

Regulatory Circular RG15-010

Date: March 11, 2015

To: CFE Trading Privilege Holders

From: Regulatory Services Division

RE: Exchange of Contract for Related Position (ECRP) Transactions

This circular is being reissued to highlight a change to CFE Rule 414 (Exchange of Contract for Related Position) in the reporting timeframe for ECRP transactions. This change is set forth in CFE Rule Certification Number [CFE-2015-004](#), which is now effective. Among other things, this rule filing extends the time each party to an ECRP transaction has to have an Authorized Reporter notify the CFE Help Desk of the terms of the ECRP transaction from no later than ten minutes to no later than thirty minutes after the transaction is agreed upon. The reporting deadlines in the grid on pp. 2-3 of this circular will also continue to be applicable, and ECRP transactions must be reported within these deadlines.

Required Elements of an ECRP

An ECRP transaction must contain the following three essential elements: (1) a transaction in a Contract that is listed on CFE and a transaction in a related position or an option on the related position (referred to as the "Related Position"); (2) an actual transfer of ownership; and (3) separate parties. In every ECRP transaction, one party must be the buyer of (or the holder of the long market exposure associated with) the Related Position and the seller of the corresponding Contract and the other party must be the seller of (or the holder of the short market exposure associated with) the Related Position and the buyer of the corresponding Contract.

In addition, a Related Position in an ECRP transaction need not be the same as the underlying of the CFE Contract being exchanged, but the Related Position must have a high degree of price correlation to the underlying of that Contract so that the Contract transaction would serve as an appropriate hedge for the Related Position. The quantity of the Related Position traded in an ECRP transaction must also correlate to the quantity represented by the Contract portion of the transaction. Trading Privilege Holders (TPHs) should refer to CFE Regulatory Circular RG13-026 for further information regarding these requirements.

Trade at Settlement (TAS) ECRP Transactions in CBOE Volatility Index (VIX) Futures

TAS transactions in VIX futures may be executed as ECRP transactions. TAS transactions in VIX futures are executed under the trading symbol VXT and are reported to clearing with the standard VIX futures trading symbol VX after the actual price of the transactions are known following establishment of the daily settlement price. TAS transactions, including TAS ECRP transactions, are not currently permitted in any product traded on CFE other than VIX futures.

Registration of Authorized Reporters

Each TPH executing an ECRP transaction must have at least one designated individual or firm that is pre-authorized by a Clearing Member to report ECRP transactions on behalf of the TPH (referred to as an Authorized Reporter). An Authorized Reporter must be a CFE TPH or a Related Party of a CFE TPH. Authorized Reporters must be registered with CFE before they may report ECRP transactions on behalf of a TPH. A Clearing Member that authorizes an Authorized Reporter to report ECRP

transactions on behalf of a TPH accepts responsibility for all such transactions reported to CFE by the Authorized Reporter on behalf of the TPH. In order to be registered as an Authorized Reporter, a completed [Block Trade/ECRP Authorized Reporter Registration and Guarantee Form](#) signed by an officer or Responsible Trader of a Clearing Member must be submitted to CFE. Submission instructions are noted on the Form.

ECRP Reporting Time Frames

Each party to an ECRP transaction is obligated to have an Authorized Reporter notify the Help Desk of the terms of the transaction after the transaction is agreed upon. This notification must be made by e-mail, and, with respect to ECRP transactions in VIX futures, notification may also be through CFE's Trade Reporting Tool as further described below. For this purpose, agreement to the transaction includes, without limitation, agreement to the quantity and actual price or premium of the Contract leg of the transaction (except in the case of a TAS ECRP transaction that is permitted by the rules governing the relevant Contract, in which case agreement to the transaction includes, without limitation, agreement upon the quantity of the Contract leg of the transaction and whether the price or premium of the Contract leg of the transaction will be the daily settlement price or an agreed upon differential above or below the daily settlement price). Unless otherwise specified in the rules governing the relevant Contract, this notification to CFE shall be made without delay and by no later than thirty minutes after the transaction is agreed upon. The chart below sets forth the permissible time periods during which an ECRP transaction may be reported to CFE. Based upon the time of notification to CFE of the ECRP transaction, the chart below also sets forth the Business Day for which the Contract leg of the transaction will be submitted for clearing and when the Help Desk will report the Contract leg of the transaction submitted by e-mail and provide a written transaction summary in accordance with the procedures below. All times included in the chart below are Chicago time.

Time of Notification to the Exchange	Business Day for Which Contract Leg Submitted for Clearing	When Help Desk Reports Contract Leg
5:00 p.m. Sunday to 3:15 p.m. Monday	Business Day of transaction. Next Business Day for Trade at Settlement (TAS) transactions reported after 3:12 p.m.	As soon as practicable following notification to Help Desk.
3:15 p.m. to 3:30 p.m. Monday – Thursday	Calendar day of the transaction or next Business Day, as designated by Authorized Reporters. Next Business Day for TAS transactions.	As soon as practicable after trading next commences following notification to Help Desk.

Time of Notification to the Exchange	Business Day for Which Contract Leg Submitted for Clearing	When Help Desk Reports Contract Leg
3:15 p.m. to 3:30 p.m. Friday	Calendar day of the transaction. TAS transactions may not be reported after 3:12 p.m.	As soon as practicable following notification to Help Desk.
3:30 p.m. to 4:00 p.m. Monday - Thursday	Calendar day of the transaction or next Business Day, as designated by Authorized Reporters. Business Day of the transactions for TAS transactions.	As soon as practicable following notification to Help Desk.
4:00 p.m. previous day to 3:15 p.m. Tuesday – Friday	Business Day of transaction. Next Business Day for TAS transactions reported after 3:12 p.m. Tuesday – Thursday. TAS transactions may not be reported after 3:12 p.m. on Friday.	As soon as practicable following notification to Help Desk.
3:30 p.m. Friday to 5:00 p.m. Sunday	No transactions may be reported to the Exchange during this time period when the Exchange is closed.	

