



May 13, 2008

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-2008-005

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 an amendment ("Amendment") to amend CFE Rule 418 regarding Emergencies, to remove CFE's Independent Software Vendor Incentive Program ("Program") from the CFE Policies and Procedure manual, and to replace the Policy and Procedure regarding the Program with a Policy and Procedure that specifies CFE's Emergency and Physical Emergency delegations and procedures.

CFE is removing the Program from its Policies and Procedure manual because it expired by its own terms on August 31, 2007, and CFE decided not to renew the Program at that time. CFE is amending Rule 418 and specifying Emergency and Physical Emergency delegations and procedures in response to amendments made to regulation 40.1(g) under the Act that were recently adopted by the Commission.¹

The Amendment will become effective on May 15, 2008.

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:

* * * * *

¹ See Amendments Pertinent to Registered Entities and Exempt Commercial Markets, 73 FR 8599 (February 14, 2008).



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CFE Rule 418. Emergencies

(a) General. If the President, or any individual designated by the President and approved by the Board, determines that an Emergency exists, the President or such designee, as the case may be, may take or place into immediate effect a temporary [e]Emergency action or rule. [Any such rule may remain in effect for up to 30 Business Days, after which time it must be approved by the Board to remain in effect.] Any such action or rule may provide for, or may authorize the Exchange, the Board or any committee thereof to undertake actions necessary or appropriate to respond to the Emergency, including such actions as:

- (i) limiting trading to liquidation only, in whole or in part;
- (ii) extending or shortening, as applicable, the Expiration Date or Expiration Month of any Contract;
- (iii) extending the time of delivery, changing delivery points or the means of delivery provided in the rules governing any Contract;
- (iv) imposing or modifying position or price limits with respect to any Contract;
- (v) ordering the liquidation of Contracts, the fixing of a settlement price or any reduction in positions;
- (vi) ordering the transfer of Contracts, and the money, securities, and property securing such Contracts, held on behalf of Customers by any Trading Privilege Holder to one or more other Trading Privilege Holders willing to assume such Contracts or obligated to do so;
- (vii) extending, limiting or changing hours of trading;
- (viii) declaring a fast market in a Contract;
- (ix) suspending or curtailing trading in any or all Contracts or modifying circuit breakers;
- (x) requiring Clearing Members, Trading Privilege Holders or Customers to meet special margin requirements; or
- (xi) modifying or suspending any provision of the Rules of the Exchange or the Rules of the Clearing Corporation.

[Any such action placed into effect in accordance with the preceding sentence may be reviewed by the Board at any time and may be revoked, suspended or modified by the Board, and any such rule placed into effect in accordance with the preceding sentence shall be reviewed by the Board as soon as practicable under the circumstances, and may be revoked, suspended or modified by the Board.]

(b) Physical Emergency. If [, in the judgment of] the President, or any individual designated by the President and approved by the Board, determines that the physical functions of the Exchange are, or are threatened to be, severely and adversely affected by a [p]Physical [e]Emergency (such as a fire or other casualty, bomb threats, terrorist acts,

substantial inclement weather, power failures, communications breakdowns, computer system breakdowns, screen-based trading system breakdowns or transportation breakdowns), such Person may take any action that he or she may deem necessary or appropriate to respond to such [p]Physical [e]Emergency, including such actions as:

- (i) closing the Exchange [,] ;
- (ii) delaying the opening of trading in one or more Contracts; or
- (iii) suspending trading in or extending trading hours for one or more Contracts.

(c) In the event that any Emergency or Physical Emergency action has been taken pursuant to [the immediately preceding sentence] paragraph (a) or (b) above, any Person who is authorized to take such action may order the removal of any restriction previously imposed [pursuant to such sentence,] based upon a determination by such Person that the Emergency or [p]Physical [e]Emergency that gave rise to such restriction no longer exists or has sufficiently abated to permit the [physical] functions of the Exchange to continue in an orderly manner [; provided that any order pursuant to this sentence shall be subject to review, modification or reversal by the Board]. Any Emergency or Physical Emergency action placed into effect in accordance with paragraph (a) or (b) above may be reviewed by the Board at any time and may be revoked, suspended or modified by the Board. Any rule placed into effect in accordance with paragraph (a) above may remain in effect for up to 30 Business Days, after which time it must be approved by the Board to remain in effect. Any such rule shall be reviewed by the Board as soon as practicable under the circumstances, and may be revoked, suspended or modified by the Board.

[(c)] (d) Notification and Recording. The Exchange will telephonically notify the Commission of: (i) any rule placed into effect pursuant to paragraph (a) above as soon as practicable after the decision is made to implement the rule and (ii) any action taken in response to an Emergency or Physical Emergency pursuant to paragraphs (a) or (b) above as soon as practicable after the action is taken. The Exchange will [notify] submit to the Commission [of] any rule placed into effect pursuant to paragraph (a) above [action taken, or proposed to be taken, pursuant to this Rule 418] in accordance with [to the extent required by] Commission Regulation § 40.6. The decision-making process with respect to, and the reasons for, any [such] action taken pursuant to this Rule 418 will be recorded in writing.

