



October 31, 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 Rule Certification
Submission Number CFE-2006-19

Dear Ms. Donovan:

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 Rule 1202(d) to change the position limits for CBOE Volatility Index ("VIX") futures.

As a preliminary matter, CFE notes that the position limits in VIX futures were increased once before in May 2006. At that time, CFE noted that it was taking an incremental approach to increasing the position limits in VIX futures, by coupling the increase in the all months combined limit with a spot month limit instead of moving solely to a higher all months combined limit. CFE also expressed its intent to evaluate its experience with the newly prescribed limits so that it could determine whether to implement further changes to the VIX position limits in light of that experience.

CFE has evaluated the position limits in VIX futures since May 2006 and has determined to continue at the present time with the incremental approach of having an all months combined limit and a spot month limit and has determined to increase both limits in response to increased open interest and trading volume in VIX futures. Specifically, this Amendment changes the general position limit in VIX futures from 10,000 to 25,000 contracts net long or net short in all VIX futures contract months combined and changes the position limit in the expiring VIX futures contract month from 5,000 to 15,000 contracts net long or net short. Additionally, this Amendment changes the day on which the position limit in the expiring VIX futures contract month comes into effect from the Wednesday prior to the final settlement date to the Friday prior to the final settlement date.

CFE took the following into consideration in determining to change the position limits for VIX futures in the manner set forth in this Amendment.

Since the first position limit increase in VIX futures, the open interest in VIX futures has significantly increased from in excess of 31,000 contracts (May 2006) to in excess of 49,000 contracts (current). In addition, the trading volume in VIX futures recently reached a new all-time high on October 10, 2006 of 10,673 contracts traded on that day. This is the first time that

the trading volume in VIX futures has exceeded the 10,000-contract mark in a single day. The previous high in VIX futures traded on a single day since the first position limit increase in VIX futures went into effect on May 30, 2006 was 8,080 on August 10, 2006. Further, the average daily trading volume in Standard & Poor's 500 Index ("SPX") options, which are used to calculate the VIX, has increased markedly since May 2006. Specifically, the average daily trading volume in SPX options in May 2006 was approximately 375,000 contracts and today is approximately 439,000 contracts. It should also be noted that the SPX option market remains the most liquid domestic index options market in the United States.

This Amendment continues CFE's incremental approach with regard to position limits in VIX futures. CFE intends to continue to evaluate its experience with the position limits for VIX futures and may determine to make future changes to them in light of that experience.

The Amendment will become effective on November 1, 2006.

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:

* * * * *

Rule 1202. CBOE Volatility Index Futures Contract Specifications

* * * * *

(d) *Position Limits.* A person may not own or control at any time more than [10,000] 25,000 contracts net long or net short in all VIX futures contract months combined. Commencing on the [Wednesday] Friday prior to the final settlement date of the expiring VIX futures contract month, a person may not own or control more than [5,000] 15,000 contracts net long or net short in the expiring VIX futures contract month.

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.

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Ms. Eileen A. Donovan
Page 3 of 3

Questions regarding this submission may be directed to Arthur Reinstein at (312) 786-7570 or Jennifer Klebes at (312) 786-7466. Please reference our submission number CFE-2006-19 in any related correspondence.

CBOE Futures Exchange, LLC

By: 

Patrick J. Fay
Managing Director

cc: Steven B. Benton (CFTC)
Edward Dasso (NFA)
Thomas Leahy (CFTC)
The Options Clearing Corporation