



December 4, 2007

David Stawick
Secretary
Commodity Futures Trading Commission
1155 21st Street, N.W.
Washington, D.C. 20581

O.F.C. OF THE SECRETARIAT

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C.F.T.C.

RE: Certification of Binary Options Contracts -- USFE Submission #07-14

Dear Mr. Stawick:

United States Futures Exchange, LLC ("USFE"), pursuant to Commission Regulation 40.2(a), has adopted rules governing the trading of binary options contracts. The launch date has been set for December 10, 2007.

New USFE Rule 941 and supplemental amendments to Part 4 of USFE Rules are attached.

USFE certifies that its Binary Options Contracts comply with the Commodity Exchange Act and regulations thereunder.

Yours Truly,

Matthew Lisle
Chief of Compliance

CC: Thomas Leahy, CFTC

403. Orders.

(a) In General.

- (i) Except as otherwise expressly provided in these Rules, all transactions of any type in or involving Contracts must be bid, offered and executed through the Trading System.
- (ii) Orders may be entered into the Trading System only:
 - (A) In such form and during such times as the Exchange shall prescribe;
 - (B) By an Authorized Trader; and
 - (1) For orders in an amount not exceeding the following number of contracts per order:

Contract	Maximum Order Size
Binary Event Futures	2000
Weatherbid Indexes	2000
ISE Stock Price Index Futures	2000
Morningstar Stock Price Index Futures	2000
Spot Equivalent Futures on Currencies	2000
<u>Binary Options</u>	<u>2000</u>

408. Cancellation of Transactions.

- (b) The Exchange shall cancel a transaction executed on the Trading System which results from the erroneous entry of an order or a quote (“mistrade”) in order to ensure orderly and fair market conditions if:
 - (i) The Member which entered the erroneous order or quote into the Trading System informs the Exchange by telephone within 15 minutes of the execution of the transaction by the Trading System that the transaction was the result of an order or quote that was mistakenly entered into the Trading System; and
 - (ii) The price of the transaction effected by the erroneous entry of the order or quote is outside the following range as applicable:

Contract	Ticks Away From the Fair Market Price
Binary Event Futures	None*
<u>Binary Options</u>	<u>None*</u>

Contract	Ticks Away From the Fair Market Price
Weatherbid Indexes	70
ISE Stock Price Index Futures (except Homebuilders)	30
ISE Homebuilders Stock Price Index	10
Morningstar Large Cap Core Index Futures	10
Morningstar Large Cap Growth Index Futures	10
Morningstar Large Cap Value Index Futures	10
Morningstar Medium Cap Core Index Futures	15
Morningstar Medium Cap Growth Index Futures	10
Morningstar Medium Cap Value Index Futures	10
Morningstar Small Cap Core Index Futures	25
Morningstar Small Cap Growth Index Futures	10
Morningstar Small Cap Value Index Futures	15
Spot Equivalent Futures on Currencies	10

*All trades will stand unless the Exchange determines that failure to cancel may have a material, adverse effect on the integrity of the market

941. Specifications for Binary Options.

Each binary option contract shall be a contract whereby the seller agrees to sell and the buyer agrees to buy the right to collect a fixed amount if the price of the underlying commodity exceeds the strike price.

- (a) Underlying Commodity: The Exchange will list binary options contracts on the following underlying commodities:

Underlying Commodity
Euro Currency
Japanese Yen Currency
Australian Dollar Currency
Oil
Gold
Silver

- (b) **Trading Sessions:** Trading shall take place at such hours as may be specified from time to time by the Exchange; provided that trading will cease at the time listed in paragraph (k)(ii) on the Last Trading Day.
- (c) **Expiration Cycle:** New binary option contracts will be listed for trading starting on the first trading day of each week and will expire on the last trading day of the week.
- (d) **Last Trading Day:** The last day on which trading shall be permitted in binary option contracts shall be at the end of the last Trading Session on the Last Trading Day of each week.
- (e) **Price Ticks:** The minimum price tick shall be 0.1 probability points (\$1.00).
- (f) **Strike Prices:** Upon the initial listing of a binary option contract, at least nine strike prices will be listed such that four strike prices will be above the price of the underlying commodity, one strike price will be at-the-money, and four strike prices will be below the price of the underlying commodity. The Exchange will introduce strike prices as it deems appropriate to respond to market conditions.
- (g) **Strike Price Increments:** Strike prices will be listed at the following increments:

Underlying Commodity	Strike Price Increments
Euro Currency	50 pips (.0050)
Japanese Yen Currency	50 pips (.0050)
Australian Dollar Currency	50 pips (.0050)
Oil	\$1.00 per barrel
Gold	\$10.00 per ounce
Silver	\$0.25 per ounce

- (h) **Fixed Payment Amount:** A fixed payment of \$1,000 will be due from the sellers and paid to the buyers if the price of the underlying exceeds the strike price in accordance with the rules of the Clearing Organization.
- (i) **Reportable Positions and Position Accountability:** A Person shall report any position that such Person owns or controls in a binary option contract market that exceeds 25 contracts (aggregate of all strike price increments) and such Person with such a position shall be subject to the requirements of Rule 414.
- (j) **Position Limits:** A Person who owns or controls a position in a binary options contract market of more than 400 contracts (per individual strike price increment) shall be subject to the requirements of Rule 412.
- (k) **Settlement:** The Exchange will base its settlement price recommendations on trading conditions at 4:00 p.m. except that:

- (i) On the last day of trading the settlement price will be either zero (0) or one hundred (100) depending on whether the price of the underlying commodity exceeds the strike price; and which will be announced by the Exchange at the following times:

Underlying Commodity	Final Settlement Time (Chicago times)
Euro Currency	12:00 p.m.
Japanese Yen Currency	12:00 p.m.
Australian Dollar Currency	12:00 p.m.
Oil	1:30 p.m.
Gold	1:00 p.m.
Silver	12:45 p.m.

- (ii) The Exchange may change the time for announcing the settlement price if it or the underlying commodity market alters its Trading Session.

- (l) Final Settlement Reference Sources: The following reference sources will be used to determine the price of the underlying commodity on the close of trading on the last trading day:

Underlying Commodity	Price Reference Source
Euro Currency	Buying Rate (as certified by the Federal Reserve Bank of New York at 11:00 a.m. Chicago time)
Japanese Yen Currency	Buying Rate (as certified by the Federal Reserve Bank of New York at 11:00 a.m. Chicago time)
Australian Dollar Currency	Buying Rate (as certified by the Federal Reserve Bank of New York at 11:00 a.m. Chicago time)
Oil	NYMEX* Light "Sweet" Crude Oil Futures Contract Price (settlement price of nearest liquid front month as established by the Exchange)
Gold	COMEX* Gold Futures Contract Price (settlement price of nearest liquid front month as established by the Exchange)
Silver	COMEX* Silver Futures Contract Price (settlement price of nearest liquid front month as established by the Exchange)

*The settlement prices of the third party exchanges mentioned herein are used for reference purposes only. No affiliation with U.S. Futures Exchange is intended or implied.

The Exchange will post the particular "nearest liquid front month" on its website at: www.usfe.com.