



April 18, 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-2013-16

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”) under the Act, CBOE Futures Exchange, LLC (“CFE” or “Exchange”) hereby submits an amendment (“Amendment”) to clarify CFE Rule 414 (Exchange of Contract for Related Position) (“ECRP”), Rule 415 (Block Trading), Rule 702 (Complaint and Investigation) and Rule 714 (Imposition of Fines for Minor Rule Violations). The Amendment will become effective on May 3, 2013.

CFE Rules 414 and 415 each contain a provision that provides that any ECRP or Block Trade that is in violation of the requirements of the applicable Rule shall constitute conduct which is inconsistent with just and equitable principles of trade (“J&E”).¹ The Exchange does not, and did not previously, intend for violations of Rule 414 or 415 for which minor rule violation fines are assessed under CFE Rule 714 to be treated as J&E violations. The Exchange also notes that J&E violations under Rule 608 are not identified as minor rule violations and therefore could not be sanctioned through a minor rule violation fine. As a result, the Exchange is amending CFE Rules 414(n) and 415(m) to clarify that if CFE imposes a minor rule violation fine pursuant to Rule 714 for violation of Rule 414 or 415, as applicable, the minor rule violation shall not be considered a J&E violation.

CFE Rule 702 governs complaints and investigations for regular CFE disciplinary proceedings. Rule 702(d) sets forth the requirement that a written report of an investigation be provided to a CFE Business Conduct Committee (“BCC”) Panel if Exchange staff determines that a reasonable basis exists for finding that a CFE rule violation has occurred. The Exchange is amending Rule 702(d) to make clear that this requirement does not apply in the case of the issuance of a warning letter under Rule 715 (Warning Letters). Rule 715 permits Exchange staff to issue a warning letter concerning a CFE rule violation (provided that no more than one warning letter may be issued to the same party found to have committed the same rule violation within a rolling twelve month

¹ A J&E action would be brought under CFE Rule 608 (Acts Detrimental to the Exchange; Acts Inconsistent with Just and Equitable Principles of Trade; Abusive Practices).

period). The Exchange is also making a technical, non-substantive change to Rule 702(e) to clarify that the report referenced in Rule 702(e) is a report required to be provided to a BCC Panel under Rule 702(d).

Additionally, CFE is amending the last sentence to CFE Rule 714(b), which provides, among other things, that the submission by a party of an offer of settlement does not constitute an admission of the violation in question. The Exchange intended this provision to only be applicable in relation to any summary fine schedule that the Exchange might include under CFE Rule 714 that included the ability to submit an offer of settlement. However, there is no such summary fine schedule currently included under Rule 714. The Exchange believes that the current language in Rule 714(b) may create an ambiguity that settlement of minor rule violations is currently available, when in fact it is not. As a result, the Exchange is deleting the language relating to offers of settlement from the last sentence to Rule 714(b).

CFE believes that the Amendment is consistent with Designated Contract Market Core Principle 2 (Compliance with Rules) under Section 5 the Act because the Amendment eliminates possible ambiguity from CFE Rules 414, 415, 702 and 714.

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 it 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

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414. Exchange of Contract for Related Position

(a) – (m) No changes.

(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[.]; provided, however, if the Exchange imposes a minor rule violation fine pursuant to Rule 714 for violation of this Rule, that minor rule violation shall not be considered to constitute conduct which is inconsistent with just and equitable principles of trade.

415. Block Trading

(a) – (l) No changes.

(m) Any Block Trade in violation of the requirements of this Rule shall constitute conduct which is inconsistent with just and equitable principles of trade[.]; provided, however, if the Exchange imposes a minor rule violation fine pursuant to Rule 714 for violation of this Rule, that minor rule violation shall not be considered to constitute conduct which is inconsistent with just and equitable principles of trade.

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702. Complaint and Investigation

(a) – (c) No changes.

(d) Report. In every instance where Exchange staff determines from surveillance or from an investigation a reasonable basis exists for finding a violation has been committed of a Rule of the Exchange (except in the case of the issuance of a warning letter under Rule 715), the Exchange staff shall submit a written report of its investigation to a BCC Panel.

