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October 10, 2007

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-2007-11

Dear Mr. Stawick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended ("Act"), and §40.6(a) of the regulations promulgated by the Commodity Futures Trading Commission ("Commission") under the Act, CBOE Futures Exchange, LLC ("CFE" or "Exchange") hereby submits this rule change ("Amendment") to amend CFE Rule 412, to adopt new CFE Rule 412A governing position accountability, and to amend CFE Rule 1202(d) to provide for position accountability with respect to CBOE Volatility Index ("VIX") futures contracts. CFE is also proposing to amend CFE Rules 1302(d), 1402(d), 1502(d), 1602(d), 1702(d), 2002(d), and 2302(d), which are contained in the contract specification chapters for other futures contracts traded on CFE, to explicitly state that those contracts are subject to position limits under Rule 412.

As a preliminary matter, CFE notes that the position limits in VIX futures have been increased twice before in May 2006 and in October 2006. At those times, CFE noted that it was taking an incremental approach to increasing the position limits in VIX futures, by coupling the increases in the all months combined limits with a spot month limit instead of solely moving to a higher all months combined limit. CFE also expressed its intent to evaluate its experience with the newly prescribed limits so that it could determine whether to implement further changes to the VIX position limits in light of that experience.

CFE has evaluated position limits in VIX futures since October 2006 and has determined to provide for position accountability in lieu of position limits for VIX futures. To effect this change, the Exchange is proposing to adopt new Rule 412A and to amend existing Rules 412 and 1202(d). The position accountability levels for VIX futures will be the same as the current position limit levels. Specifically, the general accountability level will be 25,000 contracts net long or net short in all VIX futures contract months combined and the spot month accountability level will be 15,000 contracts net long or net short commencing on the Friday prior to the final settlement date of the spot month contract.

CFE believes that a position accountability provision for the VIX futures contract is appropriate because the open interest and the trading volume in VIX futures continue to significantly increase. CFE took the following into consideration in determining to adopt a position accountability rule and to permit position accountability in lieu of position limits for VIX futures contracts.

Since the first position limit increase in VIX futures, the open interest in VIX futures has increased from in excess of 31,000 contracts (May 2006), to in excess of 49,000 contracts (October 2006), to in excess of 70,000 contracts (current). In addition, since the last position limit increase in October 2006, the daily trading volume in VIX futures on a single day has exceeded 10,000 contracts on ten occasions.¹ In addition, on one of those occasions (August 1, 2007) the trading volume in VIX futures reached an all-time high of 26,846 contracts on that day. This is the first time that the trading volume in VIX futures has exceeded the 20,000-contract mark on a single day. Further the average daily trading volume in Standard & Poor's 500 Index ("SPX") options, which are used to calculate the VIX, has increased markedly since October 2006. Specifically, the average daily trading volume in SPX options in October 2006 was approximately 439,000 contracts and today is approximately 820,000 contracts. It should also be noted that the SPX option market remains the most liquid index options market in the United States.

The Amendment will become effective on October 11, 2007.

CFE is not aware of any substantive opposing views to the Amendment. CFE hereby certifies that the Amendment complies with the Act and the regulations thereunder.

The Amendment, marked to show additions in underlined text and deletions in [bracketed] text, consists of the following:

* * * * *

Position Limits and Accountability, [and] Price Limits[;] , and Final Settlement Prices

412. Position Limits

(a) The Exchange shall designate for each Contract whether it is subject to position limits or to position accountability. This Rule 412 governs Contracts that are subject to position limits.

(b) [(a)] Position limits shall be as established by the Exchange from time to time as permitted by Commission Regulation § 41.25 and other applicable Commission Regulations. Such position limits may be specific to a particular Contract or delivery month or may be established on an aggregate basis among Contracts or delivery months. Except as specified in paragraphs (c) [(b)] and (d) [(c)] below, Trading Privilege Holders

¹ The specific dates and total trading volume for VIX futures contracts exceeding 10,000 contracts on a single day are: October 17, 2006 (10,105 contracts); May 7, 2007 (10,124 contracts); May 10, 2007 (12,102 contracts); June 20, 2007 (10,716 contracts); July 24, 2007 (10,830 contracts); July 26, 2007 (12,096 contracts); August 1, 2007 (26,846 contracts); August 6, 2007 (17,354 contracts); August 7, 2007 (11,073 contracts); and August 16, 2007 (12,640 contracts).

shall not control, or trade in, any number of Contracts that exceed any position limits so established by the Exchange. Once established, any such position limits shall be deemed to constitute a part of each Trading Privilege Holder's account and clearing agreement. Except as specified in paragraphs (c) [(b)] and (d) [(c)] below, no Trading Privilege Holder shall be permitted to enter into any transaction on the Exchange that would cause such Trading Privilege Holder to exceed any position limits.

