



CFE Regulatory Circular RG17-026

Date: December 6, 2017

To: Trading Privilege Holders

From: Cboe Options Research and Product Development
CFE Business Development
CFE Regulation

RE: Product Description and Margin Requirements for Cboe Bitcoin (USD) Futures - Updated

This Regulatory Circular updates and supersedes CFE Regulatory Circular RG17-018. It has been updated to include current contract specifications for Cboe Bitcoin (USD) (“XBT”) futures and to reflect an increase in margin requirements and a change to the spread margin requirement for XBT futures that were announced in CFE Regulatory Circulars RG17-023 and RG17-025.

Overview

Cboe Futures Exchange, LLC (“CFE” or the “Exchange”) plans to launch trading in Cboe Bitcoin (USD) Futures (futures symbol “XBT”) on Sunday, December 10, 2017 at 5:00 p.m. central time for business date Monday, December 11, 2017.

- Each XBT futures contract is for one bitcoin.
- Settlement of XBT futures contracts will result in the delivery of a cash settlement amount on the business day immediately following the Final Settlement Date. The cash settlement amount on the Final Settlement Date shall be the final mark to market amount against the Final Settlement Value of the XBT futures contract.
- The Final Settlement Value of an expiring XBT futures contract is the official auction price for bitcoin in U.S. dollars as determined at 4:00 p.m. Eastern time on the Final Settlement Date on the Gemini Exchange, a facility of the Gemini Trust Company, LLC.
- Pricing of XBT futures contracts shall be in minimum increments of \$10.00, except in the case of spreads (see contract specifications table below).
- The Exchange may list XBT futures contracts for trading in up to four near-term expiration weeks (“weekly” contracts), three near-term serial months (“serial” contracts) and three months on the March quarterly cycle (“quarterly” contracts).
- The Final Settlement Date for “weekly” XBT futures contracts is two business days prior to the Friday of the week denoted by the ticker symbol. The Final Settlement Date for “serial” and “quarterly” XBT futures contracts is two business days prior to the third Friday of the

month denoted by the ticker symbol. If the Final Settlement Date is a CFE holiday, the Final Settlement Date shall be the business day immediately preceding the holiday.

- A person: (i) may not own or control more than 5,000 contracts net long or net short in all XBT futures contract expirations combined; and (ii) may not own or control more than 1,000 contracts net long or net short in the expiring XBT futures contract, commencing at the start of trading hours 5 business days prior to the Final Settlement Date of the expiring XBT futures contract.
- It should be noted that market orders will not be accepted for XBT futures contracts. Also, Trade at Settlement (“TAS”) transactions in XBT futures contracts are not permitted.
- Regular trading hours for XBT futures contracts are 8:30 a.m. to 3:15 p.m. central time, Monday through Friday, except that trading hours for expiring XBT futures contracts end at 2:45 p.m. central time on the Final Settlement Date. XBT futures contracts will have extended trading hours (see contract specifications table below for details).
- See the full contract specifications table below for additional detail.
- The margin requirement for XBT futures contracts will **not** be a set dollar amount. For each long or short XBT futures contract, the minimum maintenance margin required is 40% of the daily settlement value and the minimum speculative customer initial margin required is 1.10 times the maintenance requirement.

Summary Product Specifications

CONTRACT NAME:	Cboe Bitcoin (USD) Futures		
PLANNED LISTING DATE:	December 10, 2017		
DESCRIPTION:	Cboe Bitcoin (USD) futures are cash-settled futures contracts that are based on the Gemini Exchange auction (“Gemini Exchange Auction”) price for bitcoin in U.S. dollars.		
CONTRACT MULTIPLIER:	The contract multiplier for the XBT futures contract is 1 bitcoin.		
TICKER SYMBOLS:	Futures Symbol – XBT Final Settlement Value Symbol – XBTS		
CONTRACT EXPIRATIONS:	The Exchange may list for trading up to four near-term expiration weeks (“weekly” contracts), three near-term serial months (“serial” contracts), and three months on the March quarterly cycle (“quarterly” contracts).		
TRADING HOURS:	Type of Trading Hours	Monday	Tuesday - Friday
	Extended	5:00 p.m. (Sunday) to 8:30 a.m.	3:30 p.m. (previous day) to 8:30 a.m.
	Regular	8:30 a.m. to 3:15 p.m.	8:30 a.m. to 3:15 p.m.
The trading hours for an expiring XBT futures contract end			

	<p>at 2:45 p.m. on its final settlement date.</p> <p>The end of day submission cut-off time for all Orders, quotes, cancellations and Order modifications for XBT futures (other than for the expiring XBT future on its Final Settlement Date) is 3:14:59 p.m. Any Orders, quotes, cancellations or Order modifications submitted after the end of day submission cut-off time will be automatically rejected by the Exchange.</p> <p>Market Orders for XBT futures contracts will not be accepted. Any Market Orders for XBT futures contracts received by the Exchange will be automatically rejected. Stop Limit Orders are permitted during regular and extended trading hours for the XBT futures contract.</p> <p>All times referenced are Chicago time.</p>
TRADING PLATFORM:	Cboe Command
MINIMUM PRICE INTERVALS:	<p>10.00 points USD/XBT (equal to \$10.00 per contract).</p> <p>The individual legs and net prices of spreads in XBT futures may be in increments of 0.01 points USD/XBT (equal to \$0.01 per contract).</p>
PRICING CONVENTIONS:	Prices are stated in decimal format.
TRADE AT SETTLEMENT TRANSACTIONS:	Trade at Settlement (“TAS”) transactions are not permitted in XBT futures.
CROSSING:	The eligible size for an original Order that may be entered for a cross trade with one or more other original Orders pursuant to Rule 407 is one Contract. The Trading Privilege Holder or Authorized Trader, as applicable, must expose to the market for at least five seconds under Rule 407(a) at least one of the original Orders that it intends to cross.
PRE-EXECUTION DISCUSSIONS	The Order Exposure Period under Policy and Procedure IV before an Order may be entered to take the other side of another Order with respect to which there has been pre-execution discussions is five seconds after the first Order was entered into the CBOE System.
EXCHANGE OF CONTRACT FOR RELATED POSITION TRANSACTIONS:	<p>Exchange of Contract for Related Position (ECRP) transactions may be entered into with respect to XBT futures contracts. Any ECRP transaction must satisfy the requirements of CFE Rule 414.</p> <p>For any ECRP transaction in which the related position is bitcoin, the related position portion of the transaction must be consummated through the facilities of Gemini.</p> <p>The minimum price increment for an ECRP transaction involving the XBT futures contract is 0.005 points USD/XBT.</p>

