain a single Trading Permit for the Pool Managers and all of the Pools approved under Rule 305A for which they act as Pool Manager. Pool Managers and Pools must have a separate EFID or EFIDs for trading on the Exchange involving each distinct combination of Pool Manager and clearing number for that trading. A Pool Manager may utilize any of these EFIDs for trading involving a Pool or multiple Pools approved under Rule 305A for which it acts as Pool Manager.

TPH Permit holders shall have all of the rights and obligations of Trading Privilege Holders under the Rules of the Exchange except to the extent otherwise provided under this Policy and the Rules of the Exchange.

Any recipient of a TPH Permit as permitted by Rule 302 is required to provide the Exchange with the appropriate application materials and to be approved as a Trading Privilege Holder pursuant to Rule 305 before the recipient will be permitted to act as a Trading Privilege Holder.

A TPH Permit is non-transferable, non-assignable and may not be sold or leased, except that a Trading Privilege Holder may, with the prior written consent of the Exchange, transfer a TPH Permit to a Trading Privilege Holder organization or organization approved to be a Trading Privilege Holder: (i) which is an Affiliate; or (ii) which continues substantially the same business without regard to the form of the transaction used to achieve such continuation, e.g., merger, sale of substantially all assets, reincorporation, reorganization or the like.

All Order Entry Trading Permits and Quoting and Order Entry Trading Permits issued for use prior to the migration of the CFE System to Bats technology shall expire upon the completion of the migration. Each Trading Privilege Holder that has one or more Order Entry Trading Permits and Quoting and Order Entry Trading Permits at the time of the migration shall be issued, in a form and manner prescribed by the Exchange, a single TPH permit for use following the migration. The term of each TPH permit that is issued for use following the migration and that is outstanding at the end of 2018 shall expire on December 31, 2018. The Exchange may determine to extend the term of these TPH permits or allow these TPH permits to expire. The Exchange may also replace the TPH Permit program with a different permit program at any time.

The issuance of a TPH permit does not include the issuance of a port or EFID. A Trading Privilege Holder must separately obtain in a form and manner prescribed by the Exchange any ports or EFIDs that the Trading Privilege Holder desires to obtain.

All Exchange fees applicable to TPH Permit holders and all other Exchange fees will be as set forth in a separate Exchange fee schedule.

Adopted October 1, 2003 (03-01). Amended March 16, 2005 (05-10); September 22, 2005 (05-27); December 18, 2006 (06-21); December 13, 2007 (07-13); December 9, 2008 (08-11); December 8, 2009 (09-17); June 18, 2010 (10-05); December 10, 2010 (10-11); January 1, 2012 (11-27); December 28, 2012 (12-32); May 14, 2013 (13-18); August 13, 2013 (13-30); December 27, 2103 (13-41); December 12, 2014 (14-028); November 25, 2015 (15-029); December 13, 2016 (16-015); October 31, 2017 (17-016); January 1, 2018 (17-021); February 25, 2018 (17-017); April 25, 2018 (18-005).

## **VII. Security Futures Market Maker Registration Policy and Procedures**

### **A. *Security Futures Market Maker Program***

Pursuant to Exchange Rule 514, the Exchange has adopted a market maker program under which one or more Trading Privilege Holders or Authorized Traders may be designated as market makers in respect of one or more Security Futures to provide liquidity and orderliness in the market for such Security Futures. To be designated as an Exchange market maker in Security Futures, a Trading Privilege Holder or Authorized Trader must complete and file with the Exchange a Market Maker Registration Form. By signing the registration form the Trading Privilege Holder or Authorized Trader will confirm that the Person meets and will continue to meet the qualifications to act as market maker in Security Futures in accordance with Exchange Rules. The Trading Privilege Holder or Authorized Trader will be required to identify all Security Futures for which the Person seeks to be designated as a market maker and undertake to perform all of the market maker obligations specified in Exchange Rule 517(n).

### **B. *Market Maker Exclusion from Customer Margin Requirements***

To qualify for the market maker exclusion in Exchange Rule 517(n) for purposes of the Exchange's customer margin rules relating to Security Futures, a Person must:

- (1) be a Trading Privilege Holder or Authorized Trader that is registered with the Exchange as a dealer in Security Futures as defined in Section 3(a)(5) of the Exchange Act;
- (2) be registered as a floor trader or a floor broker under Section 4f(a)(1) of the CEA or as a dealer with the Securities and Exchange Commission ("SEC") under Section 15(b) of the Exchange Act;
- (3) maintain records sufficient to prove compliance with the requirements of Exchange Rule 517(n) and Commission Rule 41.42(c)(2)(v) and SEC Rule 400(c)(2)(v) under the Exchange Act as applicable, including without limitation trading account statements and other financial records sufficient to detail activity; and
- (4) hold itself out as being willing to buy and sell Security Futures for its own account on regular or continuous basis.

In addition, the market maker exclusion provides that any market maker that fails to comply with the rules of the Exchange or the margin rules adopted by the SEC and the Commission shall be subject to disciplinary action in accordance with Chapter 7 of the Exchange's rules, and that appropriate sanctions in the case of any such failure shall include, without limitation, a revocation of such market maker's registration as a dealer in Security Futures.

**C. *Market Maker Obligations***

Exchange Rule 517(n) specifies how a Trading Privilege Holder or Authorized Trader satisfies the requirement that a market maker hold itself out as being willing to buy and sell Security Futures for its own account on a regular or continuous basis. Each Trading Privilege Holder or Authorized Trader seeking market maker designation must register as a market maker in Security Futures and undertake to perform all of the following obligations:

The market maker will provide Orders that result in continuous two-sided quotations throughout the trading day for all delivery months of Security Futures representing a meaningful proportion of the total trading volume on the Exchange from Security Futures in which that market maker is designated as a market maker, subject to relaxation during unusual market conditions as determined by the Exchange in either a Security Future or a security underlying such Security Future at which times such market maker must use its best efforts to provide Orders that result in continuous and competitive quotations; and (y) when providing Orders, provides Orders with a maximum bid/ask spread of no more than the greater of \$5.00 or 150% of the bid/ask spread in the primary market for the security underlying each Security Future

For purposes of the preceding paragraph, beginning on the 181<sup>st</sup> calendar day after the commencement of trading of Security Futures, a “meaningful proportion of the total trading volume on the Exchange from Security Futures in which that market maker is designated as a market maker” shall mean a minimum of 20% of such trading volume.

**D. *Qualification for “60/40” Tax Treatment***

To qualify as a “dealer” in security futures contracts within the meaning of Section 125(g)(9) of the Internal Revenue Code of 1986, as amended (the “Code”), a Trading Privilege Holder or Authorized Trader is required (i) to register as a market maker for purposes of the Exchange’s margin rules; (ii) to undertake in that Person’s registration form to provide quotations through Orders for all products specified for the market maker exclusion from the Exchange margin rules; and (iii) to quote through Orders a minimum size of:

- (A) ten (10) contracts for each product not covered by (B) or (C) below;
- (B) five (5) contracts for each product specified by the Trading Privilege Holder or Authorized Trader to the extent such quotations are provided for delivery months other than the next two delivery months then trading; and
- (C) one (1) contract for any single stock futures contract where the average market price for the underlying stock was \$100 or higher for the preceding calendar month or for any futures contract on a narrow-based security index, as defined by Section 1a(25) of the CEA.

## **E. *Products***

As noted above in completing the Market Maker Registration Form, a Trading Privilege Holder or Authorized Trader must specify all Security Futures for which that Person intends to act as a market maker. The Exchange will assign to the Trading Privilege Holder or Authorized Trader all of the Security Futures listed on its registration form, unless the Exchange provides written notice to the Trading Privilege Holder or Authorized Trader identifying any Security Futures for which such assignment is withheld. A Trading Privilege Holder or Authorized Trader may change the list of Security Futures for which that Person undertakes to act as market maker for any calendar quarter by filing a revised Market Maker Registration Form with the Exchange on any business day prior to the last trading day of such quarter, and such change shall be effective retroactive to the first trading day of such quarter. Each market maker shall be responsible for maintaining books and records that confirm that the market maker has fulfilled the market maker's quarterly obligations under the market maker category elected on its Market Maker Registration Form in respect of all Security Futures designated for that calendar quarter.

Adopted July 26, 2005 (05-20). Amended March 22, 2011 (11-05); November 9, 2015 (15-027); February 25, 2018 (17-017).

## **VIII. Eligibility And Maintenance Criteria For Security Futures**

### **A. *Initial Listing Standards for Single Stock Futures***

1. For a Single Stock Future that is physically settled to be eligible for initial listing, the security underlying the futures contract must meet each of the following requirements:
  - (i) It must be a common stock, an American Depositary Receipt (“ADR”) representing common stock or ordinary shares, a share of an exchange traded fund (“ETF Share”), a trust issued receipt (“TIR”) or a share of a registered closed-end management investment company (“Closed-End Fund Share”).
  - (ii) It must be registered under Section 12 of the Exchange Act, and its issuer must be in compliance with any applicable requirements of the Exchange Act.
  - (iii) It must be listed on a national securities exchange (a “National Securities Exchange”) or traded through the facilities of a national securities association (“Association”) and reported as a “national market system” security as set forth in Rule 11Aa3-1 under the Exchange Act (“NMS security”).
  - (iv) There must be at least seven million shares or receipts evidencing the underlying security outstanding that are owned by persons other than those required to report their security holdings pursuant to Section 16(a) of the Exchange Act.

#### **Requirement (iv) as Applied to Restructure Securities:**

*In the case of an equity security that a company issues or anticipates issuing as the result of a spin-off, reorganization, recapitalization, restructuring or similar corporate transaction (“Restructure Security”), the Exchange may assume that this requirement is satisfied if, based on a reasonable investigation, it determines that, on the product’s intended listing date: (A) at least 40 million shares of the Restructure Security will be issued and outstanding; or (B) the Restructure Security will be listed on a National Securities Exchange or automated quotation system that is subject to an initial listing requirement of no less than seven million publicly owned shares.*

*In the case of a Restructure Security issued or distributed to the holders of the equity security that existed prior to the ex-date of a spin-off, reorganization, recapitalization, restructuring or similar corporate transaction (“Original Equity Security”), the Exchange may consider the number of outstanding shares of the Original Equity Security prior to the*

*spin-off, reorganization, recapitalization, restructuring or similar corporate transaction (“Restructuring Transaction”).*

- (v) In the case of an underlying security other than an ETF Share, TIR or Closed-End Fund Share, there must be at least 2,000 security holders.

*Requirement (v) as Applied to Restructure Securities:*

*If the security under consideration is a Restructure Security, the Exchange may assume that this requirement is satisfied if, based on a reasonable investigation, the Exchange determines that, on the product’s intended listing date: (A) at least 40 million shares of the Restructure Security will be issued and outstanding; or (B) the Restructure Security will be listed on a National Securities Exchange or automated quotation system that is subject to an initial listing requirement of at least 2,000 shareholders. In the case of a Restructure Security issued or distributed to the holders of the Original Equity Security, the Exchange may consider the number of shareholders of the Original Equity Security prior to the Restructuring Transaction.*

- (vi) In the case of an underlying security other than an ETF Share, TIR or Closed-End Fund Share, it must have trading volume (in all markets in which the underlying security is traded) of at least 2,400,000 shares in the preceding 12 months.

