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February 26, 2009

**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  
Certification of Mini CBOE Volatility Index Futures Contract  
Submission Number CFE-2009-05

Dear Mr. Stawick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended ("Act"), and §40.2 of the regulations promulgated by the Commodity Futures Trading Commission under the Act, CBOE Futures Exchange, LLC ("CFE" or "Exchange") hereby submits rules and terms and conditions for a new product to be traded on CFE, which are attached hereto along with a chart that summarizes the product specifications. The new product is the Mini CBOE Volatility Index ("Mini VIX") futures contract ("Product"), and the Product will be listed for trading on CFE commencing on March 2, 2009.

The underlying index for the Product is the CBOE Volatility Index ("VIX"), which is the same as the underlying index for the VIX futures contract that currently is listed for trading on CFE (referred to herein as the "full size VIX futures contract"). The VIX is based on real-time prices of options on the S&P 500 Composite Stock Price Index ("S&P 500") listed on Chicago Board Options Exchange, Incorporated ("CBOE") and is designed to reflect investors' consensus view of future (30-day) expected market volatility of the S&P 500.

The contract size for the Mini VIX futures contract will be 1/10<sup>th</sup> the size of the full size VIX futures contract. This will be effected by having a \$100 contract multiplier for the Mini VIX futures contract. The full size VIX futures contract has a \$1,000 contract multiplier. The minimum price fluctuation for the Mini VIX futures contract will be 0.05 index points, which has a value of \$5.00. The full size VIX futures contract has a minimum price fluctuation of 0.01 index points, which has a value of \$10.00. The Mini VIX future contract will be subject to position accountability under CFE Rule 412A and one Mini VIX futures contract will be deemed to be equivalent to one-tenth (0.10) of one full size VIX futures contract for purposes of position accountability requirements. The accountability levels for the Mini VIX futures contract will be the same as the levels already established for the full size VIX futures contract and accountability levels shall be calculated in the aggregate for the Mini VIX futures contract and the full size VIX futures contract.

The VIX continues to qualify as a broad-based security index pursuant to the Joint Order issued by the Securities and Exchange Commission and the Commodity Futures Trading Commission dated March 25, 2004 (Securities Exchange Act Release No. 49469) ("Joint Order") in that:

- (1) The VIX measures the magnitude of changes in the level of the S&P 500 over a defined period of time, which magnitude is calculated using prices of options on the S&P 500 ("SPX options") and represents an annualized standard deviation of percent changes in the level of the S&P 500;
- (2) The S&P 500 is a broad-based security index and is not a narrow-based security index as that term is defined in Section 1(a)(25) of the Act and Section 3(a)(55) of the Securities Exchange Act of 1934 ("Exchange Act");
- (3) The VIX has more than 9 component securities, all of which are SPX options;
- (4) No component security of the VIX comprises more than 30% of the VIX's weighting;
- (5) The five highest weighted component securities of the VIX in the aggregate do not comprise more than 60% of the VIX's weighting;
- (6) CFE certifies that the S&P 500 complies with the criteria set forth in condition (5) of the Joint Order;
- (7) SPX options are listed and traded on CBOE, a national securities exchange registered under Section 6 of the Exchange Act; and
- (8) The aggregate average daily trading volume in SPX options on CBOE is approximately 764,000 contracts calculated as of the preceding 6 full months.

CFE certifies that the Product complies with the Act and the rules thereunder.

Questions regarding this submission may be directed to Arthur Reinstein at (312) 786-7570 or Jennifer Yeadon at (312) 786-7466. Please reference our submission number CFE-2009-05 in any related correspondence.

CBOE Futures Exchange, LLC

By: 

Andrew Lowenthal  
Managing Director

cc: Riva Adriance (CFTC)  
Edward Dasso (NFA)  
Steven Benton (CFTC)  
Thomas Leahy (CFTC)  
The Options Clearing Corporation

