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January 19, 2011

VIA E-MAIL
Mr. David Stawick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Re: Rule Certification. Commodity Exchange, Inc. Submission #11-030: Notification Regarding the Listing of the Gold Volatility Index (VIX®) Option Contract on CME Globex® and CME ClearPort®

Dear Mr. Stawick:

The Commodity Exchange, Inc. ("COMEX" or "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that it is self-certifying the listing of a new Gold Volatility Index (VIX) Option (Chapter 985; Code GVP) for trading on CME Globex and for submission for clearing through CME ClearPort beginning at 6:00 p.m. on Sunday, January 23, 2011 for trade date Monday, January 24, 2011.

The underlying futures contract of this option contract is the Gold Volatility Index (VIX) Futures, which is based on the volatility index for gold calculated by the Chicago Board Option Exchange's methodology that combines COMEX's options market data on CME Globex. The Gold Volatility Index (VIX) will be a 60-day forward looking index value on option implied volatility.

Specifications for the Gold Volatility Index (VIX®) Option contract:

- Commodity Code: GVP
- Option Type: European
- Settlement Type: Financial
- Underlying: Gold Volatility Index (VIX) Futures (Code: GVF)
- Multiplier: $500
- Minimum Price Fluctuation: 0.01 index points = $5
- Minimum Strike Price Interval: 0.50 index points
- Trading Months: next 6 cycle months (February, April, June, August, October and December)
- First Listed Month: April 2011
- Expiration Time and Date: Contract will expire at 9:30 a.m. Eastern Time (8:30 a.m. CT) thirty (30) calendar days prior to the expiration of the COMEX Gold Option (OG) for the same contract month. If such day is not an Exchange business day, trading shall cease on the business day immediately prior.
- Rule Chapter 985

The Exchange is also notifying the CFTC that it is self-certifying the waiver of fees associated with the trading and clearing of the option contract through June 30, 2011.

Pursuant to Section 5c(c) of the Commodity Exchange Act ("Act") and CFTC Rules 40.2 and 40.6, COMEX hereby certifies that the listing of the option contract and the waiver of transaction fees comply with the Act, including regulations under the Act.

Should you have any questions concerning the above, please contact the undersigned at (212) 299-2207 Bob Biolsi at (212) 299-2610 or me at (212) 299-2207.

Sincerely,

/s/ Felix Khalatnikov
Dir & Assoc General Counsel

Attachments: Contract terms and conditions
Cash market overview and analysis of deliverable supply

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Chapter 985
Gold Volatility Index (VIX®) Option

985.01 EXPIRATION

A Gold Volatility Index (VIX) Option contract shall expire at 9:30 a.m. thirty (30) calendar days prior to the expiration of the COMEX Gold Option (OG) for the same contract month. If such day is not an Exchange business day, trading shall cease on the business day immediately prior.

985.02 TYPE OF OPTION

A Gold Volatility (VIX) Option contract is a financially settled European-style option. The option cannot be exercised prior to expiration.

985.03 TRADING UNIT

On expiration of a call option, the option will be financially settled by subtracting the strike price from the underlying settlement price of the Gold Volatility Index (VIX) Futures contract times $500, or zero, whichever is greater. On expiration of a put option, the option will be financially settled by subtracting the underlying settlement price of the Gold Volatility Index (VIX) Futures contract from the strike price times $500, or zero, whichever is greater.

985.04 HOURS OF TRADING

The Gold Volatility Index (VIX) Option contract is available for trading on the Globex® trading platform and for clearing through CME ClearPort® from 6:00 p.m. Sundays through 5:15 p.m. Fridays (New York Prevailing time), with a 45-minute break each day between 5:15 p.m. and 6:00 p.m., except on Exchange holidays.

985.05 STRIKE PRICES

Trading shall be conducted for options with strike prices in increments as set forth below.

(A) On the first business day of trading in an option contract month, trading shall be at the following strike prices: (i) the previous day's settlement price for the underlying Gold Volatility Index (VIX) Futures contract rounded off to the nearest one-half (0.50) index point increment, unless such settlement price is precisely midway between two one-half (0.50) index point increments in which case it shall be rounded off to the lower one-half (0.50) index point increment; (ii) the ten strike prices which are ten one-half (0.50) index point increments higher than the strike price described in section (i) of this Rule 985.05(A); and (iii) the ten strike prices which are ten one-half (0.50) index point increments lower than the strike price described in section (i) of this Rule 985.05(A).

(B) Thereafter, on any business day prior to the expiration of the option, new strike prices for both puts and calls will be added, such that at all times there will be at least ten one-half (0.50) index point increment strike prices above and ten one-half (0.50) index point increment strike prices below the at-the-money strike price available for trading in all option contract months. The at-the-money strike price will be determined in accordance with the procedures set forth in Subsection (A) of this Rule 985.05.

