

Regulatory Circular RG14-101

Date: June 26, 2014

To: Trading Permit Holders and Clearing Trading Permit Holders
From: Division of Regulatory Services
RE: 30-Day Implementation Period for Margin Increases for Volatility Index Options

On June 25, 2014, the Securities and Exchange Commission (SEC) approved Chicago Board Options Exchange, Incorporated's (CBOE or Exchange) rule filing to amend certain margin rules for volatility index options. The SEC approval order provides for a 30-day implementation period, which commences upon the approval of the proposed rule change. Thus, Trading Permit Holders and Clearing Trading Permit Holders must comply with the amended margin requirements no later than July 25, 2014. Below are brief descriptions of the primary changes.

- Increase customer short margin for 30-day volatility index options from 15% to 20%; minimum margin remains at 10%;
- Increase customer short margin for CBOE Short-Term Volatility (VXST) options from 15% to 40%; increase minimum margin from 10% to 20%²;
- Calculate customer short margin using the relevant spot (cash) volatility index value;
- Increase the magnitude of the portfolio margin valuation point range move for 30-day volatility index options from 15% to 20%;
- Increase the magnitude of the portfolio margin valuation point range move for 9-day volatility index options (i.e., VXST) from 15% to 40%³; and
- Provide that the price of a futures contract referencing same volatility index may be used in lieu of the spot (cash) volatility index value to calculate theoretical gains and losses.

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.

(Updates CBOE Regulatory Circular RG14-072)

¹ A copy of CBOE's rule filing may be accessed at: <http://www.cboe.com/publish/RuleFilingsSEC/SR-CBOE-2014-039.pdf> and a copy of the SEC approval order may be accessed at: <http://www.sec.gov/rules/sro/cboe/2014/34-72468.pdf>.

² Prior to the April 10, 2104, launch of trading in VXST options, the Exchange exercised its authority under CBOE Rules 12.3(h) and 12.10 to impose higher initial and maintenance margin requirements for short, uncovered VXST options. See CBOE Regulatory Circular [RG14-040](#) (Margin Requirements for VXST Options).

³ Prior to the April 10, 2104, launch of trading in VXST options, the Exchange exercised its authority under CBOE Rule 12.10 to provide that the magnitude of the valuation point range under CBOE Rule 12.4 for VXST options held in a portfolio margin is +/-40% and that the price of the VXST futures contract with a corresponding expiration will be used to calculate theoretical gains and losses for VXST options. See CBOE Regulatory Circular [RG14-056](#) (Margin Requirements for VXST Options).