



September 12, 2007

Eileen A. Donovan  
Secretary  
Commodity Futures Trading Commission  
1155 21<sup>st</sup> Street, N.W.  
Washington, D.C. 20581

RE: Certification of ISE Stock Price Index Futures Contracts  
USFE Submission #07-08

OFFICE OF THE SECRETARIAT

2007 SEP 12 PM 4:43

RECEIVED  
C.F.T.C.

Dear Ms. Donovan:

United States Futures Exchange, LLC ("USFE"), pursuant to Commission Regulation 40.2(a), has adopted rules governing the trading of futures on certain ISE Stock Price Indexes. The launch date has been set for September 14, 2007.

The rules are attached. USFE certifies that these ISE Stock Price Indexes are not narrow-based, as defined by Section 1a(25) of the Commodity Exchange Act (7 USC § 1a(25)). In addition, USFE intends to join the Intermarket Surveillance Group (ISG).

USFE certifies that the ISE Stock Price Index Futures Contracts comply with the Commodity Exchange Act and regulations thereunder.

Yours Truly,

Matthew Lisle  
Chief of Compliance

CC: Thomas Leahy, CFTC  
Riva Adriance, CFTC

**403. Orders.**

**(a) In General.**

- (i) Except as otherwise expressly provided in these Rules, all transactions of any type in or involving Contracts must be bid, offered and executed through the Trading System.
- (ii) Orders may be entered into the Trading System only:
  - (A) In such form and during such times as the Exchange shall prescribe;
  - (B) By an Authorized Trader; and
  - (1) For orders in an amount not exceeding the following number of contracts per order:

Contract	Maximum Order Size
Binary Event Futures	2000
Weatherbid Indexes	2000
<u>ISE Stock Price Index Futures</u>	<u>2000</u>

**408. Cancellation of Transactions.**

- (a) The Exchange shall cancel a transaction executed on the Trading System which results from the erroneous entry of an order or a quote (“mistrade”) in order to ensure orderly and fair market conditions if:
  - (i) The Member which entered the erroneous order or quote into the Trading System informs the Exchange by telephone within 15 minutes of the execution of the transaction by the Trading System that the transaction was the result of an order or quote that was mistakenly entered into the Trading System; and
  - (ii) The price of the transaction effected by the erroneous entry of the order or quote is outside the following range as applicable:

Contract	Ticks Away From the Fair Market Price
Binary Event Futures	None*
Weatherbid Indexes	70
<u>ISE Index Index</u>	<u>10</u>
<u>ISE Stock Price Index Futures (except Homebuilders)</u>	<u>30</u>

\*All trades will stand unless the Exchange determines that failure to cancel may have a material, adverse effect on the integrity of the market

**415. Block Trade Facility.**

- (e) Block Trades may be transacted only in Contracts authorized for that purpose by the Exchange. The minimum number of contracts to qualify as a block trade under this rule are as follows:

<b>Contract</b>	<b>Minimum Number</b>
Binary Event Futures	50
Weatherbid Indexes	10
<u>ISE Stock Price Index Futures</u>	<u>50</u>

- (f) The transaction may be consummated at a price mutually agreed upon by the parties to the transaction; provided that,
- (i) the price for the Futures Contract does not exceed the range of the day's overall high and low by more than the following values (The range of the day's high and low is determined by a validation matrix):

<b>Contract</b>	<b>Range</b>
Binary Event Futures	1.0 percent
Weatherbid Indexes	0.1 percent
<u>ISE Stock Price Index Futures</u>	<u>1.0 percent</u>

**901 Specifications for Futures Contracts on the ISE Stock Price Index (“ISE Index Futures”).**

ISE Index Futures are broadly based, value weighted averages of U.S. stocks within certain specific market sectors. Each ISE Index Futures Contract shall be a contract whereby, after the close of trading in the contract, the seller of an ISE Index Futures Contract shall pay in cash any difference between the contract price and a higher final settlement price and the purchaser of an ISE Index Futures Contract shall pay in cash any difference between the contract price and a lower final settlement price. The value of a contract shall be \$100 per index point.

- (a) **ISE Indexes:** The Exchange will list futures contracts on the following ISE Indexes which consist of stocks of companies within particular market sectors; provided, however, that the Exchange may determine not to list a particular ISE Index:

ISE Index	Market Sector
ISE Homebuilders	Residential construction companies and prefabricated house manufacturers
ISE SIndex	Owners and operators of casinos and gaming facilities, producers of beer and malt liquors, distillers, vintners and producers of other alcoholic beverages, and manufacturers of cigarettes and other tobacco products
ISE-Revere Natural Gas	The securities selected for the index derive a substantial portion of their revenues from the exploration and production of natural gas
ISE Water	Companies engaged in water distribution, water filtration, flow technology, and other water solutions

- (b) **Trading Sessions:** Trading shall take place on each Business Day at such hours as may be specified from time to time by the Exchange; provided, however, that trading in the current month will cease at 8:30 a.m. on the last trading day.
- (c) **Delivery Months:** Four consecutive delivery months following the current month; provided, however, that the Exchange may determine to list additional delivery months or not to list any delivery month. Delivery months are March, June, September and December. Effective the first trading day following the last trading day of an ISE Index Futures Contract for any delivery month, the next eligible delivery month shall automatically be listed for trading.
- (d) **Last Trading Day:** The last trading day of an ISE Index Futures Contract shall be the final settlement day; provided, however, that if such day is not a Business Day the immediately prior Business Day shall be the last trading day.
- (e) **Minimum Price Ticks:** The minimum price tick shall be .05 point (\$5.00) except that calendar spreads may be traded at .01 point (\$1.00) per contract.

