



February 3, 2012

**Via Electronic Mail**

Mr. David Stawick  
Secretary  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, D.C. 20581

Re: CBOE Futures Exchange, LLC Rule Certification  
Submission Number CFE-2012-02

Dear Mr. Stawick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended ("Act"), and §41.24 of the regulations promulgated by the Commodity Futures Trading Commission ("CFTC") under the Act, CBOE Futures Exchange, LLC ("CFE" or "Exchange") hereby submits an amendment ("Amendment") to revise CFE Rule 1602(a) by changing the contract multiplier from \$1,000 to \$100 for security futures on individual stock based and exchange-traded fund ("ETF") based volatility indexes ("Volatility Index"). All Volatility Index security futures contracts (with and without open interest) that were listed for trading with a \$1,000 contract multiplier trading prior to effective date of this Amendment will be split into 10 contracts prior to the open of trading on the effective date of the amendment. The Amendment will also result in a change to CFE Rule 1602(c) regarding the value of the minimum increment for Volatility Index security futures, which will change from \$50 to \$5. Additionally, because of the 1/10<sup>th</sup> scaling reduction of the contract size, CFE is increasing the position limit levels and the minimum quantities for Block Trades by a factor of 10. The increased position limit levels and minimum quantities for Block Trades are equivalent to the previous position limit levels and minimum Block Trade size quantities when scaled to reflect a \$100 multiplier. These changes are being made to CFE Rules 1602(d) and 1602(k). Finally the Exchange is changing the reference to \$1,000 to \$100 set forth in CFE Rule 1603. The Amendment will become effective on February 21, 2012.

On March 25, 2011, CFE listed its first security futures contract on the CBOE Gold ETF Volatility Index.<sup>1</sup> On January 9, 2012, CFE expanded its volatility index suite of products to include eleven additional volatility indexes on which security futures could be listed and began

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<sup>1</sup> See CFE Submission Number CFE-2011-06 (submitted on October 20, 2011 and effective on November 4, 2011)

trading the CBOE Emerging Market Volatility ETF security futures contract.<sup>2</sup> In advance of launching additional volatility index security futures (that are already available for trading), CFE surveyed market participants and believes that changing the contract multiplier from \$1,000 to \$100 will be beneficial to the marketplace. CFE believes that potential users of its volatility index security futures contracts have familiarity and comfort with trading the component equity or ETF options that have a \$100 contract. Aligning the size of volatility index security futures contracts with the size of the volatility index component options will hopefully increase the user base of these products and hopefully attract additional liquidity to these products. CFE also notes that security options on the same volatility indexes have a \$100 contract multiplier. CFE believes having the same contract sizes across different markets will facilitate hedging activity involving volatility index products traded in different markets.

CFE believes that the impact of the Amendment will be beneficial to the public and market participants. CFE surveyed market participants regarding the changes being made by the Amendment and received mixed responses. Some market participants expressed a preference to maintain the current scaling of the contracts, while many others supported the change to a \$100 contract multiplier. In addition to the benefits described above, CFE believes that a smaller contract size for volatility index security futures will provide more trading flexibility and will hopefully attract a broader spectrum of market participants. CFE hereby certifies that the Amendment complies with the Act and the regulations thereunder. CFE further certifies that it has posted a notice of pending certification with the Commission and a copy of this submission on CFE's Web site (<http://cfe.cboe.com/aboutcfe/rules.aspx>) concurrent with the filing of this submission with the Commission.

The Amendment, marked to show additions in underlined text and deletions in [bracketed] text to the summary product specifications chart and the contract specification rule chapter for this product, consists of the following:

**Summary Product Specifications Chart for Individual Stock Based and Exchange-Traded Fund Based Volatility Index ("Volatility Index") Security Futures**

<b>CONTRACT NAME:</b>	Individual Stock Based and Exchange Traded Fund ("ETF") Based Volatility Index ("Volatility Index") Security Futures
<b>LISTING DATE:</b>	March 25, 2011.
<b>DESCRIPTION:</b>	<p>A Volatility Index is an up-to-the-minute market estimate of the expected volatility of the underlying individual stock or ETF calculated by using real-time bid/ask quotes of options on the underlying instruments traded on Chicago Board Options Exchange, Incorporated ("CBOE"). A Volatility Index uses nearby and second nearby options with at least 8 days left to expiration and then weights them to yield a constant, 30-day measure of the expected (implied) volatility.</p> <p>The Exchange may list security futures contracts on the following Volatility Indexes:</p>

<sup>2</sup> See CFE Submission Number CFE-2011-28 (submitted on December 22, 2011 and effective on January 9, 2012).

