



December 10, 2010

David A. Stawick
Secretary
Commodity Futures Trading Commission
1155 21st St, NW
Washington, D.C. 20581

C.F.T.C.
OFFICE OF THE SECRETARIAT
2010 DEC 13 PM 4 01

COMMENT

Re: Options on GVX Index and Similar Products, 75 FR 69058

Dear Mr. Stawick:

Citadel LLC (“Citadel”) appreciates the opportunity to submit this response to the Commodity Futures Trading Commission (“Commission”) request for comment regarding (1) its proposal to exempt, pursuant to 4(c) of the Commodity Exchange Act (“CEA”), the trading and clearing of options on the CBOE Gold ETF Volatility Index (“GVZ Index Options”), which would be traded on the Chicago Board Options Exchange and cleared through the Options Clearing Corporation (“OCC”), from the provisions of the CEA and the regulations thereunder to permit such Options to be so traded and cleared, as well as (2) a categorical exemption from the CEA and regulations thereunder that would permit such trading and clearing of other similar gold-related products.¹ Moreover, the Commission notes that it recently requested comment on providing a more general exemption from the CEA for the trading and clearing of options and futures on shares of precious metal commodity-based ETFs to be traded and cleared as options on securities and security futures, respectively (“Precious Metal ETF Products”).²

Through its affiliates, Citadel operates one of the most active U.S. equity and options market making businesses, and is a leading market participant in many of the world’s derivatives and securities markets.³ Our experience and daily function as one of the largest liquidity providers in the world’s markets gives us unique insights regarding the impact of the proposal on the markets. Based on our extensive experience with the ETF markets and the markets

¹ Request for Comment on a Proposal to Exempt, Pursuant to the Authority in Section 4(c) of the Commodity Exchange Act, the Trading and Clearing of Certain Products Related to the CBOE Gold ETF Volatility Index and Similar Products, 75 Fed. Reg. 69058 (Nov. 10, 2010).

² Request for Comment on Options for a Proposed Exemptive Order Relating to the Trading and Clearing of Precious Metal Commodity Based ETFs, 75 Fed. Reg. 60411 (Sept. 30, 2010).

³ On an average day, Citadel accounts for approximately 9% of U.S. listed equity volume, and 29% of U.S. listed equity option volume. Founded in 1990, the Citadel group of companies includes an asset management division that principally executes alternative investment strategies across multiple asset classes, and Citadel Securities that includes investment banking, a sales and trading platform, and an industry leading market making franchise, and Omnium, a recognized administrator serving financial institutions. With more than 1,600 team members, Citadel operates in the world’s major financial centers, including Chicago, New York, London, Hong Kong, and San Francisco.



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generally, Citadel believes that GVZ Index Options and other Precious Metal ETF Products will provide important benefits to investors and the markets. Therefore, Citadel urges the Commission to use its Section 4(c) authority to provide an exemption for GVZ Index Options from the CEA without delay, as well as a categorical exemption for all Precious Metal ETF Products.

As the Commission notes in its request for comments, it previously has issued exemptions from the CEA for other gold and silver-related ETF products that are similar to GVZ Index Options.⁴ In deciding to provide the previous exemptions, the Commission concluded that these instruments would enhance market efficiency, competition and price discovery, thereby providing useful tools for investors and other market participants. Moreover, the Commission recognized that, because national securities exchanges, OCC and their members who will intermediate the products are subject to extensive regulation, the markets, market participants and the public would be protected appropriately in the use of the new products. In particular, OCC's risk management practices, including its margining system, would apply to these products, just as they do to other products cleared by OCC. In our experience, the CFTC accurately assessed the many benefits of these innovative products; in practice, the products provide significant advantages to the markets, without increasing financial and other risks.

Likewise, given the similarities between the previously exempted products and the GVZ Index Options, Citadel believes the GVZ Index Options will provide the same types of benefits to investors and the markets, without introducing new risks. Therefore, Citadel urges the Commission to exempt GVZ Index Options from the CEA in the same manner without delay.

Indeed, given the clear benefits of these types of products, Citadel urges the Commission to expedite the process for bringing all Precious Metal ETF Products to market. Subjecting each new Precious Metal ETF Product to individual review significantly delays the time to the market. Therefore, Citadel encourages the Commission to adopt a categorical exemption for all Precious Metal ETF Options pursuant to Section 4(c) of the CEA. In keeping with the requirements of that Section, such an exemption will foster both financial innovation and competition and be consistent with the public interest and the CEA.

⁴ See Order Exempting the Trading and Clearing of Certain Products Related to ETFs Physical Swiss Gold Shares and ETFs Physical Silver Shares, 75 Fed. Reg. 37406 (June 29, 2010); Order Exempting the Trading and Clearing of Certain Products Related to iShares COMEX Gold Trust Shares and iShares Silver Trust Shares, 73 Fed. Reg. 79830 (Dec. 30, 2008); and Order Exempting the Trading and Clearing of Certain Products Related to SPDR Gold Trust Shares, 74 Fed. Reg. 31981 (June 5, 2008).



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If you would like to discuss any of our comments in more detail, please feel free to contact me at (312) 395-2100.

Sincerely,

A handwritten signature in black ink, appearing to read "John C. Nagel". The signature is written in a cursive style with a large, sweeping initial "J".

John C. Nagel
Managing Director and General Counsel
Asset Management and Trading

cc: The Hon. Gary Gensler, Chairman
The Hon. Mike Dunn, Commissioner
The Hon. Jill Sommers, Commissioner
The Hon. Bart Chilton, Commissioner
The Hon. Scott O'Malia, Commissioner