Reminder - Mini VIX Futures Product Launch

Reference ID: C2020080600

Overview

Applicable Cboe Exchange: CFE

Cboe Futures Exchange, LLC ("CFE") is pleased to announce plans to launch trading in Mini Cboe Volatility Index ("VXM") futures on **Sunday August 9, 2020** for business date Monday, August 10, 2020.

VXM futures are cash-settled futures on the Cboe Volatility Index ("VIX Index") having one-tenth of the contract size of Cboe Volatility Index (VX) futures and a $100 contract multiplier.

Product Specifications

With the exception of contract size, VXM futures product specifications are similar to the product specifications for VX futures.

VXM futures will have the same trading hours as VX futures. Regular trading hours for VXM futures will be Monday – Friday from 8:30 a.m. CT – 3:15 p.m. CT. Extended trading hours for VXM futures will be on business days Monday – Friday, from 5:00 p.m. CT (previous day) to 8:30 a.m. CT and 3:30 p.m. CT to 4:00 p.m. CT. Trading hours for an expiring VXM futures contract will end at 8:00 a.m. CT on its final settlement date.

Trade at Settlement ("TAS") transactions will be permitted in VXM futures under the ticker symbol VXMT. CFE's trading system treats each TAS single leg expiration and each TAS spread as a unique contract from a system perspective. Accordingly, this notice refers to these VXM TAS instruments as VXMT futures. Trading hours for an expiring VXMT futures contract will end at 3:15 p.m. CT on the day prior to its final settlement date. TAS transactions in an expiring VXM futures contract are not permitted during the business day of its final settlement date.

The minimum increment for single leg VXM futures transactions executed through CFE's trading system will be 0.05 index points. The minimum increment for the individual legs and net prices of spread trades in VXM futures will be 0.01 index points. The minimum increment for a TAS single leg transaction and a TAS spread transaction in VXM futures that is not a Block Trade or an Exchange of Contract for Related Position ("ECRP") transaction will be 0.01 index points. The minimum increment for a TAS and non-TAS Block Trade will be 0.005 index points. The minimum increment for a TAS and non-TAS ECRP transaction will be 0.005 index points.

The minimum quantity for a single leg VXM futures Block Trade will be 2,000 contracts. The minimum quantity for a Block Trade with legs in multiple contract expirations in which all legs of the Block Trade are exclusively for the purchase or sale of VXM futures contracts (a "strip") will be 3,000 contracts, and each leg of the strip will be required to have a minimum size of 1,000 contracts. If a Block Trade is executed as a spread transaction that is not a strip, one leg of the spread will be required to have a minimum size of 2,000 contracts and the other leg(s) of the spread will each be required to have a minimum size of 1,000 contracts.

The daily settlement price for a VXM futures contract will be the daily settlement price for the VX futures contract with the same final settlement date. The final settlement value of a VXM future will be the same Special Opening Quotation ("SOQ") of the VIX Index that is calculated for the VX future with the same final settlement date.

The final settlement date for monthly VXM futures will be on the Wednesday that is 30 days prior to the third Friday of the calendar month immediately following the month in which the contract expires.

Please consult the CFE website for more detailed VXM futures product specifications as well as current Product Level System Parameters.

Product Testing Opportunities

VXM futures are available for testing in the CFE certification environment. We strongly encourage all VXM futures trading participants to test in the CFE certification environment prior to trading VXM futures in the CFE production environment.

New Contract Details

Below are the VXM/VXMT futures expirations that CFE will list on August 10 for the VXM futures product launch.

Product	Month/Year or Futures Symbol	Listing Date	Last Trading Day	Final Settlement Date
Mini Cboe Volatility Index Futures (VXM)	VXM/SEP 20	AUG 10 20	SEP 16 20 8:00 am CT	SEP 16 20
	VXM/OCT 20	AUG 10 20	OCT 21 20 8:00 am CT	OCT 21 20
	VXM/NOV 20	AUG 10 20	NOV 18 20 8:00 am CT	NOV 18 20
	VXM/DEC 20	AUG 10 20	DEC 16 20 8:00 am CT	DEC 16 20
Mini Cboe Volatility Index Futures TAS Transactions (VXMT)	VXMT/SEP 20	AUG 10 20	SEP 15 20	SEP 16 20
	VXMT/OCT 20	AUG 10 20	OCT 20 20	OCT 21 20
	VXMT/NOV 20	AUG 10 20	NOV 17 20	NOV 18 20
	VXMT/DEC 20	AUG 10 20	DEC 15 20	DEC 16 20

Pre-Open Commencement Times for VXM and VXMT

The pre-open time for VXM futures will commence randomly during the first three seconds following the start time of the queuing period. The pre-open time for VXMT TAS contracts will commence randomly between three to six seconds following the start time of the queuing period. The pre-open will occur at different times for VX, VXM, VXT, and VXMT. The receipt of the pre-open message for VXT is not an indication that VXMT is also open, and vice versa.

