



March 18, 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: Security Futures Products Rule Submission
Submission Number CFE-2011-05

Dear Mr. Stawick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended ("Act"), and §41.24 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 certain rules governing the listing and trading of security futures on the Exchange ("Amendment"). The changes are being made to conform certain CFE rules to current parallel rules of OneChicago, LLC.

Specifically, the Amendment proposes to amend: (i) CFE Policy and Procedure III and Rule 417 by adding provisions for regulatory halts and busting trades occurring after a regulatory halt is instituted; (ii) CFE Policy and Procedure VII and Rule 517 by changing the quoting requirements for market makers, (iii) CFE Policy and Procedure VIII by revising the maintenance standards for single stock futures; and (iv) CFE Policy and Procedure VIII by adding a new provision that permits the listing of security futures on securities approved for options trading.

The Amendment will become effective on March 22, 2011.

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 represented by underscoring and deletions by [bracketing], consists of the following:

* * * * *

CFE Policy and Procedure III. Resolution of Error Trades (Rule 416)

A. – F. No change.

G. Busting Trades That Occur After a Regulatory Halt is Instituted

As provided by Rule 417, trades in a Single Stock Future or in a Narrow-Based Stock Index Future made after the time an underlying regulatory halt is instituted and before trading has been resumed in the affected Security Future Contract are subject to cancellation or "bust" by the help desk.

* * * * *

CFE Policy and Procedure VII. Security Futures Market Maker Registration Policy and Procedures

A – B. No change.

C. Market Maker Categories

Exchange Rule 517(n) specifies two alternative ways for a Trading Privilege Holder or Authorized Trader to satisfy the requirement that a market maker hold itself out as being willing to buy and sell Security Futures for its own account on a regular or continuous basis. Each Trading Privilege Holder or Authorized Trader seeking market maker designation must register for one of the following two market maker categories and will undertake to perform all of the obligations set forth in the elected category:

Category 1. The market maker will provide continuous two-sided quotations throughout the trading day for all delivery months of Security Futures representing a meaningful proportion of the total trading volume on the Exchange from Security Futures in which that market maker is designated as a market maker, subject to relaxation during unusual market conditions as determined by the Exchange (such as a fast market in either a Security Future or a security underlying such Security Future) at which times such market maker must use its best efforts to quote continuously and competitively; and when providing quotations, quotes for a minimum of one contract with a maximum bid/ask spread of no more than the greater of [\$0.20] \$5.00 or 150 percent of the bid/ask spread in the primary market for the security underlying each Security Future; or

Category 2. The market maker will respond to at least 75 percent of the requests for quotations for all delivery months of Security Futures representing a meaningful proportion of the total trading volume on the Exchange from Security Futures in which that market maker is designated as a market maker, subject to relaxation during unusual market conditions as determined by the Exchange (such as a fast market in either a Security Future or a security underlying such Security Future) at which times such market maker must use its best efforts to quote competitively; and when responding to requests for quotation, quotes within five seconds for a minimum of one contract with a maximum bid/ask spread of no more than the greater of [\$0.20] \$5.00 or 150 percent of the bid/ask spread in the primary market for the security underlying each Security Future.

For purposes of Categories 1 and 2 above, beginning on the 181st calendar day after the commencement of trading of Security Futures, a “meaningful proportion of the total trading volume on the Exchange from Security Futures in which that market maker is designated as a market maker” shall mean a minimum of 20 percent of such trading volume.

D- E. No change.

CFE Policy and Procedure VIII. Eligibility And Maintenance Criteria for Security Futures

A. *Initial Listing Standards for Single Stock Futures*

1. No change.

B. *Maintenance Standards for Single Stock Futures[.]*

1. The Exchange will not open for trading any Single Stock Future that is physically settled with a new delivery month, and may prohibit any opening transactions in the Single Stock Future already trading, to the extent it deems such action necessary or appropriate, unless the underlying security meets each of the following maintenance requirements; provided that, if the underlying security is an ETF Share, TIR or Closed-End Fund Share, the applicable requirements for initial listing of the related Single Stock Future (as described in A.1. above) shall apply in lieu of the following maintenance requirements:

(i) It must be registered under Section 12 of the Exchange Act.

(ii) There must be at least 6,300,000 shares or receipts evidencing the underlying security outstanding that are owned by persons other than those who are required to report their security holdings pursuant to Section 16(a) of the Exchange Act.

(iii) There must be at least 1,600 security holders.

(iv) It must have had an average daily trading volume (across all markets in which the underlying security is traded) of least 82,000 shares or receipts evidencing the underlying security in each of the preceding 12 months.

Requirement (iv) as Applied to Restructure Securities:

If a Restructure Security is approved for a Security Futures product trading under the initial listing standards in Section A, the average daily trading volume history of the Original Equity Security (as defined in Section A) prior to the commencement of trading in the Restructure Security (as defined in Section A), including "when issued" trading, may be taken into account in determining whether this requirement is satisfied.

