



October 14, 2004

**Via Electronic Mail**

Ms. Jean A. Webb  
Secretary  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, D.C. 20581

Re: CBOE Futures Exchange, LLC  
Certification of CBOE China Index Futures Contract  
Submission Number CFE-2004-19

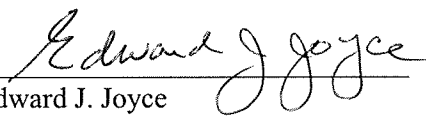
Dear Ms. Webb:

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") 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 CBOE China Index futures contract ("Product"), and the Product will be listed for trading on CFE commencing on October 18, 2004.

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

Questions regarding this submission may be directed to David Doherty at (312) 786-7466. Please reference our submission number CFE-2004-19 in any related correspondence.

CBOE Futures Exchange, LLC

By:   
Edward J. Joyce  
President

Cc: Mark Baumgardner (OCC)

**Summary Product Specifications Chart for CBOE China Index Futures**

<b>CONTRACT NAME:</b>	<b>CBOE China Index Futures</b>
<b>DESCRIPTION:</b>	The CBOE China Index is a broad-based equal-dollar weighted index initially composed of sixteen component securities, all of which are either American Depositary Receipts (ADRs), New York Registered Shares (NYSEs) or NYSE Global Shares® (NGSs). The current component NYSEs and NGSs are only traded on the New York Stock Exchange (NYSE). The current component ADRs are either traded on the NYSE, NASDAQ Stock Market, or the American Stock Exchange. The index will be re-balanced on a quarterly basis (after the close of trading on the third Friday of March, June, September and December) and the composition and/or weighting of the index is subject to change.
<b>CONTRACT SIZE:</b>	The contract multiplier for the CBOE China Index is \$100. For example, at an index level of 300.50, the contract size of one CBOE China Index futures contract would be \$30,050.00 (300.50 x \$100).
<b>TRADING HOURS:</b>	8:30 a.m. – 3:15 p.m. Central Time (Chicago time).
<b>TRADING PLATFORM:</b>	CBOEdirect.
<b>CONTRACT MONTHS:</b>	Up to three near-term contract months and three months in the March quarterly cycle (March, June, September, December) may be listed for the CBOE China Index futures contract.
<b>TICKER SYMBOLS:</b>	CX
<b>PRICING QUOTATION:</b>	The CBOE China Index futures contract is quoted in terms of the underlying CBOE China Index.
<b>PRICING CONVENTIONS:</b>	The futures prices are stated in decimal format.
<b>MINIMUM PRICE INTERVALS:</b>	0.05 of one index point (equal to \$5 per contract).
<b>DOLLAR VALUE PER TICK:</b>	\$5.00 per contract.
<b>FINAL SETTLEMENT DATE:</b>	The third Friday of the expiring month ("Final Settlement Date").
<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 CBOE China Index futures contracts will be the day immediately preceding the last regularly-scheduled trading day.
<b>FINAL SETTLEMENT VALUE:</b>	The final settlement value for the CBOE China Index futures contract shall be a Special Opening Quotation calculated using the first (opening) reported sales price in the primary market of each component security of the CBOE China Index futures contract on the Final Settlement Date. 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 settlement value will be determined in accordance with the rules and bylaws of The Options Clearing Corporation.
<b>DELIVERY:</b>	Settlement of CBOE China Index 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 CBOE China Index futures contract multiplied by \$100.00.

<b>POSITION ACCOUNTABILITY:</b>	<p>A person may not own or control more than 5,000 contracts net long or net short.</p> <p>The foregoing position limit shall not apply to bona fide hedge positions meeting the requirements of Commission Regulation §1.3(z)(1) and the rules of the Exchange, and shall not apply to arbitrage positions and spread positions as set forth in Rule 412.</p>
<b>MINIMUM REPORTABLE LEVEL:</b>	25 or more contracts.

