



April 20, 2012

Via Electronic Mail

Mr. David Stawick
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-2012-08

Dear Mr. Stawick:

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 an amendment (“Amendment”) to revise CFE Rule 516 (Customer Margin Requirements for Contracts other than Security Futures) in anticipation of the upcoming May 7, 2012 effective date for Commission Regulation § 39.13(g)(8)(ii) (Customer Initial Margin).¹ The Amendment will become effective on May 7, 2012.

Historically, Designated Contract Markets (“DCMs”) have established customer initial margin requirements. Beginning on May 7, 2012, Commission Regulation § 39.13(g)(8)(ii) will shift “the responsibility for establishing customer initial margin requirements from DCMs” to Derivatives Clearing Organizations (“DCOs”).² As a result, on May 7, 2012, CFE will no longer establish customer initial margin requirements and, instead, The Options Clearing Corporation, (the DCO used by CFE to provide clearing services for its product) will establish customer initial margin requirements for certain CFE products. CFE Rule 516 is being amended to reflect this new customer initial margin requirement setting regime.

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.

¹ See Final Rule: Derivatives Clearing Organization General Principles and Core Principles, 17 CFR Parts 1, 21, 39 and 140, RIN 3038-AC98, 17, 76 FR 69334 (November 8, 2011).

² 76 FR at 69377.

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

CBOE Futures Exchange, LLC Rules

* * * * *

516. Customer Margin Requirements for Contracts other than Security Futures

(a) *Scope of Rule.* This Rule 516 shall apply to positions resulting from transactions in Contracts other than Security Futures, traded on the Exchange or subject to the Rules of the Exchange, to the extent that such positions are held by Clearing Members and, if applicable, Trading Privilege Holders on behalf of Customers in futures accounts (as such term is defined in Commission Regulation § 1.3(vv) and Exchange Act Regulation 15c3-3(a)). No Clearing Member or, if applicable, Trading Privilege Holder may effect a transaction or carry a position in a Contract other than Security Futures in the account of a Customer, whether or not such Customer is a Trading Privilege Holder, without proper and adequate margin in accordance with this Rule 516, [and] all other applicable Rules of the Exchange, the rules of the Clearing Corporation and Applicable Law.

In addition, Clearing Members and, if applicable, Trading Privilege Holders must adhere to the procedures set forth in the "Margins Handbook" issued by the Joint Audit Committee. In the event the Margins Handbook is inconsistent with the Rules of the Exchange, the Rules of the Exchange shall have precedence. Terms used in this Rule 516 that are not defined in the Rules of the Exchange shall have the meanings set forth in the Margins Handbook.

(b) *Computation of Margin Requirements.* Clearing Members and, if applicable, Trading Privilege Holders must employ a risk-based portfolio margining system acceptable to the Exchange, such as the Standard Portfolio Analysis of Risk (SPAN[®])* margin system, to compute margin requirements on the applicable Contracts. The margin requirements imposed by this Rule 516 are the minimum requirements. Clearing Members and, if applicable, Trading Privilege Holders may impose higher rates and/or more stringent requirements.

(c) *Margin Rates.* The Clearing Corporation, pursuant to Commission Regulation §39.13, shall determine the rates to be used to derive customer initial margin requirements for any Contract. The Exchange shall determine the rates used to derive initial margin requirements for any account type not covered by Commission Regulation §39.13 and maintenance margin requirements for any Contract. In the event of a change in the margin requirement levels required by the Clearing Corporation or the Exchange, such change shall apply to both new and existing positions. The Exchange shall have the authority to apply different margin rates or margin requirement levels to different types of accounts at its discretion to any account type not covered, in respect of customer initial margin, by Commission Regulation §39.13. The term "customer initial margin" has the meaning set forth in Commission Regulation §1.3.

(d) *Acceptable Margin Deposits.* Clearing Members and, if applicable, Trading Privilege Holders may accept from Customers as margin the following: cash currencies of any denomination, readily marketable securities (as defined by Exchange Act Rule 15c3-1(c)(11) and applicable Securities and Exchange Commission interpretations), money market mutual funds allowable under Commission Regulation § 1.25, and letters of credit issued by a bank or trust company.

Securities that have been issued by the Customer or an affiliate of the Customer shall not be accepted as margin unless the Clearing Member or Trading Privilege Holder files a petition with, and receives permission from, the Exchange. Bank issued and trust-issued letters of credit must be drawable in the United States and in a form acceptable to the Exchange. Letters of credit in a form approved by the Clearing Corporation are deemed a form acceptable to the Exchange. Letters of credit issued by the Customer, an affiliate of the Customer, the Clearing Member, an affiliate of the Clearing Member, or, if applicable, the Trading Privilege Holder or an affiliate of the Trading Privilege Holder shall not be accepted by Clearing Members or Trading Privilege Holders as margin. All Customer assets accepted by Clearing Members and, if applicable, Trading Privilege Holders as margin deposits must be and remain unencumbered by third party liens against the depositing Customer. Cash currency margin deposits shall be valued at market value, unless the Exchange has prescribed otherwise. Clearing Members and, if applicable, Trading Privilege Holders must comply with Commission Regulation § 1.49 when accepting and holding foreign currencies as a margin deposit on any Contract. All other margin deposits shall be valued at an amount not to exceed market value less applicable deductions, as set forth in Exchange Act Rule 15c3-1.

