



March 12, 2013

Via Electronic Mail

Ms. Melissa Jurgens
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-2013-13

Dear Ms. Jurgens:

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 ("CFTC" or "Commission") under the Act, CBOE Futures Exchange, LLC ("CFE" or "Exchange") hereby submits a CFE rule amendment ("Amendment") to revise CFE Rule 414 relating to Exchange of Contract for Related Position ("ECRP") transactions. The Amendment will become effective on March 27, 2013.

The Amendment revises CFE Rule 414(a)(ii) to delete the requirement that an ECRP must include possession, right of possession, or right to future possession of each leg prior to the exchange. CFE Rule 414(a)(ii) will continue to require in this regard that an ECRP must involve an actual transfer of ownership, including an ability to perform the ECRP and a transfer of title of the CFE contract and the related position upon consummation of the exchange. The Amendment also revises CFE Rule 414(c) to provide that in every ECRP, one party must be the buyer of (or the holder of the long market exposure associated with) the related position and the seller of the corresponding CFE contract and the other party must be the seller of (or the holder of the short market exposure associated with) the related position and the buyer of the corresponding CFE contract.

For example, under the Amendment, if there were an ECRP transaction involving a CBOE Volatility Index ("VIX") future listed for trading on CFE and a VIX call or put option listed for trading on Chicago Board Options Exchange, Incorporated: (i) the party that is selling the VIX future (and is also buying the VIX call option or selling the VIX put option) could sell a VIX future that the party did not already own by opening a new position in that VIX future by virtue of the sale of that future and (ii) the party that is selling the VIX call option or buying the VIX put option (and is also buying the VIX future) could sell a VIX call option or buy a VIX put option that the party did not already own by opening a new position in that VIX option by virtue of the sale of that call option or purchase of that put option. In this instance, there would still be an actual transfer of ownership of both positions.

Because CFE Rule 414 will continue to allow for ECRPs for bona fide business purposes and to require that ECRPs must involve an actual transfer of ownership, CFE believes that the Amendment is consistent with Designated Contract Market ("DCM") Core Principle 9 (Execution of Transactions) under Section 5 of the Act. CFE recognizes that the Commission has proposed regulations relating to exchange of derivatives for related position transactions. To the extent that those regulations when finalized require other changes to CFE Rule 414, CFE will incorporate those changes following the finalization of those regulations.

CFE believes that the impact of the Amendment will be beneficial to the public and market participants. 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. CFE further certifies that CFE has posted a notice of pending certification with the Commission and a copy of this submission on CFE's Web site (<http://cfe.cboe.com/aboutcfe/rules.aspx>) concurrent with the filing of this submission with the Commission.

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

CBOE Futures Exchange, LLC Rules

* * * * *

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)] (y) 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 (or the holder of the long market exposure associated with) the Related Position and the seller of the corresponding Contract and the other party must be the seller of (or the holder of the short market exposure associated with) 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.

(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.

(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.

(f) Every Trading Privilege Holder handling, executing, clearing or carrying Exchange of Contract for Related Position transactions or positions shall identify and mark as such by appropriate symbol or designation all Exchange of Contract for Related Position transactions or positions and all orders, records and memoranda pertaining thereto.

(g) Each 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. Such records shall include, without limitation, documentation relating to the Related Position portion of the Exchange of Contract for Related Position transaction, including those documents customarily generated in accordance with Related Position market practices which demonstrate the existence and nature of the Related Position portion of the transaction. Upon request by the Exchange and within the time frame designated by the Exchange, any such Trading Privilege Holder shall produce satisfactory evidence that an Exchange of Contract for Related Position transaction meets the requirements set forth in this Rule 414.

(h) 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. Any designation of an Authorized Reporter or revocation of a previous designation of an Authorized Reporter, including any termination of the guarantee provided for in the preceding sentence, must be made in a form and manner prescribed by the Exchange and shall become effective as soon as the Exchange is able to process the designation or revocation.

