



March 18, 2011

Via Electronic Mail

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

Re: Listing of Security Futures Product
Submission Number CFE-2011-06

Dear Mr. Stawick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended ("Act"), and §41.23 of the regulations promulgated by the Commodity Futures Trading Commission ("CFTC") under the Act, CBOE Futures Exchange, LLC ("CFE" or "Exchange") hereby submits rules and terms and conditions for a new product to be traded on CFE, which are attached hereto along with a chart that summarizes the product specifications. The new product is the CBOE Gold ETF Volatility Index ("GVZ") Security Futures contract ("Product") which will be listed for trading on CFE commencing on March 25, 2011.

The underlying for the Product is the CBOE Gold ETF Volatility Index ("GVZ Index"). The GVZ Index is an up-to-the-minute market estimate of the expected volatility of SPDR Gold Shares ("GLD") calculated by using real-time bid/ask quotes of CBOE listed GLD options. GVZ uses nearby and second nearby options with at least 8 days left to expiration and then weights them to yield a constant, 30-day measure of the expected (implied) volatility. The GVZ Index is eligible to underlie options traded on Chicago Board Options Exchange, Incorporated ("CBOE"). Specifically, on May 19, 2010, the Securities and Exchange Commission ("SEC") issued an approval providing that, "GVZ Options will trade as options under the rules of the CBOE."¹ Consistent with the Joint Order issued by the SEC and the CFTC dated November 19, 2009 (Securities Exchange Act Release No. 61027) ("Joint Order"),² the GVZ Index may underlie a security futures contract since the GVZ Index is eligible to underlie options traded on a national securities exchange.³

¹ See Securities Exchange Act Release No. 62139 (May 19, 2010) 75 FR 29597 (May 26, 2010) (order approving proposal to list and trade GVZ options on CBOE).

² 74 FR 61380 (November 24, 2009).

³ See CFE Policy and Procedure VIII.E (*Eligibility for Listing Security Futures on Securities Approved for Options Trading*).

CFE certifies that:

(a) the securities underlying the Product satisfy the requirements of §41.21 of the regulations promulgated by the CFTC under the Act;

(b) only futures commission merchants, introducing brokers, commodity trading advisors, commodity pool operators or associated persons subject to suitability rules comparable to those of a national securities association registered pursuant to Section 15A(a) of the Securities Exchange Act of 1934 ("Exchange Act") and the rules and regulations thereunder, except to the extent otherwise permitted under the Exchange Act and the rules and regulations thereunder, may solicit, accept any order for, or otherwise deal in any transaction in or in connection with the Product;

(c) dual trading in the Product is restricted in accordance with §41.27 of the regulations promulgated by the CFTC under the Act;

(d) trading in the Product is not readily susceptible to manipulation of the price of the Product, nor to causing or being used in the manipulation of the price of any underlying security, option on such security, or option on a group or index including such securities, consistent with the conditions for trading of §41.25 of the regulations promulgated by the CFTC under the Act;

(e) procedures are in place for coordinated surveillance among CFE, any market on which any security underlying the Product is traded and other markets on which any related security is traded to detect manipulation and insider trading;

(f) an audit trail is in place to facilitate coordinated surveillance among CFE, any market on which any security underlying the Product is traded, and any market on which any related security is traded;

(g) procedures are in place to coordinate regulatory trading halts between CFE and markets on which any security underlying the Product is traded and any market on which any related security is traded; and

(h) the margin requirements for the Product will comply with the provisions specified in §§41.43 through 41.48 of the regulations promulgated by the CFTC under the Act.

CFE further certifies that the Product complies with additional conditions for trading set forth in §41.25 of the regulations promulgated by the CFTC under the Act and complies with the Act and regulations thereunder. This rule change has also been filed with the Securities and Exchange Commission.

Mr. David Stawick
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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-2011-06 in any related correspondence.

