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US FUTURES EXCHANGE

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OFC. OF THE SECRETARIAT

November 28, 2007

David Stawick
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 Quality Program – Self-Certification – CFTC Rule 40.6(a)

Dear Mr. Stawick:

By this letter, the U.S. Futures Exchange, LLC ("USFE" or the "Exchange") is self-certifying the attached amendment to its market maker ("MM") agreement for the Exchange's Foreign Exchange ("FX") Spot Equivalent Futures ("SEF") contracts. The purpose of this letter is to specifically outline this Amendment.

The Amendment

The Exchange is implementing an Amendment to its FX SEF MM Agreement intended to enhance the quality of certain of its FX SEF markets, namely the euro/US dollar, British pound/US dollar and the Japanese yen/US dollar pairs. Currently, the MM Agreement requires an MM to provide maximum bid/ask spreads in those markets equal to: euro- 4 ticks; pound-5 ticks; and yen-4 ticks.

The Amendment will require the MM to provide, at a maximum, two-tick wide bid/offer spreads with at least 20 contracts on each side from midnight (12:00 a.m.) to 4:00 p.m. Chicago time (hereinafter the "Amendment Requirements"). In exchange for compliance with the Amendment Requirements, MMs will be entitled to a maximum of $10,000 per month, but the actual monthly payment will be based on the percentage of compliance during the midnight to 4:00 p.m. time slot.[1]

The term of the Amendment will be one year, but it may be terminated if the overall performance of a MM is unsatisfactory. Performance will be deemed unsatisfactory if during the first three months of the term of the Amendment, the MM's compliance with the Amendment Requirements fails to exceed 50%, as averaged for those three months, or if during the fourth through sixth months performance fails to exceed 70%, as averaged for those three months.

[1] For example, assume that MM is able to quote the Amendment Requirements for the following percentage amounts per currency pair: euro-85%; pound-72%; and yen-93%. The average of those percentages equals 83%, which would then be multiplied by the maximum payout of $10,000 to determine how much the MM will be paid ($8,300).

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The Amendment will be open to any current FX SEF MM.

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.[2]

The Exchange has briefed NFA staff in connection with the Amendment. 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.

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

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[2] 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

FX SEF MARKET QUALITY PROGRAM
(AMENDMENT TO FX SEF MM AGREEMENT)

____
(Name of Company/Member Firm)

____
(Address)

____
(Representative)

- hereinafter Market Maker ("MM") –

and

U.S. Futures Exchange, L.L.C.
141 W. Jackson Blvd, Suite 1460
Chicago, IL 60604
Legally Represented by Mr. Satish Nandapurkar (CEO)

- **hereinafter "USFE"** –

- MM **and USFE hereinafter together "Parties"** –

agree to amend the FX SEF Market Maker Agreement by which MM shall actively make markets in certain currency pairs within the FX SEF contract market in accordance with the terms and conditions as follows:

Preamble:

Whereas USFE is a Designated Contract Market in accordance with Sec. 5 of the U.S. **Commodity Exchange Act (hereinafter "CEA").**

Whereas the Parties have entered into a membership agreement granting certain rights to and requiring certain duties of the Parties that is governed by the USFE Bylaws, the USFE Rules and any applicable law, rule or regulation, including, but not limited to the CEA and the rules and regulations of the U.S. Commodity Futures **Trading Commission (hereinafter "CFTC").**

Whereas USFE has listed for trading FX SEF Contracts.

Whereas the Parties have entered **into an agreement (hereinafter the** "MM **Agreement") for the** FX SEF Contracts and now mutually agree to amend the terms of the MM Agreement in accordance with the terms and conditions herein.

1. The MM obligations as set forth in Paragraph 1(a) of the MM Agreement are amended as follows:

    a. Between the hours of midnight (12:00 a.m.) and 4:00 p.m. Chicago time, MM may choose to provide two-tick wide bid/offer spreads with at least 20 contracts on each side in the following currency pairs:
        i. Euro/US dollar
        ii. British pound/US dollar
        iii. Japanese yen/US dollar

2. In exchange, USFE will pay MM as follows:

    a. A monthly amount equal to the percentage of time the MM provides markets (averaged between the three above-mentioned currency pairs) as set forth in para. 1a. multiplied by $10,000.

3. The term of this amendment will be one-year from the date of its execution, unless terminated by USFE for the following reasons:
    a. If average MM performance pursuant to the requirements of para. 1a. fails to exceed 50% during the first three months of this amendment;
    b. If average MM performance pursuant to the requirements of para. 1a. fails to exceed 70% during the fourth through sixth months of this amendment;
    c. If any basis for termination as set forth in the original MM Agreement occurs.

4. This writing reflects the entire amendment to the MM Agreement as intended by the parties.

By: ________________________

____

[Name of Member]
Member – USFE

Date: __________

By: ________________________

Satish Nandapurkar
CEO & President – USFE

Date: __________