



March 15, 2010

**Via Electronic Mail**

Mr. David Stawick  
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-2010-03

Dear Mr. Stawick:

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 Notices, Exchange of Contract for Related Position ("ECRP") transactions and Block Trades ("Amendment").

Specifically, the Amendment: (i) amends CFE Rule 310 to codify the manner in which the Exchange may provide Exchange notices; (ii) amends CFE Rule 414 to revise the ECRP reporting and Help Desk review provisions and to make some technical changes; and (iii) amends CFE Rule 415 to revise the Block Trade reporting provisions and to incorporate some technical changes.

The Amendment will become effective on March 17, 2010.

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 rule amendments in this rule certification filing that relate to block trades have also been filed with the Securities and Exchange Commission solely with respect to their applicability to any security futures that may be listed for trading on CFE.]

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

\* \* \* \* \*

**Rule 310. Notices**

(a) Any notice required to be given by the Rules of the Exchange or otherwise shall be deemed to have been given:

- (i) in person upon delivery of the notice in person to the Person to whom such notice is addressed;
- (ii) by mail upon deposit of the notice in the United States mail, enclosed in a postage prepaid envelope;
- (iii) by messenger or overnight courier service upon provision of the notice to the messenger or courier service, provided that the delivery method does not require payment of the messenger or courier service fee to deliver the notice by the Person to whom the notice is addressed;
- (iv) by facsimile machine upon acknowledgment by the facsimile machine used to transmit the notice of the successful transmission of the notice;
- (v) by electronic mail upon electronic transmission of the notice; and
- (vi) by telephone when received.

Any such notice must be addressed to its intended recipient at the intended recipient's address (including the intended recipient's business or residence address, facsimile number, electronic address, or telephone number, as applicable) as it appears on the books and records of the Exchange, or if no address appears on such books and records, then at such address as shall be otherwise known to the Exchange, or if no such address appears on such books and records, then in care of the registered agent of the Exchange in the State of Delaware.

(b) Without limiting the generality of the foregoing, the [The] Exchange shall publish a notice with respect to each addition to, or modification of, the Rules of the Exchange, in a form and manner that is reasonably designed to enable each Trading Privilege Holder to become aware of and familiar with, and to implement any necessary preparatory measures to be taken by it with respect to, such addition or modification, prior to the effective date thereof; *provided* that any failure of the Exchange to so publish a notice shall not affect the effectiveness of the addition or modification in question. Each Trading Privilege Holder shall provide its respective Authorized Traders with copies of any such notice. For purposes of publication in accordance with the first sentence of this Rule 310(b), it shall be sufficient (without limiting the discretion of the Exchange as to any other reasonable means of communication) if a notice is (a) sent to each Trading Privilege Holder by mail, recognized courier service, facsimile or electronic mail (including by means of a hyperlink included in an electronic mail message), to the address, facsimile number or electronic mail address (as applicable) [provided by such Trading Privilege Holder for such purpose] as it appears on the books and records of the Exchange and (b) published on the Exchange's website.

\* \* \* \* \*

#### **Rule 414. Exchange of Contract for Related Position**

(a) A *bona fide* Exchange of Contract for Related Position may be entered into with respect to any Contract designated by the Exchange and in accordance with the applicable trading increments set forth in the rules governing such Contract, at a price mutually agreed upon by the parties to such transaction. Each Exchange of Contract for Related Position must contain the following three essential elements:

(i) A transaction in a Contract that is listed on the Exchange and a transaction in a related position or an option on the related position (known as the "Related Position");

(ii) An exchange of Contract for the Related Position that involves an actual transfer of ownership, which must include (x) possession, right of possession, or right to future possession of each leg prior to the exchange, (y) an ability to perform the Exchange of Contract for Related Position, and (z) a transfer of title of the Contract and Related Position upon consummation of the exchange; and

(iii) Separate parties, such that the accounts involved on each side of the Exchange of Contract for Related Position have different beneficial ownership or are under separate control, provided that separate profit centers of a futures commission merchant operating under separate control are deemed to be separate parties for purposes of this Rule 414.

