CFE
CBOE FUTURES EXCHANGE

March 4, 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-2008-01

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 Rules 611, 1202(h), 1202(m), 1302(h), 1302(m), 1502(h), 1502(m), 1602(h), 1602(m), 1702(h), 1702(m), 1802(m), 1802(q), 1902(k), 1902(o), 2002(h), 2002(m), 2302(h), and 2302(m) to change from five seconds to three seconds the required exposure period prior to (i) crossing two original Orders, (ii) trading against a Customer Order, and (iii) entering a matching Order pursuant to a pre-execution discussion. CFE is also proposing to make clarifying changes to CFE Rules 407, 611, and 614 and to modify the procedures under CFE Policy and Procedure IV with respect to Orders resulting from pre-execution discussions.

The Amendment will become effective on March 6, 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:

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CFE Rule 407. Crossing Trades

(a) A Trading Privilege Holder or Authorized Trader that wishes to cross two or more original Orders, including without limitation a solicited Order, [or to facilitate an original Order] must first send a request for quote that includes the size of the Orders to be crossed. The request for quote response period and the eligible size for an Order that may be entered pursuant to this Rule 407 shall be determined on a Contract-by-Contract basis and shall be as set forth in the rules governing the relevant Contract.

(b) Within the time period prescribed by the rules governing the relevant Contract, the Trading Privilege Holder or Authorized Trader, as applicable, must expose to the market at least one of the Orders that it intends to cross. The required time period for such exposure shall be as forth in the rules governing such Contract.

(c) If the exposed Order has not been completely filled by the end of the exposure period, then the Trading Privilege Holder or Authorized Trader, as applicable, may enter the opposite Order(s) to cross the balance of the exposed Order.

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CFE Rule 611. Trading Against Customers' Orders

No Trading Privilege Holder (including its Related Parties) shall enter into a transaction on behalf of a Customer in which such Trading Privilege Holder or Related Party or any Person trading for an account in which such Trading Privilege Holder or Related Party has a financial interest, intentionally assumes the opposite side of the transaction. The foregoing restriction shall not prohibit pre-execution discussions conducted in accordance with procedures established by the Exchange from time to time, and shall not apply to any Exchange of Future for Related Position, any Block Trade or any facilitation crossing transaction meeting all of the following criteria (or such other criteria as may be established by the Exchange from time to time):

(a) the Customer has previously consented in writing to such transactions and such consent has not been revoked prior to the applicable transaction;

(b) if the Trading Privilege Holder desires to cross a Customer Order with an Order of the Trading Privilege Holder or Related Party and a bid and an offer for the relevant Contract are resting in the CBOE System, the Trading Privilege Holder may enter the Customer Order into the CBOE System and may immediately thereafter enter the opposing Order representing no more than 30% of the Customer Order's contract size (rounded up to the nearest whole contract);

(c) the Trading Privilege Holder or Related Party has waited for a period of [five] three seconds after first entering the Order received from the Customer into the CBOE System before taking the opposite side of the transaction, or if the Trading Privilege Holder initially crossed 30% of the Customer Order as provided in Rule 611(b), the Trading Privilege Holder has waited for a period of [five] three seconds after first entering the Customer Order into the CBOE System before entering an opposing Order for the remaining balance, if any, of the Customer Order;

(d) the Trading Privilege Holder maintains a record that clearly identifies, by appropriate descriptive words, all such transactions, including the time of execution, commodity, date, price, quantity and delivery month; and

(e) The Trading Privilege Holder provides a copy of the record referred to in clause (d) above to the Exchange upon request by the Exchange.

Because the Orders entered into the CBOE System pursuant to this Rule 611 are exposed to the market, there is no assurance that the Orders of the Trading Privilege Holder will be matched against the Customer Order.

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CFE Rule 614. Pre-Arranged Trades

No Trading Privilege Holder (including its Related Parties) shall enter any Order into the CBOE System which has been pre-arranged, except as expressly permitted by Rules 407, 414, [and] 415 and 611 or in accordance with any policies or procedures for pre-execution discussions from time to time adopted by the Exchange.

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CFE Rule 1202. CBOE Volatility Index Futures Contract Specifications

(a) – (g) No change.

