



February 10, 2011

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-2011-04

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 under the Act, CBOE Futures Exchange, LLC ("CFE" or "Exchange") hereby submits a CFE rule amendment to revise its rules applicable to designated primary market makers ("DPMs"), to adopt new Policy and Procedure X to codify market performance benchmarks for DPMs, and to add a provision to CFE Rule 513 to make explicit CFE's ability to limit message traffic and restrict access to CFE's trading system in order to protect the integrity and ensure proper performance of that system ("Amendment").

The Amendment will become effective on February 14, 2011 ("Amendment Effective Date").

New Policy and Procedure X as well as other changes being made by this Amendment are intended to address subject matter that CFE previously sought to address in DPM Agreements with its DPMs. Since this subject matter will now be addressed in CFE's rules and policies and procedures, CFE no longer intends to utilize DPM Agreements. Accordingly, any prior DPM Agreements between CFE and CFE DPMs are hereby terminated as of the Amendment Effective Date.

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:

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CFE Rule 133. DPM

The term "DPM" means any designated primary market maker approved by the

Exchange from time to time in accordance with Rule 515[,] and with the duties and responsibilities set forth in[,] Rule 515 and Exchange Policy and Procedure X.

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CFE Rule 513. System Security

(a) – (c) No changes.

(d) The Exchange may limit the number of messages sent by Trading Privilege Holders to the CBOE System in order to protect the integrity of the CBOE System. In addition, the Exchange may impose restrictions on the use of any individual access to the CBOE System if it believes such restrictions are necessary to ensure the proper performance of the CBOE System. Any limitations or restrictions under this paragraph (d) shall be applied in a fair and non-discriminatory manner.

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CFE Rule 515. DPMs

(a) Without limiting the generality of Rule 514, the Exchange may from time to time approve such number of Trading Privilege Holders as DPMs, and allocate to such DPMs such number and types of Contracts, as it may deem necessary or appropriate. Any and all such approvals or allocations may be reviewed, conditioned or terminated at any time in accordance with this Rule 515.

(b) A Trading Privilege Holder desiring to [act] be approved as a DPM shall file an application with the Exchange in such form as the Exchange may from time to time prescribe. DPMs shall be selected by the Exchange from among the applications from time to time on file with the Exchange, based on the Exchange's judgment as to which applicant or applicants is or are most qualified to perform the functions of a DPM. Factors to be considered in making such selection may include, but are not limited to, any one or more of the following:

- (i) the adequacy of each applicant's capital;
- (ii) each applicant's operational capacity;
- (iii) the trading experience of, and observance of generally accepted standards of conduct by, each applicant and its Related Parties, in particular the individual or individuals who would represent such applicant in its capacity as a DPM (each, a "DPM Designee");
- (iv) the number and experience of support personnel of each applicant who will be performing functions related to its DPM business;
- (v) if applicable, the regulatory history of, and history of adherence to the Rules of the Exchange, rules of other self-regulatory organizations and Applicable Law by, each applicant and its Related Parties, in particular its DPM Designees;

(vi) the willingness and ability of each applicant to promote the Exchange as the marketplace of choice;

(vii) the market performance commitments of each applicant;

(viii) if applicable, any performance evaluations conducted pursuant to the Rules of the Exchange or rules of other self-regulatory organizations; and

(ix) in the event that one or more Related Parties of any applicant are or were at any time Related Parties of any other DPM, adherence by such other DPM to the requirements set forth in the Rules of the Exchange regarding responsibilities and obligations of DPMs during the time period while such Related Party or Related Parties held such position or positions with such other DPM.

(c) The Exchange may allocate Contracts to DPMs approved in accordance with paragraph (b) above. In determining allocations of Contracts to DPMs, the Exchange may: (i) consider any relevant information, including but not limited to performance, volume, capacity, market performance commitments, operational factors, efficiency, competitiveness and recommendations of committees of the Board or of the Exchange and (ii) allocate any Contract to more than one DPM in a manner prescribed by the Exchange. The Exchange shall not initially allocate a Contract to a DPM unless the DPM requests or consents to the allocation. The Exchange may allocate a Contract to a DPM approved in accordance with paragraph (b) above with or without (i) requiring or receiving an application for the allocation from the DPM or (ii) soliciting interest from DPMs and prospective DPMs in being allocated the applicable Contract.