(b) For purposes of this Rule 414, the term "Related Position" shall include, but not be limited to, a security, an option, a Contract, any commodity as that term is defined by the CEA, or a group or basket of any of the foregoing. The Related Position being exchanged need not be the same as the underlying of the Contract transaction being exchanged, but the Related Position must have a high degree of price correlation to the underlying of the Contract transaction so that the Contract transaction would serve as an appropriate hedge for the Related Position.

(c) In every Exchange of Contract for Related Position, one party must be the buyer of the Related Position and the seller of the corresponding Contract and the other party must be the seller of the Related Position and the buyer of the corresponding Contract. Further, the quantity of the Related Position traded in an Exchange of Contract for Related Position must correlate to the quantity represented by the Contract portion of the transaction.

([c]d) Exchange of Contract for Related Position 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 an Exchange of Contract for Related Position 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]e) Each Exchange of Contract for Related Position shall be designated as such, and cleared through the Clearing Corporation as if it were a transaction executed through the CBOE System.

([e]f) Each [Clearing Member] Trading Privilege Holder involved in any Exchange of Contract for Related Position shall either maintain records evidencing compliance with the criteria set forth in this Rule 414 or be able to obtain such records from its Customer involved in the Exchange of Contract for Related Position. Upon request by the Exchange, any [each] such [Clearing Member] Trading Privilege Holder shall [provide] produce satisfactory evidence [to the Exchange documentation related to] that an Exchange of Contract for Related Position transaction[s] meets the requirements set forth in this Rule 414.

([f]g) [For purposes of this Rule 414, the term "Related Position" shall include, but not be limited to, a security, an option, a Contract, any commodity as that term is defined by the CEA, or a group or basket of any of the foregoing. The Related Position being exchanged need not be the same as the underlying of the Contract transaction being exchanged, but the Related Position must have a high degree of price correlation to the underlying of the

Contract transaction so that the Contract transaction would serve as an appropriate hedge for the Related Position.] Each Trading Privilege Holder executing an Exchange of Contract for Related Position transaction must have at least one designated Person that is either a Trading Privilege Holder or a Related Party of a Trading Privilege Holder and is pre-authorized by a Clearing Member to report Exchange of Contract for Related Position transactions on behalf of the Trading Privilege Holder ("Authorized Reporter"). When an entity designated as an Authorized Reporter reports an Exchange of Contract for Related Position transaction, the report must be made by one Related Party of that entity respecting that specific transaction. Only an Authorized Reporter of a Trading Privilege Holder will be allowed to report an Exchange of Contract for Related Position transaction on behalf of that Trading Privilege Holder. A Clearing Member that authorizes an Authorized Reporter to report Exchange of Contract for Related Position transactions on behalf of a Trading Privilege Holder accepts responsibility for all such transactions reported to the Exchange by that Authorized Reporter on behalf of the Trading Privilege Holder.

([g]h) The seller of the Contract leg of an Exchange of Contract for Related Position transaction is obligated to have an Authorized Reporter of the seller call the Help Desk after the transaction is negotiated to notify the Exchange of the terms of the transaction. This notification to the Help Desk shall occur without delay and in no event later than ten minutes after the transaction is negotiated if the transaction occurs during the Trading Hours for the Contract leg of the transaction, unless otherwise specified in the rules governing the relevant Contract. If the transaction occurs outside of the Trading Hours for the Contract leg of the transaction, this notification to the Help Desk must occur no later than ten minutes from the time that regular trading next commences on the Exchange.

(i) The notification to the Help Desk of an Exchange of Contract for Related Position transaction shall include (i) the identity, contract month, price or premium, quantity, and time of execution of the relevant Contract leg (i.e., the time the parties agreed to the Exchange of Contract for Related Position transaction), (ii) the counterparty Clearing Member, [and] (iii) the identity, quantity and price of the Related Position, and (iv) any other information required by the Exchange.

