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October 30, 2007
OFC. OF THE SECRETARIAT

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

RE: Certification of Market Experience Pilot Program – Foreign Exchange
Spot Equivalent Futures – USFE Submission #07-11

Dear Ms. Donovan:

United States Futures Exchange, LLC (“USFE”), pursuant to Commission Regulation 40.2(a), has adopted a market experience pilot program to promote the trading of its Foreign Exchange Spot Equivalent Futures Contracts. The launch date has been set for November 1, 2007.


A letter explaining the program is attached. USFE certifies that the program complies with the Commodity Exchange Act and regulations thereunder.

Yours Truly,

Matthew Lisle
Chief of Compliance

CC: Riva Adriance, CFTC

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October 22, 2007

OFC. OF THE SECRETARIAT

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

Re: U.S. Futures Exchange, LLC — Foreign Exchange Spot Equivalent
Futures — Market Experience Pilot Program — Self-Certification — CFTC
Rule 40.6(a)

Dear Ms. Webb:

By this letter, the U.S. Futures Exchange, LLC (“USFE” or the “Exchange”) is self-certifying a market experience pilot program (“Program”) to promote and gain insight into the trading of the Exchange’s Foreign Exchange (“FX”) Spot Equivalent Futures (“SEF”) contracts. The Program will be available only to proprietary trading members and will not affect customer-trading activity. The purpose of this letter is to specifically outline this Program.

The Program

The Exchange is implementing a program intended to provide it with insight into the experience of traders in its FX SEF contracts. The Exchange is interested in compiling the opinions and comments of some of its participants in connection with their experience trading the FX SEF contracts. Such feedback will be required on a monthly basis and will be confidential. It will include information on depth of the market, whether the daily adjustment is appropriate, and other details concerning the contract design and overall market experience. The Exchange intends to use this information to determine whether to make any amendments or adjustments to its contracts to make them more appealing.

In order to compensate program participants for their insights, the Exchange will pay participants \$1.00 per FX SEF contract executed up to 500 FX SEF contracts per day. The participant may execute qualifying transactions in any of the open FX SEF currency pairs.¹ In addition, the Exchange will rebate all trading fees incurred by the participants and rebate the cost of a connection to the Exchange’s Trading System.

Only trades executed through the Trading System will be counted and only those trades executed for an account as defined in CFTC Rule 1.3(y) will be counted.

¹ The Exchange currently offers trading in the following six currency pairs: euro/USD; British pound/USD; USD/Yen; USD/Swiss franc; USD/Canadian dollar; and Australian dollar/USD.

In addition, intra-firm trades² will not be considered.

The Program will be open to the first five members that execute an agreement with the Exchange. The Program will launch on November 1, 2007 and terminate on November 1, 2008.

Acknowledgements

Under its duties as a U.S. Designated Contract Market, the Exchange must abide by the CFTC Contract Market Core Principles, which include providing protections against certain abusive trading practices. The Exchange has contracted with the National Futures Association (“NFA”) to provide certain regulatory services under a Regulatory Services Agreement (“RSA”). These services include, among others, monitoring the market for trading ahead of customers, front running, direct and indirect crossing, taking the other side, prearranged trading, wash trading, money passing, counterparty trade percentages, stop order fishing, marking the close, error account and transfer trade activity, off-exchange transactions, and monitoring for intrafirm transactions. The Commodity Exchange Act and USFE and CFTC rules prohibit such activities.³

The Exchange has briefed NFA staff in connection with the Program. The NFA assures the Exchange that it is more than capable of monitoring the FX SEF markets for signs of improper trading activity stemming from the above-described trading incentives. Certainly, surveillance will involve the awareness of which entities are participating and their relative trading activities. The NFA intends to adjust its surveillance and make an additional effort to monitor the activities of the participants. Such additional efforts will include reviewing if a participant shows up on a daily exception report, monitoring all such traders for any signs of market manipulation, and the use of other tools of compliance at the NFA’s disposal. Additional efforts will also include monitoring for potentially inappropriate pre-arranged transactions.

² Intra-firm trades are those trades with the following attributes:

- An Authorized Trader of a Member executing both the buy and sell side of the transaction for the proprietary account(s) of the Member.
- An Authorized Trader of a Member executing a transaction with another Authorized Trader of the same Member involving the proprietary account(s) of the Member.

³ See, e.g., 7 USC Sections 6b (prohibitions against fraudulent transactions, including bucketing or offsetting other customer orders) and 6c(a) (prohibition against wash sales, accommodation trades, and fictitious sales). See also CFTC rules 1.38 (competitive execution of trades required for most but not all trades) and 1.39 (cross-trading permitted under certain circumstances) and USFE rules 307-309, and 403

If you have any questions or need to discuss these changes in greater detail, feel free to give me a call at 312.356.3869. Thank you for your consideration to this matter.

Very truly yours,

Matt Lisle
Chief of Compliance
USFE

CC: Riva Adriance