CBOE EXECUTE SUCCESS℠

Regulatory Circular RG14-053

Date: **April 7, 2014**

To: Trading Permit Holders

From: Business Development Division

RE: Options on the CBOE Short-Term Volatility Index (VXST)

Effective April 10, 2014, CBOE will begin trading options on the CBOE Short-Term Volatility Index (VXST). VXST provides a market-based gauge of expected 9-day volatility. Contract specifications for VXST options may be viewed at http://www.cboe.com/products/indexopts/vxstoptions_spec.aspx

Operational and Certain Product Details

- Trading Hours: 8:30 a.m. CT until 3:15 p.m. CT (except on trading days on which U.S. securities markets close at noon CT, in which case VXST options will close at 12:15 p.m. CT).
- Trading Location: Post 7, Station 10.
- LMM: Group One Trading LLC.
- Market-Maker Class Appointment Cost: .001 of a Market-Maker Trading Permit.
- Minimum Price Increments: $0.05 under $3.00, and $0.10 above $3.00.
- Minimum Price Increment for Complex Orders: $0.01.
- VXST/VIX Complex Orders: Complex orders with both VXST and VIX legs on a single order will be supported in open outcry only.
- Participation Rights for Open Outcry Crosses: 40% for facilitations and solicitations.

Trading Platform and Available Electronic Functionality

- Hybrid trading platform.
- Complex Order Auction (COA): Complex orders from all participants other than CBOE and away Market-Makers are eligible. Market-Makers with a VXST appointment and Trading Permit Holders (TPHs) acting as agent for orders on the opposite side of the COA order resting at the top of the COB may respond to COA; Market-Makers without a VXST appointment and all other TPHs may not respond to COA.
- Complex Order Book (COB): Complex orders from all participants other than CBOE and away Market-Makers are eligible to rest in the COB. Complex orders from CBOE Market-Makers (origin code M) and away Market-Makers (origin code N) are only permitted to participate in the opening process, requiring an "OPG" (Opening Rotation) contingency, or trade intra-day against resting COB orders, requiring and "IOC" (Immediate-or-Cancel) contingency. Although M and N complex orders are not permitted to rest in the COB, these orders will not be systematically blocked from resting in the COB. Accordingly, TPHs must enter M and N complex orders with an "OPG" contingency (if entered pre-open) or "IOC" contingency (if entered intra-day) or route those orders directly to PAR to comply with the requirement to not rest such orders in COB.
- Automated Improvement Mechanism (AIM): Participation right for the contra/match order will be 50% if matched by one participant or 40% if matched by two or more participants. The minimum price increment will be $.01.
- Hybrid Auction Liaison on the Opening (HAL-O).

Matching Algorithms

- Electronic Single-leg Transactions: Public customer priority, with multiple public customers allocated in time sequence; LMM participation right; size pro-rata[1] among all other participants.
- Electronic Multi-Leg Transactions: Public customer priority, with multiple public customers allocated in time sequence; size pro-rata among all other participants.

Additional Information

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

[1] "Size pro-rata" allocation means orders will be allocated pursuant to Rule 6.45B(a)(ii)(B).