

Regulatory Circular RG14-072

Date: May 13, 2014

To: Trading Permit Holders and Clearing Trading Permit Holders

From: Division of Regulatory Services

RE: Proposed Rule Change to Amend Certain Margin Rules for Volatility Index Options

Chicago Board Options Exchange, Incorporated (CBOE or Exchange) recently submitted a rule filing to the Securities and Exchange Commission (SEC) proposing to amend certain margin rules for volatility index options¹ and the SEC published notice of this filing on May 7, 2014, which was published in the Federal Register on May 13, 2014.² Comments to the filing are due on or before June 3, 2014. Below are brief descriptions of the primary changes being proposed in the filing.

- 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 Index (VXST) options from 15% to 40%; increase minimum margin from 10% to 20%³;
- Calculate customer short margin using the 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%⁴; and
- Provide that the price of a futures contract referencing the 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.

¹ A copy of SR-CBOE-2014-039 may be accessed at: <http://www.cboe.com/publish/RuleFilingsSEC/SR-CBOE-2014-039.pdf>.

² Securities Exchange Act Release No. 72115 (May 7, 2014), 79 FR 27358 (May 13, 2014).

³ Prior to the April 10, 2014 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).

⁴ Prior to the April 10, 2014 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).