*Requirement (vi) as Applied to Restructure Securities:*

*Look-Back Test:* *In determining whether a Restructure Security that is issued or distributed to the shareholders of an Original Equity Security (but not a Restructure Security that is issued pursuant to a public offering or rights distribution) satisfies this requirement, the Exchange may “look back” to the trading volume history of the Original Equity Security prior to the ex-date of the Restructuring Transaction if the following Look-Back Test is satisfied:*

- (a) The Restructure Security has an aggregate market value of at least \$500 million;
- (b) The aggregate market value of the Restructure Security equals or exceeds the Relevant Percentage (defined below) of the aggregate market value of the Original Equity Security;
- (c) The aggregate book value of the assets attributed to the business represented by the Restructure Security equals or exceeds \$50 million and the Relevant Percentage of the aggregate book value of the assets attributed to the business represented by the Original Equity Security; or



- (d) The revenues attributed to the business represented by the Restructure Security equal or exceed \$50 million and the Relevant Percentage of the revenues attributed to the business represented by the Original Equity Security.

*For purposes of determining whether the Look-Back Test is satisfied, the term “Relevant Percentage” means: (i) 25%, when the applicable measure determined with respect to the Original Equity Security or the business it represents includes the business represented by the Restructure Security; and (ii) 33-1/3%, when the applicable measure determined with respect to the Original Equity Security or the business it represents excludes the business represented by the Restructure Security.*

*In calculating comparative aggregate market values, the Exchange will use the Restructure Security’s closing price on its primary market on the last business day prior to the date on which the Restructure Security is selected as an underlying security for a Security Futures product (“Selection Date”), or the Restructure Security’s opening price on its primary market on the Selection Date, and will use the corresponding closing or opening price of the related Original Equity Security.*

*Furthermore, in calculating comparative asset values and revenues, the Exchange will use the issuer’s (i) latest annual financial statements or (ii) most recently available interim financial statements (so long as such interim financial statements cover a period of not less than three months), whichever are more recent. Those financial statements may be audited or unaudited and may be pro forma.*

*Limitation on Use of Look-Back Test: Except in the case of a Restructure Security that is distributed pursuant to a public offering or rights distribution, the Exchange will not rely upon the trading volume history of an Original Equity Security for any trading day unless it also relies upon the market price history for that trading day.*

*In addition, once the Exchange commences to rely upon a Restructure Security’s trading volume and market price history for any trading day, the Exchange will not rely upon the trading volume and market price history of the Original Equity Security for any trading day thereafter.*

- (vii) In the case of an underlying security that is an ETF Share, TIR or Closed-End Fund Share, it must have had a total trading volume (in all markets in which the underlying security has traded) of at least 2,400,000 shares or receipts evidencing the underlying security in the preceding 12 months.
- (viii) If the underlying security is a “covered security” as defined under Section 18(b)(1)(A) of the Securities Act of 1933, the market price per share of the underlying security has been at least \$3.00 for the previous five

consecutive business days preceding the date on which the Exchange submits a certificate to The Options Clearing Corporation for listing and trading. For purposes of this provision, the market price of such underlying security is measured by the closing price reported in the primary market in which the underlying security is traded.

Requirement (viii) as Applied to Restructure Securities:

*Look-Back Test:* In determining whether a Restructure Security that is issued or distributed to the shareholders of an Original Equity Security (but not a Restructure Security that is issued pursuant to a public offering or rights distribution) satisfies this requirement, the Exchange may “look back” to the market price history of the Original Equity Security prior to the ex-date of the Restructuring Transaction if the following Look-Back Test is satisfied:

- (a) The Restructure Security has an aggregate market value of at least \$500 million;
- (b) The aggregate market value of the Restructure Security equals or exceeds the Relevant Percentage (defined below) of the aggregate market value of the Original Equity Security;
- (c) The aggregate book value of the assets attributed to the business represented by the Restructure Security equals or exceeds both \$50 million and the Relevant Percentage of the aggregate book value of the assets attributed to the business represented by the Original Equity Security; or
- (d) The revenues attributed to the business represented by the Restructure Security equals or exceeds both \$50 million and the Relevant Percentage of the revenues attributed to the business represented by the Original Equity Security.

*For purposes of determining whether the Look-Back Test is satisfied, the term “Relevant Percentage” means: (i) 25%, when the applicable measure determined with respect to the Original Equity Security or the business it represents includes the business represented by the Restructure Security; and (ii) 33-1/3%, when the applicable measure determined with respect to the Original Equity Security or the business it represents excludes the business represented by the Restructure Security.*

*In calculating comparative aggregate market values, the Exchange will use the Restructure Security’s closing price on its primary market on the last business day prior to the Selection Date, or the Restructure Security’s opening price on its primary market on the Selection Date, and will use the corresponding closing or opening price of the related Original Equity Security.*

Furthermore, in calculating comparative asset values and revenues, the Exchange will use the issuer's (i) latest annual financial statements or (ii) most recently available interim financial statements (so long as such interim financial statements cover a period of not less than three months), whichever are more recent. Those financial statements may be audited or unaudited and may be pro forma.

Restructure Securities Issued in Public Offering or Rights Distribution: In determining whether a Restructure Security that is distributed pursuant to a public offering or a rights distribution satisfies requirement (viii), the Exchange may look back to the market price history of the Original Equity Security if: (i) the foregoing Look-Back Test is satisfied; (ii) the Restructure Security trades "regular way" on a National Securities Exchange or automatic quotation system for at least five trading days immediately preceding the Selection Date; and (iii) at the close of trading on each trading day on which the Restructure Security trades "regular way" prior to the Selection Date, as well as at the opening of trading on Selection Date, the market price of the Restructure Security was at least \$3.00.

Limitation on Use of Look-Back Test: Except in the case of a Restructure Security that is distributed pursuant to a public offering or rights distribution, the Exchange will not rely upon the market price history of an Original Equity Security for any trading day unless it also relies upon the trading volume history for that trading day. In addition, once the Exchange commences to rely upon a Restructure Security's trading volume and market price history for any trading day, the Exchange will not rely upon the trading volume and market price history of the related Original Equity Security for any trading day thereafter.

- (ix) If the underlying security is not a "covered security" as defined under Section 18(b)(1)(A) of the Securities Act of 1933, it must have had a market price per security of at least \$7.50, as measured by the lowest closing price reported in any market in which it has traded, for the majority of business days during the three calendar months preceding the date of selection.

Requirement (ix) as Applied to Restructure Securities:

Look-Back Test: In determining whether a Restructure Security that is issued or distributed to the shareholders of an Original Equity Security (but not a Restructure Security that is issued pursuant to a public offering or rights distribution) satisfies this requirement, the Exchange may "look back" to the market price history of the Original Equity Security prior to the ex-date of the Restructuring Transaction if the following Look-Back Test is satisfied:

- (a) The Restructure Security has an aggregate market value of at least \$500 million;
- (b) The aggregate market value of the Restructure Security equals or exceeds the Relevant Percentage (defined below) of the aggregate market value of the Original Equity Security;
- (c) The aggregate book value of the assets attributed to the business represented by the Restructure Security equals or exceeds both \$50 million and the Relevant Percentage of the aggregate book value of the assets attributed to the business represented by the Original Equity Security; or
- (d) The revenues attributed to the business represented by the Restructure Security equals or exceeds both \$50 million and the Relevant Percentage of the revenues attributed to the business represented by the Original Equity Security.

*For purposes of determining whether the Look-Back Test is satisfied, the term “Relevant Percentage” means: (i) 25%, when the applicable measure determined with respect to the Original Equity Security or the business it represents includes the business represented by the Restructure Security; and (ii) 33-1/3%, when the applicable measure determined with respect to the Original Equity Security or the business it represents excludes the business represented by the Restructure Security.*

*In calculating comparative aggregate market values, the Exchange will use the Restructure Security’s closing price on its primary market on the last business day prior to the Selection Date, or the Restructure Security’s opening price on its primary market on the Selection Date, and will use the corresponding closing or opening price of the related Original Equity Security.*

*Furthermore, in calculating comparative asset values and revenues, the Exchange will use the issuer’s (i) latest annual financial statements or (ii) most recently available interim financial statements (so long as such interim financial statements cover a period of not less than three months), whichever are more recent. Those financial statements may be audited or unaudited and may be pro forma.*

*Restructure Securities Issued in Public Offering or Rights Distribution: In determining whether a Restructure Security that is distributed pursuant to a public offering or a rights distribution satisfies requirement (ix), the Exchange may look back to the market price history of the Original Equity Security if (i) the foregoing Look-Back Test is satisfied; (ii) the Restructure Security trades “regular way” on a National Securities Exchange or automatic quotation system for at least five trading days*

*immediately preceding the Selection Date; and (iii) at the close of trading on each trading day on which the Restructure Security trades “regular way” prior to the Selection Date, as well as at the opening of trading on Selection Date, the market price of the Restructure Security was at least \$7.50.*

*Limitation on Use of Look-Back Test: Except in the case of a Restructure Security that is distributed pursuant to a public offering or rights distribution, the Exchange will not rely upon the market price history of an Original Equity Security for any trading day unless it also relies upon the trading volume history for that trading day. In addition, once the Exchange commences to rely upon a Restructure Security’s trading volume and market price history for any trading day, the Exchange will not rely upon the trading volume and market price history of the related Original Equity Security for any trading day thereafter.*

- (x) If the underlying security is an ADR:
  - (a) The Exchange must have in place an effective surveillance sharing agreement with the primary exchange in the home country where the stock underlying the ADR is traded;
  - (b) The combined trading volume of the ADR and other related ADRs and securities in the U.S. ADR market, or in markets with which the Exchange has in place an effective surveillance sharing agreement, represents (on a share equivalent basis) at least 50% of the combined worldwide trading volume in the ADR, the security underlying the ADR, other classes of common stock related to the underlying security, and ADRs overlying such other stock over the three-month period preceding the dates of selection of the ADR for futures trading (“Selection Date”);
  - (c)
    - (1) The combined trading volume of the ADR and other related ADRs and securities in the U.S. ADR market, and in markets with which the Exchange has in place an effective surveillance sharing agreement, represents (on a share equivalent basis) at least 20% of the combined worldwide trading volume in the ADR and in other related ADRs and securities over the three-month period preceding the Selection Date;
    - (2) The average daily trading volume for the ADR in the U.S. markets over the three-month period preceding the Selection Date is at least 100,000 receipts; and
    - (3) The daily trading volume for the ADR is at least 60,000 receipts in the U.S. markets on a majority of the trading days for the three-month period preceding the Selection Date; or

- (d) The Securities and Exchange Commission and Commodity Futures Trading Commission have otherwise authorized the listing.
- (xi) The Exchange will not list for trading any Security Futures product where the underlying security is a Restructure Security that is not yet issued and outstanding, regardless of whether the Restructure Security is trading on a “when issued” basis or on another basis that is contingent upon the issuance or distribution of securities.

