

CFE Regulatory Circular RG13-032

Date: October 21, 2013

To: Trading Privilege Holders

From: CFE Business Development Division

Regulatory Services Division

RE: Expansion of Extended Trading Hours for CBOE Volatility Index Futures Contract and Risks Relating to Extended Trading Hours

Expansion of Extended Trading Hours for VIX Futures¹

VIX futures are currently available for trading from 7:00 a.m. to 3:15 p.m., Monday through Friday.² The time period from 7:00 a.m. until 8:30 a.m. is considered extended trading hours. Beginning on Monday, October 28, 2013, CBOE Futures Exchange, LLC (CFE) will introduce an additional 45-minute extended trading hours period. Specifically, there will be a new trading period from 3:30 p.m. – 4:15 p.m. Monday through Thursday. The 3:30 p.m. – 4:15 p.m. trading period will be the start of the next business day for CFE transactions. Trading will be halted until trading commences again on Tuesday, October 29, 2013 at 7:00 a.m. Please note that there will only be a 3:30 p.m. to 4:15 p.m. extended trading hours period for Business Days Tuesday through Friday and that Monday trading will not start at 3:30 p.m. on Sundays. CFE will also not re-open for trading at 3:30 p.m. on Fridays.

CFE plans to further expand extended trading hours in VIX futures starting on Monday, November 4, 2013. Specifically, CFE plans to change the start time for the second extended trading hours period from 7:00 a.m. to 2:00 a.m. for Business Days Monday through Friday. For additional information, please refer to CFE Regulatory Circular [RG13-031](#).

No Market Orders in VIX Futures During Extended Trading Hours

Market Orders in VIX futures are not accepted by CFE during extended trading hours for the VIX futures contract or during any other time period outside of regular trading hours for the VIX futures contract. Any Market Orders in VIX futures received by CFE outside of regular trading hours for the VIX futures contract will be automatically rejected.

No Bust Range for VIX Futures

At all times during which VIX futures are traded, the CFE error trade policy may only be invoked for a trade price that is greater than 10% on either side of the market price of the applicable VIX futures contract.

In accordance with CFE Policy and Procedure III, the Help Desk will determine what the true market price for the relevant Contract was immediately before the potential error trade occurred. In making that determination, the Help Desk may consider all relevant factors, including the last trade price for that contract, a better bid or offer price, a more recent price in a different contract month and the prices of related contracts trading on the Exchange or other markets.

¹ The changes described in this circular remain subject to regulatory review.

² All times referenced in this circular are Chicago time.

Risk Controls and Halts During Extended Trading Hours

CFE has various risk control mechanisms in place during both regular and extended trading hours for VIX futures. These risk control mechanisms include, among others: a clearing member risk control management tool with a kill button and parameterized risk controls, a clearing firm version of market replay, a cancel on disconnect setting, maximum order size limits, price reasonability checks, message rate limits, market order protection during regular trading hours and non-acceptance of market orders during extended trading hours, and clearly defined error trade rules. CFE Rules, including CFE Rule 513A, provide further detail regarding these risk controls.

CFE has also adopted two additional trading halt provisions that are applicable during extended trading hours: (1) halts due to a 5 or 8 index point movement in the VIX futures front contract month; and (2) halts if a price limit is triggered in the E-mini^{®3} S&P 500 Index futures contract traded on Chicago Mercantile Exchange. CFE Rule 1202(i) sets forth the detail regarding these trading halt provisions.

Risks Relating to Extended Trading Hours

While the expansion of extended trading hours in VIX futures offers benefits to market participants, such as being able to seek to execute transactions in VIX futures at additional times during the day, there are also risks to market participants of seeking to execute transactions in VIX futures during extended trading hours.

These risks include, among other things, that there may not be quotes in VIX futures from liquidity providers during extended trading hours; that there may be wider spreads, lower liquidity, and higher volatility during extended trading hours; and that trade prices during extended trading hours may be inferior to those received during regular trading hours. As a result, market participants should consider these factors before trading during extended trading hours.

Additional Information

Any questions regarding this circular may be directed to the Regulatory Services Division's Interpretation and Guidance Team by phone at (312) 786-8141 or by email to RegInterps@cboe.com.

(Replaces CFE Information Circular IC10-26)

³ E-Mini[®] is a registered trademark of Chicago Mercantile Exchange, Inc. The Exchange and VIX futures are not affiliated with, and have not been authorized, sponsored, or otherwise approved by, Chicago Mercantile Exchange, Inc.