



March 8, 2011

**Via Electronic Submission**

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

Re: Comment Letter on Proposed Rulemaking Relating to Core Principles and Other Requirements for Swap Execution Facilities; RIN 3038-AD18, 76 FR 1214 (January 7, 2011)

Dear Mr. Stawick:

CBOE Futures Exchange, LLC ("CFE") appreciates the opportunity to provide its comments to the Commodity Futures Trading Commission ("CFTC") with respect to the CFTC's proposals in the above-referenced release ("Release"). The Release proposes to implement certain provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") by setting forth proposed new rules, guidance, and acceptable practices for swap execution facilities ("SEFs").

Because CFE is a designated contract market ("DCM"), CFE's comments are directed to how the proposed requirements and standards for SEFs inter-relate with the proposed requirements and standards for DCMs. CFE has also submitted these comments with respect to the CFTC's proposed rulemaking relating to core principles and other requirements for DCMs (RIN 3038-AD09, 75 FR 80572 (December 22, 2010)). Because these comments are equally applicable to this Release, CFE reiterates these comments again here.

CFE supports the CFTC's approach in the Release of applying many of the same or equivalent requirements and standards to SEFs as are to be applied to DCMs. However, in those instances in which the CFTC is not applying the same or equivalent requirements and standards to both SEFs and DCMs, CFE strongly believes that the CFTC should do so. CFE is not suggesting that this needs to be done by applying to SEFs the requirements and standards that are proposed to be applicable to DCMs. This may also be accomplished by applying to DCMs the requirements and standards that are proposed to be applicable to SEFs.

The Dodd-Frank Act contemplates that both DCMs and SEFs may list swap contracts and thus compete with one another. Accordingly, it is crucial that there be a level playing field between both DCMs and SEFs and that there be no regulatory disparities that would make it more advantageous to list a swap on a SEF as opposed to a DCM. Otherwise, the result will be regulatory arbitrage and the goal of promoting competition between DCMs and SEFs will not be realized. Moreover, it is consistent with the public interest and the underlying intent of the Dodd-Frank Act to facilitate the trading of swaps on fully regulated exchanges. To the extent that it is easier to trade swaps on a SEF than a DCM due to less stringent standards and requirements

imposed on SEFs, trading in swaps will migrate to the lesser-regulated SEF trading venues.

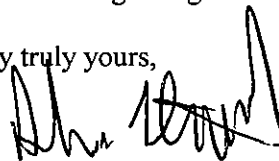
A key area in which it is vitally important to apply the same requirements and standards to SEFs and DCMs is with respect to trade execution. CFE is not suggesting that products traded on a DCM which may not be traded on a SEF should be subject to the same trade execution requirements and standards as those applicable to a SEF. Instead, CFE believes that a DCM should be able to offer trading in swaps on its market in the same manner that a SEF may do so. For example, CFE should be permitted to have a separate rule chapter that governs trading in swaps which contains trade execution requirements that are consistent with the SEF trade execution requirements while at the same time retaining whatever trading standards may be required by the CFTC for CFE's other products (including the futures and options on futures that trade on CFE). This separate rule chapter could be coupled with the submission to the CFTC of a written demonstration of how CFE would fulfill its obligations with respect to swap transactions as required under Proposed § 38.8(a). CFE believes that the language of DCM Core Principle 9 under the Commodity Exchange Act regarding execution of transactions on DCMs is open to a great deal of interpretation as to how it may be satisfied. CFE urges the CFTC to interpret that language, or to permit DCMs to interpret it, in a manner that permits a DCM to compete on an equal plain with SEFs by offering the same types of trade execution procedures for swaps that SEFs may offer.

It is inefficient and would be form over substance to require a DCM to create a separate SEF in order to offer trading in swaps in the same manner that a SEF can do so instead of just permitting the DCM to adopt a separate rule chapter for the trading of swaps on the DCM consistent with the SEF trade execution requirements. A DCM should not have to create a separate entity, board, board committees, membership application and approval process, complete rule set, and all of the many overlapping processes, policies, and procedures that are required for SEFs when a DCM already has all of these components in place and can simply add any incremental additional required components for swaps. Such an approach, if it is what the CFTC intends, is burdensome, costly, without regulatory purpose, and unnecessary.

\* \* \* \* \*

CFE is available to provide any further input desired by the CFTC regarding these issues and to work cooperatively with the CFTC to address them. Please contact Arthur Reinstein in our Legal Division at (312) 786-7570 if you have any questions regarding our comments.

Very truly yours,



Andrew Lowenthal  
Managing Director  
CBOE Futures Exchange, LLC