CBOE Futures Exchange, LLC

By: 

Andrew Lowenthal
Managing Director

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

**Summary Product Specifications Chart for
CBOE Gold ETF Volatility Index ("GVZ") Security Futures**

CONTRACT NAME:	CBOE Gold ETF Volatility Index ("GVZ") Security Futures
LISTING DATE:	March 25, 2011.
DESCRIPTION:	The CBOE Gold ETF Volatility Index ("GVZ Index") is an up-to-the-minute market estimate of the expected volatility of SPDR Gold Shares ("GLD") calculated by using real-time bid/ask quotes of GLD options listed on Chicago Board Options Exchange, Incorporated ("CBOE"). GVZ uses nearby and second nearby options with at least 8 days left to expiration and then weights them to yield a constant, 30-day measure of the expected (implied) volatility.
CONTRACT SIZE:	The contract multiplier for the GVZ futures contract is \$1,000.
TRADING HOURS:	8:30 a.m. - 3:00 p.m. Chicago time.
CONTRACT MONTHS:	Up to nine near-term months plus up to five additional months on the February quarterly cycle may be listed for the GVZ futures contract.
TICKER SYMBOL:	Futures – TBD Cash Index – GVZ
PRICING CONVENTIONS:	Both futures prices and cash index levels are stated in decimal format.
MINIMUM PRICE INTERVALS:	0.05 of one GVZ Index point (equal to \$50.00 per contract). 0.01 of one GVZ Index point (equal to \$10.00 per contract) for spreads.
DOLLAR VALUE PER TICK:	\$50.00 per contract.
TERMINATION OF TRADING:	The close of trading on the day before the Final Settlement Date. When the last trading day is moved because of a CFE holiday, the last trading day for expiring GVZ futures contracts will be the day immediately preceding the last regularly scheduled trading day.
FINAL SETTLEMENT DATE:	The Wednesday that is thirty days prior to the third Friday of the calendar month immediately following the month in which the contract expires ("Final Settlement Date"). If the third Friday of the month subsequent to expiration of the applicable GVZ futures contract is a CBOE holiday, the Final Settlement Date for the contract shall be thirty days prior to the CBOE business day immediately preceding that Friday.
FINAL SETTLEMENT VALUE:	The final-settlement value for GVZ futures shall be a Special Opening Quotation ("SOQ") of the GVZ Index calculated from the sequence of opening prices of a single strip of GLD options expiring 30 days after the settlement date. The opening price for any series in which there is no trade shall be the average of that option's bid price and ask price as determined at the opening of trading. Exercise will result in delivery of cash on the business day following expiration. The final settlement value will be rounded to the nearest \$0.01. If the final settlement value is not available or the normal settlement procedure cannot be utilized due to a trading disruption or other unusual circumstance, the final settlement

	value will be determined in accordance with the rules and bylaws of The Options Clearing Corporation.
DELIVERY:	Settlement of GVZ futures contracts will result in the delivery of a cash settlement amount on the business day immediately following the Final Settlement Date. The cash settlement amount on the Final Settlement Date shall be the final mark to market amount against the final settlement price of the GVZ futures contract multiplied by \$1,000.00.
POSITION LIMITS:	<p>GVZ futures contracts are subject to position limits under Rule 412.</p> <p>A person may not own or control: (1) more than 5,000 contracts net long or net short in all GVZ futures contracts combined; (2) more than 3,000 contracts net long or net short in the expiring GVZ futures contract month; and (3) more than 1,350 contracts net long or net short in the expiring GVZ futures contract held during the last five (5) trading days for the expiring GVZ futures contract month. 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.</p> <p>The foregoing position limits shall not apply to positions that are subject to a position limit exemption meeting the requirements of Commission Regulations and CFE Rules.</p>
MINIMUM REPORTABLE LEVEL:	200 or more contracts.

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Rule Chapter Setting Forth Contract Specifications for CBOE Gold ETF Volatility Index ("GVZ") Security Futures

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**CHAPTER 16
CBOE GOLD ETF VOLATILITY INDEX SECURITY FUTURES
CONTRACT SPECIFICATIONS**

1601. Scope of Chapter

This chapter applies to trading in CBOE Gold ETF Volatility Index ("GVZ") security futures contracts. The procedures for trading, clearing, settlement, and any other matters not specifically covered herein shall be governed by the generally applicable rules of the Exchange. The GVZ security futures contract was first listed for trading on the Exchange on March 25, 2011.

