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A CME/Chicago Board of Trade/NYMEX Company

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October 12, 2010

<u>VIA E-MAIL</u>
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. New York Mercantile Exchange, Inc. Submission #10-293: Notification Regarding the Listing of the Crude Oil Volatility Index (VIX®) Futures and Gold Volatility Index (VIX®) Futures Contracts on CME Globex® and CME ClearPort®

Dear Mr. Stawick:

The New York Mercantile Exchange, Inc. ("NYMEX") and the Commodity Exchange, Inc. ("COMEX") are notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that they are self-certifying the listing of a new Crude Oil Volatility Index (VIX) Futures (Chapter 982) and Gold Volatility Index (VIX) Futures (Chapter 984), respectively, for trading on Globex and for submission for clearing through CME ClearPort beginning at 6:00 p.m. on Sunday, October 17, 2010 for trade date Monday, October 18, 2010.

These two futures contracts are based on volatility indexes for Crude Oil and Gold calculated by the Chicago Board Option Exchange's methodology that combine NYMEX's and COMEX's options market data on CME Globex. The Crude Oil Index will be a 30-day forward looking index value on option implied volatility while the Gold will be a 60-day forward looking index value on option implied volatility.

The following will be the contract terms:

Specifications for the Crude Oil Volatility Index (VIX) Futures contract to be listed on NYMEX:

- Commodity code: CVF
- Contract Size: 500 index points
- Minimum Price Fluctuation: 0.01 index points = $5
- Trading Months: 12 consecutive months
- First Listed Month: January 2011
- Expiration Time and Date: Crude Oil Volatility Index (VIX) Futures contract will expire at 2:30 p.m. Eastern Time (1:30 p.m. CT) 30 calendar days prior to the expiration of the first underlying NYMEX Light Sweet Crude Oil Option (LO) for the same contract month. If such day is not an Exchange business day, trading shall cease on the business day immediately prior. The Final Settlement price will be based on the average index value as published by the Chicago Board Options Exchange from 2:00 p.m. to 2:30 p.m. (New York Prevailing Time) on Expiration Day.
- Rule Chapter: 982

Specifications for the Gold Volatility Index (VIX) Futures contract to be listed on COMEX:

- Commodity Code: GVF
- Contract Size: 500 index points
- Minimum Price Fluctuation: 0.01 index points = $5
- Trading Months: next 6 cycle months (February, April, June, August, October and December)
- First Listed Month: December 2010

- Expiration Time and Date: Gold Volatility Index (VIX) Futures, contract will expire at 9:30 a.m. Eastern Time (8:30 a.m. CT) 30 calendar days prior to the expiration of the COMEX Gold Option (OG) for the first underlying contract month. If such day is not an Exchange business day, trading shall cease on the business day immediately prior. The Final Settlement price will be based on the average index value as published by the Chicago Board Options Exchange from 8:30 a.m. to 9:30 a.m. (New York Prevailing Time) on Expiration Day.
- Rule Chapter 984

Pursuant to Section 5c(c) of the Commodity Exchange Act ("Act") and CFTC Rules 40.2 and 40.6, NYMEX and COMEX hereby certify that the attached contracts comply with the Act, including regulations under the Act.

Should you have any questions concerning the above, please contact Bob Biolsi at (212) 299-2610 or me at (312) 648-5422.

Very truly yours,

/s/ Stephen M. Szarmack
Regulatory Counsel

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

Chapter 982
Crude Oil Volatility Index (VIX®) Futures

982.01 SCOPE

The provisions of these Rules shall apply to all contracts bought or sold on the Exchange for cash settlement based on the Crude Oil Volatility Index.

982.02 TIME REFERENCE

For purposes of these Rules, unless otherwise specified, times referred to herein shall refer to and indicate the prevailing time in New York.

982.03 FLOATING PRICE

The Floating Price shall be the Volatility Index as calculated by the Chicago Board Options Exchange using VIX® Methodology from bids, offers on NYMEX Light Sweet Crude Oil Option (LO) contracts on the Globex® trading platform for the two underlying NYMEX Light Sweet Crude Oil Option contracts. The two underlying options will be the same underlying option contract month as the futures contract and the next adjacent option contract month. The index will be calculated at 15 second intervals.

982.04 CONTRACT QUANTITY AND VALUE

The contract value shall be $500 times the Crude Oil Volatility Index.

982.05 PRICES AND FLUCTUATIONS

Prices shall be quoted in hundredths of index points. The minimum price fluctuation shall be 0.01 index point, or $5 per contract. There shall be no maximum price fluctuation.

982.06 TRADING HOURS

The Crude Oil Volatility Index (VIX®) Futures 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, with a 45-minute break each day between 5:15 p.m. and 6:00 p.m., except on Exchange Holidays.

982.07 TRADING MONTHS

Trading in Crude Oil Volatility (VIX®) Futures shall be conducted in the months as shall be determined by the Exchange.

