

## Regulatory Circular RG14-018

**Date:** May 27, 2014

**To:** Trading Privilege Holders  
**From:** CFE Business Development  
Regulatory Services Division  
**RE:** Expansion of Extended Trading Hours for VIX Futures and  
Risks Relating to Extended Trading Hours

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### Expansion of Extended Trading Hours for VIX Futures<sup>1</sup>

Beginning on Sunday, June 22, 2014 at 5:00 p.m. for the business day of Monday, June 23, 2014, CBOE Futures Exchange, LLC (CFE) is expanding trading hours in CBOE Volatility Index (VIX) futures to be nearly 24 hours a day, five days a week.<sup>2</sup> Specifically, the trading week for VIX futures will begin on Sunday at 5:00 p.m. and end on Friday at 3:15 p.m. CFE will be closed for trading on Monday through Thursday for 15 minutes between 3:15 p.m. and 3:30 p.m. and trading for the new business day will begin at 3:30 p.m. on Monday through Thursday. CFE will close at 3:15 p.m. on Friday and will remain closed until 5:00 p.m. on Sunday, when the new trading week will begin. Regular trading hours in VIX futures will continue to be from 8:30 a.m. to 3:15 p.m. Monday through Friday and trading in VIX futures during all other times will be extended trading hours. For additional information, please refer to CFE Regulatory Circular [RG14-017](#).

### 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. Any request to invoke the CFE error trade policy must be made as soon as possible and in no case later than eight minutes after the relevant trade occurred. Otherwise the trade will stand.

For potential error trades brought to the attention of the Help Desk within the allowable time period, the Help Desk will determine in accordance with CFE Policy and Procedure III 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.

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<sup>1</sup> The changes described in this circular remain subject to regulatory review.

<sup>2</sup> All times references 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 also previously adopted the following two additional trading halt provisions that are applicable during VIX futures 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<sup>3</sup> 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 quotations 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

For questions regarding VIX futures trading hours, contact Jennifer Fortino at [fortino@cboe.com](mailto:fortino@cboe.com) or (312) 786-8151 or contact Dave Schulz at [schulz@cboe.com](mailto:schulz@cboe.com) or (312) 786-7858. For regulatory questions, contact the Regulatory Interpretations and Guidance team at [RegInterps@cboe.com](mailto:RegInterps@cboe.com) or (312) 786-8141.

(Replaces CFE Regulatory Circular RG13-032)

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<sup>3</sup> E-Mini<sup>®</sup> 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.