



September 28, 2006

Via Electronic Mail

Ms. Eileen A. Donovan
Acting 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 S&P 500 BuyWrite Index Futures Contracts
Submission Number CFE-2006-14

Dear Ms. Donovan:

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 ("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. The new product is the CBOE S&P 500 BuyWrite Index futures contract ("Product"), and the Product will be listed for trading on CFE commencing on October 2, 2006.

The underlying index for the Product is the CBOE S&P 500 BuyWrite Index ("BXM Index"). The BXM Index is a benchmark index designed to track the performance of a hypothetical buy-write strategy on the Standard & Poor's 500 Composite Stock Index ("S&P 500 Index"). The BXM Index measures the total rate of return of a "covered call" strategy that consists of a "long" position indexed to the S&P 500 Index on which are deemed sold a succession of one-month, at-the-money call options on the S&P 500 Index. The BXM Index qualifies as a broad-based security index and therefore is not a narrow-based security index pursuant to Section 1a(25) of the Act. The BXM Index is calculated by Chicago Board Options Exchange, Incorporated ("CBOE") approximately four times per minute during the trading day and will be disseminated through the CBOE Financial Network. Information regarding the BXM Index, including the current methodology for calculating the BXM Index, may be found on CBOE's website at the following internet address: www.cboe.com/micro/bxm.

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 Jenny Klebes at (312) 786-7466. Please reference our submission number CFE-2006-14 in any related correspondence.

CBOE Futures Exchange, LLC

By: 
Patrick J. Fay
Managing Director

cc: Thomas Leahy (CFTC)
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Mark Baumgardner (OCC)
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Summary Product Specifications Chart for CBOE S&P 500 BuyWrite Index Futures

CONTRACT NAME:	CBOE S&P 500 BuyWrite Index Futures
DESCRIPTION:	The CBOE S&P 500 BuyWrite Index (BXM Index) is a benchmark index designed to track the performance of a hypothetical buy-write strategy on the Standard & Poor's 500 Composite Stock Index (S&P 500 Index). The BXM Index measures the total rate of return of a "covered call" strategy that consists of a "long" position indexed to the S&P 500 Index on which are deemed sold a succession of one-month, at-the-money call options on the S&P 500 Index. The BXM Index covered call strategy requires that each S&P 500 call option be held to its date of maturity, generally the third Friday of the month. Soon after the settlement of the expiring call option, a new at-the-money call option expiring in the next month is then written (a transaction commonly referred to as a "roll"). The strike price of the new call is the closest listed strike price equal to or greater than the last value of the S&P 500 Index reported before 10:00 a.m. Chicago time.
CONTRACT SIZE:	The contract multiplier for BXM Index futures is \$100.00. For example, at a BXM Index level of 735.59, the contract size of one BXM Index future would be \$73,559.00 (735.59 x \$100.00).
TRADING HOURS:	8:30 a.m. – 3:15 p.m. Chicago time.
TRADING PLATFORM:	CBOEdirect.
CONTRACT MONTHS:	Up to three near-term serial months and three months in the March quarterly cycle (March, June, September, and December) may be listed for the BXM Index futures contract.
TICKER SYMBOLS:	Futures: BX Cash Index: BXMFT
PRICING QUOTATION:	The BXM Index futures contract is quoted in terms of the underlying BXM Index.
PRICING CONVENTIONS:	Both futures prices and cash index levels are stated in decimal format.
MINIMUM PRICE INTERVALS:	0.05 index points (equal to \$5.00 per contract).
DOLLAR VALUE PER TICK:	\$5.00 per contract.
TERMINATION OF TRADING:	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 BXM Index futures contracts will be the day immediately preceding the last regularly-scheduled trading day.
FINAL SETTLEMENT DATE:	The third Friday of the expiring month (Final Settlement Date).
FINAL SETTLEMENT VALUE:	<p>The final settlement price for the BXM Index futures contract shall be a Special Opening Quotation of the BXM Index, which is calculated by multiplying the value of the BXM Index as of the close of trading on the day before the Final Settlement Date by the rate of return of the BXM Index portfolio measured from the close of trading on the day before the Final Settlement Date to the open of the S&P 500 Index the following business day as follows:</p> $BXM_{SOQ} = BXM_{t-1} \times (1 + R_a), \text{ where}$

	<p>BXM_{t-1} is the closing value of the BXM Index on the business day immediately prior to the Final Settlement Date, and</p> $1 + R_a = (S^{SOQ} + Div_t - C_{Settle}) / (S_{t-1} - C_{t-1}), \text{ where}$ <p>S^{SOQ} is the S&P 500 Index open settlement value; Div_t is the aggregate value of dividends deemed "ex-distribution" on the Final Settlement Date, expressed in S&P 500 Index points; C_{Settle} is the settlement price of the expiring SPX call option in the hypothetical BXM Index portfolio; S_{t-1} is the closing value of the S&P 500 Index on the business day immediately prior to the Final Settlement Date; and C_{t-1} is the average of the bid and ask quotations of the expiring SPX call option in the BXM Index portfolio at 3:00 p.m. Chicago time on the business day immediately prior to the Final Settlement Date.</p> <p>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.</p>
DELIVERY:	Settlement of BXM 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 BXM Index futures contract multiplied by \$100.00.
POSITION ACCOUNTABILITY:	<p>A person may not own or control more than 5,000 contracts net long or net short in all BXM Index futures contract months combined.</p> <p>The foregoing position limit shall not apply to positions that are subject to a position limit exemption meeting the requirements of Commission Regulations and CFE Rules.</p>
MINIMUM REPORTABLE LEVEL:	25 or more contracts.

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Rule Chapter Setting Forth Contract Specifications for CBOE S&P 500 BuyWrite Index Futures

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**CHAPTER 15
CBOE S&P 500 BUYWRITE INDEX FUTURES
CONTRACT SPECIFICATIONS**

1501 Scope of Chapter

This chapter applies to trading in futures contracts on the CBOE S&P 500 BuyWrite Index ("BXM 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 BXM Index futures contract was first listed for trading on the Exchange on October 2, 2006.

1502 Contract Specifications

(a) *Multiplier.* The contract multiplier for BXM Index futures is \$100.00. For example, at a BXM Index level of 735.59, the contract size of one BXM Index future would be \$73,559.00 (735.59 x \$100.00).

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

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

The trading hours for the BXM Index futures contract are from 8:30 a.m. to 3:15 p.m. Chicago time.

(c) *Minimum Increments.* The minimum fluctuation of the BXM 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 in all BXM Index futures contract months combined.

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 limits shall not apply to positions that are subject to a position limit exemption meeting the requirements of Commission Regulations and CFE Rules.

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

month. When the last trading day is moved because of a CFE holiday, the last trading day for an expiring BXM Index 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)(i), the base allocation method of price-time priority shall apply to trading in BXM 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 and Circuit Breaker Halts.* Pursuant to Rule 413, BXM Index futures contracts are not subject to price limits.

Trading in BXM Index 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 Future for Related Position.* Exchange of Future for Related Position transactions, as set forth in Rule 414, may be entered into with respect to BXM Index futures contracts. Any Exchange of Future for Related Position transaction must satisfy the requirements of Rule 414.

(k) *Block Trades.* Pursuant to Rule 415(a)(i), the minimum Block Trade quantity for the BXM 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 BXM 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.

(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 BXM 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 BXM 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.

1503 Settlement

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

Clearing Members holding open positions in BXM 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 Clearing Corporation.

1504 DPM Provisions

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

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