982.08 TERMINATION OF TRADING

Trading in the Crude Oil Volatility Index (VIX®) Futures will terminate at 2:30 p.m. 30 calendar days prior to the expiration of the first of the two underlying NYMEX Light Sweet Crude Oil Option. If such day is not an Exchange business day, trading shall cease on the business day immediately prior.

982.09 FINAL SETTLEMENT

Delivery under the contract shall be by cash settlement on termination day. Final settlement will be based on the arithmetic average of the Crude Oil Volatility Index calculated by the Chicago Board Options Exchange at 15 second intervals for the last thirty minutes before the expiration.

982.10 TIME REFERENCES

For purposes of these Rules, unless otherwise specified, times referred to herein shall refer to and indicate New York prevailing time.

982.11 DISCLAIMER

The Chicago Board Options Exchange ("CBOE") licenses the CME Group Inc. ("CME Group") to use various CBOE volatility indexes in connection with the trading or posting of the contract.

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Chapter 984
Gold Volatility Index (VIX®) Futures

984.01 **SCOPE**

The provisions of these Rules shall apply to all contracts bought or sold on the Exchange for cash settlement based on the Gold Volatility Index.

984.02 **TIME REFERENCE**

For purposes of these Rules, unless otherwise specified, times referred to herein shall refer to and indicate the prevailing time in New York.

984.03 **FLOATING PRICE**

The Floating Price shall be the Volatility Index as calculated by the Chicago Board Options Exchange using VIX® methodology from bids, offers, on COMEX Gold Option (OG) contracts on the Globex® trading platform for the two underlying COMEX Gold Option contracts. The associated underlying options will be February and April options for the February futures contract, the April and June options for the April futures contract, the June and August options for the June futures contract, the August and October options for the August futures contract, the October and December options for the October futures contract, and the December and February options for the December futures contract. The index will be calculated at 15 second intervals.

984.04 **CONTRACT QUANTITY AND VALUE**

The contract value shall be $500 times the Gold Volatility Index.

984.05 **PRICES AND FLUCTUATIONS**

Prices shall be quoted in hundredths of index points. The minimum price fluctuation shall be 0.01 index point, or $5 per contract. There shall be no maximum price fluctuation.

984.06 **TRADING HOURS**

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

984.07 **TRADING MONTHS**

Trading in Gold Volatility Index (VIX®) Futures shall be conducted in the months as shall be determined by the Exchange.

984.08 **TERMINATION OF TRADING**

Trading in the Gold Volatility Index (VIX®) Futures will terminate at 9:30 a.m. 30 calendar days prior to the expiration of the COMEX Gold Options for the same contract month. If such day is not an Exchange business day, trading shall cease on the business day immediately prior.

984.09 **FINAL SETTLEMENT**

Delivery under the contract shall be by cash settlement on termination day. Final settlement will be based on the arithmetic average of the Gold Volatility Index calculated by the Chicago Board Options Exchange for the first sixty minutes before the expiration.

984.10 **TIME REFERENCES**

For purposes of these Rules, unless otherwise specified, times referred to herein shall refer to and indicate New York prevailing time.

984.11 **DISCLAIMER**

The Chicago Board Options Exchange ("CBOE") licenses the CME Group Inc. ("CME Group") to use various CBOE volatility indexes in connection with the trading or posting of the contract.

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"CBOE®" and "VIX®" are trademarks of Chicago Board Options Exchange, Incorporated ("CBOE") and have been licensed for use by CME Group, Inc. for certain purposes associated with the CBOE Gold Volatility Index. CBOE makes no representation regarding the advisability of investing in any investment product that is based on such CBOE Gold Volatility Index.

CASH MARKET OVERVIEW

Volatility Index (VIX®)

The VIX methodology has been the basis of indexes on various products as published by the CBOE Futures Exchange. 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 contracts, this prospective time interval is 30 days in the future for Crude Oil and 60 days in the future for Gold.

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 and Crude Oil are ideally suited for the VIX calculation. Option contracts on both of these commodities are extremely active, with high open-interest, global interest, and liquid trading volume. Both options trade in open-outcry, as well as on the Globex® electronic trading system, and also clear large volumes on the 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 and Crude Oil, options trading has become prominent. As of 9/30/2010, option open interest on these commodities was 4.6 million contracts for Crude Oil and 884,000 contracts on Gold.