1602. Contract Specifications

(a) *Multiplier.* The contract multiplier for each GVZ futures contract is \$1,000.00. For example, a contract size of one GVZ futures contract would be \$18,950 if the GVZ (the "Index") level were 18.95 ($18.95 \times \$1,000.00$).

(b) *Schedule.* The Exchange may list for trading up to nine near-term serial months and up to five additional months on the February quarterly cycle for the GVZ futures contract.

The final settlement date for a GVZ futures contract shall be on the third Friday of the expiring futures contract month. If the third Friday of the expiring month is a CFE holiday, the Final Settlement Date for the expiring contract shall be the CFE business day immediately preceding the third Friday.

The trading days for GVZ futures contracts shall be the same trading days of options on SPDR Gold Shares ("GLD"), as those days are determined by CBOE.

The trading hours for GVZ contracts are from 8:30 a.m. Chicago time to 3:00 p.m. Chicago time.

(c) *Minimum Increments.* Except as provided in the following sentence, the minimum fluctuation of the GVZ futures contract is 0.05 index points, which has a value of \$50.00.

The individual legs and net prices of spread trades in the GVZ futures contract may be in increments of 0.01 index points, which has a value of \$10.00.

(d) *Position Limits.* GVZ futures are subject to position limits under Rule 412.

A person may not own or control: (1) more than 5,000 contracts net long or net short in all GVZ futures contracts combined; (2) more than 3,000 contracts net long or net short in the expiring GVZ futures contract month; and (3) more than 1,350 contracts net long or net short in the expiring GVZ futures contract held during the last five (5) trading days for the expiring GVZ futures contract month. 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.

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.

The foregoing position limits shall not apply to positions that are subject to a position limit exemption meeting the requirements of Commission Regulations and CFE Rules.

(e) *Termination of Trading.* Trading on the GVZ futures contract terminates on the business day immediately preceding the final settlement date of the GVZ futures contract for the relevant spot month. When the last trading day is moved because of a CFE holiday, the last trading day for an expiring GVZ futures contract will be the day immediately preceding the last regularly-scheduled trading day.

(f) *Contract Modifications.* Specifications are fixed as of the first day of trading of a contract. If any U.S. government agency or body issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules, and all open and new contracts shall be subject to such government orders.

(g) *Execution Priorities.* Pursuant to Rule 406(a)(ii), the base allocation method of price-time priority shall apply to trading in GVZ futures contracts.

(h) *Crossing Two or More Original Orders.* The eligible size for an original Order that may be entered for a cross trade with one or more other original Orders pursuant to Rule 407 is one Contract. The request for quote response period under Rule 407(a) for the request for quote required to be sent before the initiation of a cross trade under Rule 407 is five seconds. Following the request for quote response period, the Trading Privilege Holder or Authorized Trader, as applicable, must expose to the market for at least three seconds under Rule 407(b) at least one of the original Orders that it intends to cross.

(i) *Price Limits and Halts.* Pursuant to Rule 413, GVZ futures contracts are not subject to price limits.

Trading in GVZ futures contracts shall be halted to the extent required by Rule 417 relating to "regulatory halts" and whenever a market-wide trading halt commonly known as a circuit breaker is in effect on the New York Stock Exchange in response to extraordinary market conditions.

(j) *Exchange of Contract for Related Position.* Exchange of Contract for Related Position transactions, as set forth in Rule 414, may be entered into with respect to GVZ futures contracts. Any Exchange of Contract for Related Position transaction must satisfy the requirements of Rule 414.

The minimum price increment for an Exchange of Future for Related Position involving the GVZ futures contract is 0.01 index points.

