



July 30, 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 Rule Certification
Submission Number CFE-2007-08

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 a CFE rule amendment related to Block Trades ("Amendment"). The Amendment amends CFE Rule 415 to further describe (i) the specific conditions under which it is permissible to aggregate orders for different accounts in order to satisfy minimum Block Trade size requirements, (ii) the factors to be considered in determining whether the price of a Block Trade is "fair and reasonable," and (iii) certain aspects relating to CFE's review of Block Trades. The Amendment also makes some clarifying wording changes to the current language of Rule 415.

The Amendment will become effective on July 31, 2007.

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. This rule change has also been filed with the Securities and Exchange Commission.

The Amendment, marked to show additions in underlined text and deletions in [bracketed] text, consists of the following:

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Rule 415. Block Trading

(a) Trading Privilege Holders may enter into transactions outside the CBOE System, at prices mutually agreed, with respect to Contracts that have been designated by the Exchange for such purpose, provided all of the following conditions are satisfied (such transactions, "Block Trades"):

(i) Each buy or sell order underlying a Block Trade must (A) state explicitly that it is to be, or may be, executed by means of a Block Trade and (B) be for at least such minimum number of Contracts as will from time to time be specified by the Exchange; *provided* that only (x) a commodity trading advisor registered under the CEA, (y) an investment adviser registered as such with the

Securities and Exchange Commission that is exempt from regulation under the CEA and Commission Regulations thereunder and (z) any Person authorized to perform functions similar or equivalent to those of a commodity trading advisor in any jurisdiction outside the United States of America, in each case with total assets under management exceeding US\$25 million, may satisfy this requirement by aggregating orders for different accounts that are under management or control by such commodity trading advisor, investment adviser, or other Person. Other than as provided in the foregoing sentence, orders for different accounts may not be aggregated to satisfy Block Trade size requirements. For purposes of this Rule, the [total] quantity of each leg [the legs] of a spread or a combination executed as a Block Trade must meet the designated minimum size set forth in the rules governing the relevant Contract.

(ii) Each party to a Block Trade must qualify as an “eligible contract participant” (as such term is defined in Section 1a(12) of the CEA); *provided* that, if the Block Trade is entered into on behalf of Customers by (A) a commodity trading advisor registered under the Act, (B) an investment adviser registered as such with the Securities and Exchange Commission that is exempt from regulation under the Act and Commission Regulations thereunder or (C) any Person authorized to perform functions similar or equivalent to those of a commodity trading advisor in any jurisdiction outside the United States of America, in each case with total assets under management exceeding US\$25 million, then only such commodity trading advisor or investment adviser, as the case may be, but not the individual Customers, need to so qualify.

(b) The price at which a Block Trade is executed must be "fair and reasonable" in light of (i) the size of the Block Trade; (ii) the prices and sizes, at the relevant time, of orders in the order book for the same Contract, the same contract on other markets and similar or related contracts on the Exchange and other markets, including without limitation the underlying cash and futures markets; (iii) the prices and sizes, at the relevant time, of transactions in the same Contract, the same contract on other markets and similar or related contracts on the Exchange and other markets, including without limitation the underlying cash and futures markets; (iv) the circumstances of the parties to the Block Trade; and (v) whether the Block Trade is executed as a spread or combination.

The following guidelines shall apply in determining whether the execution price of a Block Trade that is not executed as a spread or combination is "fair and reasonable." These guidelines are general and may not be applicable in each instance. Whether the execution price of a Block Trade is "fair and reasonable" depends upon the particular facts and circumstances.

In the event the quantity present in the order book is greater or equal to the quantity needed to fill an order of the size of the Block Trade, it would generally be expected that the Block Trade price would be better than the price present in the order book. In the event the quantity present in the order book is less than the quantity needed to fill an order of the size of the Block Trade, it would generally be expected that the Block Trade price would be relatively close to the price present in the order book and that the amount of the differential between the two prices would be smaller to the extent that the differential between the quantity present in the order book and the Block Trade quantity is smaller.

(c) [(b)] Block Trades [transactions] with respect to any Contract may occur during and outside of the Trading Hours set forth in the rules governing such Contract, unless otherwise specified in those rules. Each party to a Block Trade shall comply with all applicable Rules of the Exchange other than those which by their terms only apply to trading through the CBOE System.