**B. *Maintenance Standards for Single Stock Futures***

1. The Exchange will not open for trading any Single Stock Future that is physically settled with a new delivery month, and may prohibit any opening transactions in the Single Stock Future already trading, to the extent it deems such action necessary or appropriate, unless the underlying security meets each of the following maintenance requirements; provided that, if the underlying security is an ETF Share, TIR or Closed-End Fund Share, the applicable requirements for initial listing of the related Single Stock Future (as described in A.1. above) shall apply in lieu of the following maintenance requirements:
  - (i) It must be registered under Section 12 of the Exchange Act.
  - (ii) There must be at least 6,300,000 shares or receipts evidencing the underlying security outstanding that are owned by persons other than those who are required to report their security holdings pursuant to Section 16(a) of the Exchange Act.
  - (iii) There must be at least 1,600 security holders.
  - (iv) It must have had an average daily trading volume (across all markets in which the underlying security is traded) of least 82,000 shares or receipts evidencing the underlying security in each of the preceding 12 months.

*Requirement (iv) as Applied to Restructure Securities:*

*If a Restructure Security is approved for a Security Futures product trading under the initial listing standards in Section A, the average daily trading volume history of the Original Equity Security (as defined in Section A) prior to the commencement of trading in the Restructure Security (as defined in Section A), including “when issued” trading, may be taken into account in determining whether this requirement is satisfied.*

- (v) If the underlying security is an ADR and was initially deemed appropriate for Security Futures product trading under paragraph (x)(b) or (x)(c) in Section A, the Exchange will not open for trading Security Futures products having additional delivery months on the ADR unless:

- (a) The percentage of worldwide trading volume in the ADR and other related securities that takes place in the U.S. and in markets with which the Exchange has in place an effective surveillance sharing agreement for any consecutive three-month period is: (1) at least 30%, without regard to the average daily trading volume in the ADR; or (2) at least 15% when the average U.S. daily trading volume in the ADR for the previous three months is at least 70,000 receipts;
    - (b) The Exchange has in place an effective surveillance sharing agreement with the primary exchange in the home country where the security underlying the ADR is traded; or
    - (c) The Securities and Exchange Commission and Commodity Futures Trading Commission have otherwise authorized the listing.
  - 2. The Exchange will not open trading in a Single Stock Future with a new delivery month unless the underlying security is listed on a National Securities Exchange or is principally traded through the facilities of a national securities association and is designated as an NMS security.
  - 3. If prior to the withdrawal from trading of a Single Stock Future covering an underlying security that has been found not to meet the Exchange's requirements for continued approval, the Exchange determines that the underlying security again meets the Exchange's requirements, the Exchange may open for trading new delivery months in such Security Futures product and may lift any restriction on opening transactions.
  - 4. Whenever the Exchange announces that approval of an underlying security has been withdrawn for any reason or that the Exchange has been informed that the issuer of an underlying security has ceased to be in compliance with Exchange Act reporting requirements, each Clearing Member and Exchange Member (as such terms are defined in the Rules of the Exchange as in effect from time to time) shall, prior to effecting any transaction in Security Futures products with respect to such underlying security for any customer, inform such customer of such fact and that the Exchange may prohibit further transactions in such Security Futures products as it determines is necessary and appropriate.
- C. *Initial Eligibility Criteria for a Security Futures Product Based on an Index Composed of Two or More Securities.***
- 1. For a Security Futures product based on an index composed of two or more securities to be eligible for initial listing, the index must:
    - (i) Meet the definition of a narrow-based security index in Section 1a(25) of the CEA and Section 3(a)(55) of the Exchange Act; and
    - (ii) Meet the following requirements:

- (a) It must be capitalization-weighted, modified capitalization-weighted, price-weighted, equal dollar-weighted or, in the case of an index underlying physically settled Security Futures products only, approximately equal dollar-weighted.

*Weighting Methodology for Approximately Equal Dollar-Weighted Indices Underlying Physically Settled Security Futures Products:*

*In the case of a physically settled Security Futures product based on an approximately equal dollar-weighted index composed of one or more securities, each component security will be weighted equally based on its market price on the Selection Date, subject to rounding up or down the number of shares or receipts evidencing such security to the nearest multiple of 100 shares or receipts.*

- (b) Its component securities must be registered under Section 12 of the Exchange Act.
- (c) Subject to (e) and (1) below, the component securities that account for at least 90% of the total index weight and at least 80% of the total number of component securities in the index must meet the requirements for listing a single-security future, as set forth in Section A.
- (d) Each component security in the index must have a minimum market capitalization of at least \$75 million, except that each of the lowest weighted securities in the index that in the aggregate account for no more than 10% of the weight of the index may have a minimum market capitalization of only \$50 million.
- (e) The average daily trading volume in each of the preceding six months for each component security in the index must be at least 45,500 shares or receipts, except that each of the lowest weighted component securities in the index that in the aggregate account for no more than 10% of the weight of the index may have an average daily trading volume of only 22,750 shares or receipts for each of the last six months.
- (f) Each component security in the index must be (1) listed on a National Securities Exchange or traded through the facilities of an Association and (2) reported as an NMS security.
- (g) Foreign securities or ADRs thereon that are not subject to comprehensive surveillance sharing agreements must not represent more than 20% of the weight of the index.



- (h) The current underlying index value must be reported at least once every 15 seconds during the time the Security Futures product is traded on the Exchange.
- (i) An equal dollar-weighted index must be rebalanced at least once every calendar quarter, except that an approximately equal dollar-weighted index underlying a physically settled Security Futures product need only be rebalanced as provided in (j) below.
- (j) An approximately equal dollar-weighted index underlying a physically settled Security Futures product must be rebalanced annually if the aggregate value (i.e., the original number of shares multiplied by their current price) of the security position with the highest value is two or more times greater than the aggregate value of the security position with the lowest value in the index for any period of 10 consecutive trading days within the last month preceding the date of determination. In addition, the Exchange may from time to time, but no more frequently than quarterly, elect to rebalance any approximately equal dollar-weighted index underlying a physically settled Security Futures product depending on several factors, including the relative price changes of the component securities, the levels of volume and open interest in the contracts and input from market participants.

*Procedure for Rebalancing under (j):*

*The date of determination for the mandatory annual rebalancing of an approximately equal dollar-weighted index underlying a physically settled Security Futures product as described in the first sentence of (j) will be the last trading day of the year. New contracts issued on or after a date on which the corresponding index is rebalanced in accordance with (j) will be based on an index consisting of the original component securities, weighted applying the methodology described under (a) above on the basis of security prices on the rebalancing date. Outstanding contracts will not be affected by any rebalancing.*

- (k) If the underlying index is maintained by a broker-dealer, the index must be calculated by a third party who is not a broker-dealer, and the broker-dealer must have in place an information barrier around its personnel who have access to information concerning changes in and adjustments to the index.
- (l) In a capitalization-weighted index, the lesser of: (1) the five highest weighted component securities in the index each have had an average daily trading volume of at least 90,000 shares or receipts over the past six months; or (2) the highest weighted

component securities in the index that in the aggregate represent at least 30% of the total number of securities in the index each have had an average daily trading volume of at least 90,000 shares or receipts over the past six months.

**D. *Maintenance Standards for a Security Futures Product Based on an Index Composed of Two or More Securities.***

1. The Exchange will not open for trading Security Futures products based on an index composed of two or more securities with a new delivery month unless the underlying index:

- (i) Meets the definition of a narrow-based security index in Section 1a(25) of the Commodity Exchange Act and Section 3(a)(55) of the Exchange Act; and
- (ii) Meets the following requirements:
  - (a) Its component securities must be registered under Section 12 of the Exchange Act.
  - (b) Subject to (d) and (k) below, the component securities that account for at least 90% of the total index weight and at least 80% of the total number of component securities in the index must meet the requirements for listing a single-security future, as set forth in Section A.
  - (c) Each component security in the index must have a market capitalization of at least \$75 million, except that each of the lowest weighted component securities that in the aggregate account for no more than 10% of the weight of the index may have a market capitalization of only \$50 million.
  - (d) The average daily trading volume in each of the preceding six months for each component security in the index must be at least 22,750 shares or receipts, except that each of the lowest weighted component securities in the index that in the aggregate account for no more than 10% of the weight of the index may have an average daily trading volume of at least 18,200 shares or receipts for each of the last six months.
  - (e) Each component security in the index must be (1) listed on a National Securities Exchange or traded through the facilities of an Association and (2) reported as an NMS security.
  - (f) Foreign securities or ADRs thereon that are not subject to comprehensive surveillance sharing agreements must not represent more than 20% of the weight of the index.

- (g) The current underlying index value must be reported at least once every 15 seconds during the time the Security Futures product is traded on the Exchange.
- (h) An equal dollar-weighted index must be rebalanced at least once every calendar quarter, except that an approximately equal dollar-weighted index underlying a physically settled Security Futures product need only be rebalanced as provided in (i) below.
- (i) An approximately equal dollar-weighted index underlying a physically settled Security Futures product must be rebalanced annually if the aggregate value (i.e., the original number of shares multiplied by their current price) of the security position with the highest value is two or more times greater than the aggregate value of the security position with the lowest value in the index for any period of 10 consecutive trading days within the last month preceding the date of determination. In addition, the Exchange may from time to time, but no more frequently than quarterly, elect to rebalance any approximately equal dollar-weighted index underlying a physically settled Security Futures product depending on several factors, including the relative price changes of the component securities, the levels of volume and open interest in the contracts and input from market participants.

*Procedure for Rebalancing under (i):*

*See under C. 1.(ii)(j) above.*

- (j) If the underlying index is maintained by a broker-dealer, the index must be calculated by a third party who is not a broker-dealer, and the broker-dealer must have in place an information barrier around its personnel who have access to information concerning changes in and adjustments to the index.
- (k) In a capitalization-weighted index, the lesser of: (1) the five highest weighted component securities in the index each have had an average daily trading volume of at least 45,500 shares or receipts over the past six months; and (2) the highest weighted component securities in the index that in the aggregate represent at least 30% of the total number of stocks in the index each have had an average daily trading volume of at least 45,500 shares or receipts over the past six months.
- (l) The total number of component securities in the index must not increase or decrease by more than 33-1/3% from the number of component securities in the index at the time of its initial listing.

2. If the foregoing maintenance standards are not satisfied, the Exchange will not open for trading a Security Futures product based on an index composed of two or more securities with a new delivery month, unless it receives the approval of the Securities and Exchange Commission and the Commodity Futures Trading Commission.

**E. *Eligibility for Listing Security Futures on Securities Approved for Options Trading.***

As provided for in the Joint Order Modifying the Listing Standards Requirements Under Section 6(h) of the Exchange Act and the Criteria Under Section 2(a)(1) of the CEA issued by the Commission and the Securities Exchange Commission (Securities Exchange Act Release No. 61027 (November 19, 2009), 74 FR 61380 (November 24, 2009), the Exchange may list security futures on any security that is eligible to underlie options traded on a national securities exchange.

Adopted July 26, 2005 (05-20). Amended March 22, 2011 (11-05).

**IX. RESERVED**

Adopted October 28, 2005 (05-30). Deleted July 5, 2006 (06-11). Readopted March 2, 2009 (09-07). Amended September 2, 2009 (09-15). Deleted and readopted March 25, 2011 (11-07). Amended January 9, 2012 (11-29); February 23, 2012 (12-05); December 28, 2012 (12-33); December 31, 2013 (13-43); December 16, 2014 (14-032). Deleted December 9, 2015 (15-033); Re-adopted December 15, 2017 (17-019); amended February 25, 2018 (18-002); June 22, 2018 (18-008); August 1, 2018 (18-013).

