Regulatory Circular RG15-013

Date: **January 29, 2015**

To: Trading Permit Holders
From: Business Development Division
RE: Operational Settings for Extended Trading Hours Session

This Regulatory Circular updates Regulatory Circulars RG14-018, RG14-036, RG14-043 and RG14-092

Pursuant to CBOE Rules 6.1 and 6.1A and pending SEC approval of proposed rules of The Options Clearing Corporation (OCC) related to Extended Trading Hours (ETH), which is expected later this quarter, **the Exchange intends to commence ETH for VIX options on March 2, 2015 and for SPX/SPXW options on March 9, 2015.** Operational information for the ETH session is provided below. For more information, and links to circulars and press releases regarding ETH, please visit the ETH webpage at www.cboe.com/ETH.

Market-Makers

- LMMs in VIX:
    - Consolidated Trading, LLC
    - IMC Financial Markets
    - Sumo Capital, LLC
- LMMs in SPX/SPXW:
    - Belvedere Trading, LLC
    - Consolidated Trading, LLC
    - IMC Financial Markets
- Market-Maker Continuous Electronic Quoting Obligation: A Market-Maker (including an LMM) will be required to maintain continuous electronic quotes in 60% of the series in its appointed class(es) that expire in less than nine months for 90% of the time when the Market-Maker is quoting during the ETH session.
- Bid/Ask Differential Requirements: There will be no quote bid/ask differential requirements.
- Minimum Quote Size Requirements: The minimum quote size requirement will be one.
- Market-Maker Tier Appointment Cost: .5 for VIX and .5 for SPX/SPXW.
- Quote Risk Monitor (QRM): QRM will be available; however, Market-Makers must establish ETH settings separate from their Regular Trading Hours (RTH) settings.

Trading Platform and Functionality

- The ETH session will be all-electronic. Open outcry trading will not be supported during ETH.
- ETH Hours: 2:00 A.M. (CT) until 8:15 A.M. CT, Monday through Friday and will follow the same holiday schedule as RTH (i.e., there will be no ETH session on any business day on which there is no scheduled RTH session).
- Expiring VIX and A.M.-settled SPX options will cease trading at the close of the RTH session on the business day immediately prior to their expiration date and will not trade in the ETH session on their expiration date.
- Orders and quotes entered in the ETH session are only valid in that session and will not carry over into or be represented in the RTH session, and vice versa.

Orders

- Minimum Price Increments for Simple Orders: $0.05 under $3.00, and $0.10 above $3.00.
- Minimum Price Increments for Complex Orders: $0.01 for VIX and $0.05 for SPX/SPXW.
- Order Types: All CBOE order types available for electronic processing with the exception of GTC, MKT, STP, MOC, NH and MIN will be available.
- Complex orders that include both SPX and SPXW legs are not supported and will be rejected to the sender.
- The following will be automatically returned to the sender: Orders that are not supported, orders that exceed drill-through execution protection limits, limit orders that fail price reasonability protections and any other order or portion thereof that cannot be processed electronically.

Opening

- The ETH session will enter a pre-open state at approximately 1:15 A.M. CT and will begin rotation at approximately 2:00 A.M. CT.
- Hybrid Agency Liaison on the Opening (HAL-O) will be active with a 20 millisecond timer (see Rule 6.2B.03).
- Expected Opening Price/Size (EOP/S) and imbalance messages will be sent, where applicable, beginning at 1:30 A.M. CT.

Matching Algorithms and Auctions

- VIX: Pro-rata with no customer priority or participation entitlements (see Rule 6.45B(a)(i)).
- SPX/SPXW: Price-time, with no customer priority or participation entitlements (see Rule 6.45B(a)(i)).
- Hybrid Agency Liaison (HAL): HAL will be active only for purposes of the drill-through protection feature described in Rule 6.13(b)(v).
- Complex Order Auction (COA): COA will be active with a 100 millisecond timer (see Rule 6.53C(d)). Complex orders from customers (origin code C) and professional customers (origin code W) are eligible for COA. COA responses will be permitted from all Trading Permit Holders (TPHs) (unlike RTH, during which only appointed Market-Makers and TPHs acting on behalf of orders resting at the top of the Complex Order Book (COB) at the start of the auction may respond to the COA). Rule 6.53C(d)(v) describes the allocation of COA orders and responses, which with respect to auction responses generally provides for customer priority and capped size pro-rata among professionals.
- COB: Complex orders from all participants are eligible to rest in the COB (unlike RTH, during which Market-Maker orders are not permitted to rest in the COB after the opening rotation) (see Rule 6.53C(c)).
- Automated Improvement Mechanism (AIM): AIM will be active with a 1000 millisecond timer (see Rule 6.74A). Both simple and complex orders will be supported. Participation entitlement for the contra/match order will be 50% if matched by one participant or 40% if matched by two or more participants. Auction responses are permitted from appointed Market-Makers and TPHs acting on behalf of orders at the top of the book (or COB) at the start of the auction. Rule 6.74A(b)(3) describes the allocation of AIM orders and responses, which will be customer priority and pro-rata among professionals for VIX, and customer priority and price-time among professionals for SPX/SPXW. The minimum price increment for AIM will be $.01 for VIX (simple and complex orders), $.05 under $3 and $.10 above $3 for SPX/SPXW simple orders, and $.05 for SPX/SPXW complex orders. There will be no minimum number of quoters required to start the auction (unlike RTH, during which at least three quoters are required).
- Solicitation Auction Mechanism (SAM): SAM, or "AON AIM", will not be active.

Other Settings

- Opening timers, Exchange Prescribed Width (EPW), Opening EPW (OEPW), limit price reasonability and drill-through protection settings in the ETH session will be the same as those in the RTH session (see RG11-072, RG14-156, RG13-145 and RG12-019, respectively, for current settings for SPX, SPWX and VIX).
- Quote Lock timer will be set to one second (1000 milliseconds).
- Other system settings: Please note settings not mentioned in this circular will match those in the RTH session.

Additional Information

For additional information regarding operational matters, please contact the CBOE Help Desk at helpdesk@cboe.com or 866-728-2263.

CBOE currently offers mock trading in its production environment each trading day from 2:00 A.M. CT until 12:00 P.M. CT in test symbols IBO2 (simulates VIX), HBL7 (simulates SPX) and HBLF5 (simulates SPXW). Market data for such symbols will not be sent to OPRA but is viewable via CBOE's proprietary CSM market data feed. The Exchange will also offer Saturday testing on February 14 and 28, 2015. Testing may be scheduled by contacting the CBOE API Group at api@cboe.com or 312-786-7300.