(h) *Crossing Two or More Original Orders*. The eligible size for an original Order that may be entered for a cross trade with [another] 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 [five] three seconds under Rule 407(b) at least one of the original Orders that it intends to cross.

(i) – (l) No change.

(m) *Pre-execution Discussions*. The Order Exposure Period under [Pursuant to] 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 [the time period a Trading Privilege Holder or Authorized Trader must wait after engaging in] pre-execution discussions [with the other side of an Order] is [five] three seconds after [that] the first Order [h]was [been] entered into the CBOE System. If no bid or offer price exist in the relevant 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) No change.

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

(a) – (g) No change.

(h) *Crossing Two or More Original Orders*. The eligible size for an original Order that may be entered for a cross trade with [another] 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 [five] three seconds under Rule 407(b) at least one of the original Orders that it intends to cross.

(i) – (l) No change.

(m) *Pre-execution Discussions*. The Order Exposure Period under [Pursuant to] 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 [the time period a Trading Privilege Holder or Authorized Trader must wait after engaging in] pre-execution discussions [with the other side of an Order] is [five] three seconds after [that] the first Order [h]was [been] entered into the CBOE System. If no bid or offer price exist in the relevant CBOE S&P 500 Three-Month Variance 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) No change.

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

(a) – (g) No change.

(h) *Crossing Two or More Original Orders*. The eligible size for an original Order that may be entered for a cross trade with [another] 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 [five] three seconds under Rule 407(b) at least one of the original Orders that it intends to cross.

(i) – (l) No change.

(m) *Pre-execution Discussions*. The Order Exposure Period under [Pursuant to] 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 [the time period a Trading Privilege Holder or Authorized Trader must wait after engaging in] pre-execution discussions [with the other side of an Order] is [five] three seconds after [that] the first Order [h]was [been] entered into the CBOE System. If no bid or offer price exist in the relevant BXM Index 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) No change.

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CFE Rule 1602. CBOE Russell 2000 Volatility Index Futures Contract Specifications

(a) – (g) No change.

(h) *Crossing Two or More Original Orders*. The eligible size for an original Order that may be entered for a cross trade with [another] 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 [five] three seconds under Rule 407(b) at least one of the original Orders that it intends to cross.

(i) – (l) No change.

(m) *Pre-execution Discussions*. The Order Exposure Period under [Pursuant to] 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 [the time period a Trading Privilege Holder or Authorized Trader must wait after engaging in] pre-execution discussions [with the other side of an Order] is [five] three seconds after [that] the first Order [h]was [been] entered into the CBOE System. If no bid or offer price exist in the relevant RVX 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) No change.

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CFE Rule 1702. CBOE DJIA Volatility Index Futures Contract Specifications

(a) – (g) No change.

(h) *Crossing Two or More Original Orders*. The eligible size for an original Order that may be entered for a cross trade with [another] 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 [five] three seconds under Rule 407(b) at least one of the original Orders that it intends to cross.

(i) – (l) No change.

(m) *Pre-execution Discussions*. The Order Exposure Period under [Pursuant to] 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 [the time period a Trading Privilege Holder or Authorized Trader must wait after engaging in] pre-execution discussions [with the other side of an Order] is [five] three seconds after [that] the first Order [h]was [been] entered into the CBOE System. If no bid or offer price exist in the relevant VXD 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) No change.

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CFE Rule 1802. Single Stock Futures Contract Specifications

(a) – (l) No change.

(m) *Crossing Two or More Original Orders*. The eligible size for an original Order that may be entered for a cross trade with [another] 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 [five] three seconds under Rule 407(b) at least one of the original Orders that it intends to cross.

(n) – (p) No change.

(q) *Pre-execution Discussions*. The Order Exposure Period under [Pursuant to] 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 [the time period a Trading Privilege Holder or Authorized Trader must wait after engaging in] pre-execution discussions [with the other side of an Order] is [five] three seconds after [that] the first Order [h]was [been] entered into the CBOE System. If no bid or offer price exist in the relevant Single Stock 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.

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CFE Rule 1902. Narrow-Based Stock Index Futures Contract Specifications

(a) – (j) No change.