(C) Notwithstanding the provisions of subsections (A) and (B) of this Rule, if the Exchange determines that trading in financially settled Gold Volatility Index (VIX) Option contract will be facilitated thereby, the Exchange may, by resolution, change the increments between strike prices, the number of strike prices which shall be traded on the first day in any new option contract month, the number of new strike prices which will be introduced on each business day or the period preceding the expiration of a Gold Volatility Index (VIX) Option contract in which no new strike prices may be introduced.

985.06 TRADING MONTHS

Trading shall be conducted in the months determined by the Exchange.

985.07 **PRICES AND FLUCTUATIONS**

Prices shall be quoted in hundredths of an index point. The minimum price fluctuation shall be 0.01 index point, or $5 per contract.

985.08 **ABSENCE OF PRICE FLUCTUATION LIMITATIONS**

Trading in Gold Volatility Index (VIX) Option shall not be subject to price fluctuation limitations.

CASH MARKET OVERVIEW

Volatility Index (VIX®)

The VIX methodology has been the basis of indexes on various products as published by the Chicago Board Options Exchange (CBOE). A step by step review of the methodology can be found on their website (http://www.cboe.com/micro/vix/vixwhite.pdf). The index itself is an estimate of the composite "implied" volatility of option contracts as traded in options on underlying assets, indexes, and futures contracts. Unlike a historical volatility measure, the VIX methodology is a prospective look at the volatility embedded in option contracts for a specific future time interval. In the above contract for gold, this prospective time interval is 60 days in the future.

Since the advent of organized option markets since 1970's, the options markets have relied heavily on the "implied volatility" of the underlying asset as a means of ascertaining the fair value of an option contract. This implied volatility is quantified by the models option traders utilize to determine fair option values. The calculation is somewhat sensitive to not only the underlying contract month but also the option strike price and its distance from the "at-the-money" option. The overall compilation of the option implied volatility is generally referred to as the "volatility surface". In recent years, the Chicago Board Options Exchange has abstracted from the various option models in use and developed an algorithm that relies solely on option prices, and their relationship to the associated strike prices (see White Paper referred above). As a result, the VIX has become a measure of composite market implied volatility and uncertainty. As such, it has become a standard measure of risk.

Due to the extraordinary market fluctuations that have occurred in the modern finance era, markets have been focused on hedging not only price risk but also volatility risk. This volatility risk is important in hedging the direction of volatility, abstracted from price. While currently volatility trades as a component of option strategies, (e.g. straddles, strangles, and delta hedges) these strategies are a composite of both price and volatility. As prices change, the positions generally need to be rebalanced. The VIX calculation, however, does not require rebalancing as it is not directly affected by price movements. As such, it becomes a measure of pending risk and uncertainty, and is an important trade input for option traders, commercial interests, and financial intermediaries, and speculative interests.

Gold is ideally suited for the VIX calculation. Option contracts on gold are extremely active, with high open-interest, global interest, and liquid trading volume. Gold options trade actively in open-outcry, as well as on the Globex® electronic trading system and also clear decent volumes on the CME ClearPort clearing system. Option prices are directly linked among the three platforms, and traders would easily arbitrage any significant price discrepancy among them

For volatile commodities such as gold, option trading has become prominent. As of 12/31/2010, option open interest on gold was approximately 868,000 contracts.

Data History

Since the VIX calculations on gold are calculated by the Chicago Board Options Exchange from the midpoints of bids/offers on Globex, a non-continuous data history from 2007 is provided on the CME Group website at http://www.cmegroup.com/trading/options-volatility-indexes.html.

The data history is not continuous because of its enormous size. A more recent data and continuous history is now compiled by the Exchange. Attached is a continuous end of day time series that has been carried by data vendors as of 9/13/2010:

Gold VIX	
Date	Index
9/13/2010	18.40
9/14/2010	18.84
9/15/2010	18.83
9/16/2010	19.07
9/17/2010	19.23
9/20/2010	19.19
9/21/2010	18.79
9/22/2010	18.61
9/23/2010	18.84
9/24/2010	18.74
9/27/2010	18.79
9/28/2010	18.82
9/29/2010	19.23
9/30/2010	19.22
10/1/2010	19.00
10/4/2010	19.08
10/5/2010	19.96