(c) [(b)] On the basis of an application to the Exchange in accordance with paragraph (e) [(d)] below, and such supplemental information as the Exchange may request, the Exchange will determine whether to grant a position limit exemption for a qualified hedge transaction or series of qualified hedge transactions. For purposes of this Rule 412, the term "qualified hedge transaction" shall include any transaction or position in a particular Contract that represents a substitute for transactions to be made or positions to be taken at a later time in the commodity underlying such Contract or in other underlying or related instruments, provided the transaction(s) entered into or position(s) taken on the Exchange are economically appropriate to reduce risks arising from:

- (i) any potential change in the value of assets that a Person owns, produces, manufactures, processes or merchandises or anticipates owning, producing, manufacturing, processing or merchandising;
- (ii) any potential change in the amount of liabilities that a Person owes or anticipates incurring;
- (iii) any potential change in the value of services that a Person provides, purchases or anticipates providing or purchasing; or
- (iv) any other good cause shown, as determined by the Exchange in its sole discretion.

(d) [(c)] On the basis of an application to the Exchange in accordance with paragraph (e) [(d)] below, and such supplemental information as the Exchange may request, the Exchange will determine whether to grant a position limit exemption for a particular arbitrage transaction or spread transaction or series of arbitrage or spread transactions.

(e) [(d)] Any application for a position limit exemption for a qualified hedge transaction, arbitrage transaction or spread transaction, or series of qualified hedge, arbitrage or spread transactions, must be made by the relevant Trading Privilege Holder to the Exchange in such form, and within such time limits, as the Exchange may from time to time prescribe. Without limiting the generality of the foregoing, any such application must include the following:

- (i) If a qualified hedge transaction, an arbitrage transaction or a spread transaction, a representation that such transaction or position constitutes a qualified hedge transaction, an arbitrage or a spread transaction, as the case may be, and is not used in an attempt to violate or avoid any Rule of the Exchange;
- (ii) If a qualified hedge transaction, a representation that such transaction or position is necessary or advisable as an integral part of the business

of such Trading Privilege Holder, which representation shall also include a description of such business;

(iii) If an arbitrage or spread transaction, an undertaking that the prospective arbitrageur or spreader will specify the extent of the Trading Privilege Holder's current or planned activity in the cash market underlying the Contract for which such exemption is requested;

(iv) If an arbitrage or spread transaction, a representation that the positions involved are moved in an orderly manner and not initiated or liquidated in a manner calculated to cause unreasonable price fluctuations or unwarranted price changes;

(v) A representation that such Trading Privilege Holder has complied with any applicable federal requirement relating to hedging, arbitrage or spread transactions, as the case may be;

(vi) A schedule of the maximum number of Contracts, long and short, that such Trading Privilege Holder intends to enter into for hedging, arbitrage or spread transaction purposes, as the case may be;

(vii) An agreement that such Trading Privilege Holder will comply with any additional limits on its trading as the Exchange may from time to time impose; and

(viii) An agreement by such Trading Privilege Holder to promptly submit a supplemental statement explaining any change in circumstances that may affect the nature of its positions.

(f) [(e)] In determining whether any Trading Privilege Holder has exceeded the position limits established by the Exchange, all positions in accounts for which such Trading Privilege Holder, by power of attorney or otherwise, directly or indirectly controls trading (whether on a proprietary basis or on behalf of Customers) shall be included. Position limits shall apply to positions held by two or more Trading Privilege Holders acting pursuant to an express or implied agreement or understanding in the same manner as if such positions were held by a single Person.

(g) [(f)] The application for a position limit exemption must be submitted to and approved by the Exchange before execution of any transaction for which the exemption is requested. In granting any position limit exemption, the Exchange may impose such limitations or conditions upon the grant of the exemption as it may deem necessary or appropriate. Factors to be taken into account by the Exchange in determining whether to limit or condition a position limit exemption may include, among others, the liquidity of the markets involved and the Trading Privilege Holder's financial condition and business circumstances. Any position limit exemption granted by the Exchange for a qualified hedge transaction, arbitrage transaction or spread transaction, or series of qualified hedge, arbitrage or spread transactions, shall remain in effect for the time period designated by the Exchange, unless the exemption is earlier rescinded by the Exchange. The time period for which a position limit exemption may be granted by the Exchange may be up to two years. The Exchange shall have the authority to review and rescind, limit or condition any position limit exemption granted by it at any time in its sole discretion. A

Trading Privilege Holder shall promptly submit to the Exchange upon request such supplemental information requested by the Exchange in connection with the review of a position limit exemption granted to the Trading Privilege Holder.

(h) [(g)] For purposes of paragraph (f) [(e)] above, "control" exists when the Trading Privilege Holder or Authorized Trader in question makes investment decisions for the account or accounts in question or materially influences, directly or indirectly, the actions of any Person who makes such investment decisions. In addition, "control" will be presumed to exist in the following circumstances:

- (i) Among all parties to a joint account who have authority to act on behalf of such account;
- (ii) Among all general partners to a partnership account;
- (iii) If a Person (A) holds an ownership interest of 10 percent or more in the Person holding the account or accounts in question, or (B) shares in 10 percent or more of the profits or losses related to such account or accounts;
- (iv) If the Persons holding the account or accounts in question have common directors or management; or
- (v) If a Person has the authority to execute transactions in the account or accounts in question.

