



June 2, 2005

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 Rule Certification
Submission Number CFE-2005-17

Dear Ms. Webb:

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 under the Act, CBOE Futures Exchange, LLC ("CFE" or "Exchange") hereby submits an amendment to CFE Rule 412 to revise the provisions related to position limit exemption applications ("Amendment"). The Amendment will become effective on June 6, 2005.

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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Rule 412. Position Limits

(a) Position limits shall be as established by the Exchange from time to time. Such position limits may be specific to a particular Contract or delivery month or may be established on an aggregate basis among Contracts or delivery months. Except as specified in paragraphs (b) and (c) below, Trading Privilege Holders shall not control, or trade in, any number of Contracts that exceed any position limits so established by the Exchange. Once established, any such position limits shall be deemed to constitute a part of each Trading Privilege Holder's account and clearing agreement. Except as specified in paragraphs (b) and (c) below, no Trading Privilege Holder shall be permitted to enter into any transaction on the Exchange that would cause such Trading Privilege Holder to exceed any position limits.

(b) On the basis of an application to the Exchange in accordance with paragraph (d) below, and such supplemental information as the Exchange may request, the Exchange will determine whether to grant a position limit exemption for a qualified hedge transaction or series of qualified hedge transactions. [Upon application to the Exchange in accordance with paragraph (d) below, qualified hedge transactions shall automatically be exempt from the position limits that would otherwise apply.] For

purposes of this Rule 412, the term “qualified hedge transaction” shall include any transaction or position in a particular Contract that represents a substitute for transactions to be made or positions to be taken at a later time in the commodity underlying such Contract or in other underlying or related instruments, provided the transaction(s) entered into or position(s) taken on the Exchange are [is] economically appropriate to reduce risks arising from:

(i) – (iv) No change

(c) On the basis of an application to the Exchange in accordance with paragraph (d) below, and such supplemental information as the Exchange may request, the Exchange will determine whether to grant a position limit exemption for [approve] a particular [transaction as an] arbitrage transaction or spread transaction or series of arbitrage or spread transactions. [In granting any such approval, the Exchange may impose such limitations as it may deem necessary or appropriate in light of the liquidity of the markets involved and the Trading Privilege Holder’s financial condition and business circumstances. Subject to any such limitations, transactions approved in accordance with the immediately preceding sentence shall be exempt from the position limits that would otherwise apply.]

(d) Any application for a position limit exemption for a qualified hedge transaction, arbitrage transaction or spread transaction, or series of qualified hedge, arbitrage or spread transactions, [an exemption from position limits for a hedging, arbitrage or spread transaction] must be made by the relevant Trading Privilege Holder to the Exchange in such form, and within such time limits, as the Exchange may from time to time prescribe. Without limiting the generality of the foregoing, any such application must include the following:

(i) If a qualified hedge transaction, an arbitrage transaction or a spread transaction, a representation that such transaction or position constitutes a qualified hedge transaction, an arbitrage or a spread transaction, as the case may be, and is not used in an attempt to violate or avoid any Rule of the Exchange;

(ii) If a qualified hedge transaction, a representation that such transaction or position is necessary or advisable as an integral part of the business of such Trading Privilege Holder, which representation shall also include a description of such business;

(iii) If an arbitrage or spread transaction, an undertaking that the prospective arbitrageur or spreader will specify the extent of the Trading Privilege Holder’s current or planned activity in the cash market underlying the Contract for which such exemption is requested;

(iv) If an arbitrage or spread transaction, a representation that the positions involved are moved in an orderly manner and not initiated or liquidated in a manner calculated to cause unreasonable price fluctuations or unwarranted price changes;

(v) A representation that such Trading Privilege Holder has complied with any applicable federal requirement relating to hedging, arbitrage

or spread transactions, as the case may be[, and has obtained any necessary approvals from the Commission];

(vi) A schedule of the maximum number of Contracts, long and short, that such Trading Privilege Holder intends to enter into for hedging, arbitrage or spread transaction purposes, as the case may be;

(vii) An agreement that such Trading Privilege Holder will comply with any additional limits on its trading as the Exchange may from time to time impose; and

(viii) An agreement by such Trading Privilege Holder to promptly submit a supplemental statement explaining any change in circumstances that may affect the nature of its positions.

(e) No change

(f) The application for a position limit exemption must be submitted to and approved by the Exchange before execution of any transaction for which the exemption is requested. In granting any position limit exemption, the Exchange may impose such limitations or conditions upon the grant of the exemption as it may deem necessary or appropriate. Factors to be taken into account by the Exchange in determining whether to limit or condition a position limit exemption may include, among others, the liquidity of the markets involved and the Trading Privilege Holder's financial condition and business circumstances. Any position limit exemption granted by the Exchange for a qualified hedge transaction, arbitrage transaction or spread transaction, or series of qualified hedge, arbitrage or spread transactions, shall remain in effect for the time period designated by the Exchange, unless the exemption is earlier rescinded by the Exchange. The time period for which a position limit exemption may be granted by the Exchange may be up to two years. The Exchange shall have the authority to review and rescind, limit or condition any position limit exemption granted by it [pursuant to paragraph (d) above] at any time in its sole discretion. A Trading Privilege Holder shall promptly submit to the Exchange upon request such supplemental information requested by the Exchange in connection with the review of a position limit exemption granted to the Trading Privilege Holder.

(g) No change

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Ms. Jean A. Webb
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Questions regarding this submission may be directed to David Doherty at (312) 786-7466. Please reference our submission number CFE-2005-17 in any related correspondence.

CBOE Futures Exchange, LLC

By: _____
Edward J. Joyce
President

cc: Mark Baumgardner (OCC)
Clarence Sanders (CFTC)
Thomas Leahy (CFTC)