Date	Index
10/6/2010	19.68
10/7/2010	21.40
10/8/2010	20.21
10/11/2010	20.67
10/12/2010	20.15
10/13/2010	22.77
10/14/2010	22.91
10/15/2010	22.36
10/18/2010	22.22
10/19/2010	21.20
10/20/2010	21.97
10/21/2010	21.72
10/22/2010	20.78
10/25/2010	20.95
10/26/2010	20.38
10/27/2010	20.64
10/28/2010	20.91
10/29/2010	20.69
11/1/2010	21.74
11/2/2010	21.62
11/3/2010	22.83
11/4/2010	20.85
11/5/2010	21.19
11/8/2010	22.17
11/9/2010	23.51
11/10/2010	23.34
11/11/2010	22.46
11/12/2010	22.43
11/15/2010	22.14
11/16/2010	22.54
11/17/2010	21.51
11/18/2010	21.13
11/19/2010	20.70
11/22/2010	20.55
11/23/2010	20.90
11/24/2010	20.62
11/26/2010	20.63
11/29/2010	21.51
11/30/2010	22.28
12/1/2010	22.85

Date	Index
12/2/2010	21.97
12/3/2010	20.64
12/6/2010	20.84
12/7/2010	21.10
12/8/2010	21.01
12/9/2010	20.95
12/10/2010	20.32
12/13/2010	19.76
12/14/2010	19.71
12/15/2010	19.09
12/16/2010	19.39
12/17/2010	18.94
12/20/2010	19.21
12/21/2010	19.08
12/22/2010	18.98
12/23/2010	18.70
12/27/2010	19.20
12/28/2010	19.79
12/29/2010	20.75
12/30/2010	20.74
12/31/2010	20.74

ANALYSIS OF DELIVERABLE SUPPLY

VIX is a weighted average implied volatility index derived from the first two nearby cycle months of the option contracts for gold. The healthiness of the index hence is determined by the market depth of the underlying options. Considering open interest levels as a proxy of market robustness, the below table shows the average end-of-month open interest of the sum of the first two cycle months (February, April, June, August, October, December) contracts for the Gold Option.

Year	Month	Open Interest
2008	Jun	164,033
	Jul	261,429
	Aug	317,168
	Sep	328,807
	Oct	383,080
	Nov	204,673
	Dec	231,862
2009	Jan	249,873
	Feb	306,338
	Mar	221,147
	Apr	259,203
	May	154,249
	Jun	198,313
	Jul	349,174
	Aug	385,302
	Sep	358,685
	Oct	433,228
	Nov	273,996
	Dec	361,529
2010	Jan	350,307
	Feb	427,706
	Mar	286,222
	Apr	379,890
	May	234,041
	Jun	319,758
	Jul	415,966
	Aug	504,489
	Sep	509,401
	Oct	640,670
	Nov	339,478
	Dec	447,511
Average		**332,178**

While the actual VIX Index is calculated by averaging bid/ask quotes on the Globex trading platform and not actual trades, the depth and liquidity of the overall option markets is relevant to deliverable supply. Option trades between the Globex trading platform, open-outcry, and the broker-led CME ClearPort clearing system are directly substitutable and easily arbitraged. Consequently, the true deliverable supply should be represented by the entire gold option markets.

The Exchange proposes to aggregate positions of the proposed Gold Volatility Index (VIX) Option into the underlying Gold Volatility Index (VIX) Futures. The proposed spot month position limits are as follows:

Gold Volatility Index (VIX) Option (in contract units)

Spot Month:	6,000
Any one Month:	12,000
All Month:	12,000

These limits are a small fraction of the existing open interest in each of the first two nearby cycle months for the gold option contract. A typical spot month limit of 25% of the average open interest since 2008 would be about 83,000 contracts.

While a 1% change in implied volatility (1.00 VIX index points) for gold on a 60-day at-the-money option would amount to about $225 at current market values. This would amount to a $500 change in value for the Gold VIX futures contract. Hence, 2.22 options would equal to one VIX futures. It can be estimated then that 6,000 Gold VIX futures would equate to about 13,300 options, which is approximately 4% of average month-end open interest since 2008 as shown in the above table.

While the actual VIX is calculated on the basis of bid/ask quotes, volumes over the final settlement period would be useful in determining the integrity of the final settlement process. This final settlement period would be the first hour of the opening of open-outcry trading (8:30 A.M. to 9:30 A.M. on the termination day). The reason for the settlement period being in the A.M. is that the market tends to be more active when it overlaps with European trading hours.

Below are the volumes during the final settlement period on Globex for the Gold options since April 2009 through the end of year 2010.

Average Gold Option Volume during the Final Settlement Period (First Two Nearby Cycle Month Contracts):

Three Days Before VIX Futures Expiration Date	**729.64**
Two Days Before VIX Futures Expiration Date	**502.82**
One Day Before VIX Futures Expiration Date	**442.64**
On VIX Futures Expiration Date	**583.36**
All	**676.58**

It should be noted that Exchange-wide (including open-outcry, CME Globex and ClearPort) the volumes are much greater, but these statistics are given as a proxy for the stability and integrity of the final settlement process.