Data History

Since the VIX calculations on Crude Oil and 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:

CRUDE OIL VIX			GOLD VIX	
Date	PX_LAST		Date	PX_LAST
9/13/2010	32.44		9/13/2010	18.400
9/14/2010	32.70		9/14/2010	18.840
9/15/2010	32.61		9/15/2010	18.830
9/16/2010	32.52		9/16/2010	19.070
9/17/2010	31.87		9/17/2010	19.230
9/20/2010	32.49		9/20/2010	19.190
9/21/2010	33.22		9/21/2010	18.790
9/22/2010	32.18		9/22/2010	18.610
9/23/2010	31.14		9/23/2010	18.840
9/24/2010	30.41		9/24/2010	18.740
9/27/2010	30.99		9/27/2010	18.790
9/28/2010	31.68		9/28/2010	18.820
9/29/2010	31.26		9/29/2010	19.230
9/30/2010	30.27		9/30/2010	19.220
10/1/2010	30.49		10/1/2010	19.000

ANALYSIS OF DELIVERABLE SUPPLY

VIX is a weighted average implied volatility index derived from the first two nearby option contracts of a market. The healthiness of the index hence is determined by the market depth of the underlying options. Considering open interest level as a proxy of market robustness, below table shows the average end-of-day open interest of the first two nearby contracts for the Crude Oil and Gold Options.

Year	Month	Gold Option	Crude Oil Option
2008	Jun	74,523	774,696
	Jul	99,476	739,113
	Aug	145,025	614,395
	Sep	165,103	804,742
	Oct	173,161	1,094,821
	Nov	162,939	819,565
	Dec	110,451	522,745
2009	Jan	120,261	530,628
	Feb	140,876	440,272
	Mar	148,309	541,183
	Apr	119,309	723,588
	May	122,112	469,952
	Jun	88,861	338,333
	Jul	115,916	372,563
	Aug	181,716	344,717
	Sep	198,511	634,493
	Oct	196,480	1,014,821
	Nov	211,496	730,047
	Dec	163,570	447,999
2010	Jan	188,143	481,836
	Feb	200,064	448,856
	Mar	206,835	554,184
	Apr	165,007	759,959
	May	188,208	608,678
	Jun	134,606	476,409
	Jul	183,813	432,596
	Aug	229,285	374,879
	Average:	156,817	596,151

While the actual VIX Indexes are 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 is represented by the entire Crude Oil and Gold option markets.

The proposed position/accountability limits for these two futures are as follows:

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

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

Crude Oil Volatility Index (VIX) Futures (in contract units)

Spot Month:	6,000
Any one Month:	20,000
All Month:	80,000

These limits are a small fraction of the existing open interest in each of the first two nearby option contracts for each commodity. A typical spot month limit of 25% of the average open interest since 2008 would be about 39,000 for Gold and 149,000 for Crude Oil.

While a 1% change in implied volatility (1.00 VIX index points) for Crude Oil on a 30-day at-the-money option would amount to about $80 at current market values. This would amount to a $500 change in value for the Crude Oil VIX futures contract. Hence, 6.25 options would equate to one VIX futures. It can be estimated then that 6,000 Crude Oil VIX futures would equate to about 23,000 options, which is only about 5% of average open interest in the first 2 nearby months since 2008.

For Gold at-the-money options, a 1% change in implied volatility would amount to a $500 change in VIX futures value and a $148 change in at-the-money option value. That would infer 3.37 options would be equivalent to a Gold VIX futures contract. 6,000 VIX futures would then be equivalent to about 11,600 Gold options or about 7% of average open-interest. This would make the proposed spot month limits relatively conservative compared to other futures contracts.

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. For Crude Oil, this final settlement period would be the last half hour of open-outcry trading (2:00 P.M. to 2:30 P.M. on termination day) and the one hour at the opening (8:30 A.M. to 9:30 A.M.) for Gold. The reason for Gold being in the A.M. is that it tends to be more active when it overlaps European trading hours, whereas Crude Oil tends to be more active in the afternoon.

Below are the volumes on Globex for the two options since April of 2009.

Crude Oil

LO 1&2NBY Volume	15 Min Window	**30 Min Window**	60 Min Window
Time Frame (CT)	14:15:00-14:29:59	**14:00:00-14:29:59**	13:30:00-14:29:59
Average Volume on VIX LTD-3	747.18	**1,365.24**	2,348.18
Average Volume on VIX LTD-2	886.71	**1,669.65**	2,906.59
Average Volume on VIX LTD-1	938.53	**1,667.53**	2,748.38
Average Volume on VIX LTD	776.82	**1,495.76**	2,360.29
Average Volume	657.85	**1,198.36**	2,025.36

Gold

OG 1&2NBY Volume	15 Min Window	30 Min Window	**60 Min Window**
Time Frame (CT)	08:30:00-08:44:59	08:30:00-08:59:59	**08:30:00-09:29:59**
Average Volume on VIX LTD-3	141.11	213.00	**440.56**
Average Volume on VIX LTD-2	64.00	156.56	**453.33**
Average Volume on VIX LTD-1	33.22	104.56	**313.67**
Average Volume on VIX LTD	75.89	186.44	**442.67**
Average Volume	119.38	229.01	**495.72**

It should be noted that Exchange-wide (including open-outcry 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.