Sunday
 ➢ 16:00:00 to 16:00:03 CT = Randomized Time Period for VXM Pre-Open Time
 ➢ 16:00:03 to 16:00:06 CT = Randomized Time Period for VXMT Pre-Open Time

Monday-Thursday
 ➢ 16:45:00 to 16:45:03 CT = Randomized Time Period for VXM Pre-Open Time
 ➢ 16:45:03 to 16:45:06 CT = Randomized Time Period for VXMT Pre-Open Time

Fee Schedule Update

The following CFE transaction fees will apply for VXM futures.

CFE TPH Permit Holder	$0.07
Customer	$0.20
Block Trade	$0.95
(Fee is in addition to other applicable transaction fees)	
CFE Regulatory Fee	$0.005

Fee Codes

Fee Code	Product	Description
NC	VXM, VXMT	Mini Cboe VIX Futures - Customer
NP	VXM, VXMT	Mini Cboe VIX Futures - TPH

Margin Requirements for VXM Futures

Margin requirements for VXM futures will be 1/10th of the margin required for VX futures of a like contract month. The current outright margin requirements for VXM futures contracts are:

Contract Month	Speculative Customer Initial	Customer Maintenance
SEP 2020	$1,067	$970
OCT 2020	$880	$800
NOV 2020	$622	$565
DEC 2020	$556	$505

The customer maintenance margin requirement is both the initial and maintenance margin requirement for hedgers and Trading Privilege Holders ("TPHs"). The margin requirement for spreads involving VXM futures will be 1/10th of the margin requirement for VX futures spreads composed of like contract

months. VX futures spread margin requirements can be found in the [CFE Margin Table](#) located on the CFE website. Spreads involving VXM futures and VX futures will be recognized, including partial spreads. The spread margin requirement will be pro-rated when less than 10 VXM futures are paired against a VX futures contract.

These requirements are minimums. Brokerage firms may impose higher margin requirements and/or impose other conditions.

The Options Clearing Corporation ("OCC") has updated CFE's SPAN® file to accommodate SPAN margining of VXM futures. As with other CFE futures contracts, the margin rates for VXM futures are subject to change by OCC at any time.

"SPAN" is a registered trademark of CME Group Inc. ("CME"), used herein under license. CME assumes no liability in connection with the use of SPAN by any person or entity.

Lead Market Maker Program (UPDATED)

CFE will implement a VXM Futures Lead Market Maker ("LMM") Program on the launch date of trading in VXM futures.

Appointed LMMs should contact the CFE Trade Desk to get set up to receive daily LMM performance reports.

CFE Clearing and TPH Risk Control Parameters (UPDATED)

For the purpose of the Net Long Contracts and Net Short Contracts risk protections, VX and VXM orders and executions will be combined and VXT and VXMT orders and executions will be separately combined. When calculating this risk protection, VXM contracts are considered as fractional VX contracts such that one VXM contract equals 0.1 VX contract. Similarly, one VXMT contract equals 0.1 VXT contract for this purpose. The thresholds set by the Clearing Firms and TPHs will continue to be integers and can be set for all VX-related products (including VX and VXM combined and VXT and VXMT combined).

The Net Long/Net Short Contracts clearing firm risk protection for VX/VXM will be combined under the product description "VX" and the Net Long/Net Short Contracts clearing firm risk protection for VXT/VXMT will be combined under the product description "VXT". **Clearing Firms may wish to evaluate if the current settings for Net Long/Net Short contracts in VX and VXT are appropriate for supporting the combined VX/VXM and VXT/VXMT products.**

TPH organizations interested in trading VXM and VXMT futures must contact their clearing firm to assure that the clearing firm risk control *Maximum Order Size* is set prior to participating in VXM. The *Limit Order Protection* clearing firm risk control must also be set for VXM, but not for VXMT. Optional TPH Risk Controls are also available through the CFE Customer Web Portal.

Clearing Firms must set VXM futures risk control parameters before TPHs for which they clear are able to trade VXM futures.

Additional Information

For more information, refer to the following documents and specifications. A number of these items will be updated upon the launch of VXM futures.

- ➢ CFE Fee Schedule
- ➢ Product Level System Parameters
- ➢ CFE Trading Hours
- ➢ CFE VXM Rule Filing
- ➢ Cboe Futures Exchange Risk Management Specification

Please contact the CFE Trade Desk for support or with any further questions.

We appreciate your business. Our trading community inspires and drives our mission of defining markets.

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