**Summary Product Specifications Chart for Mini CBOE Volatility Index (Mini VIX) Futures**

<b>CONTRACT NAME:</b>	Mini CBOE Volatility Index (Mini VIX) Futures
<b>LISTING DATE:</b>	March 2, 2009
<b>DESCRIPTION:</b>	The CBOE Volatility Index (VIX) is based on real-time prices of options on the S&P 500 Composite Stock Price Index (S&P 500), listed on the Chicago Board Options Exchange (Symbol: SPX), and is designed to reflect investors' consensus view of future (30-day) expected stock market volatility of the S&P 500.
<b>CONTRACT SIZE:</b>	The contract multiplier for the Mini VIX futures contract is \$100.
<b>TRADING HOURS:</b>	8:30 a.m. - 3:15 p.m. Chicago time.
<b>TRADING PLATFORM:</b>	CBOEdirect.
<b>CONTRACT MONTHS:</b>	Up to three near-term serial months may be listed for the Mini VIX futures contract.
<b>TICKER SYMBOL:</b>	Futures - VM Cash Index - VIX
<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 CBOE Volatility Index point (equal to \$5.00 per contract). 0.01 of one CBOE Volatility Index point (equal to \$1.00 per contract) for spreads.
<b>DOLLAR VALUE PER TICK:</b>	\$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 Mini VIX 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 Mini VIX 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 price for Mini VIX futures shall be a Special Opening Quotation ("SOQ") of VIX calculated from the sequence of opening prices on CBOE of the options used to calculate the index on 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 on CBOE as determined at the opening of trading. 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 Mini VIX futures contracts will result in the delivery of a cash settlement amount on the business day

	immediately following the Final Settlement Date. The cash settlement amount on the Final Settlement Date shall be the final mark to market amount against the final settlement price of the Mini VIX futures contract multiplied by \$100.00.
<b>POSITION ACCOUNTABILITY:</b>	<p>Mini VIX futures are subject to position accountability under Rule 412A.</p> <p>A person is subject to the position accountability requirements set forth in Rule 412A if the person (i) owns or controls at any time more than the number of contracts net long or net short in all VIX futures and Mini VIX futures contract months combined that in the aggregate would exceed the equivalent of 25,000 VIX futures contracts or (ii) the person owns or controls more than the number of contracts net long or net short in the expiring VIX futures and Mini VIX futures contract months combined that in the aggregate would exceed the equivalent of 15,000 VIX futures contracts, commencing on the Friday prior to the final settlement date of the expiring VIX futures and Mini VIX futures contract months. One Mini VIX futures contract shall be deemed to be equivalent to one-tenth (0.10) of one VIX futures contract for this purpose.</p>
<b>MINIMUM REPORTABLE LEVEL:</b>	200 or more contracts.

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**Rule Chapter Setting Forth Contract Specifications for Mini CBOE Volatility Index Futures**

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**CHAPTER 14  
MINI CBOE VOLATILITY INDEX  
FUTURES CONTRACT SPECIFICATIONS**

**1401. Scope of Chapter**

This chapter applies to trading in Mini CBOE Volatility Index ("Mini VIX") futures. 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 Mini VIX futures contract was first listed for trading on the Exchange on March 2, 2009.

**1402. Contract Specifications**

(a) *Multiplier.* The contract multiplier for each Mini VIX futures contract is \$100.00. For example, a contract size of one Mini VIX futures contract would be \$1,650 if the VIX index level were 16.5 (16.5 x \$100.00).

(b) *Schedule.* The Exchange may list for trading up to three near-term serial months for the Mini VIX futures contract. The final settlement date for the Mini VIX futures contract shall be on the Wednesday that is thirty days prior to the third Friday of the calendar month immediately following the month in which the applicable Mini VIX futures contract expires. If the third Friday of the month subsequent to expiration of the applicable Mini VIX 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.

The trading days for Mini VIX futures contracts shall be the same trading days of options on the S&P 500 Composite Stock Price Index, as those days are determined by CBOE.

The trading hours for Mini VIX futures contracts are from 8:30 a.m. Chicago time to 3:15 p.m. Chicago time.

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

The individual legs and net prices of spread trades in the Mini VIX futures contract may be in increments of 0.01 index points, which has a value of \$1.00.

(d) *Position Accountability.* Mini 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) owns or controls at any time more than the number of contracts net long or net short in all VIX futures and Mini VIX futures contract months combined that in the aggregate would exceed the equivalent of 25,000 VIX futures contracts or (ii) the person owns or controls more than the number of contracts net long or net short in the expiring VIX futures and Mini VIX futures contract months combined that in the aggregate would

exceed the equivalent of 15,000 VIX futures contracts, commencing on the Friday prior to the final settlement date of the expiring VIX futures and Mini VIX futures contract months. Under this Rule, one Mini VIX futures contract shall be deemed to be equivalent to one-tenth (0.10) of one VIX futures contract.