	CBOE Equity VIX on Apple CBOE Equity VIX on Amazon CBOE Equity VIX on Goldman Sachs CBOE Equity VIX on Google CBOE Equity VIX on IBM CBOE Gold ETF Volatility Index CBOE Crude Oil ETF Volatility Index CBOE Emerging Markets ETF Volatility Index CBOE China ETF Volatility Index CBOE Brazil ETF Volatility Index CBOE Gold Miners ETF Volatility Index CBOE Energy Sector ETF Volatility Index		
<b>CONTRACT SIZE:</b>	The contract multiplier for a Vol Index futures contract is [\$1,000] \$100.		
<b>TRADING HOURS:</b>	<b>Trading Hours</b> 8:30 a.m. – 3:00 p.m. (Chicago Time)	<b>Volatility Index Security Future</b> VXAPL VXAZN VXGS VXGOG VXIBM GV[Z] OV[X] VAFXI VXEW[Z] VXGDX	
	<b>Trading Hours</b> 8:30 a.m. – 3:15 p.m. (Chicago Time)	<b>Volatility Index Security Future</b> VX[E]EM VXXLE	
<b>CONTRACT MONTHS:</b>	Up to nine near-term months plus up to five additional months on the February quarterly cycle may be listed for a Volatility Index futures contract.		
<b>TICKER SYMBOL:</b>	<u><b>Volatility Index</b></u>	<u><b>Index Ticker</b></u>	<u><b>Futures Ticker</b></u>
	CBOE Equity VIX on Apple [-]	VXAPL	<u>TBD</u>
	CBOE Equity VIX on Amazon [-]	VXAZN	<u>TBD</u>
	CBOE Equity VIX on Goldman Sachs [-]	VXGS	<u>TBD</u>
	CBOE Equity VIX on Google [-]	VXGOG	<u>TBD</u>
	CBOE Equity VIX on IBM [-]	VXIBM	<u>TBD</u>
	CBOE Gold ETF Volatility Index [-]	GVZ	<u>GV</u>
	CBOE Crude Oil ETF Volatility Index [-]	OVX	<u>OV</u>

	<u>Volatility Index</u>	<u>Index Ticker</u>	<u>Futures Ticker</u>
	CBOE Emerging Markets ETF Volatility Index [-]	VXEEM	<u>VXEM</u>
	CBOE China ETF Volatility Index [-]	VXFXI	<u>TBD</u>
	CBOE Brazil ETF Volatility Index [-]	VXEWZ	<u>VXEW</u>
	CBOE Gold Miners ETF Volatility Index [-]	VXGDX	<u>TBD</u>
	CBOE Energy Sector ETF Volatility Index [-]	VXXLE	<u>TBD</u>
<b>PRICING CONVENTIONS:</b>	Both futures prices and cash index levels are stated in decimal format.		
<b>MINIMUM PRICE INTERVALS:</b>	0.05 of one Volatility Index point (equal to [\$50.00] \$5.00 per contract). 0.01 of one Volatility Index point (equal to [\$10.00] \$1.00 per contract) for spreads.		
<b>DOLLAR VALUE PER TICK:</b>	[\$50.00] \$5.00 per contract.		
<b>TERMINATION OF TRADING:</b>	The close of trading on the day before the Final Settlement Date. When the last trading day is moved because of a CFE holiday, the last trading day for expiring Volatility Index futures contracts will be the day immediately preceding the last regularly scheduled trading day.		
<b>FINAL SETTLEMENT DATE:</b>	The Wednesday that is thirty days prior to the third Friday of the calendar month immediately following the month in which the contract expires ("Final Settlement Date"). If the third Friday of the month subsequent to expiration of the applicable Volatility Index futures contract is a CBOE holiday, the Final Settlement Date for the contract shall be thirty days prior to the CBOE business day immediately preceding that Friday.		
<b>FINAL SETTLEMENT VALUE:</b>	The final-settlement value for Volatility Index futures shall be a Special Opening Quotation ("SOQ") of the Volatility Index calculated from the sequence of opening prices of a single strip of options on the underlying stock or ETF expiring 30 days after the settlement date. The opening price for any series in which there is no trade shall be the average of that option's bid price and ask price as determined at the opening of trading. Exercise will result in delivery of cash on the business day following expiration. The final settlement value will be rounded to the nearest \$0.01. If the final settlement value is not available or the normal settlement procedure cannot be utilized due to a trading disruption or other unusual circumstance, the final settlement value will be determined in accordance with the rules and bylaws of The Options Clearing Corporation.		
<b>DELIVERY:</b>	Settlement of a Volatility Index futures contract will result in the delivery of a cash settlement amount on the business day immediately following the Final Settlement Date. The cash		