(k) *Crossing Two or More Original Orders*. The eligible size for an original Order that may be entered for a cross trade with [another] 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 [five] three seconds under Rule 407(b) at least one of the original Orders that it intends to cross.

(l) – (n) No change.

(o) *Pre-execution Discussions*. The Order Exposure Period under [Pursuant to] 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 [the time period a Trading Privilege Holder or Authorized Trader must wait after engaging in] pre-execution discussions [with the other side of an Order] is [five] three seconds after [that] the first Order [h]was [been]

entered into the CBOE System. If no bid or offer price exist in the relevant Narrow-Based Stock Index 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.

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

(a) – (g) No change.

(h) *Crossing Two or More Original Orders*. The eligible size for an original Order that may be entered for a cross trade with [another] 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 [five] three seconds under Rule 407(b) at least one of the original Orders that it intends to cross.

(i) – (l) No change.

(m) *Pre-execution Discussions*. The Order Exposure Period under [Pursuant to] 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 which there has been [the time period a Trading Privilege Holder or Authorized Trader must wait after engaging in] pre-execution discussions [with the other side of an Order] is [five] three seconds after [that] the first Order [h]was [been] entered into the CBOE System. If no bid or offer price exist in the relevant VXN 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) No change.

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

(a) – (g) No change.

(h) *Crossing Two or More Original Orders*. The eligible size for an original Order that may be entered for a cross trade with [another] 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 [five] three seconds under Rule 407(b) at least one of the original Orders that it intends to cross.

(i) – (l) No change.

(m) *Pre-execution Discussions.* The Order Exposure Period under [Pursuant to] 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 [the time period a Trading Privilege Holder or Authorized Trader must wait after engaging in] pre-execution discussions [with the other side of an Order] is [five] three seconds after [that] the first Order [h]was [been] entered into the CBOE System. If no bid or offer price exist in the relevant CBOE S&P 500 Twelve-Month Variance 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) No change.

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CFE Policy and Procedure IV. Pre-Execution Discussions (Rule 613)

Any Trading Privilege Holder or Authorized Trader may engage in pre-execution discussions with respect to any Contract, in accordance with the principles set forth below, with any other Trading Privilege Holder or Authorized Trader, in order to discuss the possible execution of an Order for such Contract with one or more potential counterparties and thereby obtain some assurance that there will be a counterparty ready and willing to take the other side of such Order.

It is permissible for any Trading Privilege Holder or Authorized Trader, prior to entering any Order into the CBOE System, to agree with another Trading Privilege Holder or Authorized Trader that such other Person will take the other side of such Order after waiting a designated period of time after such Order is entered into the CBOE System by the first Person ("Order Exposure Period") [.] ; provided that:

(i) (A) a bid and offer price exist in the relevant Contract at the time of entry of the first Order, or

(B) if no bid or offer price exist in the relevant Contract, a request for quote ("RFQ") must first be sent that includes the size of the Orders, and the first Order may not be entered until a designated period of time has elapsed following the time that the RFQ is sent ("RFQ Response Period"); and

(ii) if one of the Orders is a Customer Order and the other Order is not a Customer Order, the Customer Order must be entered first.

The [designated waiting period referenced in the immediately preceding sentence] Order Exposure Period and RFQ Response Period shall be prescribed by the rules governing the relevant Contract. [Any agreement complying with the criteria set forth in this paragraph does not violate Rule 613 because the Order is exposed to other market participants, thus ensuring that the CBOE System remains an open and competitive trading system.]

If [the] an Order [in question] is placed by a Trading Privilege Holder on behalf of a Customer in accordance with the foregoing paragraphs, such Customer must consent in advance to such Trading Privilege Holder engaging in pre-execution discussions with respect to such Order. Proceeding in this manner does not violate Rule 613 because advance consent is obtained from the Customer and is consistent with ensuring that the CBOE System remains an open and competitive trading system because the Order is exposed to other market participants. For purposes of this policy, pre-execution discussions shall not be deemed to include discussions

between a Trading Privilege Holder or Authorized Trader and the Customer that placed the Order with such Trading Privilege Holder or Authorized Trader.

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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-2008-01 in any related correspondence.

CBOE Futures Exchange, LLC

By: _____
Andrew Lowenthal
Managing Director

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