(k) *Block Trades.* Pursuant to Rule 415(a)(i), the minimum Block Trade quantity for the GVZ futures contract is 200 contracts if there is only one leg involved in the trade. If the Block Trade is executed as a spread order, one leg must meet the minimum Block Trade quantity for the GVZ futures contract and the other leg(s) must have a contract size that is reasonably related to the leg meeting the minimum Block Trade quantity. If the Block Trade is executed as a transaction with legs in multiple contract months and all legs of the Block Trade are exclusively for the purchase or exclusively for the sale of GVZ futures contracts (a “strip”), the minimum Block Trade quantity for the strip is 300 contracts and each leg of the strip is required to have a minimum size of 100 contracts.

The minimum price increment for a Block Trade in the GVZ futures contract is 0.01 index points.

No natural person associated with a Trading Privilege Holder or Authorized Trader that has knowledge of a pending Block Trade of such Trading Privilege Holder or Authorized Trader, or a Customer thereof in the GVZ future on the Exchange, may enter an Order or execute a transaction, whether for his or her own account or, if applicable, for the account of a Customer over which he or she has control, for or in the GVZ Future to which such Block Trade relates until after (i) such Block Trade has been reported to and published by the Exchange and (ii) any additional time period from time to time prescribed by the Exchange in its block trading procedures or contract specifications has expired.

(l) *No Bust Range.* Pursuant to Rule 416, the Exchange error trade policy may only be invoked for a trade price that is greater than 10% on either side of the market price of the applicable GVZ futures contract. In accordance with Policy and Procedure III, the Help Desk will determine what the true market price for the relevant Contract was immediately before the potential error trade occurred. In making that determination, the Help Desk may consider all relevant factors, including the last trade price for such Contract, a better bid or offer price, a more recent price in a different contract month, and the prices of related contracts trading on the Exchange or other markets.

(m) *Pre-execution Discussions.* The Order Exposure Period under Policy and Procedure IV before an Order may be entered to take the other side of another Order with respect to which there has been pre-execution discussions is three seconds after the first Order was entered into the CBOE System. If no bid or offer price exist in the relevant GVZ futures contract, the RFQ Response Period under Policy and Procedure IV that must elapse following the request for quote that is required to be sent prior to the entry of the first Order is five seconds.

(n) *Reportable Position.* Pursuant to Commission Regulation §15.03 and Commission Regulation Part 17, the position level that is required to be reported to the Commission is any open position in GVZ futures contracts at the close of trading on any trading day equal to or in excess of 200 contracts on either side of the market.

(o) *Threshold Widths.* For purposes of Policy and Procedure I and Policy and Procedure II, the Threshold Widths for the GVZ futures contract are as follows:

GVZ Index Level	Threshold Width
1 – 100	20
100 – 200	50
200 – 10000	100

The minimum size of bids and offers that establish a Threshold Width is one contract.

1603. Settlement

Settlement of GVZ futures contracts will result in the delivery of a cash settlement amount on the business day immediately following the settlement date. The cash settlement amount on the final settlement date shall be the final mark to market amount against the final settlement price of the GVZ futures contract multiplied by \$1,000.00. The final settlement price of the GVZ futures contract will be rounded to the nearest \$0.01.

Clearing Members holding open positions in GVZ futures contracts at the termination of trading in that Contract shall make payment to or receive payment from the Clearing Corporation in accordance with normal variation and performance bond procedures based on the final settlement amount.

If the settlement value is not available or the normal settlement procedure cannot be utilized due to a trading disruption or other unusual circumstance, the settlement value will be determined in accordance with the Rules and By-Laws of The Options Clearing Corporation.

1604. Eligibility and Maintenance Criteria for GVZ Futures

Pursuant to Exchange Policy and Procedure VIII E. (Eligibility for Listing Security Futures on Securities Approved for Options Trading), the Exchange may list securities futures on GVZ because GVZ is eligible to underlie options traded on a national securities exchange. GVZ security futures shall remain eligible for listing and trading on the Exchange so long as GVZ remains eligible to underlie options traded on a national securities exchange. If at any time GVZ no longer remains eligible to underlie options traded on a national securities exchange, GVZ shall be ineligible to underlie security futures and the Exchange will not open any additional GVZ futures contracts for trading until GVZ becomes eligible again to underlie options traded on a national securities exchange.