([c]d) In approving [any applicant] a Trading Privilege Holder as a DPM and in allocating a Contract to a DPM, the Exchange may place one or more conditions or limitations on the approval or allocation, as applicable, including but not limited to:

(i) conditions concerning the capital, operations or personnel of [such applicant, satisfaction of market performance commitments or benchmarks by such applicant,] the DPM and the number or types of Contracts which may be allocated to [such applicant] the DPM; and

(ii) limitations regarding the time period for which [such applicant] the Trading Privilege Holder is approved as a DPM or allocated a Contract as a DPM [(which time period may be subsequently extended by the Exchange at its sole discretion)].

(e) In the event that the Exchange approves a Trading Privilege Holder as a DPM or allocates a Contract to a DPM for a limited period of time in accordance with paragraph (d)(ii) above, the Exchange may from time to time, in its sole discretion, extend the time period of the DPM approval or Contract allocation for a specified additional period of time upon written notice to the DPM. The Exchange may extend the time period of a DPM approval or Contract allocation pursuant to this paragraph (e) with or without (i) requiring or receiving an application or request to do so from the DPM or (ii) soliciting interest from Trading Privilege Holders in being approved as a DPM or from DPMs and prospective DPMs in being allocated the applicable Contract.

(f) A DPM may resign as a DPM or relinquish a Contract allocation at any time upon at least 45 days prior written notice to the Exchange. A DPM resignation or Contract allocation relinquishment shall not become effective until the foregoing notice period has expired, unless the Exchange determines in its sole discretion to allow the resignation or relinquishment to become effective at an earlier time. A DPM shall notify the Exchange immediately in the event that the DPM is unable for whatever reason to fulfill its obligations as a DPM at any time.

([e]g) Each Trading Privilege Holder approved as a DPM and each DPM allocated a Contract shall retain [such] that status or allocation until (x) it resigns as a DPM [and the Exchange relieves such Trading Privilege Holder of its obligations to act as a DPM] or relinquishes the Contract allocation and its resignation or relinquishment becomes effective, (y) the Exchange suspends or terminates [such DPM's] the Trading Privilege Holder's DPM status or Contract allocation or (z) if applicable, the time period referred to in paragraph ([c]d)(ii) above expires. In any of the foregoing circumstances, the Exchange shall have discretion to do one or both of the following:

(i) approve an interim DPM, pending the final approval of a new DPM pursuant to the regular procedures for DPM approval; and

(ii) allocate on an interim basis to one or more other DPMs the Contracts that were allocated to the DPM [whose status] that is affected by such circumstances, pending a final allocation of such Contracts pursuant to paragraph [(e) below] (c) above.

Neither an interim approval nor an allocation made pursuant to this paragraph ([d]g) shall constitute a prejudgment with respect to the final approval or allocation.

[(e) In allocating Contracts to DPMs approved in accordance with paragraphs (b) and (c) above, the Exchange may: (i) consider any relevant information, including but not limited to performance, volume, capacity, market performance commitments, operational factors, efficiency, competitiveness and recommendations of committees of the Board or of the Exchange; (ii) place one or more conditions or limitations of the type specified in paragraph (c) above on the approval; or (iii) allocate any Contract to more than one DPM, such that the different DPMs serve at the same time but with respect to different contract months or in different time zones, or such that each of the DPMs serves as the DPM for such Contract on a rotating basis.]

[(f]h) No DPM may sell, transfer or assign any of its rights or obligations as a DPM (including but not limited to its allocation of any Contracts by virtue of its status as a DPM) without the prior written approval of such sale, transfer or assignment (including but not limited to the approval of the Person to which such rights, obligations or allocation are intended to be sold, transferred or assigned) by the Exchange. Any purported sale, transfer or assignment in violation of the foregoing sentence shall be void from the outset. For purposes of this paragraph ([f]h), the following transactions shall be deemed to constitute a transfer of a DPM's rights or obligations:

(i) [any sale, transfer or assignment of five percent of the equity or profits or losses of a DPM (or any series of smaller changes that in the aggregate amount to a change of at least such percentage); provided that any sale, transfer or assignment of an interest of less than such percentage may be found by the Exchange to constitute a

transfer of a DPM's rights or obligations if the particular facts and circumstances warrant such a determination;

(ii)] any change in, or transfer of, Control of a DPM; and

(ii[i]) any merger, sale of assets or other business combination or reorganization involving a DPM.

