



Regulatory Circular RG12-098

DATE: July 17, 2012
TO: Trading Permit Holders
FROM: Business Development Division
RE: Operational Systems Settings on Volatility Index Product Settlement Days

This circular partially updates Regulatory Circular RG12-095 and updates and replaces Regulatory Circular RG12-094 which contains information on operational system settings on volatility index product settlement days. The only change from RG12-094 is to indicate the applicable settings for the NDX options class series on VN futures settlement days, which will be effective July 18, 2012. On the days when NDX option series prices are used to determine the monthly settlement value price for VN futures, CBOE will modify the Opening Process, Pre-Open Reasonability Checks, and Opening Exchange Prescribed Widths (OEPWs) in effect for all NDX options series as noted below. All other opening settings for volatility index product settlement days remain unchanged and are provided below for convenience.

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) final settlement days: On VIX Index final settlement days, the SPX options class series trading on the Hybrid 3.0 platform 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 final settlement days: 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).

¹ See CBOE Rule 24.9(a)(5). The exercise settlement final value 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.

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 Regulatory Circular 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.

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.

The OEPW parameters on volatility index product final settlement days for NDX options class series identified below will be effective July 18, 2012. On all other days, the OEPWs for NDX options class series will remain at the wider default settings prescribed in Regulatory Circular RG12-095 (and restated in the table below). All other OEPW parameters will remain the same.

Effective July 18, 2012, the OEPW parameters will be as follows:

	SPX and NDX		All Other Volatility Index Products	
Bid Price	Final Settlement Day	Non-Final Settlement Days	Final Settlement Day	Non-Final Settlement Days
0.00 – 1.99	0.60	1.00	0.30	0.50
2.00 – 5.00	1.00	1.60	0.50	0.80
5.01 – 10.00	1.20	2.00	0.60	1.00
10.01 – 20.00	1.60	4.00	0.80	1.60
20.01 – 30.00	2.40	6.00	1.00	2.00
30.01 – 50.00	3.40	6.00	1.25	3.00
50.01 – 100.00	6.00	10.00	1.50	4.00
100.01 – 200.00	10.00	16.00	2.00	6.00
> =200.01	16.00	24.00	3.00	8.00

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Questions regarding this circular may be directed to:

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