(e) *Order Acceptance.* Clearing Members and, if applicable, Trading Privilege Holders shall not accept orders for an account unless sufficient margin is on deposit in the account or is forthcoming within a reasonable period of time. In the event an account has been subject to a margin call for an unreasonable time, Clearing Members and, if applicable, Trading Privilege Holders are only permitted to accept orders that reduce the margin requirements of positions existing in the account. In the event an account has been in debit for an unreasonable time, Clearing Members and, if applicable, Trading Privilege Holders are not permitted to accept orders.

(f) *Margin Calls.* Calls for margin in the amount necessary to reach the initial margin equity requirement must be issued: (i) when margin equity in an account initially falls below the maintenance margin requirement, and (ii) subsequently, when the sum of margin equity plus existing margin calls in an account is less than the maintenance margin requirement. Such calls must be made within one business day after the occurrence of the event that gives rise to the call. A Clearing Member and, if applicable, Trading Privilege Holder may, at any time, at its discretion, call for additional margin. A Clearing Member and, if applicable, Trading Privilege Holder is not required to call for or collect margin for day trades.

(g) *Reduction/Deletion of Margin Calls.* A margin call may be reduced only through the receipt of margin deposits permitted pursuant to Rule 516(d). A margin call may be deleted through: (i) the receipt of margin deposits permitted under Rule 516(d) that equals or exceeds the amount of the total margin call, or (ii) inter-day favorable market movements and/or the liquidation of positions, provided that margin equity in the account is equal to or greater than the initial margin requirement. The oldest outstanding margin call shall be reduced first.

(h) *Margin Call Records.* Clearing Members and, if applicable, Trading Privilege Holders must maintain written records of all margin calls made, reduced and deleted.

(i) *Release of Margin Deposits.* Clearing Members and, if applicable, Trading Privilege Holders may release margin deposits to a Customer only if such deposits are in excess of the initial margin requirements.

(j) *Loans to Customers.* Clearing Members and, if applicable, Trading Privilege Holders may not extend loans to Customers to use as a margin deposit unless such loans are secured, as

defined in Commission Regulation 1.17(c)(3), and the proceeds of such loans are treated in accordance with Commission Regulation §1.30.

(k) *Aggregation of Accounts and Positions.* For margin purposes, Clearing Members and, if applicable, Trading Privilege Holders may aggregate Customer accounts having identical ownership within the same classification of Customer segregated, Customer secured, and nonsegregated.

(l) *Hedge Rate Eligibility.* When extending hedge margin rates, Clearing Members and, if applicable Trading Privilege Holders must have reasonable support that such rates are being applied to bona-fide hedge and risk management positions, as defined by Rule 412.

(m) *Omnibus Accounts.*

(i) Margin shall be collected on a gross basis in the case of a foreign or domestic omnibus account.

(ii) Maintenance margin requirements shall serve as both the initial and maintenance margin requirements in the case of omnibus accounts.

(iii) Written instructions from foreign and domestic omnibus accounts shall be obtained and maintained for positions entitled to spread or hedge margin rates.

(n) *Liquidation of Accounts.* In the event a margin call is not met within a reasonable time (for purposes of Rule 516(n), one hour is deemed to be a reasonable time), the Customer's trades, or a sufficient portion thereof, may be closed-out in order to attain the required margin status. A determination as to when and under what circumstances liquidation may occur is at the full discretion of the Clearing Member or, if applicable, Trading Privilege Holder.

(o) *Failure to Maintain Margin Requirements.* The Exchange may direct a Clearing Member or, if applicable, Trading Privilege Holder to immediately liquidate all or part of a Customer's positions to eliminate a margin deficiency if the Clearing Member or Trading Privilege Holder has failed to maintain margin requirements for the account in accordance with Rule 516.

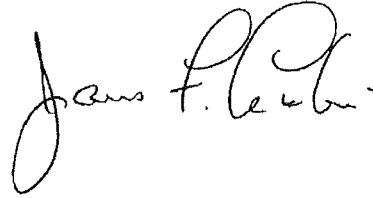
* "SPAN" is a registered trademark of Chicago Mercantile Exchange Inc., used herein under license. Chicago Mercantile Exchange Inc. assumes no liability in connection with the use of SPAN by any person or entity.

* * * * *

Mr. David Stawick
Page 5 of 5

Questions regarding this submission may be directed to Arthur Reinstein at (312) 786-7570 or Jennifer Klebes at (312) 786-7466. Please reference our submission number CFE-2012-08 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, looping initial "J" and a cursive "Lubin".

By: James F. Lubin
Managing Director

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