

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-68765; File No. SR-CFE-2013-002)

January 30, 2013

Self-Regulatory Organizations; CBOE Futures Exchange, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Regarding Market-Wide Trading Halts

Pursuant to Section 19(b)(7) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> notice is hereby given that on January 17, 2013 CBOE Futures Exchange, LLC (“CFE” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change described in Items I, II, and III below, which Items have been prepared by CFE. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons. CFE also has filed this proposed rule change with the Commodity Futures Trading Commission (“CFTC”). CFE filed a written certification with the CFTC under Section 5c(c) of the Commodity Exchange Act (“CEA”)<sup>2</sup> on January 17, 2013.

I. Self-Regulatory Organization’s Description of the Proposed Rule Change

CFE proposes to amend CFE Rules 417A(e) and 1602(i) to coordinate the adoption and effectiveness of market-wide trading halt provisions applicable to Individual Stock Based and Exchange-Traded Fund Based Volatility Index (“Volatility Index”) security futures traded on CFE with the implementation of corresponding market-wide trading halt provisions by the national securities exchanges.<sup>3</sup> The text of the proposed rule change is available on the Exchange’s website at <http://www.cfe.cboe.com>, on the Commission’s website at

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<sup>1</sup> 15 U.S.C. 78s(b)(7).

<sup>2</sup> 7 U.S.C. 7a-2(c).

<sup>3</sup> The scope of this filing is limited solely to the application of the rule changes to security futures traded on CFE and the only security futures currently traded on CFE are traded under Chapter 16 of CFE’s Rulebook which is applicable to Volatility Index security futures.

<http://www.sec.gov>, at the principal office of the Exchange, and at the Commission's Public Reference Room.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, CFE included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. CFE has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of this proposal is to amend CFE Rules 417A(e) and 1602(i) to coordinate the adoption and effectiveness of market-wide trading halt provisions applicable to Volatility Index security futures traded on CFE with the implementation of corresponding market-wide trading halt provisions by the national securities exchanges.

In October 2012, CFE adopted CFE Rule 417A and amended CFE Rule 1602(i) to incorporate, effective on February 4, 2013, market-wide trading halt provisions that would be consistent with the market-wide trading halt provisions which were anticipated to be adopted by the national securities exchanges on February 4, 2013.<sup>4</sup> CFE understands that the national securities exchanges are now delaying the implementation of their market-wide trading halt provisions.

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<sup>4</sup> See Securities Exchange Act Release No. 68100 (October 24, 2012), 77 FR 65747 (October 30, 2012) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Adopt and Amend Certain Rules that are Applicable to Security Futures) (SR-CFE-2012-001).

Because CFE Rules 417A and 1602(i) were coordinated with the previously planned February 4, 2013 adoption and effective date of the market-wide trading halt regime on national securities exchanges, CFE is now amending those rules by deleting references to the February 4, 2013 date and replacing them with references to the date on which the corresponding market-wide trading halt regime becomes effective on national securities exchanges. CFE will issue a circular advising its Trading Privilege Holders of the effective date of the new market-wide trading halt provisions prior to their effectiveness.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,<sup>5</sup> in general, and furthers the objectives of Section 6(b)(5)<sup>6</sup> in particular in that it is designed to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and in general, to protect investors and the public interest.

Specifically, the proposed change would promote uniformity across securities and futures markets concerning when and how to halt trading in relation to equity-based products as a result of extraordinary market volatility which in turn facilitates the protection of investors and the public interest. Having trading halts apply across markets that operate under different regulatory regimes will benefit the public interest because similar products will be subject to consistent market-wide trading halt rules.

### B. Self-Regulatory Organization's Statement on Burden on Competition

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<sup>5</sup> 15 U.S.C. 78f(b).

<sup>6</sup> 15 U.S.C. 78f(b)(5).

CFE does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.<sup>7</sup> The Exchange believes that the proposal will strengthen competition because coordination of market-wide trading halts among securities and futures markets for equity-based products avoids the competitive disadvantage that would exist if some exchanges trading equity-based products halted in a coordinated fashion due to extraordinary market volatility and others did not.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The proposed rule change will become operative on February 4, 2013. At any time within 60 days of the date of effectiveness of the proposed rule change, the Commission, after consultation with the CFTC, may summarily abrogate the proposed rule change and require that the proposed rule change be refiled in accordance with the provisions of Section 19(b)(1) of the Act.<sup>8</sup>

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or

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<sup>7</sup> 15 U.S.C. 78a *et seq.*

<sup>8</sup> 15 U.S.C. 78s(b)(1).

- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-CFE-2013-002 on the subject line.

Paper comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-CFE-2013-002. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal offices of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to

make available publicly. All submissions should refer to File Number SR-CFE-2013-002, and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>9</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>9</sup> 17 CFR 200.30-3(a)(12).