## **X. DPM Market Performance Benchmarks Program**

Each DPM that is allocated a Contract as a DPM shall comply with the general and product specific DPM market performance benchmarks set forth below and shall receive any DPM participation right set forth in the rules governing the relevant Contract. In addition, if product specific DPM benefits are set forth below with respect to a particular Contract, the DPM that is allocated that Contract shall receive those benefits.

The Exchange may terminate, place conditions upon or otherwise limit a Trading Privilege Holder's approval to act as a DPM or a DPM's allocation of Contracts in accordance with Rule 515 if the DPM fails to satisfy the market performance benchmarks under this Policy and Procedure. For example, the Exchange may reduce a DPM Revenue Pool or other payment to a DPM provided for under this Policy and Procedure by the pro-rated amount attributable to any trading days during the relevant time period for the payment on which the DPM does not satisfy market performance benchmarks under this Policy and Procedure. However, failure by a DPM to satisfy the market performance benchmarks under this Policy and Procedure shall not be deemed a violation of Exchange rules.

The DPM Market Performance Benchmarks Program under this Policy and Procedure will expire on December 31, 2018. The Exchange may determine to extend the term of the Program, allow the Program to expire, terminate the Program at any time, or replace the Program with a different program at any time.

### **General DPM Market Performance Benchmarks**

- On each trading day between 8:30 a.m. and 3:15 p.m. ("Regular Trading Hours"), each DPM shall hold itself out as being willing to buy and sell each allocated Contract for the DPM's own account on a regular basis.
- Subject to regulatory obligations and requirements and best execution obligations to customers, the firm will work with the Exchange to develop a significant amount of order flow in its allocated Contracts.
- Each DPM shall maintain records sufficient to demonstrate compliance with the Market Performance Benchmarks set forth in this Policy and Procedure that are applicable to that DPM.
- Each DPM shall identify in advance to the Exchange the EFID(s) through which the DPM will provide Orders to satisfy the market performance benchmarks applicable to the DPM under this Policy and Procedure.
- Each DPM is required to utilize Exchange match trade prevention functionality under Rule 406B with respect to trading in allocated Contracts.

### **Product Specific DPM Market Performance Benchmarks**

**S&P 500 Variance Futures**

- Throughout the trading day during Regular Trading Hours, the DPM shall use commercially reasonable efforts to provide Orders that result in continuous two-sided quotes in S&P 500 Variance futures contract months as set forth in the table below.

Continuous Two-Sided Quote	
Months to Maturity	Maximum Quote Width
0 - 1	300 basis points
2-3	150 basis points
4-9	100 basis points
Months to Maturity	Maximum Quote Width
10-18	125 basis points
Over 18	150 basis points

- The above maximum quote width market performance benchmarks shall not apply during the expiration week of an S&P 500 Variance futures contract.
- The above market performance benchmarks shall be subject to relief in the event of unusual market conditions in S&P 500 Variance futures or SPX options traded on Cboe Options or other extenuating circumstances to be determined solely by the Exchange. Under conditions as specified in the foregoing sentence, the DPM shall use commercially reasonable efforts to provide Orders that result in a continuous two-sided quote and to provide Orders that result in a two-sided quote in response to a request from the Exchange that the DPM post a market for an S&P 500 Variance future or futures.
- The above market performance benchmarks do not apply with respect to stub positions in the S&P 500 Variance futures contract, which are positions that when converted from variance units (number of contracts) to vega notional are equal to an amount that is less than 1 notional equivalent of 1,000 vega notional. The DPM shall provide Orders that result in a two-sided quote in response to a request from the Exchange that the DPM post a market for S&P 500 Variance stub positions.

**Cboe Russell 2000 Volatility Index (“VU”) Futures**

- Throughout the trading day during Regular Trading Hours, the DPM shall provide at least 95% of the time in each VU futures contract with 9 months or less until expiration Orders that result in three two-sided minimum quotes with minimum quote sizes and maximum quote widths as set forth in the table below.

First Continuous Two-Sided Quote	
Minimum Quote Size	Maximum Quote Width Calculated as a Percentage of Offer Price
5 x 5	2%
Second Continuous Two-Sided Quote	

Minimum Quote Size	Maximum Quote Width Calculated as a Percentage of Offer Price
10 x 10	5%
Third Continuous Two-Sided Quote	
Minimum Quote Size	Maximum Quote Width Calculated as a Percentage of Offer Price
20 x 20	10%

- The DPM shall provide Orders that result in a two-sided quote during Regular Trading Hours in response to a request from the Exchange that the DPM post a market for a VU future or futures.
- The above market performance benchmarks shall be subject to relief in the event of unusual market conditions in VU futures or Russell 2000 (“RUT”) options traded on Cboe Options or other extenuating circumstances to be determined solely by the Exchange. Under conditions as specified in the foregoing sentence, the DPM shall use commercially reasonable efforts during Regular Trading Hours to provide Orders that result in a continuous two-sided quote and to provide Orders that result in a two-sided quote in response to a request from the Exchange that the DPM post a market for a VU future or futures.

### **Product Specific DPM Benefits**

#### **S&P 500 Variance Futures**

- For each calendar quarter (including any partial calendar quarter) during which a Trading Privilege Holder acts as the DPM for S&P 500 Variance futures, the Exchange will maintain a DPM Revenue Pool for the DPM for that quarter.
- The percentage of transaction fees (excluding regulatory fees) collected by the Exchange for transactions in S&P 500 Variance futures that will be included in the DPM Revenue Pool for a calendar quarter will be based upon the average daily contract volume in S&P 500 Variance futures, measured in “vega notional” amounts, traded on the Exchange during that quarter, as set forth in the table below. Each percentage in the table shall be applicable with respect to that portion of the average daily contract volume that is within the applicable volume range.

Average Daily “Vega Notional” Contract Volume During Calendar Quarter	Percentage of Transaction Fees Included in DPM Revenue Pool
0 – 5,000,000	30%
5,000,001 – 10,000,000	20%
10,000,001 – 20,000,000	15%
20,000,001 – 50,000,000	11.7%
50,000,001 or greater	8%



- For example, if the average daily contract volume during a calendar quarter is 15,000,000 vega notional, 30% of the transaction fees attributable to the volume between 0 vega notional and 5,000,000 vega notional would be included in the DPM Revenue Pool, 20% of the transaction fees attributable to the volume between 5,000,001 vega notional and 10,000,000 vega notional would be included in the DPM Revenue Pool, and 15% of the transaction fees attributable to the volume between 10,000,001 vega notional and 15,000,000 vega notional would be included in the DPM Revenue Pool.
- Payment to the DPM from the DPM Revenue Pool for a calendar quarter will be made following the end of the calendar quarter.

### **VU Futures**

- Beginning January 1, 2014, for each calendar quarter (including any partial calendar quarter) during which a Trading Privilege Holder acts as the DPM for VU futures, the Exchange will maintain a DPM Revenue Pool for the DPM for that quarter equal to 15% of total net transaction fees (excluding regulatory fees and Day Trade fee rebates) collected by the Exchange for transactions in VU futures.
- Payment to the DPM from the DPM Revenue Pool for a calendar quarter will be made following the end of the calendar quarter.

Adopted February 14, 2011 (11-04). Amended June 20, 2011 (11-16); October 27, 2011 (11-21); June 15, 2012 (12-13); September 27, 2012 (12-18); October 10, 2012 (12-23); May 16, 2013 (13-19); June 11, 2013 (13-24); November 18, 2013 (13-36); January 23, 2014 (13-44); February 13, 2014 (14-01); December 12, 2014 (14-029); January 1, 2015 (14-033); January 20, 2015 (15-001); September 4, 2015 (15-023); December 3, 2015 (15-030); December 9, 2015 (15-033); December 13, 2016 (16-014); October 31, 2017 (17-016); January 1, 2018 (17-028); February 25, 2018 (17-017).

## **XI. Cboe/CBOT 10-Year U.S. Treasury Note Volatility Index Futures Lead Market Maker Program**

Trading Privilege Holder (“TPH”) organizations may apply to the Exchange for appointment as a lead market maker (“LMM”) in the Cboe/CBOT 10-Year U.S. Treasury Note Volatility Index (“VXTY”) Futures Lead Market Maker Program (“Program”).

The Exchange may approve one or more TPHs as lead market makers in 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 CFE Rule 515(b), as applied to LMM applicants instead of with respect to DPM applicants.

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

### **Qualifications**

- Experience in trading futures and/or options on volatility indexes.
- Ability to automatically and systemically provide Orders.

### **Market Performance Benchmarks**

- Each LMM shall identify in advance to the Exchange the EFID(s) 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 VXTY futures.
- Throughout the trading day between 7:00 a.m. and 3:15 p.m. (Chicago time), each LMM in the Program shall provide at least 95% of the time Orders that result in a 2-sided quote for a minimum of 25 contracts within a maximum width of \$0.05 in all contract months.
- The above market performance benchmark shall be subject to relief in the event of unusual market conditions in the component options on 10-Year Treasury Note futures listed on the Chicago Board of Trade (“CBOT”) (ticker: OZN options) or other extenuating circumstances or unusual market conditions to be determined solely by the Exchange. Under conditions as specified in the foregoing sentence, each LMM in the Program shall use commercially reasonable efforts to provide Orders that result in a continuous quote and to provide Orders that result in a two-sided quote in response to a request from the Exchange that the LMM post a market for a VXTY future or futures.
- 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. For example, the Exchange may reduce the applicable monthly revenue share payment to a TPH under the Program by the pro-rated amount attributable to any trading days during the relevant calendar month on which the TPH does not 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**

### *Transaction Fee Waiver*

- Transaction fees in the VXTY futures contract (excluding regulatory fees) shall be waived through December 31, 2018 for each LMM under the Program.

### *Revenue Share*

- For each calendar month (including any partial calendar month) during which one or more Trading Privilege Holders act as an LMM for VXTY futures under the Program, the Exchange will maintain a revenue pool for those LMMs for that calendar month. The revenue pool will be equal to 20% of the total transaction fees (excluding regulatory fees) collected by the Exchange for transactions in VXTY futures during that calendar month.
- The revenue pool will be allocated on a pro-rata basis to the TPHs that acted as an LMM for VXTY futures during the applicable calendar month based on the contract volume of those TPHs in VXTY futures during that calendar month resulting from proprietary Orders provided by those LMMs.
- Payments from the revenue pool for a calendar month will be made to the LMMs following the end of the applicable calendar quarter.

## **Term**

- The Program and each LMM appointment under the Program will expire on December 31, 2018. 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 replace the Program with a different LMM program at any time.

Adopted September 27, 2012 (12-19). Deleted May 16, 2013 (13-19). Readopted May 21, 2013 (13-20). Deleted December 30, 2013 (13-43). Readopted November 13, 2014 (14-23). Amended May 4, 2015 (15-08); June 30, 2015 (15-17); October 31, 2017 (17-016); Readopted January 1, 2018 (17-022); amended February 25, 2018 (18-002).