(e) Notice, Statement and Access. Prior to submitting [its] a report pursuant to paragraph (d) of this Rule 702, the Exchange shall notify each Person who is the subject of the report (the “Subject”) of the general nature of the allegations and of the specific provisions of the CEA, Commission Regulations thereunder, the Exchange Act, Exchange Act Regulations thereunder, or Rules of the Exchange regulating the conduct of business on the Exchange that appear to have been violated. Except when a BCC Panel determines that expeditious action is required, a Subject shall have the right, within 15 days from the date of the notification referred to in the preceding sentence, to submit a written statement to the Business Conduct Committee concerning why no disciplinary action should be taken. To assist a Subject in preparing such a written statement, such Subject shall have access to any documents and other materials in the investigative file of the Exchange that were furnished by such Subject or its agents.

(f) No change.

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714. Imposition of Fines for Minor Rule Violations

(a) No change.

(b) In any action taken by the Exchange pursuant to this Rule 714, any Person against whom a fine is imposed shall be served with a written statement, prepared by the Exchange, setting forth: (i) the provision of the Rules of the Exchange allegedly violated; (ii) the act or omission constituting each such violation; (iii) the fine imposed for each violation; and (iv) the date by which such determination becomes final and such fine must be paid or contested as provided below, which date shall be not less than 30 days after the date of service of such written statement. The issuance of a fine[,] or a [member’s] Person’s failure to contest the fine[, or a member’s submission or the Exchange’s acceptance of an offer of settlement in connection with this Rule 714] do not constitute an admission of the violation in question.

(c) – (e) No changes.

(f) The following is a list of the rule violations subject to, and the applicable fines that may be imposed by the Exchange pursuant, this Rule 714:

(i) – (v) No changes.

(vi) Failure to Comply with Recordkeeping Requirements for Exchange of Contract for Related Position Transactions. (Rule 414(g))

<i>Number of Cumulative Violations in Any Twelve (12) Month Rolling Period</i>	<i>Fine Amount</i>
First Offense.....	Letter of Caution
Second Offense.....	\$2,500
Third Offense.....	\$10,000
Subsequent Offenses.....	Referral to Business Conduct Committee

(vii) Failure to Comply with Exchange of Contract for Related Position Transaction Rule Provisions Relating to Authorized Reporter. (Rule 414(h))

<i>Number of Cumulative Violations in Any Twelve (12) Month Rolling Period</i>	<i>Fine Amount</i>
First Offense.....	Letter of Caution
Second Offense.....	\$10,000
Subsequent Offenses.....	Referral to Business Conduct Committee

(viii) Failure to Comply with Recordkeeping Requirements for Block Trades. (Rule 415(e))

<i>Number of Cumulative Violations in Any Twelve (12) Month Rolling Period</i>	<i>Fine Amount</i>
First Offense.....	Letter of Caution
Second Offense.....	\$2,500
Third Offense.....	\$10,000
Subsequent Offenses.....	Referral to Business Conduct Committee

(ix) Failure to Comply with Block Trade Rule Provisions Relating to Authorized Reporter. (Rule 415(f))

<i>Number of Cumulative Violations in Any Twelve (12) Month Rolling Period</i>	<i>Fine Amount</i>
First Offense.....	Letter of Caution
Second Offense.....	\$10,000
Subsequent Offenses.....	Referral to Business Conduct Committee

(x) No change.

715. Warning Letters

A BCC Panel or Exchange staff may issue a warning letter to a Person concerning a violation by that Person of a Rule of the Exchange or when no rule violation by that Person has been found, such as a warning letter issued as a reminder or for educational purposes. No more than one warning letter may be issued by the Exchange to the same Person found to have committed the same rule violation within a rolling twelve month period.

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Ms. Melissa Jurgens

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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-2013-16 in any related correspondence.

CBOE Futures Exchange, LLC

A handwritten signature in black ink, appearing to read "James F. Lubin". The signature is stylized with a large initial "J" and a long horizontal stroke.

By: James F. Lubin
Senior Managing Director

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