	<p>settlement amount on the Final Settlement Date shall be the final mark to market amount against the final settlement price of the Volatility Index futures contract multiplied by [<del>\$1,000.00</del>] \$100.</p>
<p><b>POSITION LIMITS:</b></p>	<p>Volatility Index futures contracts are subject to position limits under Rule 412.</p> <p>A person may not own or control: (1) more than [<del>5,000</del>] <u>50,000</u> contracts net long or net short in all Volatility Index futures contracts on the same Volatility Index combined; (2) more than [<del>3,000</del>] <u>30,000</u> contracts net long or net short in the expiring contract month for a Volatility Index future; and (3) more than [<del>1,350</del>] <u>13,500</u> contracts net long or net short in the expiring contract for a Volatility Index future held during the last 5 trading days for the expiring Volatility Index futures contract month. For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding shall be cumulated.</p> <p>The foregoing position limits shall not apply to positions that are subject to a position limit exemption meeting the requirements of Commission Regulations and CFE Rules.</p>
<p><b>MINIMUM REPORTABLE LEVEL:</b></p>	<p>200 or more contracts of a Volatility Index future.</p>

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**CHAPTER 16**  
**INDIVIDUAL STOCK BASED AND EXCHANGE TRADED FUND BASE**  
**VOLATILITY INDEX SECURITY FUTURES CONTRACT SPECIFICATIONS**

**1601. Scope of Chapter**

This chapter applies to trading in Individual Stock Based and Exchange Traded Fund Based Volatility Index ("Volatility Index") security futures contracts. The procedures for trading, clearing, settlement, and any other matters not specifically covered herein shall be governed by the generally applicable rules of the Exchange. The Exchange may list the following Volatility Index security futures contracts for trading on the Exchange:

CBOE Equity VIX on Apple ("VXAPL")  
CBOE Equity VIX on Amazon ("VXAZN")  
CBOE Equity VIX on Goldman Sachs ("VXGS")  
CBOE Equity VIX on Google ("VXGOG")  
CBOE Equity VIX on IBM ("VXIBM")  
CBOE Gold ETF Volatility Index ("GVZ")  
CBOE Crude Oil ETF Volatility Index ("OVX")  
CBOE Emerging Markets ETF Volatility Index ("VXEEM")  
CBOE China ETF Volatility Index ("VXFXI")  
CBOE Brazil ETF Volatility Index ("VXEZW")  
CBOE Gold Miners ETF Volatility Index ("VXGDX")  
CBOE Energy Sector ETF Volatility Index ("VXXLE")

The Exchange first listed Volatility Index security futures contracts for trading on the Exchange on March 25, 2011.

**1602. Contract Specifications**

(a) *Multiplier.* The contract multiplier for each Volatility Index futures contract is [\$1,000.00] \$100. For example, a contract size of one Volatility Index futures contract would be [\$18,950] \$1,895 if the underlying Volatility Index level were 18.95 (18.95 x [\$1,000.00] \$100).

All Volatility Index futures contracts (with and without open interest) that were listed for trading with a \$1,000 contract trading prior to February 21, 2012 shall be split into 10 contracts prior to the open of trading on February 21, 2012.

(b) No change.