(i) Each party to an Exchange of Contract for Related Position transaction is obligated to have an Authorized Reporter call the Help Desk after the transaction is agreed upon to notify the

Exchange of the terms of the transaction. For this purpose, agreement to the transaction includes, without limitation, agreement to the actual price or premium of the Contract leg of the transaction (except in the case of a TAS Exchange of Contract for Related Position transaction that is permitted by the rules governing the relevant Contract, in which case agreement to the transaction includes, without limitation, agreement upon whether the price or premium of the Contract leg of the transaction will be the daily settlement price or an agreed upon differential above or below the daily settlement price). Unless otherwise specified in the rules governing the relevant Contract,

(i) if the transaction is agreed upon between the time that Trading Hours commence in the relevant Contract and 3:15 p.m. Chicago time, this notification to the Help Desk shall be made without delay and by no later than ten minutes after the transaction is agreed upon (in which event the Help Desk will report the transaction and provide a written transaction summary on that day pursuant to paragraph (k) below);

(ii) if the transaction is agreed upon between 3:15 p.m. Chicago time and 3:25 p.m. Chicago time, this notification to the Help Desk shall be made either

(A) on the day the transaction is agreed upon by no later than 3:25 p.m. Chicago time (in which event the Help Desk will report the transaction and provide a written transaction summary on that day pursuant to paragraph (k) below) or

(B) on the following Business Day by no later than ten minutes from the time that Trading Hours commence in the relevant Contract (in which event the Help Desk will report the transaction and provide a written transaction summary on that Business Day pursuant to paragraph (k) below); and

(iii) if the transaction is agreed upon after 3:25 p.m. Chicago time and prior to the time that Trading Hours commence in the relevant Contract on the following Business Day, this notification to the Help Desk shall be made on that following Business Day by no later than ten minutes from the time that Trading Hours commence in the relevant Contract (in which event the Help Desk will report the transaction and provide a written transaction summary on that Business Day pursuant to paragraph (k) below).

(j) 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, (iii) the identity, quantity and price of the Related Position, and (iv) any other information required by the Exchange. After the notification of an Exchange of Contract for Related Position transaction has been provided to the Help Desk, the Exchange of Contract for Related Position transaction may not be changed and the Exchange of Contract for Related Position transaction may not be cancelled (provided, however, that corrections to any inaccuracies in the transaction summary of the Exchange of Contract for Related Position transaction provided by the Help Desk may be made as provided in paragraph (k) below).

(k) The Help Desk will report the Contract leg of the transaction to the CBOE System and provide a written transaction summary to the Authorized Reporters that reported the transaction to the Help Desk on behalf of each party to the transaction. The transaction summary will include the transaction information reported to the Help Desk by the Authorized Reporters and any other relevant information included by the Help Desk. The Authorized Reporters and the parties to the transaction shall have thirty minutes from the time the Help Desk transmits the transaction

summary to Authorized Reporters to notify the Help Desk of any inaccuracies in the content of the transaction summary and of the corrections to any inaccurate information. 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.

(l) 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 or for which the Help Desk has transmitted a transaction summary, if the Help Desk determines that the Exchange of Contract for Related Position transaction does not conform with those requirements.

(m) The posting of the Contract leg of an Exchange of Contract for Related Position transaction by the Help Desk or the transmission by the Help Desk of a transaction summary for the transaction 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 or for which the Help Desk has transmitted a transaction summary 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.

(n) 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.

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Questions regarding this submission may be directed to Arthur Reinstein at (312) 786-7570 or Jenny Golding at (312) 786-7466. Please reference our submission number CFE-2013-13 in any related correspondence.

CBOE Futures Exchange, LLC

A handwritten signature in black ink, appearing to read "James F. Lubin", with a large, stylized initial "J" and "L".

By: James F. Lubin
Senior Managing Director

cc: Lois Gregory (CFTC)
Nancy Markowitz (CFTC)
National Futures Association
The Options Clearing Corporation