



May 15, 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-2012-12

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”) under the Act, CBOE Futures Exchange, LLC (“CFE” or “Exchange”) hereby submits an amendment (“Amendment”) to revise CFE Rules 1202(d), 1402(d) and 1502(d) to: (i) increase the consolidated position accountability levels for CBOE Volatility Index (“VIX”) futures, Mini VIX futures and Weekly Options on Mini VIX futures (collectively “VIX products”); and (ii) establish an additional near-term position accountability level for expiring contracts. The Amendment will become effective on May 30, 2012.

As a preliminary matter, CFE notes that it has had a position accountability regime in place for VIX products since 2007.<sup>1</sup> The position accountability levels adopted in 2007 were carried over in the same amounts that previously existed in the prior position limit regime: 25,000 contracts long or net short in all expirations combined and 15,000 for the spot month long or net short commencing on the Friday prior to the final settlement date of the spot month.

CFE has evaluated these position accountability levels that have been in place for VIX products since 2007. Based on significant growth in both trading volume and open interest in VIX products and other products linked to VIX products, CFE believes that increasing the position accountability levels for VIX products and establishing an additional near-term position accountability level for the expiring contract is appropriate. CFE took the following into consideration in connection with this Amendment.

During the 5 years that position accountability has been in place for VIX products, the average daily trading volume (“ADV”) and open interest in VIX futures has grown exponentially. For example, in 2007, VIX futures rarely traded more than 10,000 contracts per day. During March 2012, the ADV in VIX futures exceeded 89,000 contracts. Similarly, in 2007 open

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<sup>1</sup> See CFE Submission Number CFE-2007-11.

interest in VIX futures slightly exceeded 70,000 contracts. Currently, open interest in VIX futures exceeds 300,000 contracts.

Demand for VIX products listed on CFE has also grown over the past 5 years due to the development and introduction of exchange-traded products (“ETPs”) whose performance is linked to VIX products. Since CFE made its position accountability filing in 2007, over forty ETPs have been sponsored and listed on securities exchanges, with assets under management that exceed \$4.5 billion. Issuers of these ETPs look to VIX products listed on CFE as a natural hedge for their portfolio exposures.

Finally, there has been significant growth in security options on VIX and on the S&P 500 Index (“SPX”) (which are the VIX index components) traded on Chicago Board Options Exchange, Incorporated. As to VIX options, the ADV and open interest has grown respectively from 119,000 contracts per day in October 2007 to 462,000 contracts per day in March 2012. As to SPX options, in October 2007 the ADV was approximately 439,000 contracts, and ADV has grown to just over 656,000 contracts as of April 2012. The SPX option market continues to be the most liquid domestic index options market in the United States.

Based on the continued growth of CFE's VIX products and the increased demand for VIX products, CFE believes that an increase to the position accountability levels and an additional near-term position accountability level for the expiring contract for VIX products is appropriate and supported by the data set forth above. CFE intends to continue to evaluate its experience with position accountability levels for VIX products and may determine to make futures changes to them in light of that experience.

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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#### **1202. Contract Specifications for CBOE Volatility Index Futures**

(a) – (c) No change.

(d) *Position Accountability.* VIX futures are subject to position accountability under Rule 412A.

A person is subject to the position accountability requirements set forth in Rule 412A if the person (i) owns or controls at any time more than the number of contracts net long or net short in all VIX futures and Mini VIX futures contract months and in all Weekly Options on Mini VIX Futures expirations combined that in the aggregate would exceed the equivalent of [25,000] 50,000 VIX futures contracts, [or] (ii) [the person] owns or controls more than the

number of contracts net long or net short in the expiring VIX futures and Mini VIX futures contract months and all Weekly Options on expiring Mini VIX futures combined that in the aggregate would exceed the equivalent of [15,000] 30,000 VIX futures contracts, commencing on the Friday prior to the final settlement date of the expiring VIX futures or (iii) owns or controls more than the number of contracts net long or net short in the expiring VIX futures and Mini VIX futures contract months and all Weekly Options on expiring Mini VIX futures combined that in the aggregate would exceed the equivalent of 10,000 VIX futures contracts, commencing on the business day immediately preceding the final settlement date of the expiring VIX futures. Under this Rule, one Weekly Option on Mini VIX Futures and one Mini VIX futures contract shall each be deemed to be equivalent to one-tenth (0.10) of one VIX futures contract.

For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding shall be cumulated.

(e) – (q) No change.

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#### **1402. Contract Specifications for Mini CBOE Volatility Index Futures**

(a) – (c) No change.

(d) *Position Accountability.* Mini VIX futures are subject to position accountability under Rule 412A.

A person is subject to the position accountability requirements set forth in Rule 412A if the person (i) owns or controls at any time more than the number of contracts net long or net short in all VIX futures and Mini VIX futures contract months and in all Weekly Options on Mini VIX Futures expirations combined that in the aggregate would exceed the equivalent of [25,000] 50,000 VIX futures contracts, [or] (ii) [the person] owns or controls more than the number of contracts net long or net short in the expiring VIX futures and Mini VIX futures contract months and all Weekly Options on expiring Mini VIX futures combined that in the aggregate would exceed the equivalent of [15,000] 30,000 VIX futures contracts, commencing on the Friday prior to the final settlement date of the expiring VIX futures or (iii) owns or controls more than the number of contracts net long or net short in the expiring VIX futures and Mini VIX futures contract months and all Weekly Options on expiring Mini VIX futures combined that in the aggregate would exceed the equivalent of 10,000 VIX futures contracts, commencing on the business day immediately preceding the final settlement date of the expiring VIX futures. Under this Rule, one Weekly Option on Mini VIX Futures and one Mini VIX futures contract shall each be deemed to be equivalent to one-tenth (0.10) of one VIX futures contract.

For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding shall be cumulated.

(e) – (q) No change.

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**1502. Contract Specifications for Weekly Options on Mini CBOE Volatility Index Futures**

(a) – (c) No change.

(d) *Position Accountability.* Weekly Options on Mini VIX futures are subject to position accountability under Rule 412A.

A person is subject to the position accountability requirements set forth in Rule 412A if the person (i) owns or controls at any time more than the number of contracts net long or net short in all VIX futures and Mini VIX futures contract months and in all Weekly Options on Mini VIX Futures expirations combined that in the aggregate would exceed the equivalent of [25,000] 50,000 VIX futures contracts, [or] (ii) [the person] owns or controls more than the number of contracts net long or net short in the expiring VIX futures and Mini VIX futures contract months and all Weekly Options on expiring Mini VIX futures combined that in the aggregate would exceed the equivalent of [15,000] 30,000 VIX futures contracts, commencing on the Friday prior to the final settlement date of the expiring VIX futures or (iii) owns or controls more than the number of contracts net long or net short in the expiring VIX futures and Mini VIX futures contract months and all Weekly Options on expiring Mini VIX futures combined that in the aggregate would exceed the equivalent of 10,000 VIX futures contracts, commencing on the business day immediately preceding the final settlement date of the expiring VIX futures. Under this Rule, one Weekly Option on Mini VIX Futures and one Mini VIX futures contract shall each be deemed to be equivalent to one-tenth (0.10) of one VIX futures contract.

For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding shall be cumulated.

(e) – (q) No change.

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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-2012-12 in any related correspondence.

CBOE Futures Exchange, LLC



By: James F. Lubin  
Managing Director

cc: Philip Colling (CFTC)  
Thomas Leahy (CFTC)  
National Futures Association  
The Options Clearing Corporation