# Software problem shuts US options exchange

April 25 2013, by Bernard Condon

Trading on the biggest exchange for financial options resumed Thursday following an outage caused by software problems.

The Chicago Board Options Exchange reopened at 12:50 p.m. (1650 GMT) after being closed from the start of the trading day. The shutdown forced traders to scramble for alternatives.

The outage followed a brief scare in financial markets Tuesday afternoon when hackers sent a false Associated Press tweet reporting explosions at the White House. Stocks plunged for two minutes as computerized trading systems unloaded stocks. Regulators are increasingly looking into the safety of computerized trading systems.

Initially, there was speculation that CBOE computers had been hacked, but the exchange said hackers were not involved. It was an internal "software issue" that had delayed the opening, said CBOE spokesperson Gail Osten.

The CBOE is the largest U.S. options exchange. It is the only place to trade two popular options—one a bet on the future price of the Standard and Poor's 500 stock index, the other a kind of insurance against wild stock-price swings.

Options give the holder the right, but not the obligation, to buy and sell stocks or other financial assets in the future.

The exchange normally opens at 9:30 a.m. When it opened at 12:50

p.m., the only trading was in options on the S&P 500, according CBOE's Osten. Trading of other options resumed ten minutes later, she said.

Some on Wall Street shrugged off the outage.

"I don't think it is too big of a deal if it's a one day thing. If it keeps happening, of course, that's different," said Ryan Detrick, a senior technical strategist at Schaeffer's Investment Research.

The volatility index traded on the CBOE—known as the VIX—is a bet on the likelihood of stock prices swinging in the future. Last week, investors anxious over the Boston Marathon bombings and slowing economic growth in China sent the VIX up 40 percent to 17.6 at one point. But the option quickly fell back to 13, around where it's been trading since the start of 2013.

The VIX closed at 13.7 on Thursday.

Jay Tigay, a VIX trader at Stutland Equities, described VIX trading as a sort of neglected stepchild in the flow of business news. So he was glad the CBOE was getting relatively big play on business news channel CNBC during the shutdown—though "not the attention they want."

Stock of the CBOE Holdings, the parent company of the exchange, was not hurt by the shutdown, though. It closed up 16 cents, or about 0.5 percent, to $36.61.

Copyright 2013 The Associated Press. All rights reserved. This material may not be published, broadcast, rewritten or redistributed.

Citation: Software problem shuts US options exchange (2013, April 25) retrieved 25 April 2024 from https://phys.org/news/2013-04-software-problem-options-exchange.html

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.