Any presumption of control on the basis of the foregoing circumstances can be rebutted by proving that such circumstances do not exist or by showing other circumstances which negate the presumption of control. Initial determinations of "control" shall be made by the Chief Regulatory Officer or his or her designee.

412A. Position Accountability

(a) The Exchange shall designate for each Contract whether it is subject to position limits or is subject to position accountability. This Rule 412A governs Contracts that are subject to position accountability.

(b) A Trading Privilege Holder that controls aggregate positions in a Contract in excess of the position accountability levels designated by the Exchange for that Contract shall be subject to the following provisions with respect to position accountability:

(i) The Trading Privilege Holder shall promptly supply to the Exchange such information as the Exchange may request pertaining to the nature and size of the positions, the trading strategy employed with respect to the positions and the Trading Privilege Holder's hedging requirements and activities with respect to the positions;

(ii) The Exchange may require the Trading Privilege Holder (a) not to further increase any positions that are above the applicable position accountability levels, (b) to reduce any positions that are above the applicable position accountability levels, or (c) to comply with any prospective levels or

limits prescribed by the Exchange which exceed the size of the positions controlled by the Trading Privilege Holder; and

(iii) Any positions in excess of the applicable position accountability levels must be initiated and liquidated in an orderly manner.

(c) In determining whether any Trading Privilege Holder has exceeded the position accountability levels established by the Exchange, all positions in accounts for which such Trading Privilege Holder, by power of attorney or otherwise, directly or indirectly controls trading (whether on a proprietary basis or on behalf of Customers) shall be included. Position accountability levels shall apply to positions held by two or more Trading Privilege Holders acting pursuant to an express or implied agreement or understanding in the same manner as if such positions were held by a single Person.

(d) For purposes of paragraph (c) above, "control" exists when the Trading Privilege Holder or Authorized Trader in question makes investment decisions for the account or accounts in question or materially influences, directly or indirectly, the actions of any Person who makes such investment decisions. In addition, "control" will be presumed to exist in the following circumstances:

(i) Among all parties to a joint account who have authority to act on behalf of such account;

(ii) Among all general partners to a partnership account;

(iii) If a Person (A) holds an ownership interest of 10 percent or more in the Person holding the account or accounts in question, or (B) shares in 10 percent or more of the profits or losses related to such account or accounts;

(iv) If the Persons holding the account or accounts in question have common directors or management; or

(v) If a Person has the authority to execute transactions in the account or accounts in question.

Any presumption of control on the basis of the foregoing circumstances can be rebutted by proving that such circumstances do not exist or by showing other circumstances which negate the presumption of control. Initial determinations of "control" shall be made by the Chief Regulatory Officer or his or her designee.

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Rule 1202. CBOE Volatility Index Futures Contract Specifications

(a) – (c) No change.

(d) Position Accountability [Limits]. VIX futures are subject to position accountability under Rule 412A.

A person is subject to the position accountability requirements set forth in Rule 412A if the person (i) [may not] owns or controls at any time more than 25,000 contracts net long

or net short in all VIX futures contract months combined [.] or (ii) [Commencing on the Friday prior to the final settlement date of the expiring VIX futures contract month, a] the person [may not] owns or controls more than 15,000 contracts net long or net short in the expiring VIX futures contract month commencing on the Friday prior to the final settlement date of the expiring VIX 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.

[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) – (n) No change.

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Rule 1302. CBOE S&P 500 Three-Month Variance Futures Contract Specifications

(a) – (c) No change.

(d) *Position Limits.* CBOE S&P 500 Three-Month Variance futures are subject to position limits under Rule 412.

A person may not own or control more than 5,000 contracts net long or net short in all CBOE S&P 500 Three-Month Variance futures contract months combined.

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) – (n) No change.

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Rule 1502. CBOE S&P BuyWrite Index Futures Contract Specifications

(a) – (c) No change.

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

A person may not own or control more than 5,000 contracts net long or net short in all BXM Index futures contract months combined.

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Rule 2002. CBOE Nasdaq-100 Volatility Index Futures Contract Specifications

(a) – (c) No change.

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

A person may not own or control more than 5,000 contracts net long or net short in all contract months of a VXN futures contract combined.

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

(e) – (n) No change.

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Rule 2302. CBOE S&P 500 Twelve-Month Variance Futures Contract Specifications

(a) – (c) No change.

(d) *Position Limits.* CBOE S&P 500 Twelve-Month Variance futures are subject to position limits under Rule 412.

A person may not own or control more than 5,000 contracts net long or net short in all CBOE S&P 500 Twelve-Month Variance futures contracts combined.

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.

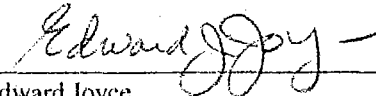
(e) – (n) No change.

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Mr. David Stawick
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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-2007-11 in any related correspondence.

CBOE Futures Exchange, LLC

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