CFE may modify the days and times during which the foregoing notification, reporting, and clearance submission provisions will be applicable in the event that CFE will not be open for business or will have shortened trading hours in connection with a holiday or a period of mourning.

ECRP Notification Information

The notification to CFE of an ECRP transaction must include:

- the identity, contract month, price or premium, quantity, and time of execution of the relevant Contract leg (i.e., the time the parties agreed to the ECRP transaction),
- the counterparty Clearing Member,
- the identity, quantity and price of the Related Position, and
- any other information that is requested by the Help Desk.

After the notification of an ECRP transaction has been provided to CFE, the ECRP transaction may not be changed and the ECRP transaction may not be cancelled (provided, however, that

corrections to any inaccuracies in the transaction summary of the ECRP transaction provided by the Help Desk may be made in accordance with the provisions below).

Procedures Following Notification to Help Desk of ECRP

The Help Desk will report the Contract leg of the ECRP transaction to CFE's trading system when the Contract leg of the ECRP transaction is reported by e-mail. The Help Desk will also provide a written transaction summary to the Authorized Reporters that reported the transaction to the Help Desk on behalf of each party to the transaction. The transaction summary will include the transaction information reported to the Help Desk by the Authorized Reporters and any other relevant information included by the Help Desk. The Authorized Reporters and the parties to the transaction shall have thirty minutes from the time of transmission of the transaction summary to Authorized Reporters to notify the Help Desk of any inaccuracies in the content of the transaction summary and of the corrections to any inaccurate information. It is the responsibility of the buying and selling parties to effect any subsequent allocations or necessary updates to non-critical matching fields utilizing a post-trade processing system designated by CFE.

ECRPs Involving CFE and CBOE Products

When an ECRP transaction includes a CFE product and a CBOE product, the parties to the transaction need to satisfy both the requirements of CFE Rule 414 and the applicable requirements under CBOE rules. One example of such a transaction is an exchange between one party holding a long position in VIX futures contracts and a short position in VIX options contracts and another party holding a short position in VIX futures contracts and a long position in VIX options contracts. In sum, if an ECRP transaction involves a CFE product and a CBOE product on each side of the transaction, the requirements of CFE Rule 414 must be satisfied and the transaction can be consummated on CBOE in accordance with CBOE rules and then reported to CFE pursuant to CFE Rule 414.

Applicable CBOE Rules

CBOE rules that are applicable to the execution of a Related Position of an ECRP in a CBOE product include, among others:

- **CBOE Rule 6.9**, which governs solicited transactions, including the disclosure of any contingencies of the order.
- **CBOE Rule 6.24**, which requires CBOE orders to be systematized prior to representation.
- **CBOE Rule 6.42**, which sets forth minimum pricing increments for simple and complex orders. ECRPs involving a CBOE product are not complex orders.
- **CBOE Rule 6.45B**, which sets forth rules of priority and governs allocation of CBOE trades.
- **CBOE Rule 6.51**, which sets forth the requirement to report CBOE transactions within 90 seconds of execution to CBOE.
- **CBOE Rule 6.74**, which sets forth the crossing procedure for public and non-public customer orders and any applicable participation entitlement.

- **CBOE Rule 24.8**, which sets forth the requirement that CBOE bids and offers be expressed in terms of dollars and decimals per unit of the index.

[Help Desk May Review and Determine to Bust or Not to Post Contract Leg of ECRP](#)

The Help Desk may review an ECRP transaction for compliance with the requirements of Rule 414 and may determine not to permit the ECRP transaction to be consummated, or may bust an ECRP transaction for which the Contract leg has been posted or for which a transaction summary has been transmitted, if the Help Desk determines that the ECRP transaction does not conform with those requirements.

[Posting of Contract Leg Does Not Constitute Determination that ECRP Requirements Were Satisfied](#)

The posting of the Contract leg of an ECRP transaction by CFE or the transmission of a transaction summary for the transaction does not constitute a determination by CFE that the ECRP transaction was effected in conformity with the requirements applicable to ECRPs. An ECRP transaction for which the Contract leg is posted by CFE or for which a transaction summary has been transmitted that does not conform to those requirements shall be processed and given effect if it is not busted, but will be subject to appropriate disciplinary action in accordance with CFE Rules.

[Electronic Reporting of ECRP Transactions](#)

CFE has in place an electronic Trade Reporting Tool (TRT) for ECRP transactions involving VIX futures, which is a web-interface to CFE's trading system that streamlines the reporting process for ECRP transactions by allowing for these transactions to be electronically reported to CFE's trading system. TPHs should refer to Rule 414(i) and CFE Regulatory Circular RG14-014 for information regarding TRT and the requirements applicable to the use of TRT.

[Refer to CFE Rules for Additional Detail](#)

This circular is not intended to provide a comprehensive description of the foregoing provisions related to ECRP transactions. TPHs should refer to Rule 414 and the ECRP transaction provisions in the contract specifications rule chapter for each CFE futures contract for additional detail.

[Additional Information](#)

Any questions regarding this circular may be directed to the Regulatory Services Division's Interpretation and Guidance Team by phone at (312) 786-8141 or by email to RegInterps@cboe.com.

(Replaces CFE Regulatory Circular RG14-022)