



Update - Cboe Futures Exchange to Launch Options on Cboe Volatility Index Futures

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OVERVIEW

Applicable Cboe Exchange: CFE

Cboe Futures Exchange, LLC (CFE) plans to launch trading in Options on Cboe Volatility Index Futures (VX Options) on trade date **October 14, 2024**.

TECHNICAL DETAILS

VX Options are options on Cboe Volatility Index (VX) futures. VX Options have European-style exercise, are physically settled, and have PM settlement. VX Options will trade on CFE and will clear through OCC.

The VX futures contract underlying a VX Options contract is the front month VX futures contract relative to the expiration date of the VX Options contract. VX Options contracts always expire at least one day prior to the expiration of their underlying VX futures contract. For example, the VX Option expiring on Tuesday, November 19, 2024, settles to the November VX future which expires on November 20, 2024, while the VX Option expiring on Wednesday, November 20, 2024, settles to the December VX future which expires on December 18, 2024.

Symbology

VX Options symbology uses 25 distinct symbols to identify each VX Options contract based on the expiration date weekday and occurrence of the expiration date weekday within a calendar month. VX Options symbols are four characters, beginning with "UX", followed by a numeric third digit from 1 to 5 representing the occurrence of a weekday in the calendar month, and a fourth character (A, B, C, D, and E) representing the weekday. Examples include UX1A = First Monday, UX3C = Third Wednesday, and UX5E = Fifth Friday. This symbology is followed by a slash, the contract month code, and the last integer of the expiration year of the underlying VX futures contract. See the [US Symbology Reference](#) for further details.

Trading Hours

VX Options will trade during regular trading hours (RTH) Monday through Friday, 8:30 a.m. CT – 3:00 p.m. CT. The VX Options queuing periods will mirror those of current CFE options on futures products. Accordingly, the VX Options pre-opening queuing period for the launch date will commence on Sunday, October 13, 2024 at 5:00 p.m. CT plus a randomized time period from 3 to 6 seconds.

Termination of Trading

Trading hours in an expiring VX Options contract will end at 3:00 p.m. CT on its expiration date.

Initial Contract Listing Cycle

- At launch (October 14, 2024), VX Options contracts will be listed expiring on October 21, 22, 23, 24, 25, and two additional Friday expirations of VX Options will be listed expiring on November 1 and 8. Note there will be no VX Options contracts expiring between October 14 and October 18.
- Beginning October 21, the expiration date of each VX Option will also be the first trading date for a new VX Options expiration of the same weekday:
 - Each Monday through Thursday will be the first trading date of new VX Options contracts that expire one week forward.
 - Each Friday will be the first trading date of new VX Options contracts that expire three weeks forward.
 - For example:
 - Monday, October 21, will be the first trading day for VX Options contracts expiring Monday, October 28.
 - Friday, October 25, will be the first trading day for VX Options contracts expiring Friday, November 15.
- This listing schedule will be adjusted as appropriate for CFE holidays.

Initial Contract Listings

CFE will list for trading the following VX Options contract expirations on trade date October 14, 2024:

Expiration Date	Option Symbol
Monday 10/21/2024	UX3A/X4
Tuesday 10/22/2024	UX4B/X4
Wednesday 10/23/2024	UX4C/X4
Thursday 10/24/2024	UX4D/X4
Friday 10/25/2024	UX4E/X4
Friday 11/01/2024	UX1E/X4
Friday 11/08/2024	UX2E/X4

Exercise Settlement Value **(UPDATED)**

The exercise settlement value of a VX Options contract is the daily settlement price of the underlying VX futures contract on the expiration date of the VX Options contract. Subject to the Rules and By-Laws of OCC, a VX Options contract that is in-the-money by \$0.01 or more upon its expiration is automatically exercised on its expiration date and contrary exercise instructions are not permitted. For example, an expiring VX Option call with a strike price of 15.00 would be automatically exercised if the exercise settlement value on its expiration date is 15.01.