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**Rule Chapter Setting Forth Contract Specifications for the CBOE China Index Futures Contract**

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**CHAPTER 14  
CBOE CHINA INDEX FUTURES CONTRACT SPECIFICATIONS**

**1401. Scope of Chapter**

This chapter applies to trading in futures contracts on the CBOE China Index. 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 CBOE China Index futures contract was first listed for trading on the Exchange on October 18, 2004.

**1402. Contract Specifications**

(a) *Multiplier.* The contract multiplier for the CBOE China Index futures contract is \$100.00. For example, a contract size of one CBOE China Index futures contract would be \$30,050.00 if the price quotation of the CBOE S&P 500 China Index were 300.50. (300.50 x \$100.00).

(b) *Schedule.* The Exchange may list for trading up to three near-term contract months and three months on the March quarterly cycle (March, June, September, December) for the CBOE China Index futures contract. The final settlement date for a CBOE China Index futures contract shall be on the third Friday of the expiring futures contract month.

The trading days for CBOE China Index futures contracts shall be the same trading days of the securities underlying the CBOE China Index.

The trading hours for the CBOE China Index futures contract is from 8:30 a.m. Central Time (Chicago time) to 3:15 p.m. Central Time (Chicago time).

(c) *Minimum Increments.* The minimum fluctuation of the CBOE China Index futures contract is 0.05 of one index point, which is equal to \$5.00 per contract.

(d) *Position Limits.* A person may not own or control more than 5,000 contracts net long or net short.

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 bona fide hedge positions meeting the requirements of Commission Regulation §1.3(z)(1) and the rules of the Exchange.

(e) *Termination of Trading.* Trading on the CBOE China Index futures contract terminates at the close of trading on the day before the third Friday of the expiring futures contract month.

(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)(i), the base allocation method of price-time priority shall apply to trading in CBOE China Index futures contracts. Pursuant to Rule 406(b)(iii), a DPM trade participation right priority shall overlay the price-time priority base allocation method.

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

(i) *Price Limits.* Pursuant to Rule 413, CBOE China Index futures contracts are not subject to price limits.

(j) *Exchange of Future for Physical.* Exchange of Future for Physical transactions, as set forth in Rule 414, may not be entered into with respect to CBOE China Index futures contracts.

(k) *Block Trades.* Pursuant to Rule 415(a)(i), the minimum Block Trade quantity for the CBOE China Index futures contract is 100 contracts. If the Block Trade is executed as a spread or a combination, one leg must meet the minimum Block Trade quantity for the CBOE China Index futures contract and the other leg(s) must have a contract size that is reasonably related to the leg meeting the minimum Block Trade quantity. Pursuant to Rule 415(f), the seller is obligated to call the Help Desk without delay, but no later than ten minutes after a Block Trade is negotiated, to notify the Exchange of the terms of the trade, including information identifying the relevant Contract, contract month, price or premium, quantity, time of execution, counterparty Clearing Member for each Block Trade and, if applicable, the underlying commodity, whether the transaction involved a put or a call and the strike price and any other information that is required to be set forth in the prescribed Block Trade Reporting Form.

(l) *No-Bust Range.* Pursuant to Rule 416, the CFE 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 CBOE China Index 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 in other markets.

(m) *Pre-execution Discussions.* Pursuant to Policy and Procedure IV, 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 seconds after that Order has been entered into the CBOE System.

(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 CBOE China Index futures contracts at the close of trading on any trading day equal to or in excess of twenty-five contracts on either side of the market.

#### **1403. Settlement**

Settlement of the CBOE China Index futures contract 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 CBOE China Index futures contract multiplied by \$100.00. The final settlement price of the CBOE China Index futures contract will be rounded to the nearest \$.01.

Clearing Members holding open positions in CBOE China Index 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.

#### **1404. DPM Provisions**

(a) *DPM Appointment.* A Trading Privilege Holder will be appointed to act as a DPM for the CBOE China Index futures contract pursuant to Rule 515.

(b) *DPM Participation Right.* The DPM participation right percentage under Rule 406(b)(iii) for the CBOE China Index futures contract is 30%.