(v) [The market price per share of the underlying security has not closed below \$3.00 on the previous trading day to the Expiration Day of the nearest expiring Contract on the underlying security. The market price per share of the underlying security will be measured by the closing price reported in the primary market in which the underlying security traded.

Requirement (v) as Applied to Restructure Securities:

If a Restructure Security is approved for Security Futures product trading under the initial listing standards in Section A, the market price history of the Original Equity Security prior to the commencement of trading in the Restructure Security, including "when-issued" trading, may be taken into account in determining whether this requirement is satisfied.

(vi)] If the underlying security is an ADR and was initially deemed appropriate for Security Futures product trading under paragraph (x)(b) or (x)(c) in Section A, the Exchange will not open for trading Security Futures products having additional delivery months on the ADR unless:

2. The Exchange will not open trading in a Single Stock Future with a new delivery month unless [:

(i) The issuer of the underlying security satisfies applicable Exchange Act reporting requirements, or corrects any failure within 30 days after the date the report was due to be filed; and

(ii) T] the underlying security is listed on a National Securities Exchange or is principally traded through the facilities of a national securities association and is designated as an NMS security.

3. – 4. No change.

C. – D. No change.

E. Eligibility for Listing Security Futures on Securities Approved for Options Trading

As provided for in the Joint Order Modifying the Listing Standards Requirements Under Section 6(h) of the Exchange Act and the Criteria Under Section 2(a)(1) of the CEA issued by the Commission and the Securities Exchange Commission (Securities Exchange Act Release No. 61027 (November 19, 2009), 74 FR 61380 (November 24, 2009), the Exchange may list security futures on any security that is eligible to underlie options traded on a national securities exchange.

* * * * *

Rule 417. Regulatory Halts

(a) Trading in a Single Stock Future shall be halted at all times that a “regulatory halt” (as defined in Commission Regulation § 41.1(1)) has been instituted for the security underlying such Single Stock Future.

(b) Trading in a Narrow-Based Stock Index Future shall be halted at all times that a “regulatory halt” (as defined in Commission Regulation § 41.1(1)) has been instituted for one or more of the securities that constitute 50% or more of the market capitalization of the “narrow-based security index” (as such term is defined in Section 1a(25) of the CEA) underlying such Narrow-Based Stock Index Future.

(c) Trading in any Single Stock Futures contract (including any futures contract on an exchange-traded product) shall be halted whenever trading in the underlying security has been paused by the primary listing market. Trading in such Single Stock Futures contracts may be resumed when the interests of a fair and orderly market are best served by a resumption of trading, which in no circumstances will be before the Exchange has received notification that the underlying security has resumed trading on at least one national securities exchange.

(d) For purposes of this Rule 417, a regulatory halt, as defined in Commission Regulation §41.1(l) shall be effective as of the time the "halt" is instituted by the national securities exchange or national securities association. Accordingly, trades in a Single Stock Future or in a Narrow-Based Stock Index Future made after the time the underlying halt is instituted and before trading has been resumed in the affected Security Future Contract will be subject to cancellation or "bust" by the Exchange.

* * * * *

Rule 517. Customer Margin Requirements for Contracts that are Security Futures

(a) - (m) No change.

(n) *Exclusion for Market Makers.*

(i) No change.

(ii) Each Market Maker shall:

(A) – (B) No change.

(C) hold itself out as being willing to buy and sell Security Futures for its own account on a regular or continuous basis.

A Market Maker satisfies condition (C) above if:

(1) such Market Maker: (x) provides continuous two-sided quotations throughout the trading day for all delivery months of Security Futures representing a meaningful proportion of the total trading volume on the Exchange from Security Futures in which that Market Maker is designated as a Market Maker, subject to relaxation during unusual market conditions as determined by the Exchange (such as a fast market in either a Security Future or a security underlying such Security Future) at which times such Market Maker must use its best efforts to quote continuously and competitively; and (y) when providing quotations, quotes with a maximum bid/ask spread of no more than the greater of [\$0.20] \$5.00 or 150% of the bid/ask spread in the primary market for the security underlying each Security Future; or

(2) such Market Maker: (x) responds to at least 75% of the requests for quotation for all delivery months of Security Futures representing a meaningful proportion of the total trading volume on the Exchange from Security Futures in which that Market Maker is designated as a Market Maker, subject to relaxation during unusual market conditions as determined by the Exchange (such as a fast market in either a Security Future or a security underlying such Security Future) at which times such Market Maker must use its best efforts to quote competitively; and (y) when responding to requests for quotation, quotes within five seconds with a maximum bid/ask spread of no more than the greater of [\$0.20] \$5.00 or 150% of the bid/ask spread in the primary market for the security underlying each Security Future.

For purposes of clauses (1) and (2) above, beginning on the 181st calendar day after the commencement of trading of Security Futures, a “meaningful proportion of the total trading volume on the Exchange from Security Futures in which that Market

Maker is designated as a Market Maker” shall mean a minimum of 20% of such trading volume.

(iii) No change.

* * * * *

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-2011-05 in any related correspondence.

CBOE Futures Exchange, LLC

By: _____

Andrew Lowenthal
Managing Director

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