(c) *Minimum Increments.* Except as provided in the following sentence, the minimum fluctuation of a Volatility Index futures contract is 0.05 index points, which has a value of [\$50.00] \$5.00.

The individual legs and net prices of spread trades in a Volatility Index futures contract may be in increments of 0.01 index points, which has a value of [\$10.00] \$1.00.

(d) *Position Limits.* Volatility Index futures are subject to position limits under Rule 412.

A person may not own or control: (1) more than [5,000] 50,000 contracts net long or net short in all Volatility Index futures contracts on the same Volatility Index combined; (2) more than [3,000] 30,000 contracts net long or net short in the expiring contract month for a Volatility Index future; and (3) more than [1,350] 13,500 contracts net long or net short in the expiring contract for a Volatility Index future held during the last 5 trading days for the expiring Volatility Index futures contract month. For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding shall be cumulated.

For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding shall be cumulated.

The foregoing position limits shall not apply to positions that are subject to a position limit exemption meeting the requirements of Commission Regulations and CFE Rules.

(e) – (j) No change.

(k) *Block Trades.* Pursuant to Rule 415(a)(i), the minimum Block Trade quantity for a Volatility Index futures contract is [100] 1,000 contracts if there is only one leg involved in the trade. If the Block Trade is executed as a spread order, one leg must meet the minimum Block Trade quantity for a Volatility Index futures contract and the other leg(s) must have a contract size that is reasonably related to the leg meeting the minimum Block Trade quantity. If the Block Trade is executed as a transaction with legs in multiple contract months and all legs of the Block Trade are exclusively for the purchase or exclusively for the sale of a Volatility Index futures contract[s] (a “strip”), the minimum Block Trade quantity for the strip is [150] 1,500 contracts and each leg of the strip is required to have a minimum size of [50] 500 contracts.

The minimum price increment for a Block Trade in a Volatility Index futures contract is 0.01 index points.

No natural person associated with a Trading Privilege Holder or Authorized Trader that has knowledge of a pending Block Trade of such Trading Privilege Holder or Authorized Trader, or a Customer thereof in a Volatility Index future on the Exchange, may enter an Order or execute a transaction, whether for his or her own account or, if applicable, for the account of a Customer over which he or she has control, for or in a Volatility Index future to which such Block Trade relates until after (i) such Block Trade has been reported to and published by the Exchange and (ii) any additional time period from time to time prescribed by the Exchange in its block trading procedures or contract specifications has expired.

(l) – (q) No change.

### **1603. Settlement**

Settlement of a Volatility Index futures contract will result in the delivery of a cash settlement amount on the business day immediately following the settlement date. The cash settlement amount on the final settlement date shall be the final mark to market amount against

Mr. David Stawick  
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the final settlement price of the Volatility Index futures contract multiplied by [\$1,000.00] \$100. The final settlement price of the Volatility Index futures contract will be rounded to the nearest \$0.01.

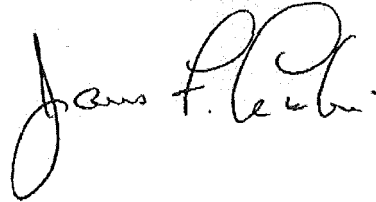
Clearing Members holding open positions in a Volatility Index futures contract at the termination of trading in that Contract shall make payment to or receive payment from the Clearing Corporation in accordance with normal variation and performance bond procedures based on the final settlement amount.

If the settlement value is not available or the normal settlement procedure cannot be utilized due to a trading disruption or other unusual circumstance, the settlement value will be determined in accordance with the Rules and By-Laws of The Options Clearing Corporation.

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Questions regarding this submission may be directed to Arthur Reinstein at (312) 786-7570 or Jennifer Klebes at (312) 786-7466. Please reference our submission number CFE-2012-02 in any related correspondence.

CBOE Futures Exchange, LLC

A handwritten signature in black ink, appearing to read "James F. Lubin". The signature is stylized with a large, looping initial "J" and a long horizontal stroke at the end.

By: James F. Lubin  
Managing Director

cc: Riva Adriance (CFTC)  
Philip Colling (CFTC)  
Thomas Leahy (CFTC)  
Nancy Markowitz (CFTC)  
National Futures Association  
The Options Clearing Corporation