



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-2012-04

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 ("CFTC") under the Act, CBOE Futures Exchange, LLC ("CFE" or "Exchange") hereby submits an amendment ("Amendment") to revise CFE Rule 1202(q) to permit Trade at Settlement ("TAS")¹ non-spread transactions in CBOE Volatility Index ("VIX") futures that occur on CFE's trading system (referred to in CFE's rules as the CBOE System) to occur in minimum increments of 0.01 index points. The Amendment will become effective on February 21, 2012.

CFE Rule 1202(q) currently provides that the permissible minimum increment for TAS non-spread transactions in VIX futures that are transacted on CFE's trading system is 0.05 index points, and the permissible minimum increment for TAS spread transactions, Block Trades and Exchange of Contract for Related Position transactions in VIX futures is 0.01 index points. CFE first established the availability of TAS transactions in VIX futures in November 2011.² At that time, CFE believed that TAS transactions would facilitate trading in VIX futures by market participants that desire to execute trades at or near the daily settlement ("closing") price. Specifically, CFE believed that issuers of exchange-traded funds ("ETFs") and exchange-traded notes ("ETNs") intended to track the performance of indexes linked to VIX futures would benefit

¹ A TAS transaction is a transaction in a contract at a price or premium 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 of a TAS transaction price or premium is determined subsequent to the transaction based upon the daily settlement price of the contract. CFE currently only permits TAS transactions in VIX futures.

² See CFE Submission Number CFE-2011-23 (submitted on March 18, 2011 and effective on March 25, 2011).

from the availability of TAS transactions in VIX futures, since those issuers often wait until immediately prior to the close of trading to enter their replicating or hedging orders.

In general, CFE has received positive feedback from market participants regarding the availability of TAS transactions in VIX futures. CFE believes, however, that more granular pricing for non-spread TAS transactions in VIX futures executed on CFE's trading system is needed to parallel the pricing structure of TAS transactions in VIX futures with the existing pricing structure in the ETF and ETN markets, which typically permits penny pricing. CFE believes that reducing the minimum trading increment from 0.05 index points to 0.01 index points for TAS transactions in VIX futures executed on CFE's trading system will allow market participants to hedge their overall position more effectively and will hopefully attract additional liquidity to VIX futures.

CFE believes that the impact of the Amendment will be beneficial to the public and market participants. CFE is not aware of any substantive opposing views to the Amendment. CFE hereby certifies that the Amendment complies with the Act and the regulations thereunder. CFE further certifies that 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, consists of the following:

CBOE Futures Exchange, LLC Rules

* * * * *

1202. Contract Specifications for CBOE Volatility Index Futures

(a) – (p) No change.

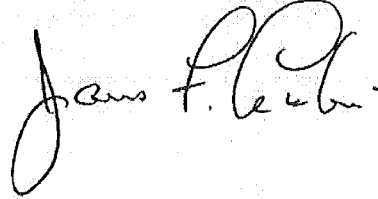
(q) *Trade at Settlement Transactions.* Trade at Settlement ("TAS") transactions pursuant to Rule 404A are permitted in VIX futures and may be transacted on the CBOE System, as spread transactions, as Block Trades (other than as a strip) and as Exchange of Contract for Related Position transactions. The trading hours for all types of TAS transactions in VIX futures are from 7:00 a.m. Chicago time to 3:12 p.m. Chicago time [, except that on the final settlement date for the relevant spot month, TAS transactions in expiring VIX futures are prohibited]. The permissible price range for all types of TAS transactions in VIX futures is from \$100 (0.10 index points x \$1,000) below the daily settlement price to \$100 above the daily settlement price. The permissible minimum increment for TAS non-spread transactions in VIX futures that are transacted on the CBOE System is [0.05] 0.01 index points, and the permissible minimum increment for TAS spread transactions, Block Trades and Exchange of Contract for Related Position transactions in VIX futures is 0.01 index points.

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Mr. David Stawick
Page 3 of 3

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-2012-04 in any related correspondence.

CBOE Futures Exchange, LLC

A handwritten signature in black ink, appearing to read "James F. Lubin". The signature is written in a cursive style with a large initial "J".

By: James F. Lubin
Managing Director

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