## **XII. Confidentiality Policy for Information Received or Reviewed in a Regulatory Capacity**

### **I. Purpose**

The Regulatory Services Division of the Exchange and other personnel within the Regulatory Group receive and review confidential information in connection with fulfilling Exchange regulatory responsibilities. This policy sets forth in detail the specific types of information received or reviewed in a regulatory capacity that must be kept confidential and the limited circumstances in which the information may be used and disclosed to other individuals and entities.

### **II. Scope**

This policy applies to the staff of the Regulatory Group and any other individuals that have an obligation to maintain the confidentiality of confidential information received or reviewed in a regulatory capacity as a result of properly getting access to the confidential information. The Regulatory Group consists of all employees of the Regulatory Services Division and any employee who is performing services for the Regulatory Services Division, including, when providing such services, the General Counsel and enforcement attorneys as well as systems and database personnel who are assigned to work on matters for the Regulatory Services Division.

### **III. Confidential Information**

For the purposes of this policy, confidential information received or reviewed in a regulatory capacity, whether such confidential information originates at the Exchange or any other self-regulatory organization or is provided to the Exchange pursuant to a memorandum of understanding or agreement or any other type of similar information sharing arrangement, includes:

- a. Position Data – Data collected via the reporting of large trader positions (via Commission Form 102) as well as clearing member position data maintained in The Options Clearing Corporation's clearing system;
- b. Financial Information – Financial records, including original third party or internal source documents, used in the production of financial reports or used to demonstrate compliance with Exchange rules;
- c. Detailed Transaction Data – Trade data at the specific account level for individual trades from which market positions and/or profit and loss might be derived; and
- d. Investigative Materials – Documents collected as part of routine surveillance activities or investigations of potential rule violations, including, but not limited to (i) account statements; (ii) orders to buy and sell contracts traded on the Exchange; (iii) customer account agreements; (iv) bank records; and, (v) audio tape.

e. Other Confidential Information – Any other information required to be kept confidential pursuant to the Cboe Global Markets, Inc. and Subsidiaries Regulatory Independence Policy for Regulatory Group Personnel (Regulatory Independence Policy).

#### **IV. Responsibilities**

Senior management in the Regulatory Services Division is responsible for ensuring that Regulatory Group staff are aware of, and adhere to, this policy.

#### **V. Procedure**

Confidential information received or reviewed in a regulatory capacity shall be used solely for regulatory purposes and shall be made available exclusively to Regulatory Group staff, to the National Futures Association in its capacity as regulatory services provider to the Exchange, and as otherwise permitted by the Regulatory Independence Policy.

Confidential information received or reviewed in a regulatory capacity may also be released pursuant to (i) a request by the Commodity Futures Trading Commission, Securities and Exchange Commission, or the United States Department of Justice; (ii) a request by a securities or derivatives self-regulatory organization pursuant to an information sharing agreement; or, (iii) a valid subpoena or other order of a court that directs the Exchange to release such confidential information. Any disclosure under these circumstances must be approved by senior management in the Regulatory Services Division or in the Legal Division, as appropriate.

Confidential Financial Information received or reviewed in a regulatory capacity may also be used by the Exchange to implement the Exchange's Conflict of Interest Policy regarding Securities and Futures Products Transactions that applies to Exchange employees.

#### **VI. Use of Regulatory Data**

The Exchange may not use for business or marketing purposes any proprietary data or personal information the Exchange collects or receives, from or on behalf of any Person, for the purpose of fulfilling the Exchange's regulatory obligations; provided, however, that the Exchange may use such data or information for business or marketing purposes if the Person from whom the Exchange collects or receives such data or information clearly consents to the Exchange's use of such data or information in such manner. The Exchange may not condition access to its trading facility on a market participant's consent to the use of proprietary data or personal information for business or marketing purposes.

#### **VII. Consequences of Noncompliance**

Failure to comply with this policy may result in disciplinary action in accordance with the Exchange's employment policies.

Adopted October 17, 2012 (12-26). Amended June 30, 2014 (14-15); October 31, 2017 (17-016).

### **XIII. Cboe Global Markets, Inc. and Subsidiaries Regulatory Independence Policy for Regulatory Group Personnel**

#### **Introduction**

This policy applies to all employees of the Regulatory Group.<sup>1</sup>

The Regulatory Group is responsible for performing the regulatory function for Cboe Exchange, Inc. (“Cboe Options”), Cboe C2 Exchange, Inc. (“C2 Options”), Cboe Futures Exchange, LLC (“CFE”), Cboe BZX Exchange, Inc. (“Cboe BZX”), Cboe BYX Exchange, Inc. (“Cboe BYX”), Cboe EDGA Exchange, Inc. (“Cboe EDGA”), Cboe EDGX Exchange, Inc. (“Cboe EDGX”), and Cboe SEF, LLC (“Cboe SEF”).<sup>2</sup> Cboe Global Markets, Inc. is the parent of these entities, which, along with any other Cboe Global Markets, Inc. subsidiaries, are referred to collectively in this policy as the “Cboe Companies.”

Cboe Options, C2 Options, Cboe BZX, Cboe BYX, Cboe EDGA, Cboe EDGX and the Financial Industry Regulatory Authority, Inc. (“FINRA”) are parties to RSAs pursuant to which FINRA performs certain regulatory services. CFE has entered into an RSA with the National Futures Association (“NFA”) pursuant to which the NFA performs certain regulatory services. This policy applies with respect to employees of a regulatory services provider providing regulatory services to a Cboe Company in the same manner that it applies with respect to regulatory employees of a Cboe Company. Notwithstanding that a Cboe Company has entered into an RSA with a regulatory services provider, such as FINRA or NFA, to provide regulatory services, the Cboe Company retains ultimate legal responsibility for, and control of, its self-regulatory responsibilities.

#### **Purpose**

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<sup>1</sup> For purposes of this policy, the Regulatory Group includes (i) all regulatory employees of any Cboe Company; (ii) any employee of any Cboe Company who is performing services for the Regulatory Group, including, for example, when providing such services, Legal Division and Compliance Department employees as well as systems and database personnel who are assigned to work on matters for the Regulatory Group, and (iii) employees of a regulatory services provider providing regulatory services for a Cboe Company pursuant to any Regulatory Services Agreement (“RSA”).

<sup>2</sup> Cboe Options, C2 Options, Cboe BZX, Cboe BYX, Cboe EDGA, and Cboe EDGX are self-regulatory organizations under the Securities and Exchange Act of 1934 (“Act”), and each is required to enforce compliance by its respective trading permit holders, permit holders and members and their associated persons with the provisions of the Act, the SEC’s rules and regulations, that exchange’s rules, and certain rules of the Federal Reserve Board and The Options Clearing Corporation. CFE is a designated contract market. Cboe SEF is a swap execution facility. Under the Commodity Exchange Act (“CEA”), CFE and Cboe SEF are required to enforce compliance by their trading privilege holders and participants and their related parties with the CEA, the regulations of the Commodity Futures Trading Commission, and, to the extent applicable, CFE’s rules, certain rules of the Federal Reserve Board, certain rules of The Options Clearing Corporation and the Act and rules and regulations promulgated pursuant to the Act. Hereinafter, the term trading permit holder encompasses a trading permit holder, trading privilege holder, permit holder, member, participant, or other person or entity with trading privileges on a market of a Cboe Company.

The purpose of this policy is to preserve the independence of the Regulatory Group as it performs regulatory functions and to avoid even the appearance that the performance of those regulatory functions and services is or can be affected by the business interests of a Cboe Company or the business interests of any trading permit holder of a Cboe Company.

### **The Independence of the Regulatory Group**

All regulatory decisions shall be made without regard to the actual or perceived business interests of the Cboe Companies or any of their trading permit holders.

Regulatory Group personnel shall act to preserve the independence of the Regulatory Group's regulatory functions and may not take any action that could, or reasonably might appear to represent an attempt to, interfere with the independent performance of the Regulatory Group's regulatory functions.

### **Communications Regarding Regulatory Matters**

All information concerning a regulatory matter (as that term is defined below) involving the Regulatory Group or another regulator shall be treated as confidential and may not be used for any purpose unrelated to the regulatory function of the Regulatory Group. In addition, except as provided below, as required by law, or as specifically authorized by the Chief Regulatory Officer or General Counsel of the applicable Cboe Company, Regulatory Group personnel shall not communicate about any regulatory matter with any person who is not a member of the Regulatory Group.

Regulatory matters include regulatory investigations, examinations, inquiries or complaints either from or about a regulated entity or person concerning existing or anticipated regulatory actions, investigative and surveillance activities of the Regulatory Group, and the planning and development of examination programs and surveillance procedures. Regulatory matters also include any regulatory investigation, examination, inquiry or complaint that is being investigated or brought by the SEC or by any other regulator. Regulatory matters do not include regulatory inquiries about a Cboe Company or its employees or representatives or activities related to potential legislation, rule-making or general regulatory policies that do not include specific facts about existing or anticipated regulatory investigations, examinations or actions.

As exceptions to the restriction on communications concerning regulatory matters, Regulatory Group personnel may discuss regulatory matters with:

- Personnel of a Cboe Company or committee in order to obtain information reasonably necessary to perform the Regulatory Group's regulatory activities;
- Personnel of a Cboe Company to the extent necessary to allow a Cboe Company to assess whether its operations, procedures or systems should be altered to address an issue arising out of a regulatory matter;

- Other regulators or governmental agencies;
- Regulated entities or persons, provided such communication is reasonably related to either a determination as to whether a regulatory violation has occurred, the resolution of a regulatory matter, or an effort to obtain regulatory compliance;
- Employees and directors of a Cboe Company, provided such communication is limited to conveying the final disposition of a regulatory matter;
- Members of the Regulatory Oversight and Compliance Committee or the Regulatory Oversight Committee of any Cboe Company;
- Members of the Cboe Global Markets, Inc. Audit Committee and Board in connection with their oversight of Cboe Global Markets' risk assessment and risk management, including risks related to Cboe Global Markets' compliance with laws, regulations, and its policies;<sup>1</sup>
- Members of the Business Conduct Committee of any Cboe Company;
- Directors of a Cboe Company to the extent that the communication is (i) relevant to the Board's self-regulatory responsibilities, or (ii) related to an appeal from a regulatory decision that the director is involved in deciding;
- Employees of a Cboe Company to the extent relevant either to determining whether an application to become a trading permit holder should be approved or to a mandatory reporting obligation;
- Cboe Company lawyers or outside counsel retained to assist with that regulatory matter;  
or
- As otherwise approved by the Chief Regulatory Officer or General Counsel of the applicable Cboe Company.

In addition, Regulatory Group personnel may discuss issues concerning management, budgeting and financial planning issues of the Regulatory Group with directors and employees of the Cboe Companies, provided that those communications do not include specific facts about existing or anticipated regulatory investigations, examinations or actions.

### **Response to Improper Communications**

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<sup>1</sup> The Chief Regulatory Officer of the applicable Cboe Company will have direct access to the Audit Committee Chairperson to discuss matters related to oversight of Cboe Global Markets' risk assessment and risk management, including risks related to Cboe Global Markets' compliance with laws, regulations, and its policies.



If a member of the Regulatory Group receives a communication that reasonably could be considered to be a request or a suggestion that business considerations should bear on the handling of a regulatory matter, that person shall immediately report the communication to the Chief Regulatory Officer and/or General Counsel of the applicable Cboe Company. The Chief Regulatory Officer and General Counsel shall then jointly determine how to ensure that the improper communication does not improperly affect the regulatory process.

