

CFE Regulatory Circular RG17-012

Date: August 11, 2017

To: CFE Market Participants

From: CFE Regulation

RE: Change in Procedure for Margin Rate Updates Due to Expiration

Replaces CFE Regulatory Circular RG16-019

The manner in which margin rate updates are reflected on the CBOE Futures Exchange, LLC (CFE) margin table is changing effective with the upcoming CFE monthly expiration on August 16, 2017.

For all tiered products,¹ the shift up of CFE contracts into the next tier on the margin table will occur on the day of expiration instead of the day after expiration. On the settlement date, the expiring contract will move to an Expired Tier with a zero margin requirement to support reporting of final settlement prices. Specifically, effective on the day of expiration, the expiring front-month contract (Tier 1 margin rate) will be moved from Tier 1 to an Expired Tier and the second-month contract (Tier 2 margin rate) will assume the Tier 1 margin rate. Similarly, for all other contracts that will experience a shift in margin rate tiers due to the front-month contract expiring, the shift will also be effective on the day of expiration.

This change is being made by The Options Clearing Corporation (OCC) and differs from the current practice where margin rates shift up on the business day after expiration. See [OCC Information Memo #41599](#) for more information.

Example of Updated Margin Rate Shift²

Aug 15, 2017 (Day Before Expiration)			Aug 16, 2017 (Day of Expiration)			Aug 17, 2017 (Day After Expiration)		
Tier	Month	Rate	Tier	Month	Rate	Tier	Month	Rate
Expired		\$0	Expired	VXQ17	\$0	Expired		\$0
1	VXQ17	\$5,650	1	VXU17	\$5,650	1	VXU17	\$5,650
2	VXU17	\$3,650	2	VXV17	\$3,650	2	VXV17	\$3,650
3	VXV17	\$3,650	3	VXX17	\$3,650	3	VXX17	\$3,650
4	VXX17	\$2,600	4	VXZ17	\$2,600	4	VXZ17	\$2,600
5	VXZ17	\$2,600	5	VXF17	\$2,600	5	VXF17	\$2,600
6	VXF17	\$2,600	6	VXG17	\$2,600	6	VXG17	\$2,600
7	VXG17	\$2,300	7	VXH17	\$2,300	7	VXH17	\$2,300
8	VXH17	\$2,300	8			8		

¹ "Tiered products" refer to CFE products that have differing margin rates depending on the contract's expiration. Currently, the tiered products listed on CFE include: CBOE Volatility Index futures with standard monthly expirations having a VX ticker symbol (and not weekly expirations having a VX ticker symbol followed by a number), CBOE Russell 2000 Volatility Index (VU) futures, and S&P 500 Variance (VA) futures. The CBOE/CBOT 10-Year U.S. Treasury Note Volatility Index (VXTY) future is not a tiered product.

² The speculative customer initial rate is 1.1 times the rate shown.

Additional Information:

Questions regarding this circular may be directed to CFE Regulatory Interpretations at (312) 786-7229 or AskCFEReg@cboe.com.