(j) The Help Desk will provide the caller a Trade Identification ("Trade ID") for the Exchange of Contract for Related Position transaction and report the Contract leg of the transaction to the CBOE System. After reporting the Exchange of Contract for Related Position transaction to the Help Desk, the buyer and seller of the Contract leg must each complete and promptly transmit the prescribed Exchange of Contract for Related Position 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 of the Contract leg. It is the responsibility of the buying and selling parties to effect any subsequent allocations or necessary updates to non-critical matching fields utilizing a post-trade processing system designated by the Exchange.

(k) The Help Desk may review an Exchange of Contract for Related Position transaction for compliance with the requirements of this Rule and may determine not to permit the Exchange of Contract for Related Position transaction to be consummated, or may bust an Exchange of Contract for Related Position transaction for which the Contract leg has been posted, if the Help Desk determines that the Exchange of Contract for Related Position transaction does not conform with those requirements.

(l) The posting of the Contract leg of an Exchange of Contract for Related Position transaction by the Help Desk does not constitute a determination by the Exchange that the Exchange of Contract for Related Position transaction was effected in conformity with the requirements of this Rule. An Exchange of Contract for Related Position transaction for which the Contract leg is posted by the Help Desk that does not conform to the requirements of this Rule shall be processed and given effect if it is not busted, but will be subject to appropriate disciplinary action in accordance with the Rules of the Exchange.

(m) Any Exchange of Contract for Related Position transaction in violation of the requirements of this Rule shall constitute conduct which is inconsistent with just and equitable principles of trade.

#### **Rule 415. Block Trading**

(a) If and to the extent permitted by the rules governing the applicable Contract, Trading Privilege Holders may enter into transactions outside the CBOE System, at prices mutually agreed, 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, if the Block Trade is executed as a spread order (as defined in Rule 404(g)) or as a strip (i.e., a transaction with legs in multiple contract months that are exclusively for the purchase or exclusively for the sale of a Contract), the total quantity of the transaction and the quantity of each leg of the transaction must meet any designated minimum sizes applicable to those types of transactions that are 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 order or as a strip.

The following guidelines shall apply in determining whether the execution price of a Block Trade that is not executed as a spread order or as a strip 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) Block Trades 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) 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 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) 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 (i.e., the time the parties agreed to the Block Trade); 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) Each Trading Privilege Holder executing a side of a Block Trade must have at least one designated [p]Person that is either a Trading Privilege Holder or a Related Party of a Trading Privilege Holder and is pre-authorized by a Clearing Member to report Block Trades on behalf of the Trading Privilege Holder ("Authorized Reporter"). If an entity designated as

an Authorized Reporter reports a Block Trade, the report must be made by a Related Party of that entity. Only an [designated [persons] Authorized Reporter of a Trading Privilege Holder[s] [with a clearing relationship at the Clearing Corporation] will be allowed to report a Block Trade on behalf of that Trading Privilege Holder. A Clearing Member that authorizes an Authorized Reporter to report Block Trades on behalf of a Trading Privilege Holder accepts responsibility for all such transactions reported to the Exchange by that Authorized Reporter on behalf of the Trading Privilege Holder.

(g) The seller is obligated to have an Authorized Reporter of the seller 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.

(h) 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 (i.e., the time the parties agreed to the Block Trade), 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] and any other information that is required [to be set forth in the prescribed Block Trade Reporting Form] by the Exchange. If the transaction is executed as a spread order [, such as when one party is rolling a position into the next contract month,] or as a strip, the seller of the month closest to expiration is responsible for reporting the entire transaction to the Help Desk.

(i) 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 promptly 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)] (j) 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. This consent may be obtained on either a trade-by-trade basis or for all such Orders.

[(i)] (k) 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, or may bust a posted Block Trade, if the Help Desk determines that the Block Trade does not conform with those requirements.

[(j)] (l) 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] that does not conform to the requirements of this Rule shall be processed and given effect if it is not busted, but will be subject to appropriate disciplinary action in accordance with the Rules of the Exchange.

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

\* \* \* \* \*

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-2010 - 03 in any related correspondence.

CBOE Futures Exchange, LLC

By: 

Andrew Lowenthal  
Managing Director

cc: Riva Adriance (CFTC)  
National Futures Association  
The Options Clearing Corporation