([g]i) The Exchange may from time to time evaluate a DPM's performance with respect to, among other things, one or more of the following: quality of markets, market share (taking into account all contracts similar to the relevant Contract or Contracts), administrative factors and observance of ethical standards. In this connection, the Exchange may consider any relevant information, including but not limited to market share and trading data, a DPM's regulatory history and such other factors and data as may be pertinent under the circumstances.

([h]j) The Exchange may terminate, place conditions upon or otherwise limit a Trading Privilege Holder's approval to act as a DPM or a DPM's allocation of Contracts, under any one or more of the following circumstances:

(i) if the Exchange finds in connection with an evaluation under paragraph ([g]i) above that such Trading Privilege Holder's performance as a DPM has been unsatisfactory;

(ii) if such Trading Privilege Holder becomes subject to a material financial, operational or personnel change;

(iii) if such Trading Privilege Holder fails to (A) comply with any conditions previously placed upon its approval as a DPM or its allocation of Contracts or (B) perform its obligations under paragraph ([j]l) below; or

(iv) if for any reason such Trading Privilege Holder is no longer eligible for approval as a DPM or to be allocated a particular number or type of Contracts.

([i]k) Each applicant for approval as a DPM pursuant to paragraph (b) above shall be given an opportunity to present any matter which it wishes the Exchange to consider in conjunction with the application. Prior to taking any remedial action against a DPM pursuant to paragraph ([h]j) above, such DPM shall be given notice thereof and an opportunity to present any matter which it wishes the Exchange to consider in determining whether to take such action. The Exchange may require that any presentation under this paragraph ([i]k) be made partially or entirely in writing, and may require the submission of additional information from any Person wishing to make a presentation under this paragraph ([i]k). Formal rules of evidence shall not apply to any proceeding involving such a presentation. Notwithstanding the foregoing, the Exchange shall have the authority to immediately terminate, condition or otherwise limit a Trading Privilege Holder's approval to act as a DPM or a DPM's allocation of Contracts in accordance with subparagraph ([h]j)(ii) above, without prior notice or opportunity to make a presentation under this paragraph ([i]k), if the financial, operational or personnel change in question warrants such action.

([j]l) DPMs shall have such rights and obligations as the Exchange may specify [in connection with their approval or prescribe] from time to time in other rules, in policies [or] and procedures or in its fee schedule.

(m) The Exchange may at any time in its sole discretion de-list a Contract allocated to a DPM or provide for trading in a Contract allocated to a DPM to be conducted without a DPM, in which case the allocation of the Contract to the DPM shall automatically terminate.

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CFE Policy and Procedure X. DPM Market Performance Benchmarks Program

Each DPM that is allocated a Contract as a DPM shall comply with the following general and product specific market performance benchmarks.

The Exchange may terminate, place conditions upon or otherwise limit a Trading Privilege Holder's approval to act as a DPM or a DPM's allocation of Contracts in accordance with Rule 515 if the DPM fails to satisfy the market performance benchmarks under this Policy and Procedure. However, failure by a DPM to satisfy the market performance benchmarks under this Policy and Procedure shall not be deemed a violation of Exchange rules.

The DPM Market Performance Benchmarks Program under this Policy and Procedure will expire on June 30, 2012. The Exchange may determine to extend the term of the Program, allow the Program to expire, terminate the Program at any time, or replace the Program with a different program at any time.

General Market Performance Benchmarks

- On each trading day between 8:30 a.m. and 3:15 p.m. ("Regular Trading Hours"), each DPM shall hold itself out as being willing to buy and sell each allocated Contract for the DPM's own account on a regular basis.
- Subject to regulatory obligations and requirements and best execution obligations to customers, the firm will work with the Exchange to develop a significant amount of order flow in its allocated Contracts.
- Each DPM shall maintain records sufficient to demonstrate compliance with the Market Performance Benchmarks set forth in this Policy and Procedure that are applicable to that DPM.

