



July 5, 2007

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 Nasdaq-100 Volatility Index Futures Contracts
Submission Number CFE-2007-06

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 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, which are attached hereto along with a chart that summarizes the product specifications. The new product is the CBOE Nasdaq-100 Volatility Index futures contract ("Product"), and the Product will be listed for trading on CFE commencing on July 6, 2007.

The underlying index for the Product is the CBOE Nasdaq-100 Volatility Index ("VXN"). The VXN is based on real-time prices of options on the Nasdaq-100 Index ("NDX") listed on Chicago Board Options Exchange, Incorporated ("CBOE") and is designed to reflect investors' consensus view of future (30-day) expected market volatility of the NDX. The VXN calculation generally uses quotes of NDX option series from two nearby expiration months. Approximately 30 to 35 NDX option series are used to calculate the VXN at any given time. The source of information used to calculate NDX options is The Nasdaq Stock Market, Inc.

The VXN qualifies as a broad-based security index pursuant to the Joint Order issued by the Securities and Exchange Commission and the Commodity Futures Trading Commission dated March 25, 2004 (Securities Exchange Act Release No. 49469) ("Joint Order") in that:

- (1) The VXN measures the magnitude of changes in the level of the NDX over a defined period of time, which magnitude is calculated using prices of options on the NDX and represents an annualized standard deviation of percent changes in the level of the NDX;
- (2) The NDX is a broad-based security index and is not a narrow-based security index as that term is defined in Section 1(a)(25) of the Act and Section 3(a)(55) of the Securities Exchange Act of 1934 ("Exchange Act");
- (3) The VXN has more than 9 component securities, all of which are options on the NDX;

- (4) No component security of the VXN comprises more than 30% of the VXN's weighing;
- (5) The five highest weighted component securities of the VXN in the aggregate do not comprise more than 60% of the VXN's weighting;
- (6) CFE certifies that the NDX complies with the criteria set forth in condition (5) of the Joint Order;
- (7) Options on the NDX are listed and traded on CBOE, a national securities exchange registered under Section 6 of the Exchange Act; and
- (8) The aggregate average daily trading volume in options on the NDX on CBOE is approximately 66,000 contracts calculated as of the preceding 6 full months.

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 Jennifer Klebes at (312) 786-7466. Please reference our submission number CFE-2007-06 in any related correspondence.

CBOE Futures Exchange, LLC

By: 

Andrew Lowenthal
Managing Director

cc: Edward Dasso (NFA)
Thomas Leahy (CFTC)
The Options Clearing Corporation

Summary Product Specifications Chart for CBOE Nasdaq-100 Volatility Index Futures

CONTRACT NAME:	CBOE Nasdaq-100 Volatility Index (VXN) Futures
LISTING DATE:	July 6, 2007
DESCRIPTION:	The CBOE Nasdaq-100 Volatility Index is based on real-time prices of options on the Nasdaq-100 Index, listed on the Chicago Board Options Exchange (Symbol: NDX), and is designed to reflect investors' consensus view of future (30-day) expected market volatility of the Nasdaq-100 Index.
CONTRACT SIZE:	The contract multiplier for the VXN futures contract is \$1,000.
TRADING HOURS:	8:30 a.m. - 3:15 p.m. Chicago time.
TRADING PLATFORM:	CBOEdirect.
CONTRACT MONTHS:	Up to six near-term serial months and five months in the February quarterly cycle (February, May, August, November) may be listed for the VXN futures contract.
TICKER SYMBOL:	Futures – VN Cash Index – VXN
PRICING CONVENTIONS:	Both futures prices and cash index levels are stated in decimal format.
MINIMUM PRICE INTERVALS:	0.01 of one CBOE Nasdaq-100 Volatility Index point (equal to \$10.00 per contract).
DOLLAR VALUE PER TICK:	\$10.00 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 VXN futures contracts will be the day immediately preceding the last regularly scheduled trading day.
FINAL SETTLEMENT DATE:	The Wednesday that is thirty days prior to the third Friday of the calendar month immediately following the month in which the contract expires ("Final Settlement Date"). If the third Friday of the month subsequent to expiration of the applicable VXN futures contract is a CBOE holiday, the Final Settlement Date for the contract shall be thirty days prior to the CBOE business day immediately preceding that Friday.
FINAL SETTLEMENT VALUE:	The final settlement price for VXN futures shall be a Special Opening Quotation ("SOQ") of VXN calculated from the sequence of opening prices on CBOE of the options used to calculate the index on the settlement date. The opening price for any series in which there is no trade shall be the average of that option's bid price and ask price on CBOE as determined at the opening of trading. The final settlement value will be rounded to the nearest \$0.01. 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 final settlement value will be determined in accordance with the rules and bylaws of The Options Clearing Corporation.
DELIVERY:	Settlement of VXN 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 VXN futures contract multiplied by \$1,000.00.
POSITION ACCOUNTABILITY:	<p>A person may not own or control more than 5,000 contracts net long or net short in all contract months of a VXN futures contract 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 Nasdaq-100 Volatility Index Futures

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**CHAPTER 20
CBOE NASDAQ-100 VOLATILITY INDEX
FUTURES CONTRACT SPECIFICATIONS**

2001. Scope of Chapter

This chapter applies to trading in futures on the CBOE Nasdaq-100 Volatility Index ("VXN"). 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. VXN futures contracts were first listed for trading on the Exchange on July 6, 2007.

2002. Contract Specifications

(a) *Multiplier.* The contract multiplier for each VXN futures contract is \$1,000. For example, a contract size of one VXN futures contract would be \$21,000, if the VXN index level were 21 (21 x \$1,000.00).

(b) *Schedule.* The Exchange may list for trading up to six near-term serial months and five months on the February quarterly cycle for the VXN futures contract. The final settlement date for the VXN futures contract shall be the Wednesday that is thirty days prior to the third Friday of the calendar month immediately following the month in which the applicable VXN futures contract expires. If the third Friday of the month subsequent to expiration of the applicable VXN futures contract is a CBOE holiday, the final settlement date for the contract shall be thirty days prior to the CBOE business day immediately preceding that Friday.

The trading days for VXN futures contracts shall be the same trading days of options on the CBOE Nasdaq-100 Volatility Index traded on CBOE, as those days are determined by CBOE.

The trading hours for VXN futures contracts are from 8:30 a.m. Chicago time to 3:15 p.m. Chicago time.

(c) *Minimum Increments.* The minimum fluctuation of the VXN futures contract is 0.01 index point, which has a value of \$10.00.

(d) *Position Limits.* A person may not own or control more than 5,000 contracts net long or net short in all contract months of a VXN futures contract 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 limit 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 in VXN futures contracts terminates on the business day immediately preceding the final settlement date of the VXN futures contract for the relevant spot month. When the last trading day is moved because of a CFE holiday, the last trading day for an expiring VXN 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 VXN 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, VXN futures contracts are not subject to price limits.

Trading in VXN 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 VXN 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 VXN 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 VXN 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 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 VXN 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 VXN 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.

2003. Settlement

Settlement of VXN futures contracts 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 VXN futures contract multiplied by \$1,000.00. The final settlement price of the VXN futures contract will be rounded to the nearest \$0.01.

Clearing Members holding open positions in VXN 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.

2004. DPM Participation Rights and Obligations

(a) *DPM Appointment.* A Trading Privilege Holder will be appointed to act as a DPM for VXN futures contracts pursuant to Rule 515.

(b) *DPM Participation Right.* The DPM participation right percentage under Rule 406(b)(iii) for VXN futures contracts is 30%.