- (f) **Contract Grade:** An ISE Index futures contract is a Futures Contract on one of the ISE Indexes listed in paragraph (a). The compilation and composition of ISE Indexes is in the exclusive control of the International Securities Exchange.
- (g) **Final Settlement:** Contracts shall be settled in cash according to procedures established by the Clearing Organization. The final settlement price shall be based on the opening prices of the underlying index on the final settlement day as reported by the International Securities Exchange.
- (h) **Final Settlement Day:** The final settlement day shall be the third Friday of the delivery month; provided, however, that if the ISE Index is not scheduled for publication on such Friday, the final settlement day shall be the immediately prior Business Day on which the ISE Index is scheduled to be published.
- (i) **Trading Halts:** Trading halts and price limits in ISE Index Futures Contracts shall be coordinated with trading halts in the component stocks. When trading is halted in the Lead Contract, trading is halted in all delivery months in the Contract. For no less than two minutes before trading is scheduled to resume Members may enter, amend or delete orders and quotes during a Pre-Trading Period. At the end of a trading halt, trading in all delivery months shall be resumed with an Opening Period in accordance with Rule 401.
- (i) For purposes of this paragraph (h), the following definitions will apply:
- (A) “Core Trading” hours shall be 8:30 a.m. to 3:15 p.m.;
  - (B) “Front Contract” means the next delivery month to expire;
  - (C) “Lead Contract” shall be the one for the delivery month with the highest traded volume on any given day;
  - (D) “Limit Offered” means that the current best offer shown in the Trading System for the ISE Index Futures Contract is at the Limit Price (defined below);
  - (E) “Limit Orders” include quotes and stop orders as well as limit orders within the meaning of Rule 403(b)(iii);
  - (F) “Limit Price” shall be the price level currently in effect below which sell limit orders and quotes may not be entered. The Limit Prices are sequentially the 10% Limit, the 20% Limit and the 30% Limit, respectively, below the last previous Settlement Price. In the event that there was no previous Settlement Price for a contract month, Operations will calculate a fair market estimate of such and disclose it to the market. After trading has been halted, the Limit Price will be the next sequential limit;
  - (G) “Primary Stock Market” for the ISE Index Futures shall be the New York Stock Exchange;
  - (H) the “10% Limit,” “20% Limit” and “30% Limit” in the current quarter shall be 10%, 20% and 30% of the average of the daily

settlement prices of the Front Contract, rounded to the nearest five points, for the calendar month immediately prior to the current quarter.

- (ii) Sell Limit Orders or sell quotes may not be entered into the Trading System at prices below the 10% Limit except in accordance with the provisions of this paragraph (h).
  - (iii) During Core Trading hours, trading in ISE Index Futures will be halted if:
    - (A) a trade is executed in the Trading System at the Limit Price;
    - (B) the Lead Contract is Limit Offered; or
    - (C) trading in the Primary Stock Market is halted.
  - (iv) Outside of the Core Trading hours, trading in ISE Index Futures will be halted if a trade is executed in the Trading System at the 10% Limit or the Lead Contract is Limit Offered at the 10% Limit.
  - (v) If trading has been halted during Core Trading hours, trading in ISE Index Futures may not resume until:
    - (A) trading has been halted for 10 minutes; and
    - (B) trading in the primary stock market was never halted or has resumed and 50% of the stocks in the ISE Index, calculated on a capitalization weighted basis, have re-commenced trading.
  - (vi) If trading has been halted outside of Core Trading hours, trading in ISE Index Futures will not resume until the beginning of Core Trading hours at which time the provisions of the previous paragraph (v) will apply.
  - (vii) Block Trades or Basis Trades may not be entered into at prices lower than the Limit Price then in effect.
- (j) **Reportable Positions:** A Person shall report any position that such Person owns or controls in an ISE Index Futures Contract that exceed 200 contracts or more in any one delivery month.
- (k) **Position Accountability:** A Person who owns or controls an aggregate position in an ISE Index Futures Contract of more than 25,000 futures contracts shall be subject to the requirements of Rule 414 as set forth therein.
- (l) **Settlement Prices:** The Exchange will base its settlement price recommendations on trading conditions at 3:15 p.m. except that:
- (i) On the last day of trading in a delivery month the settlement price for that delivery month will be calculated in accordance with paragraph (f); or

- (ii) If the Exchange alters its Trading Session, the Exchange may change the time for determining the settlement price.
- (iii) On the last Business Day of a non-delivery month, the Exchange will recommend a settlement price for the Front Contract based on a fair value calculation using an index value reflecting 3:00 p.m. prices for the component stocks.