

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-77956; File No. SR-CFE-2016-001)

June 1, 2016

Self-Regulatory Organizations; CBOE Futures Exchange, LLC; Notice of Proposed Rule Change Regarding the Reporting Time for Exchange of Contract for Related Position Transactions and Block Trades that Involve Trade at Settlement Transactions

Pursuant to Section 19(b)(7) of the Securities Exchange Act of 1934 (“Act”),¹ notice is hereby given that on May 12, 2016 CBOE Futures Exchange, LLC (“CFE” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change described in Items I, II, and III below, which Items have been prepared by CFE. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons. CFE also has filed this proposed rule change with the Commodity Futures Trading Commission (“CFTC”). CFE filed a written certification with the CFTC under Section 5c(c) of the Commodity Exchange Act (“CEA”)² on May 12, 2016.

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

CFE Rule 404A (Trade at Settlement Transactions) defines a TAS transaction as a transaction in a CFE contract at a price equal to the daily settlement price, or a specified differential above or below the daily settlement price, for the contract on a trading day. The actual amount is determined subsequent to the transaction based upon the daily settlement price of the contract.

CFE is submitting this amendment in conjunction with CFE’s submission of a separate rule certification to the CFTC to change the end of trading hours for TAS transactions in CBOE Volatility Index (“VX”) futures from three minutes prior to the close of regular trading hours at

¹ 15 U.S.C. 78s(b)(7).

² 7 U.S.C. 7a-2(c).

the end of a business day to two minutes prior to the close of regular trading hours at the end of a business day.³ This change to TAS trading hours in VX futures means that the trading hours for TAS transactions in VX futures will end at 3:13 p.m.⁴ instead of 3:12 p.m.

CFE currently permits TAS transactions only in VX futures. Extending the TAS trading hours in VX futures by one minute will provide market participants that engage in TAS transactions toward the end of TAS trading hours a better sense of the likely daily settlement price and how many contracts need to be traded utilizing TAS transactions in order to execute hedging and roll strategies.

As a result of the change in TAS trading hours described above, the Exchange proposes a corollary change to amend its rules related to the reporting time for Exchange of Contract for Related Position (“ECRP”) transactions and Block Trades that involve TAS transactions. The scope of this filing is limited solely to the application of the rule amendments to security futures that may be traded on CFE. The text of the proposed rule change is attached as Exhibit 4 to the filing but is not attached to the publication of this notice.

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

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

³ See CFE Rule Certification Submission Number CFE-2016-006 submitted to the CFTC on May 12, 2016.

⁴ All times referenced are Chicago time.

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

1. Purpose

As previously mentioned, the Exchange has submitted a rule filing certification to the CFTC to extend the trading hours for TAS transactions in VX futures from 3:12 p.m. to 3:13 p.m. As such, the Exchange is proposing to amend CFE Rules 414 and 415, which set forth the reporting requirements for ECRP transactions and Block Trades that involve TAS transactions, in order to align the reporting time frames with the revised trading hours for VX TAS transactions. Although the revisions to these reporting time frames are being made as a result of the change in trading hours for VX TAS transactions, the revised reporting time frames in the proposed rule change would apply to any product listed on CFE, including a security future, in the event that CFE were to amend its rules to permit TAS transactions in that product.

Reporting Time Frame for ECRP Transactions that Involve TAS Transactions

Paragraph (i) of CFE Rule 414 (Exchange of Contract for Related Position) currently provides (i) that the CFE legs of TAS ECRP transactions which are reported to CFE after 3:12 p.m. Monday through Thursday will be submitted for clearing for the next business day and (ii) that TAS ECRP transactions may not be reported after 3:12 p.m. on Friday. The proposed rule change changes the references in Rule 414(i) from 3:12 p.m. to 3:13 p.m. to be consistent with the change in TAS trading hours.

CFE believes this extension is justified because it will allow CFE to align its ECRP transaction reporting requirements with the revised trading hours for VX TAS transactions.

Reporting Time Frame for Block Trades that Involve TAS Transactions

Paragraph (g) of CFE Rule 415 (Block Trades) currently provides (i) that TAS Block Trades which are reported to CFE after 3:12 p.m. Monday through Thursday will be submitted

for clearing for the next business day and (ii) that TAS Block Trades may not be reported after 3:12 p.m. on Friday. The proposed rule change changes the references in Rule 415(g) from 3:12 p.m. to 3:13 p.m. to be consistent with the change in TAS trading hours.

CFE believes this extension is justified because it will allow CFE to align its Block Trade reporting requirements with the revised trading hours for VX TAS transactions.

2. Statutory Basis

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

- to foster coordination of the Exchange's reporting provisions relating to TAS ECRP and Block Trades with the revised trading hours for VX TAS transactions; and
- to remove impediments to and perfect the mechanism of a free and open market and a national market system, and in general, to protect investors and the public interest.

The Exchange believes that the proposed rule change would benefit market participants because it would provide them with additional time to report ECRP transactions and Block Trades that involve TAS transactions that market participants wish to have cleared on the same business day as the calendar day of the transaction to align with the revised trading hours for TAS transactions in VX futures.

In addition, the proposed rule change benefits market participants by allowing the reporting of ECRP transactions and Block Trades that involve TAS transactions on Fridays to

⁵ 15 U.S.C. 78f(b).

⁶ 15 U.S.C. 78f(b)(5).

⁷ 15 U.S.C. 78f(b)(7).

be done during the entire time period that TAS transactions in VX futures are permitted in order to be consistent with the change in TAS trading hours for VX futures.

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

CFE does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. Specifically, the Exchange believes that the proposed rule change will not burden competition because the new reporting time provisions for ECRP transactions and Block Trades that involve TAS transactions will align with the revised trading hours for VX TAS transactions and will apply to equally all market participants.

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

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

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

The proposed rule change will become effective on or after May 26, 2016, on a date to be announced by the Exchange through the issuance of a circular. At any time within 60 days of the date of effectiveness of the proposed rule change, the Commission, after consultation with the CFTC, may summarily abrogate the proposed rule change and require that the proposed rule change be refiled in accordance with the provisions of Section 19(b)(1) of the Act.⁸

IV. Solicitation of Comments

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

⁸ 15 U.S.C. 78s(b)(1).

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CFE-2016-001 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-CFE-2016-001. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer

to File Number SR-CFE-2016-001, and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁹

Brent J. Fields
Secretary

⁹ 17 CFR 200.30-3(a)(73).