### **Violations of the Policy**

Any violation of this policy shall be subject to appropriate disciplinary action, which may include the termination of employment.

Adopted October 17, 2012 (12-26). Amended April 30, 2015 (15-09); December 9, 2015 (15-032); April 7, 2017 (17-009); October 31, 2017 (17-016).

#### **XIV. Cboe Global Markets, Inc. and Subsidiaries Regulatory Independence Policy for Non-Regulatory Group Personnel**

##### **Summary**

This policy is designed to preserve the independence of the Regulatory Group by prohibiting certain communications between directors or non-regulatory employees of a Cboe Company<sup>1</sup> and Regulatory Group personnel concerning regulatory matters.<sup>2</sup>

Subject to the exceptions described below, this policy:

1. Prohibits directors and non-regulatory employees of a Cboe Company from discussing issues related to regulatory matters with Regulatory Group personnel;
2. Prohibits directors and non-regulatory employees of a Cboe Company from communicating with Regulatory Group personnel about regulatory issues, questions or complaints that a regulated person or entity has raised about regulatory matters;
3. Provides that, if a director or non-regulatory employee of a Cboe Company is contacted by a regulated person or entity regarding a regulatory matter, the response to such a communication must be limited to advising the person or entity to contact the Chief Regulatory Officer, Deputy Chief Regulatory Officer, or Chief Regulatory Advisor of the applicable Cboe Company or to call the Regulatory Group's Regulatory Interpretations line for the applicable Cboe Company.

##### **Purpose**

The purpose of this policy is to preserve the independence of the Regulatory Group as it performs its regulatory functions and to avoid even the appearance that the performance of those regulatory functions is or can be affected by the business interests of any Cboe Company or the business interests of any trading permit holder<sup>3</sup> of any Cboe Company.<sup>1</sup>

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<sup>1</sup> Reference to "Cboe Company" in this policy means Cboe Global Markets, Inc. and its subsidiaries Cboe Exchange, Inc. ("Cboe Options"), Cboe C2 Exchange, Inc. ("C2 Options"), Cboe Futures Exchange, LLC ("CFE"), Cboe BZX Exchange, Inc. ("Cboe BZX"), Cboe BYX Exchange, Inc. ("Cboe BYX"), Cboe EDGA Exchange, Inc. ("Cboe EDGA"), Cboe EDGX Exchange, Inc. ("Cboe EDGX"), Cboe SEF, LLC ("Cboe SEF") and all other subsidiaries or affiliates of Cboe Global Markets, Inc.

<sup>2</sup> For purposes of this policy, the Regulatory Group includes (i) all regulatory employees of any Cboe Company; (ii) any employee of any Cboe Company who is performing services for the Regulatory Group, including for example, when providing such services, Legal Division and Compliance Department employees as well as systems and database personnel who are assigned to work on matters for the Regulatory Group, and (iii) employees of a regulatory services provider providing regulatory services for a Cboe Company pursuant to any Regulatory Services Agreement ("RSA").

<sup>3</sup> The term trading permit holder encompasses a trading permit holder, trading privilege holder, permit holder, member, participant, or other person or entity with trading privileges on a market of a Cboe Company.

## **Persons Subject to the Policy**

This policy applies to all directors and non-regulatory employees of a Cboe Company, including temporary, part-time, and full-time employees and consultants.

## **Regulatory Services Agreements**

Cboe Options, C2 Options, Cboe BZX, Cboe BYX, Cboe EDGA, Cboe EDGX and the Financial Industry Regulatory Authority, Inc. (“FINRA”) are parties to RSAs pursuant to which FINRA performs certain regulatory services. CFE has entered into an RSA with the National Futures Association (“NFA”) pursuant to which the NFA performs certain regulatory services. This policy applies with respect to employees of a regulatory services provider providing regulatory services to a Cboe Company. Notwithstanding that a Cboe Company has entered into an RSA with a regulatory services provider, such as FINRA or NFA, to provide regulatory services, the Cboe Company retains ultimate legal responsibility for, and control of, its self-regulatory responsibilities.

## **The Independence of the Regulatory Group**

No director or employee of any Cboe Company shall take any action that could, or reasonably might appear to represent an attempt to, interfere with the independent performance of the Regulatory Group’s regulatory functions or activities.

## **Communications Regarding Regulatory Matters**

Except as otherwise provided below, no director of any Cboe Company or any employee of a Cboe Company engaged in activities outside of the Regulatory Group shall engage in any communications with personnel of the Regulatory Group about any regulatory matter. Regulatory matters include regulatory investigations, examinations, inquiries or complaints either from or about a regulated entity or person concerning existing or anticipated regulatory actions and all investigative and surveillance activities of the Regulatory Group, and the planning and development of examination programs and surveillance procedures. Regulatory matters also include any regulatory investigation, examination, inquiry or complaint that is being investigated or brought by the SEC or by any other regulator. Regulatory matters do not include regulatory

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<sup>1</sup> Cboe Options, C2 Options, Cboe BZX, Cboe BYX, Cboe EDGA, and Cboe EDGX are self-regulatory organizations under the Securities and Exchange Act of 1934 (“Act”), and each is required to enforce compliance by its respective trading permit holders, permit holders and members and their associated persons with the provisions of the Act, the SEC’s rules and regulations, that exchange’s rules, and certain rules of the Federal Reserve Board and The Options Clearing Corporation. CFE is a designated contract market. Cboe SEF is a swap execution facility. Under the Commodity Exchange Act (“CEA”) CFE and Cboe SEF are required to enforce compliance by their respective trading privilege holders and participants and their related parties with the CEA, the regulations of the Commodity Futures Trading Commission, and, to the extent applicable, CFE’s rules, certain rules of the Federal Reserve Board, certain rules of The Options Clearing Corporation and the Act and rules and regulations promulgated pursuant to the Act.

inquiries about a Cboe Company or its employees or representatives or activities related to potential legislation, rule-making or general regulatory policies that do not include specific facts about existing or anticipated regulatory investigations, examinations or actions.

As exceptions to this restriction, directors and non-Regulatory Group employees of a Cboe Company may discuss regulatory matters with Regulatory Group personnel to the extent such communications are:

- Initiated by the Regulatory Group personnel in order to obtain information reasonably necessary to carry out the Regulatory Group's regulatory activities;
- For the purpose of alerting the Regulatory staff of the applicable Cboe Company to the existence of a possible regulatory violation;
- Between Regulatory Group personnel and members of the Regulatory Oversight and Compliance Committee or Regulatory Oversight Committee of a Cboe Company;
- Between Regulatory Group personnel and members of the Cboe Global Markets, Inc. Audit Committee and Board in connection with their oversight of Cboe Global Markets' risk assessment and risk management, including risks related to Cboe Global Markets' compliance with laws, regulations, and its policies;<sup>1</sup>
- Between Regulatory Group personnel and directors of a Cboe Company to the extent the communication is relevant to the Board's self-regulatory responsibilities;
- For the limited purpose of determining whether an application to become a trading permit holder should be approved or in connection with mandatory reporting obligations;
- For the limited purpose of conveying the final disposition of a regulatory matter;
- Between Regulatory Group personnel and a director of a Cboe Company concerning an appeal from a regulatory decision that the director is involved in deciding;
- Between Regulatory Group personnel and a director of a Cboe Company concerning a regulatory matter involving that director or a firm that employs that director; or
- Authorized by the Chief Regulatory Officer or General Counsel of the applicable Cboe Company.

Directors and employees of a Cboe Company may discuss issues concerning the management,

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<sup>1</sup> The Chief Regulatory Officer of the applicable Cboe Company will have direct access to the Audit Committee Chairperson to discuss matters related to oversight of Cboe Global Markets' risk assessment and risk management, including risks related to Cboe Global Markets' compliance with laws, regulations, and its policies.

budget and financial planning issues of the Regulatory Group with Regulatory Group personnel, provided that those communications do not include specific facts about existing or anticipated regulatory investigations, examinations or actions.

### **Responding To Communications Regarding Regulatory Matters**

Except as otherwise provided in this policy, no director or employee of any Cboe Company shall inform any Regulatory Group personnel about any issues, questions, concerns or complaints about a regulatory matter or issue raised by a trading permit holder of any Cboe Company or by any other person or entity.

Except as otherwise provided in this policy, if a regulated person or entity attempts to raise an issue, question, concern or complaint about a regulatory matter or issue related to that regulated person or entity with a director or with an employee of a Cboe Company who is not a member of the Regulatory Group, the response to such a communication shall be limited to advising the person or entity to raise the issue directly with the Chief Regulatory Officer, Deputy Chief Regulatory Officer, or Chief Regulatory Advisor of the applicable Cboe Company or to call the Regulatory Group's Regulatory Interpretations line for the applicable Cboe Company. Under no circumstances should any director or any employee who is not a member of the Regulatory Group provide any guidance or advice regarding a regulatory matter. Regulatory Group personnel shall follow the policies of the Regulatory Group regarding when it is appropriate to provide guidance or advice regarding regulatory matters.

### **Violations of the Policy**

Any violation of this policy shall be subject to appropriate disciplinary action, which may include the termination of employment.

Adopted October 17, 2012 (12-26). Amended August 13, 2013 (13-30); April 30, 2015 (15-09); December 9, 2015 (15-032); April 7, 2017 (17-009); October 31, 2017 (17-016).

## **XV. CBOE® iBOXX® iSHARES® BOND INDEX FUTURES LEAD MARKET MAKER PROGRAM**

The Cboe® iBoxx® iShares® Bond Index (“CB Index”) Futures Lead Market Maker Program (“Program”) is applicable with respect to CB Index futures.

Trading Privilege Holder (“TPH”) organizations may apply to the Exchange for appointment as a lead market maker (“LMM”) in the Program. The Exchange may approve up to five TPHs as LMMs in 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, market performance benchmarks, benefits, and appointment term under the Program unless otherwise specified.

### **Qualifications**

- Experience in trading the iShares® iBoxx® \$ High Yield Corporate Bond ETF and the iShares® iBoxx® \$ Investment Grade Corporate Bond ETF.
- Ability to automatically and systematically provide two-sided markets during CB Index futures trading hours.

### **Market Performance Benchmarks**

- 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 CB Index futures.
- Each LMM shall provide Orders in CB Index futures in conformity with specified criteria relating to minimum two-sided quote size and maximum quote width. These criteria apply during CB Index futures trading hours.
- The Exchange may terminate, place conditions upon or otherwise limit a TPH’s appointment as an LMM under the Program or reduce or not make payments to a TPH under the Program if the TPH fails to satisfy the market performance benchmarks under the Program. For example, the Exchange may reduce the applicable monthly incentive or revenue pool payment to a TPH under the Program through a proration that takes into consideration the extent to which the TPH did not satisfy market performance

benchmarks under the Program during the applicable calendar month. 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 December 31, 2019. 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 replace the Program with a different market maker program at any time.

Adopted January 1, 2015 (14-033). Amended May 4, 2015 (15-008). Deleted December 3, 2015 (15-030). Readopted September 10, 2018 (18-019); amended October 1, 2018 (18-021).

**XVI. RESERVED**

Adopted January 1, 2015 (14-034). Deleted December 3, 2015 (15-030).



