



Regulatory Circular RG12-048

DATE: March 19, 2012
TO: Trading Permit Holders
FROM: Business Development
RE: Operational Systems Settings on Volatility Index Product Settlement Days

On the days when CBOE option series opening prices are used to determine the exercise settlement value for volatility index products, CBOE will modify certain operational systems settings for the option classes used to determine the exercise settlement value for that trading day only.¹ On all other trading days, these operational settings will return to the standard levels as detailed in regulatory circulars referenced below.

Opening Process

For CBOE Volatility Index (VIX Index) settlements (no change): On VIX Index final settlement days, the SPX options class will continue to use the *modified* Hybrid Opening System (HOSS) process (for a description of modified HOSS process, see [RG08-042](#) Description of Procedures for the Modified HOSS Opening on Volatility Index Options and Futures Contract Settlement Days). See also CBOE Regulatory Circular [RG08-043](#) (Cut-Off Time for Submission of Strategy Orders for Participation in SPX Modified HOSS Opening Procedure). On all other trading days, SPX options will continue to use the *regular* HOSS process.

For all other volatility index settlements (new): On all other volatility index final settlement days, option classes that are used to determine the exercise settlement value will use the *regular* HOSS process. See generally CFE Information Circular [IC12-04](#) (Volatility Index Futures and Security Futures Settlement). On all other trading days, the option classes will continue to use the Hybrid Agency Liaison Opening (HAL-O) process (for a description of the HAL-O process, see Regulatory Circular [RG08-101](#)).

Pre-Open Reasonability Checks

Currently limit orders entered pre-open that are overly marketable when compared to the previous days closing price are routed to the firm's designated booth order management terminal (see [RG12-047](#)). Market Maker (M) origin and Away Market Maker (N) origin orders are excluded from these pre-open reasonability checks. On the final settlement days for volatility index products, orders routed prior to the opening in option classes that are used to determine the final monthly settlement value price will not be subject to the pre-open reasonability check. The reasonability check will be reactivated shortly after the opening.

¹ See CBOE Rule 24.9(a)(5). The exercise settlement value final for volatility index products is determined on the Wednesday that is thirty days prior to the third Friday of the calendar month immediately following the month in which the applicable volatility index product expires. If the third Friday of the month subsequent to expiration of the applicable volatility index product is a CBOE holiday, the exercise settlement value shall be calculated on the business day that is thirty days prior to the CBOE business day immediately preceding that Friday.

Opening Exchange Prescribed Width (OEPW)

Under the opening process, options series will not open if the opening price is not within an acceptable price range. The calculation for the acceptable price range will be the midpoint of the highest quote bid and lowest quote offer plus/minus half of the OEPW. Please note that the OEPWs in SPX will remain the same on all trading days regardless of VIX settlement.

The OEPW settings will be set as follows:

Bid Price	SPX	Non-SPX Volatility Index Products	
	All Days	Final Settlement Day	Non-Final Settlement Days
0.00 – 1.99	.75	.30	.50
2.00 – 5.00	1.20	.50	.80
5.01 – 10.00	1.50	.60	1.00
10.01 – 20.00	2.00	.80	1.60
20.01 – 30.00	3.00	1.00	2.00
30.01 – 50.00	4.00	1.25	3.00
50.01 – 100.00	6.00	1.50	4.00
100.01 – 200.00	10.00	2.00	6.00
> =200.01	16.00	3.00	8.00

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Questions regarding this circular may be directed to:

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