SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-64153; File No. SR-CFE-2011-002)

March 30, 2011

Self-Regulatory Organizations; CBOE Futures Exchange, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Listing and Trading CBOE Gold ETF Volatility Index Security Futures

Pursuant to Section 19(b)(7) of the Securities Exchange Act of 1934 ("Act"),[1] notice is hereby given that on March 18, 2011, 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 filed this proposed rule change concurrently 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")[2] on March 18, 2011.

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

The Exchange proposes to amend its rules to permit the Exchange to list and trade the Gold ETF Volatility Index ("GVZ") security futures contract. The text of the proposed rule change is available on the Exchange's Web site at www.cfe.cboe.com, on the Commission's Web site at http://www.sec.gov, at the principal office of the Exchange, and at the Commission's Public Reference Room.

1 15 U.S.C. 78s(b)(7).

2 7 U.S.C. 7a-2(c).

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 proposed rule change is to permit the Exchange to list and trade security futures on the CBOE Gold ETF Volatility Index ("GVZ" or "GVZ Index"). Chicago Board Options Exchange, Incorporated ("CBOE") received approval from the SEC to list and trade GVZ options.[3] Consistent with the Joint Order issued by the SEC and the CFTC dated November 19, 2009 (Securities Exchange Act Release No. 61027) ("Joint Order"),[4] the GVZ Index may underlie a security futures contract since the GVZ Index is eligible to underlie options traded on a national securities exchange.

Index Design and Calculation

The calculation of GVZ is based on the VIX methodology applied to options on the SPDR Gold Trust ("GLD"). The index was introduced by CBOE on August 1, 2008 and has been disseminated in real-time on every trading day since that time.[5] GVZ is an up-to-the-

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3 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).

4 74 FR 61380 (November 24, 2009). See also CFE Policy and Procedure VIII E. (Eligibility for Listing Security Futures on Securities Approved for Options Trading)

5 CBOE maintains a micro-site for GVZ options at: http://www.cboe.com/gvz.

minute market estimate of the expected volatility of GLD calculated by using real-time bid/ask quotes of GLD options listed on Chicago Board Options Exchange, Incorporated. 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.

For each contract month, CBOE will determine the at-the-money strike price. The Exchange will then select the at-the-money and out-of-the money series with non-zero bid prices and determine the midpoint of the bid-ask quote for each of these series. The midpoint quote of each series is then weighted so that the further away that series is from the at-the-money strike, the less weight that is accorded to the quote. Then, to compute the index level, CBOE will calculate a volatility measure for the nearby options and then for the second nearby options. This is done using the weighted mid-point of the prevailing bid-ask quotes for all included option series with the same expiration date. These volatility measures are then interpolated to arrive at a single, constant 30-day measure of volatility.

CBOE will compute values for the GVZ Index underlying security futures on a real-time basis throughout each trading day, from 8:30 a.m. until 3:00 p.m. (CT). GVZ Index levels will be calculated by CBOE and disseminated at 15-second intervals to major market data vendors.

Security Futures Trading

The contract multiplier for each GVZ futures contract will be $1,000.00. For example, a contract size of one GVZ futures contract would be $18,950 if the GVZ Index level were 18.95 (18.95 x $1,000.00). 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 minimum fluctuation of the GVZ futures contract will be 0.05 index points, which has a value of $50.00, except that 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. The trading days for GVZ futures contracts shall be the same trading days of GLD options, as those days are determined by CBOE. The trading hours for GVZ contracts will be from 8:30 a.m. Chicago time to 3:00 p.m.

Exhibit 3 presents contract specifications for GVZ futures.

Position Limits

The generic formula that is used to calculate position limit levels for cash settled Narrow-Based Stock Index Futures set forth in CFE Rule 1901(e) shall not apply to GVZ futures because that formula is premised upon an index that is comprised of stocks. As discussed above, the index components of GVZ are GLD options listed on CBOE. Accordingly, the Exchange is proposing to establish position limit levels for GVZ security futures at levels comparable to those previously established and approved for GVZ options trading by the SEC. Because GVZ futures will have different position limits than under the generic formula for cash settled Narrow-Based Stock Index Futures and for ease of reference of the provisions applicable to GVZ futures by CFE market participants, CFE proposes to have a separate contract specification rule chapter for GVZ futures in CFE Rule Chapter 16.

Specifically, GVZ futures will be subject to position limits under CFE Rule 412 (Position Limits). 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.[6] 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 proposed GVZ position limits shall not apply to positions that are subject to a position limit exemption meeting the requirements of CFTC Regulations and CFE Rules. The minimum reportable level for GVZ futures will be 200 contracts.

Exercise and Settlement

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 CBOE holiday, the final settlement date for the expiring contract shall be the CBOE business day immediately preceding the third Friday. Trading on the GVZ futures contract will terminate 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.

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

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6 CFE notes that the proposed 5,000/3,000 position limit levels are equivalent to those established for security options trading on the GVZ Index (50,000/30,000) when scaled to reflect the larger size of the futures contract in relation to the options contract. See Securities Exchange Release No. 62139 (May 19, 2010), 75 FR 29597 (May 26, 2010) (SEC order approving listing and trading of GVZ options, including GVZ option position limits). See also chart to CBOE Rule 24.4(a). Similarly, the proposed 1,350 position limit level, complies with the provisions of §41.25(a)(i) of the regulations promulgated by the CFTC under the CEA. This provision requires the Exchange to adopt a net position limit of no greater than 13,500 (100-share) contracts applicable to positions held during the last five days of trading of an expiring contract month, and the proposed 1,350 position limit is equivalent to this level when scaled to reflect the $1,000 contract multiplier for GVZ futures.

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.

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.

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 ("OCC'").

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.

Block Trades

Block trades in the GVZ futures contract will be permitted. Pursuant to CFE Rule 415(a)(i), the minimum Block Trade quantity for the GVZ futures contract will be 200 contracts if there is only one leg involved in the trade.[7] 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 will be 300 contracts and each leg of the strip will be required to have a minimum size of 100 contracts. The minimum price increment for a Block Trade in the GVZ futures contract will be 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.

[7] CFE Rule 415 sets forth the conditions that must be met if Block Trades are permitted by the rules governing a contract.

Exchange of Contract for Related Position Transactions

Exchange of Contract for Related Position ("ECRP") transactions, as set forth in CFE Rule 414, in the GVZ futures contract will be permitted. Any Exchange of Contract for Related Position transaction must satisfy the requirements of Rule 414.[8] The minimum price increment for an ECRP involving the GVZ futures contract will be 0.01 index points.

Margin

The customer margin requirements for GVZ futures will be governed by CFE Rule 517 (Customer Margin Requirements for Contracts that are Security Futures).

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b)[9] of the Securities Exchange Act (the "Act"), in general, and furthers the objectives of Section 6(b)(5)[10] in particular in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanism of a free and open market and a national market system, and thereby will provide investors with the ability to use security futures to gain exposure to or hedge risk associated with GLD volatility.

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

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.

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8 CFE Rule 414 sets forth the conditions that must be met if ECRP transactions are permitted by the rules governing a contract.

9 15 U.S.C. 78f(b).

10 15 U.S.C. 78f(b)(5).

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 has become effective on March 25, 2011.

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.

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
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CFE-2011-002 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-2011-002. 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, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office 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-2011-002 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.[11]

Cathy H. Ahn
Deputy Secretary

[11] 17 CFR 200.30-3(a)(12).