## **XVII. Lead Market Maker Program for Weekly (Non-Standard) Cboe Volatility Index Futures Expirations**

Trading Privilege Holder (“TPH”) organizations may apply to the Exchange for appointment as a lead market maker (“LMM”) in the Lead Market Maker Program for Weekly (Non-Standard) Cboe Volatility Index Futures Expirations (“Program”). The specific Cboe Volatility Index (“VX”) futures covered by this Program are those contracts that have a “VX” ticker symbol followed by a number denoting the specific week of a calendar year. For symbology purposes, the first week of a calendar year is the first week of that year with a Wednesday on which a weekly VX futures contract could expire. The final settlement value of these contracts is calculated using P.M.-settled S&P 500 Index (“SPX”) options traded on Cboe Options, and these contracts are referred to as “Weekly (Non-Standard) VX expirations.” The Program does not apply to VX futures expirations that have a “VX” ticker symbol, for which the final settlement value is calculated using A.M.-settled SPX options.

The Exchange may approve up to two TPHs as LMMs in 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, market performance benchmarks, benefits, and appointment term under the Program unless otherwise specified.

### **Qualifications**

- Experience in trading futures and/or options on volatility indexes.
- Ability to automatically and systematically provide Orders.

### **Market Performance Benchmarks**

- Each LMM shall identify in advance to the Exchange the EFID(s) 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 Weekly (Non-Standard) VX expirations.
- Throughout each trading day during regular trading hours which are from 8:30 a.m. to 3:15 p.m. (Chicago time) in VX futures, each LMM shall provide Orders at least 85% of the time that result in 2-sided quotes with:

- a minimum size on each side of the market of 25 contracts in the front Weekly (Non-Standard) VX expiration; and
- a minimum size on each side of the market of 10 contracts in each of the other Weekly (Non-Standard) VX expirations.

The maximum width of these 2-sided quotes in all Weekly (Non-Standard) VX expirations shall be as set forth in the table below.

Price Range of Best Bid for Applicable Weekly (Non-Standard) VX Contract	Maximum Quote Width
0 – 16.00	\$0.20
16.01 – 24.00	\$0.40
24.01 – 32.00	\$0.60
32.01 – 40.00	\$0.80
40.01+	\$1.00

- The above market performance benchmarks shall be subject to relief in the event of unusual market conditions in the VX futures or SPX options traded on Cboe Options or other extenuating circumstances to be determined solely by the Exchange. Under conditions as specified in the preceding sentence, each LMM shall use commercially reasonable efforts to provide Orders that result in a continuous two-sided quote and to provide Orders that result in a two-sided quote in response to a request from the Exchange that the LMM post a market for a Weekly (Non-Standard) VX expiration or expirations.
- The Exchange may terminate, place conditions upon or otherwise limit a TPH’s appointment as an LMM under the Program or not make payments to a TPH under the Program if the TPH fails to satisfy the market performance benchmarks under the Program. For example, the Exchange may reduce the applicable monthly incentive or revenue share payment to an LMM under the Program by the pro-rated amount attributable to any trading days during the relevant calendar month on which the LMM does not satisfy 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**

### *Monthly Incentive Payment*

- Each TPH appointed as an LMM under the Program shall receive a payment from the Exchange in the amount of \$10,000 per calendar month for each calendar month during which the TPH acts as an LMM for Weekly (Non-Standard) VX expirations (“Monthly Incentive Payment”). If a TPH acts as an LMM for Weekly (Non-Standard) VX expirations during a portion of a calendar month, the payment to that TPH for that calendar month will be pro-rated.

- This Monthly Incentive Payment provision of the Program shall terminate if the average daily trading volume (“ADV”) in all Weekly (Non-Standard) VX expirations reaches 5,000 contracts during a calendar month. The termination of the Monthly Incentive Payment provision of the Program will occur at the end of the first calendar month in which the 5,000 ADV threshold is reached. Once the Monthly Incentive Payment provision is terminated, the Monthly Incentive Payment provision shall remain terminated, even if ADV in all Weekly (Non-Standard) VX expirations subsequently falls below the 5,000 ADV threshold in a subsequent calendar month.
- Monthly Incentive Payments to LMMs will be made following the end of the applicable calendar quarter. These payments will include any Monthly Incentive Payments accrued prior to the termination of the Monthly Incentive Payment provision of the Program, but not yet paid, if that termination has occurred during the applicable calendar quarter.

### *Revenue Share*

- The Revenue Share provision of the Program shall begin to apply after the calendar month in which the 5,000 ADV threshold is reached and shall not apply before the termination of the Monthly Incentive Payment provision of the Program.
- For each calendar month during which the Revenue Share provision of the Program is applicable, the Exchange will maintain a revenue pool for any TPHs that acted as an LMM for Weekly (Non-Standard) VX expirations under the Program during that month. The revenue pool will be equal to 20% of the total transaction fees (excluding regulatory fees and Day Trade fee rebates) collected by the Exchange for transactions in Weekly (Non-Standard) VX expirations during that month. The revenue pool will be subject to a cap of \$200,000 per month and may not exceed the cap level for a calendar month.
- The revenue pool will be allocated on a pro-rata basis to the TPHs that acted as an LMM for Weekly (Non-Standard) VX expirations during the applicable calendar month based on the contract volume of those TPHs in Weekly (Non-Standard) VX expirations during that month resulting from proprietary Orders provided by those LMMs.
- Payments from the revenue pool for a calendar month will be made to LMMs following the end of the applicable calendar quarter.
- The Revenue Share provision of the Program shall apply for no longer than 18 months. The Revenue Share provision of the Program will terminate at the end of the 18th calendar month in which that provision of the Program is applicable if that provision of the Program were to be applicable for 18 months during the term of the Program.

### **Term**

The Program and each LMM appointment under the Program will expire on December 31, 2018. 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 replace the Program with a different LMM program at any time.

Adopted July 23, 2015 (15-016). Amended September 4, 2015 (15-023); August 17, 2016 (16-013); July 1, 2017 (17-011); October 1, 2017 (17-015); October 31, 2017 (17-016); January 1, 2018 (17-023); February 25, 2018 (17-017); April 1, 2018 (18-003).

## **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. Factors the Exchange may consider in assessing whether conduct violates Rule 620**

The Exchange may consider a variety of factors in assessing whether conduct violates Rule 620, including, but not limited to:

- whether the market participant's intent was to induce others to trade when they otherwise would not;
- whether the market participant's intent was to affect a price rather than to change the market participant's position;
- whether the market participant's intent was to create misleading market conditions;
- market conditions in the impacted market(s) and related markets;
- the effect on other market participants;
- the market participant's historical pattern of activity;
- the market participant's Order entry and cancellation activity;
- the size of the Order(s) relative to market conditions at the time the Order(s) was placed;
- the size of the Order(s) relative to the market participant's position and/or capitalization;
- the number of Orders;
- the ability of the market participant to manage the risk associated with the Order(s) if fully executed;
- the duration for which the Order(s) is exposed to the market;
- the duration between, and frequency of, non-actionable messages;
- the queue position or priority of the Order in the order book;
- the prices of preceding and succeeding bids, offers, and trades;
- the change in the best offer price, best bid price, or last sale price that results from the entry of the Order; and

- the market participant's activity in related markets.

**B. Meaning of the term “misleading” in the context of Rule 620(b)(ii)**

The language is intended to be a more specific statement of the general requirement that market participants are not permitted to act in violation of just and equitable principles of trade. This section of the Rule prohibits a market participant from entering Orders or messages with the intent of creating the false impression of market depth or market interest. The Exchange generally will find the requisite intent where the purpose of the participant's conduct was, for example, to induce another market participant to engage in market activity.

**C. Specific amount of time an Order should be exposed to the market**

Although the amount of time an Order is exposed to the market may be a factor that is considered when determining whether the Order constituted a disruptive trading practice, there is no prescribed safe harbor. The Exchange will consider a variety of factors, including exposure time, to determine whether an Order or Orders constitute a disruptive practice.

**D. Modification or cancellation of an Order once it has been entered**

An Order, entered with the intent to execute a bona fide transaction, that is subsequently modified or cancelled due to a perceived change in circumstances does not constitute a violation of Rule 620.

**E. Orders entered by mistake**

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). Market participants are expected to take steps to mitigate the occurrence of errors, 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.

**F. Partial fill of an Order**

While execution of an Order, in part or in full, may be one indication that an Order was entered in good faith, an execution does not automatically cause the Order to be considered compliant with Rule 620. Orders must be entered in an attempt to consummate a trade. A variety of factors may lead to a violative Order ultimately achieving an execution. The Exchange will consider a multitude of factors in assessing whether Rule 620 has been violated.

**G. Making a two-sided market with unequal quantities (e.g., 100 bid at 10 offered)**

Market participants are not precluded from making unequal markets as long as the Orders are entered for the purpose of executing bona fide transactions. If either (or both) Order(s) are entered with prohibited intent, including recklessness, such activity will constitute a violation of Rule 620.

**H. Stop Limit Orders entered for purposes of protecting a position**

Market participants may enter Stop Limit Orders as a means of minimizing potential losses with the hope that the Order will not be triggered. However, it must be the intent of the market participant that the Order will be executed if the specified condition is met. Such an order entry is not prohibited by this Rule.

**I. Entering Order(s) at various price levels throughout the order book in order to gain queue position and subsequently canceling those Orders as the market changes**

It is understood that market participants may want to achieve queue position at certain price levels, and given changing market conditions may wish to modify or cancel those Orders. In the absence of other indicia that the Orders were entered for disruptive purposes, they would not constitute a violation of Rule 620.

**J. “Actionable” and “non-actionable messages in relation to Rule 620(b)(ii), (iii), and (iv)**

Actionable messages are messages that can be accepted by another party or lead to the execution of a trade or cancellation of an Order. An example of an actionable message is an Order message. Non-actionable messages are those messages submitted to the Exchange that relate to a non-actionable event. An example of a non-actionable message is a heartbeat message transmitted to the CFE System.

**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. 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. Entering Orders that may be considered large for a particular market, and thus may have a potential impact on the market**

The size of an Order or cumulative Orders may be deemed to violate Rule 620 if the entry results in disorderliness in the markets, including, but not limited to, price or volume aberrations. Market participants should further be aware that the size of an Order may be deemed to violate Rule 620 if that Order distorts the integrity of the settlement prices. Accordingly, market participants should be cognizant of the market characteristics of the products they trade and ensure that their Order entry activity does not result in market disruptions. Exigent circumstances may be considered in determining whether a violation of Rule 620 has occurred and, if so, what the appropriate sanction should be for such violation.

**M. Meaning of the “closing period” in Rule 620**

“Closing period” typically refers to the period during which transactions, bids, and offers are reviewed for purposes of informing settlement price determinations.

**N. Factors the Exchange will consider in determining if an act was done with the prohibited intent or reckless disregard of the consequences**

Proof of intent is not limited to instances in which a market participant admits the market participant’s state of mind. Where the conduct was such that it more likely than not was intended to produce a prohibited disruptive consequence, intent may be found. Claims of ignorance, or lack of knowledge, are not acceptable defenses to intentional or reckless conduct. Recklessness has been commonly defined as conduct that “departs so far from the standards of ordinary care that it is very difficult to believe the actor was not aware of what he or she was doing.” *See Drexel Burnham Lambert, Inc. v. CFTC*, 850 F.2d 742, 748 (D.C. Cir. 1988).