Product Specific Market Performance Benchmarks

Mini CBOE Volatility Index ("Mini VIX") Futures

- Throughout the trading day during Regular Trading Hours, the DPM shall provide at the VIX levels below (i) a continuous two-way quote with a minimum quote size and maximum quote width as set forth in the first table below and (ii) a second continuous two-way quote with a minimum quote size and maximum quote width as set forth in the second table below.

| First Continuous Two-Way Quote | | |
|--------------------------------|--------------------|---------------------|
| VIX Level | Minimum Quote Size | Maximum Quote Width |
| Under 20 | 20 x 20 | 4 ticks |
| 20 - 40 | 5 x 5 | 6 ticks |
| Above 40 | 2 x 2 | 8 ticks |

| Second Continuous Two-Way Quote | | |
|---------------------------------|--------------------|---------------------|
| VIX Level | Minimum Quote Size | Maximum Quote Width |
| Under 20 | 100 x 100 | 6 ticks |
| 20 - 40 | 75 x 75 | 10 ticks |
| Above 40 | 50 x 50 | 16 ticks |

- The DPM shall respond within 5 seconds to each Request for Quote (RFQ) during Regular Trading Hours.
- The above obligations shall be subject to relief in the event of a fast market in the Mini VIX Future, VIX Future, Weekly Options on VIX Futures, VIX option, or SPX option or other extenuating circumstances or unusual market conditions to be determined solely by the Exchange. Under conditions as specified in the foregoing sentence, the DPM shall use commercially reasonable efforts during Regular Trading Hours to provide a continuous quote and to respond to requests for a quote from the Exchange.

Weekly Options on VIX Futures Obligations

- On each trading day during Regular Trading Hours, the DPM shall provide at least 80% of the time a 2-sided quote for a minimum of 10 contracts across all series of Weekly Options on VIX Futures within a maximum width of \$0.20 in the at-the-money series.
- The DPM shall respond within 5 seconds to each RFQ during Regular Trading Hours.
- The above obligations shall be subject to relief in the event of a fast market in the Weekly Options on VIX Futures, VIX Future, Mini VIX Future, VIX option, or SPX option or other extenuating circumstances or unusual market conditions to be determined solely by the Exchange. Under conditions as specified in the foregoing sentence, the DPM shall use commercially reasonable efforts during Regular Trading Hours to provide a continuous quote and to respond to requests for a quote from the Exchange.

CBOE S&P 500 Three-Month Variance Futures Obligations

- Throughout the trading day during Regular Trading Hours, the DPM shall provide continuous two-way quotes.
- The DPM shall strive to maintain a competitive, liquid market at all times during Regular Trading Hours. Due to the unique, squared nature of the CBOE S&P 500 Three-month Variance Futures contract, market variables (volatility, underlying value, etc.) may significantly impact the actual bid/ask differentials and their corresponding size, thereby making a standard convention difficult.
- The DPM shall respond within 5 seconds to each RFQ during Regular Trading Hours.

- The above obligations shall be subject to relief in the event of a fast market in the CBOE S&P 500 Three-month Variance Future or SPX option or other extenuating circumstances or unusual market conditions to be determined solely by the Exchange. Under conditions as specified in the foregoing sentence, TPH shall use commercially reasonable efforts during Regular Trading Hours to provide a continuous quote and to respond to requests for a quote from the Exchange.

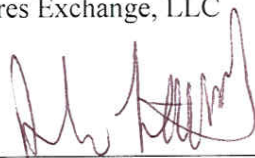
CBOE S&P 500 Twelve-Month Variance Futures Obligations

- Throughout the trading day during Regular Trading Hours, the DPM shall provide continuous two-way quotes.
- The DPM shall strive to maintain a competitive, liquid market at all times during Regular Trading Hours. Due to the unique, squared nature of the CBOE S&P 500 Twelve-month Variance Future, market variables (volatility, underlying value, etc.) may significantly impact the actual bid/ask differentials and their corresponding size, thereby making a standard convention difficult.
- The DPM shall respond within 5 seconds to each RFQ during Regular Trading Hours.
- The above obligations shall be subject to relief in the event of a fast market in the CBOE S&P 500 Twelve-month Variance Future or SPX option or other extenuating circumstances or unusual market conditions to be determined solely by the Exchange. Under conditions as specified in the foregoing sentence, TPH shall use commercially reasonable efforts during Regular Trading Hours to provide a continuous quote and to respond to requests for a quote from the Exchange.

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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-2011-04 in any related correspondence.

CBOE Futures Exchange, LLC

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National Futures Association
The Options Clearing Corporation