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.

(e) *Termination of Trading.* Trading on the Mini VIX futures contract terminates on the business day immediately preceding the final settlement date of the Mini VIX futures contract for the relevant spot month. When the last trading day is moved because of a CFE holiday, the last trading day for an expiring Mini VIX futures contract will be the day immediately preceding the last regularly-scheduled trading day.

(f) *Contract Modifications.* Specifications are fixed as of the first day of trading of a contract. If any U.S. government agency or body issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules, and all open and new contracts shall be subject to such government orders.

(g) *Execution Priorities.* Pursuant to Rule 406(a)(ii), the base allocation method of pro rata priority shall apply to trading in Mini VIX futures contracts. Pursuant to Rule 406(b)(ii), a Market Turner priority shall overlay the pro rata priority base allocation method and the Market Turner priority participation percentage shall be 30%.

(h) *Crossing Two or More Original Orders.* The eligible size for an original Order that may be entered for a cross trade with one or more other original Orders pursuant to Rule 407 is one Contract. The request for quote response period under Rule 407(a) for the request for quote required to be sent before the initiation of a cross trade under Rule 407 is five seconds. Following the request for quote response period, the Trading Privilege Holder or Authorized Trader, as applicable, must expose to the market for at least three seconds under Rule 407(b) at least one of the original Orders that it intends to cross.

(i) *Price Limit and Circuit Breaker Halts.* Pursuant to Rule 413, Mini VIX futures contracts are not subject to price limits.

Trading in Mini VIX futures contracts shall be halted whenever a market-wide trading halt commonly known as a circuit breaker is in effect on the New York Stock Exchange in response to extraordinary market conditions.

(j) *Exchange of Contract for Related Position.* Exchange of Contract for Related Position transactions, as set forth in Rule 414, may be entered into with respect to Mini VIX futures contracts. Any Exchange of Contract for Related Position transaction must satisfy the requirements of Rule 414.

(k) *Block Trades.* Block Trade transactions, as set forth in Rule 415, are not permitted in Mini VIX futures contracts.

(l) *No Bust Range.* Pursuant to Rule 416, the Exchange error trade policy may only be invoked for a trade price that is greater than 10% on either side of the market price of the applicable Mini VIX futures contract. In accordance with Policy and Procedure III, the Help Desk will determine what the true market price for the relevant Contract was immediately before the potential error trade occurred. In making that determination, the Help 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, and the prices of related contracts trading on the Exchange or other markets.

(m) *Pre-execution Discussions.* The Order Exposure Period under Policy and Procedure IV before an Order may be entered to take the other side of another Order with respect to which there has been pre-execution discussions is three seconds after the first Order was entered into the CBOE System. If no bid or offer price exist in the relevant Mini VIX futures contract, the RFQ Response Period under Policy and Procedure IV that must elapse following the request for quote that is required to be sent prior to the entry of the first Order is five seconds.

(n) *Reportable Position.* Pursuant to Commission Regulation §15.03 and Commission Regulation Part 17, the position level that is required to be reported to the Commission is any open position in Mini VIX futures contracts at the close of trading on any trading day equal to or in excess of 200 contracts on either side of the market.

In calculating the contract reporting level, positions in Mini VIX futures contracts shall be aggregated with positions in full size VIX futures contracts.

(o) *Threshold Widths.* For purposes of Policy and Procedure I and Policy and Procedure II, the Threshold Widths for the Mini VIX futures contract are as follows:

<b>VIX Index Level</b>	<b>Threshold Width</b>
1 – 100	20
100 – 200	50
200 – 10000	100

The minimum size of bids and offers that establish a Threshold Width is one contract.

#### **1403. Settlement**

Settlement of Mini VIX futures contracts 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 the final settlement price of the Mini VIX futures contract multiplied by \$100.00. The final settlement price of the Mini VIX futures contract will be rounded to the nearest \$0.01.

Clearing Members holding open positions in Mini VIX futures contracts 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.