**O. Orders entered for the purpose of igniting momentum in the market**

A “momentum ignition” strategy occurs when a market participant initiates a series of Orders or trades in an attempt to ignite a price movement in that market or a related market.

This conduct may be deemed to violate Rule 620 if it is determined the intent was to disrupt the orderly conduct of trading or the fair execution of transactions, if the conduct was reckless, or if the conduct distorted the integrity of the determination of settlement prices. Further, this activity may violate Rule 620(b)(i) if the momentum igniting Orders were intended to be canceled before execution, or if the Orders were intended to mislead others. If the conduct was intended to create artificially high or low prices, this may also constitute a violation of Rule 603 (Market Manipulation).

**P. “Flipping” Orders**

Flipping is defined as the entry of Orders or trades for the purpose of causing turns of the market and the creation of volatility and/or instability.



A “flip” Order typically has two main characteristics. First, it is an aggressor Order (i.e., an Order that takes liquidity). Second, shortly before the entry of the Order, the market participant cancels an Order(s) on the opposite side of the market, typically at the same price as the aggressor Order. The market participant, for example, has flipped from offering to bidding at the same price. The Exchange recognizes there are many variables that can cause a market participant to change that market participant’s perspective of the market. This Rule, therefore, does not prohibit a market participant from changing that market participant’s bias from short (long) to long (short).

Flipping activity may, however, be disruptive to the marketplace. For example, repeated instances of a market participant entering flipping Orders that are each large enough to turn the market (i.e., being of a sufficient quantity to sweep the entire quantity on the book at the particular price level and create a new best bid or best offer price with any remaining quantity from the aggressor flipping Order) can be disruptive to the orderly conduct of trading or the fair execution of transactions. In considering whether this conduct violates Rule 620, the Exchange would consider, among other factors:

- the impact on other market participants;
- price fluctuations;
- market conditions in the impacted market(s) and related markets;
- the participant’s activity in related markets;
- whether the flip involved the cancellation of a large sized Order(s) relative to the existing bid or offer depth; and
- whether repeated flipping turns the market back and forth (e.g., the first flip turns the market in favor of the offer (bid) and the second flip turns the market in favor of the bid (offer)).

**Q. Cancelling an Order via the Exchange’s Match Trade Prevention functionality or other self-match prevention technology**

The means by which an Order is cancelled, in and of itself, is not an indicator of whether an Order violates Rule 620. The use of match trade prevention functionality in a manner that causes a disruption to the market may constitute a violation of Rule 620. Further, if the resting Order that was cancelled was non-bona fide *ab initio*, it would be considered to have been entered in violation of Rule 620.

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

Orders entered during the pre-opening period or opening process 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 or opening process for the purpose of either manipulating the expected opening price 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 product, the entry into the CFE System of a TAS Order in that product prior to the time at which the CFE System disseminates the first Pre-Opening Notice under Rule 405A(a) for TAS Orders in that product is prohibited and may be deemed a violation of Rule 620, Rule 404A(c) or other rules. The CFE System disseminates a Pre-Opening Notice for each TAS Contract, and the first Pre-Opening Notice for a TAS Contract in a product is the Pre-Opening Notice that establishes the time at which TAS Orders may be submitted for all TAS Contracts in that product.

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

The Exchange provides a testing environment and test symbols in the CFE 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. 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. Trading in spreads for the purposes of deceiving or disadvantaging other market participants**

Market participants are reminded that knowingly trading spreads in a manner intended to deceive or unfairly disadvantage other market participants is considered a violation of Rule 620.

**U. 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.

Adopted July 30, 2015 (15-020); amended June 13, 2016 (16-010); February 25, 2018 (17-017).

**XIX. Submission Time Frames (Rule 402(c))**

All times referenced in this Policy and Procedure are Chicago time.

**A. Cboe Volatility Index (“VX”) and Cboe Bitcoin (USD) (“XBT”) Futures Submission Time Frames**

The time frames during which Trading Privilege Holders may submit Orders (including Cancel Orders and Cancel Replace/Modify Orders) to the CFE System for VX and XBT futures are set forth in the chart below.

<b>Time Frame</b>	<b>Period Type</b>	<b>What May be Submitted to CFE System</b>
4:00 p.m.* to 5:00 p.m. (Sunday)	Queuing Period	Orders (except Market Orders, Immediate or Cancel Orders and Fill or Kill Orders)**
5:00 p.m. (previous day) to 8:30 a.m. (Monday – Friday)	Extended Trading Hours	Orders (except Market Orders)  Orders (except Market Orders) until 8:00 a.m. in expiring VX future on its final settlement date
8:30 a.m. to 3:15 p.m. (Monday – Friday)	Regular Trading Hours	Orders (except Market Orders in XBT Futures)  Orders (except Market Orders) until 2:45 p.m. in expiring XBT future on its final settlement date
3:15 p.m. to 3:30 p.m. (Monday – Friday)	Queuing Period	Orders (except Market Orders, Immediate or Cancel Orders and Fill or Kill Orders)**
3:30 p.m. to 4:00 p.m. (Monday – Friday)	Extended Trading Hours	Orders (except Market Orders)

4:00 p.m. to 4:45 p.m. (Monday – Thursday)	Suspended	Nothing (except Cancel Orders after CFE System restart)
4:45 p.m.* to 5:00 p.m. (Monday – Thursday)	Queuing Period	Orders (except Market Orders, Immediate or Cancel Orders and Fill or Kill Orders)**
4:00 p.m. (Friday) to 4:00 p.m. (Sunday)	Suspended	Nothing (except Cancel Orders after CFE System restart)
5:00 p.m. (previous day) to 3:13 p.m. (Monday – Friday)  (Solely for Trade at Settlement (“TAS”) transactions in VX futures)	Extended and Regular Trading Hours for all types of TAS transactions in VX futures	TAS Orders are accepted until 3:13 p.m.  No TAS Orders are accepted from 3:13 p.m. to 4:45 p.m. (Monday – Thursday)  No TAS Orders are accepted from 3:13 p.m. to 4:00 p.m. (Friday)  TAS Orders are accepted from 4:00 p.m.*** to 5:00 p.m. during Queuing Period (Sunday) and from 4:45 p.m.*** to 5:00 p.m. during Queuing Period (Monday – Thursday)**
Whenever VX or XBT futures are in a queuing period	Queuing Period	Orders (except Market Orders, Immediate or Cancel Orders and Fill or Kill Orders)**
Whenever trading in VX or XBT futures is halted	Halted	Nothing (except Cancel Orders)

Whenever trading in VX or XBT futures is suspended	Suspended	Nothing (except Cancel Orders after CFE System restart)
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\*The queuing period at the beginning of a Business Day for VX and XBT non-TAS single leg Contract expirations and non-TAS spreads commences at the referenced start time for the queuing period plus a randomized time period from zero to three seconds.

\*\*Orders permitted to be submitted to the CFE System during these times are not executable until extended or regular trading hours next commence or open trading resumes following a trading halt or suspension.

\*\*\*The queuing period at the beginning of a Business Day for VX and XBT TAS single leg Contract expirations and TAS spreads commences at the referenced start time for the queuing period plus a randomized time period from three to six seconds.

**B. Submission Time Frames for All Exchange Contracts Other Than VX and XBT Futures**

The queuing period for non-TAS single leg Contract expirations and non-TAS spreads in Exchange Contracts other than VX and XBT futures commences for each Business Day at 5:00 p.m. on the previous calendar day plus a randomized time period from zero to three seconds. The queuing period for any TAS single leg Contract expirations and TAS spreads in Exchange Contracts other than VX and XBT futures commences for each Business Day at 5:00 p.m. on the previous calendar day plus a randomized time period from three to six seconds.

The CFE System accepts Orders (including Cancel Orders and Cancel Replace/Modify Orders) for Exchange Contracts other than VX and XBT futures during the queuing period (except for Market Orders, Immediate or Cancel Orders and Fill or Kill Orders). Orders permitted to be submitted to the CFE System during the queuing period are not executable until trading hours next commence.

The trading hours for Exchange Contracts other than VX and XBT futures are set forth in the rules governing the applicable Contract. The CFE System accepts Orders (including Cancel Orders and Cancel Replace/Modify Orders) for Exchange Contracts other than VX and XBT futures during the respective trading hours for these Contracts (except to the extent set forth in the rules governing the applicable Contract).

**C. Submissions Made During Other Queuing, Halt or Suspension Periods**

For any Exchange Contract, whenever the Contract is in a queuing period other than a queuing period as described above, the CFE System accepts Orders (including Cancel Orders and Cancel Replace/Modify Orders) except for Market Orders, Immediate or Cancel Orders and Fill or Kill Orders.

For any Exchange Contract, the CFE System does not accept any Orders (including Cancel Replace/Modify Orders) except Cancel Orders whenever the Contract is halted.

For any Exchange Contract, the CFE System does not accept any Orders (including Cancel Orders and Cancel Replace/Modify Orders) whenever the Contract is suspended except Cancel Orders after the restart of the CFE System.

**D. Submissions Made Prior to Applicable Pre-Open Start Times**

Orders (including Cancel Orders and Cancel Replace/Modify Orders) that are received prior to the applicable queuing period start time while the CFE System is in a suspended state will be rejected, with the following exceptions:

(i) The CFE System accepts Cancel Orders while the CFE System is in a suspended state after the restart of the CFE System during the suspended state.

(ii) Other Exchange rule provisions also address submissions prior to the start of a queuing period during the time period between Exchange Business Days for a Contract, including without limitation, Rule 405A(a)(vii), Rule 404A(c) and Policy and Procedure XVIII(R).

**E. Modified Trading Hours**

Trading hours may be modified or shortened in connection with a holiday or period of mourning. In those instances, the time frames for submission of Orders (including Cancel Orders and Cancel Replace/Modify Orders) will be modified accordingly.

**F. Opening Process**

Rule 405A contains additional provisions relating to the opening process for Exchange Contracts.

Adopted November 25, 2015 (15-028); May 29, 2016 (16-006); October 31, 2017 (17-016); December 3, 2017 (17-018); February 25, 2018 (17-017); February 25, 2018 (18-002); April 25, 2018 (18-005); August 12, 2018 (18-011); October 8, 2018 (18-020).



**XX. RESERVED**

Adopted January 1, 2016 (15-035); January 1, 2017 (16-018); July 26, 2017 (17-012); October 31, 2017 (17-016); January 1, 2018 (17-026); February 25, 2018 (17-017); August 1, 2018 (18-014).

**XXI. RESERVED**

Adopted January 15, 2016 (15-036).

**XXII. RESERVED**

Adopted April 1, 2017 (17-006); amended October 31, 2017 (17-016); January 1, 2018 (17-025); February 25, 2018 (17-017).

**XXIII. RESERVED**

Adopted April 1, 2017 (17-007); amended October 31, 2017 (17-016); January 1, 2018 (17-027); February 25, 2018 (17-017); August 1, 2018 (18-014); December 1, 2018 (18-024).

**XXIV. RESERVED**

Adopted April 1, 2017 (17-008); amended October 31, 2017; January 1, 2018 (17-024); February 25, 2018 (17-017); August 1, 2018 (18-014).