[(d)] (e) Conflicts of Interest. The conflict of interest provisions set forth in Rule 214(b) and the related documentation requirements set forth in Rule 214(c) shall apply, with any such modifications or adaptations as may be necessary or appropriate under the circumstances, to the taking of any action under this Rule 418 by the President, or his or her designee.

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CFE Policy and Procedure V. Independent Software Vendor Incentive Program

Any Independent Software Vendor (ISV) is eligible to request to participate in the Program. The Exchange may approve up to five ISVs to participate in the Program. The Exchange shall select ISVs to participate in the Program based upon the Exchange's judgment as to which ISVs would provide the greatest amount of access to the Exchange.

For purposes of the Program, an ISV is an organization that desires to provide or provides connectivity to the CBOE System on behalf of one or more Trading Privilege Holders (TPHs) and is not itself a TPH. Each TPH that accesses the CBOE System through the services of an ISV is subject to all of the Rules of the Exchange that apply to TPHs, including the requirement that any such TPH that is not a Clearing Member be guaranteed by a Clearing Member.

An ISV participant in the Program shall receive a designated one-time payment amount from the Exchange if the ISV completes the necessary interface work and first establishes connectivity to the CBOE System during the time period from August 1, 2006 through April 30, 2007 ("ISV Connection Payment").

An ISV participant in the Program shall also receive a designated monthly payment amount for each TPH organization for which the ISV provides connectivity to the CBOE System during any month within the time period from August 1, 2006 through August 31, 2007 ("TPH Connection Payment"), except that an ISV participant shall not receive TPH Connection Payments for more than four TPH organizations for a particular month.

The Program shall commence on August 1, 2006 and terminate on August 31, 2007. The Exchange may determine to extend the term of the Program, allow the Program to expire, or replace or modify the Program at any time.]

Emergency and Physical Emergency Delegations and Procedures (Rules 132 and 418)

A. Specific Emergency and Physical Emergency Delegations

1. Emergency Delegations

Rule 132 defines the term "Emergency" and provides a non-exclusive list of circumstances that may constitute an Emergency.

Rule 418(a) grants the President the authority to determine the existence of an Emergency and the authority to take actions in response to an Emergency, including all of the actions listed below. The President may also order the removal of any restriction previously imposed based upon a determination that the Emergency no longer exists or has sufficiently abated to permit the function of the Exchange to continue in an orderly manner.

Pursuant to Rule 418(a), the President has designated and the Board has authorized the following additional individuals to determine the existence of an Emergency and to take the actions specified in the delegations below in response to an Emergency. These additional individuals may also order the removal of any restriction that the applicable individual has been delegated the authority to impose based upon a determination by the applicable individual that the Emergency no longer exists or has sufficiently abated to permit the function of the Exchange to continue in an orderly manner.

<u>Rule</u>	<u>Emergency Actions</u>	<u>Emergency Delegations</u>
<u>418(a)(i)</u>	<u>Limiting trading to liquidation only, in whole or in part</u>	<u>• Managing Director</u>

<u>Rule</u>	<u>Emergency Actions</u>	<u>Emergency Delegations</u>
418(a)(ii)	<u>Extending or shortening, as applicable, the Expiration Date or Expiration Month of any Contract</u>	<ul style="list-style-type: none"> • <u>Managing Director</u>
418(a)(iii)	<u>Extending the time of delivery, changing delivery points or the means of delivery provided in the rules governing any Contract</u>	<ul style="list-style-type: none"> • <u>Managing Director</u>
418(a)(iv)	<u>Imposing or modifying position or price limits with respect to any Contract</u>	<ul style="list-style-type: none"> • <u>Managing Director</u>
418(a)(v)	<u>Ordering the liquidation of Contracts, the fixing of a settlement price or any reduction in positions</u>	<ul style="list-style-type: none"> • <u>Managing Director</u>
418(a)(vi)	<u>Ordering the transfer of Contracts, and the money, securities, and property securing such Contracts, held on behalf of Customers by any Trading Privilege Holder to one or more other Trading Privilege Holders willing to assume such Contracts or obligated to do so</u>	<ul style="list-style-type: none"> • <u>Managing Director</u>
418(a)(vii)	<u>Extending, limiting or changing hours of trading</u>	<ul style="list-style-type: none"> • <u>Managing Director or</u> • <u>Head of Trading Operations Division</u>
418(a)(viii)	<u>Declaring a fast market in a Contract</u>	<ul style="list-style-type: none"> • <u>Managing Director or</u> • <u>Head of Trading Operations Division or</u> • <u>Senior Person in Charge of Help Desk</u>
418(a)(ix)	<u>Suspending or curtailing trading in any or all Contracts (e.g., a trading halt)</u>	<ul style="list-style-type: none"> • <u>Managing Director or</u> • <u>Head of Trading Operations Division or</u> • <u>Senior Person in Charge of Help Desk</u>
418(a)(ix)	<u>Modifying circuit breakers</u>	<ul style="list-style-type: none"> • <u>Managing Director</u>

