

Regulatory Circular RG14-056

Date: April 8, 2014

To: Trading Permit Holders and Clearing Trading Permit Holders

From: Division of Regulatory Services

RE: Portfolio Margin Requirements for Options on the CBOE Short-Term Volatility Index (VXST)

Chicago Board Options Exchange, Incorporated (CBOE or Exchange) plans to list options on the CBOE Short-Term Volatility Index (VXST) for trading beginning on April 10, 2014. Under CBOE Rule 12.4 (Portfolio Margin), VXST options are eligible for a portfolio margin account. Pursuant to the authority provided under CBOE Rule 12.10¹ and prior to the launch of trading in VXST options, the Exchange, after further review and analysis, is providing that the magnitude of the valuation point range under CBOE Rule 12.4 (Portfolio Margin) for VXST options held in a portfolio margin account shall be +/- 40%. The price of the VXST futures contract with a corresponding expiration will be used to calculate theoretical gains and losses for VXST options.

Additional information concerning the treatment of VXST options under portfolio margin is forthcoming in a separate Regulatory Circular.

Additional Information:

Questions regarding this Regulatory Circular should be directed to CBOE's Regulatory Interpretations and Guidance team at (312) 786 - 8141 or reginterps@cboe.com.

¹ CBOE Rule 12.10 (Margin Required is Minimum) provides that "[t]he Exchange may at any time impose higher margin requirements in respect of such positions when it deems such higher margin requirements to be advisable."