(d) [(c)] Each Block Trade shall be designated as such, and cleared through the Clearing Corporation as if it were a transaction executed through the CBOE System. [The price at which a Block Transaction is executed must be "fair and reasonable" in light of (i) the size of such Block Transaction, (ii) the prices and sizes of other transactions in the same Contract at the relevant time, (iii) and the prices and sizes of transactions in other relevant markets, including without limitation the underlying cash and futures markets, at the relevant time, and (iv) the circumstances of the parties to such Block Transaction.] The Exchange will publicize information identifying the trade as a Block Trade and identifying the relevant Contract, contract month, price or premium, quantity for each Block Trade and, if applicable, the underlying commodity, whether the transaction involved a put or a call and the strike price immediately after such information has been reported to the Exchange.

(e) [(d)] Each Trading Privilege Holder that is party to a Block Trade shall record the following details on its order ticket: the Contract (including the delivery or expiry month) to which such Block Trade relates; the number of Contracts traded; the price of execution or premium; the time of execution; the identity of the counterparty; and, if applicable, details regarding the Customer for which the Block Trade was executed, the underlying commodity, whether the transaction involved a put or a call and the strike price. Upon request by the Exchange, such Trading Privilege Holder shall produce satisfactory evidence, including the order ticket referred to in the preceding sentence, that the Block Trade meets the requirements set forth in this Rule 415.

(f) [(e)] Each Trading Privilege Holder executing a side of a Block Trade must have at least one designated person pre-authorized to report Block Trades. Only designated persons of Trading Privilege Holders with a clearing relationship at the Clearing Corporation will be allowed to report a Block Trade.

(g) [(f)] The seller is obligated to call the Help Desk without delay, and in no event later than ten minutes after a Block Trade is negotiated to notify the Exchange of the terms of the trade if the transaction occurs during the Trading Hours for the relevant Contract, unless otherwise specified in the rules governing the relevant Contract. If the transaction occurs outside of the Trading Hours for the relevant Contract, notification to the Help Desk must occur no later than ten minutes from the time that regular trading next commences on the Exchange. The notification to the Help Desk with respect to a Block Trade shall include the relevant Contract, contract month, price or premium, quantity, time of execution, counterparty Clearing Member and, if applicable, the underlying commodity, whether the transaction involved a put or a call and the strike price, as well as any other information that is required to be set forth in the prescribed Block Trade Reporting Form. If the transaction is a spread or combination, such as when one party is rolling a position into the next contract month, the seller of the month closest to expiration is responsible for reporting the entire transaction to the Help Desk. The Help Desk will provide the caller a Trade Identification ("Trade ID") for the Block Trade and report both sides of the trade to the CBOE System. After reporting the Block Trade to the Help Desk, the buyer and seller must each complete and transmit the prescribed

Block Trade Reporting Form via facsimile or e-mail to the Help Desk. Both sides must include the Trade ID given by the Help Desk to the seller for the Block Trade. It is the responsibility of the buying and selling Trading Privilege Holders to effect any subsequent allocations or necessary updates to non-critical matching fields utilizing a post-trade processing system designated by the Exchange.

(h) [(g)] A Trading Privilege Holder may execute an Order placed for a non-discretionary Customer account by means of a Block Trade only if the Customer has previously consented thereto.

(i) The Help Desk may review a Block Trade for compliance with the requirements of this Rule and may determine not to permit the Block Trade to be consummated if the Help Desk determines that the Block Trade does not conform with those requirements.


(j) The posting of a Block Trade by the Help Desk does not constitute a determination by the Exchange that the Block Trade was effected in conformity with the requirements of this Rule. A Block Trade that is posted by the Help Desk which does not conform to the requirements of this Rule shall be processed and given effect but will be subject to appropriate disciplinary action in accordance with the Rules of the Exchange.

(k) [(h)] Any Block Trade in violation of the[se] requirements of this Rule shall constitute conduct which is inconsistent with just and equitable principles of trade.

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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-2007-08 in any related correspondence.

CBOE Futures Exchange, LLC

By: 
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