<u>Rule</u>	<u>Emergency Actions</u>	<u>Emergency Delegations</u>
418(a)(x)	<u>Requiring Clearing Members, Trading Privilege Holders or Customers to meet special margin requirements</u>	<ul style="list-style-type: none"> • <u>Managing Director or</u> • <u>Chief Regulatory Officer</u>
418(a)(xi)	<u>Suspending any provision of the Rules of the Exchange or the Rules of the Clearing Corporation</u>	<ul style="list-style-type: none"> • <u>Managing Director or</u> • <u>Chief Regulatory Officer</u>
418(a)(xi)	<u>Modifying any provisions of the Rules of the Exchange or the Rules of the Clearing Corporation</u>	<ul style="list-style-type: none"> • <u>Managing Director</u>

2. Physical Emergency Delegations

Rule 418(b) governs emergencies affecting the physical functions of the Exchange and provides a non-exclusive list of circumstances that may constitute such a "Physical Emergency."

Rule 418(b) grants the President the authority to determine the existence of a Physical Emergency and the authority to take actions in response to a Physical Emergency, including all of the actions listed below. The President may also order the removal of any restriction previously imposed based upon a determination that the Physical Emergency no longer exists or has sufficiently abated to permit the function of the Exchange to continue in an orderly manner.

Pursuant to Rule 418(b), the President has designated and the Board has authorized the following additional individuals to determine the existence of a Physical Emergency and to take the actions specified in the delegations below in response to a Physical Emergency. These additional individuals may also order the removal of any restriction that the applicable individual has been delegated the authority to impose based upon a determination by the applicable individual that the Physical Emergency no longer exists or has sufficiently abated to permit the function of the Exchange to continue in an orderly manner.

<u>Rule</u>	<u>Physical Emergency Actions</u>	<u>Physical Emergency Delegations</u>
418(b)	<u>Delaying the opening of trading in one or more Contracts</u>	<ul style="list-style-type: none"> • <u>Managing Director or</u> • <u>Head of Trading Operations Division or</u> • <u>Senior Person in Charge of Help Desk</u>

Rule	Physical Emergency Actions	Physical Emergency Delegations
418(b)	<u>Suspending trading in one or more Contracts (e.g., a trading halt)</u>	<ul style="list-style-type: none"> • <u>Managing Director or</u> • <u>Head of Trading Operations Division or</u> • <u>Senior Person in Charge of Help Desk</u>
418(b)	<u>Extending trading hours for one or more Contracts</u>	<ul style="list-style-type: none"> • <u>Managing Director or</u> • <u>Head of Trading Operations Division</u>
418(b)	<u>Closing the Exchange</u>	<ul style="list-style-type: none"> • <u>Managing Director</u>

B. Procedures for Exercise of Emergency and Physical Emergency Delegations

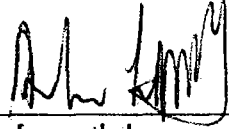
In the event that action is taken by the President or other individual with delegated authority in response to an Emergency or Physical Emergency as provided for in Paragraph A, the Board shall be advised of (1) the circumstances that gave rise to the determination of the Emergency or Physical Emergency, (2) the action taken in response to the Emergency or Physical Emergency, and (3) the outcome of events relating to the Emergency or Physical Emergency. This notification shall be provided to the Board no later than its next meeting and shall be provided sooner to the extent required by Rule 418(c) or if the President or other individual with delegated authority with respect to the action taken determines that it would be advisable to do so under the circumstances.

In determining how soon the foregoing notification should be provided to the Board, the President or other individual with delegated authority with respect to the action taken should consider the significance of the action taken and of any continuing market impact resulting from that action. For example, the declaration of a fast market or the imposition a trading halt of limited duration are the types of actions that would not normally be expected to be immediately brought to the Board's attention. Conversely, the ordering of the transfer of Contracts, and the money, securities, and property securing such Contracts, held on behalf of a Customer by a Trading Privilege Holder to another Trading Privilege Holder who assumed such Contracts would normally be expected to be expeditiously brought to the Board's attention.

Mr. David Stawick
Page 8 of 8

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-2008-05 in any related correspondence.

CBOE Futures Exchange, LLC

By: 
Andrew Lowenthal
Managing Director

cc: Riva Adriance (CFTC)
Edward Dasso (NFA)
The Options Clearing Corporation