Margin Requirements **(NEW)**

VX Options margin requirements are determined by OCC using SPAN margin methodology. These are minimum requirements. Futures Commission Merchants (FCMs) may have higher margin requirements.

The margin requirement for VX Options will be equal to the maximum potential loss over a range of assumed market movements and assumed volatility changes. The assumed market movements cover the price scan range (up and down) for the underlying VX futures contract. The price scan ranges for the underlying VX futures contracts may be found in the Margin Table here: [Cboe U.S. Futures Exchange Margin Updates Notices](#). Theoretical gains and losses on VX Options are generated by applying assumed price moves to the current value of the underlying VX futures contract and applying assumed up and down volatility moves at each of those assumed market moves.

A table describing the SPAN price scan and volatility move scenarios in general may be found at [SPAN Methodology](#).

VX Options will be added to OCC's internal cross-margin program and be combined by SPAN with VX futures and VIX (securities) options for risk offsets for eligible securities options market-makers.

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

Fees and Fee Codes

The following CFE transaction fees will apply for VX Options:

Transaction Fees for VX Options	Per Contract Side
CFE TPH Permit Holder	\$2.30
Customer	\$2.45
Block Trades*	\$0.50

*The Block Trade Fee is in addition to other applicable transaction fees.

The transaction fees for VX Options will have the following discounted rates through December 31, 2024 (at which point these discounted fee rates will expire and the fee rates above will apply):

Transaction Fees for VX Options through December 31, 2024	Per Contract Side
CFE TPH Permit Holder (40% Discount)	\$1.38
Customer (40% Discount)	\$1.47
Block Trades (Fee Waived)	\$0.00

The transaction fees for VX Options will be reflected in the [CFE Fee Schedule](#) at product launch.

The following Fee Codes will apply for VX Options:

Fee Code	Participant Type	Transaction Fee through December 31, 2024
UP	TPH	\$1.38
UC	Customer	\$1.47

Certification

Trading Privilege Holders (TPHs) that have not already done so are required to certify for Options on Futures in the CFE certification environment prior to being permitted to trade Options on Futures in the production environment. A self-service certification may be completed via the [Customer Web Portal](#) by using the Certification Tool and completing the "CFE Options on Futures" script. TPHs are advised to test all functionality they plan to use in production in the CFE certification environment. Please contact the Trade Desk with any questions.

CFE Clearing Member and TPH Risk Control Parameters

CFE TPHs interested in trading VX Options must contact their clearing firm to assure Clearing Firm Risk Controls are set prior to participating in VX Options trading. Optional TPH Risk Controls are also available through the Cboe Customer Web Portal.

TESTING OPPORTUNITIES

VX Options are available for testing in the CFE certification environment. The CFE certification environment will also be available for customer weekend testing on Saturday, October 12, 2024, and will follow the below schedule.

Weekend Test Schedule

Time (CT)	Event
6:00 a.m.	Connectivity available
6:30 a.m.	Start of queuing period.
8:30 a.m.	Start of RTH Trading Session.
12:00 a.m.	RTH Session close. Daily settlement prices for all products will be calculated and disseminated shortly after the close.

ADDITIONAL INFORMATION

For more information, please refer to the following resources:

- [VX Options Pre-Launch Resource Hub](#)
- [VX Options Contract Specifications](#)
- [VX Options FAQ](#)
- [CFE FIX Specification](#)
- [CFE BOE Specification](#)
- [OOF Multicast TOP Specification](#)
- [OOF Multicast PITCH Specification](#)
- [Risk Management Specification](#)
- [US Customer Web Portal Specification](#)
- [Secure Web API](#)
- [US Futures Opening Process](#)
- [Symbology Reference](#)
- [CFE Product and Rule Certification Filing for VX Options](#)
- [CFE Rule Certification Filing for VX Options Fees](#)

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

We appreciate your business. Our trading community inspires and drives our purpose of building trusted markets.

CFE Trade Desk

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