<p>BLOCK TRADES:</p>	<p>Block Trades will be permitted in XBT futures commencing on Sunday, December 17, 2017 at 5:00 p.m. Chicago time and are not permitted prior to that time.</p> <p>The minimum Block Trade quantity for the XBT futures contract is 50 contracts if there is only one leg involved in the trade. If the Block Trade is executed as a transaction with legs in multiple contract expirations, each leg must meet the minimum Block Trade quantity for the XBT futures contract. Any Block Trade must satisfy the requirements of CFE Rule 415.</p> <p>The minimum price increment for a Block Trade in the XBT futures contract is 0.005 points USD/XBT.</p>
<p>NO-BUST RANGE:</p>	<p>The CFE error trade policy may only be invoked for a trade price that is greater than 5% on either side of the market price of the applicable XBT futures contract. In accordance with Policy and Procedure III, the Help Desk will determine what the true market price for the relevant Contract was immediately before the potential error trade occurred. In making that determination, the Help Desk may consider all relevant factors, including the last trade price for such Contract, a better bid or offer price, a more recent price in a different contract expiration and the prices of related contracts trading on the Exchange or other markets.</p>
<p>TERMINATION OF TRADING:</p>	<p>Trading hours for expiring XBT futures contracts end at 2:45 p.m. Chicago time on the Final Settlement Date.</p> <p>The expiring XBT future will be put in a closed state at 2:44:59 p.m. Chicago time on its Final Settlement Date. As a result, no Orders, quotes, or Order modifications in the expiring XBT future will be accepted by the CBOE System at or after 2:44:59 p.m. Chicago time on its Final Settlement Date. The CBOE System will complete the processing of any trades in the expiring XBT future on its Final Settlement Date that are matched by the CBOE System and that the CBOE System begins to process prior to 2:44:59 p.m. Chicago time. The CBOE System will not process any trades in the expiring XBT future on its Final Settlement Date that the CBOE System does not match and begin to process prior to 2:44:59 p.m. Chicago time.</p>
<p>FINAL SETTLEMENT DATE:</p>	<p>The Final Settlement Date for “weekly” XBT futures is two business days prior to the Friday of the week denoted by the ticker symbol. The Final Settlement Date for “serial” and “quarterly” XBT futures is two business days prior to the third Friday of the month denoted by the ticker symbol. These Final Settlement Dates apply regardless of whether one of the above-referenced Fridays is a CFE holiday.</p>

	<p>If the Final Settlement Date is a CFE holiday, the Final Settlement Date shall be the business day immediately preceding the holiday.</p>
FINAL SETTLEMENT VALUE:	<p>The Final Settlement Value of an expiring XBT futures contract shall be the official auction price for bitcoin in U.S. dollars determined at 4:00 p.m. Eastern Time on the Final Settlement Date by the Gemini Exchange Auction. If the Gemini Exchange Auction price is not within Gemini's parameters for a Gemini Exchange Auction price, the Final Settlement Value is otherwise not available, or the normal settlement procedure cannot be utilized due to a trading disruption or other unusual circumstance, the process detailed in the Contingencies section below will be utilized.</p> <p>The Final Settlement Value will be rounded to the nearest \$0.01.</p>
DELIVERY:	<p>Settlement of XBT futures contracts will result in the delivery of a cash settlement amount on the business day immediately following the Final Settlement Date. The cash settlement amount on the Final Settlement Date shall be the final mark to market amount against the Final Settlement Value of the XBT futures contract.</p>
POSITION LIMITS:	<p>A person: (i) may not own or control more than 5,000 contracts net long or net short in all XBT futures contract expirations combined and (ii) may not own or control more than 1,000 contracts net long or net short in the expiring XBT futures contract, commencing at the start of trading hours 5 business days prior to the Final Settlement Date of the expiring XBT futures contract.</p> <p>The foregoing position limits shall not apply to positions that are subject to a position limit exemption meeting the requirements of Commission Regulations and CFE Rules.</p>
REPORTABLE POSITION LEVEL:	<p>5 contracts.</p>
PRICE LIMITS AND TRADING HALTS:	<p>XBT futures contracts are not subject to price limits.</p> <p>Trading in XBT futures will be halted for 2 minutes if during regular or extended trading hours for XBT futures:</p> <p>(A) the best bid in the XBT futures contract closest to expiration is 10% or more above the daily settlement price of that contract on the prior Business Day; or</p> <p>(B) the best offer in the XBT futures contract closest to expiration is 10% or more below the daily settlement price of that contract on the prior Business Day.</p>

	<p>After trading commences following such a halt, trading in XBT futures will be halted for 5 minutes if during regular or extended trading hours for XBT futures:</p> <p>(A) the best bid in the XBT futures contract closest to expiration is 20% or more above the daily settlement price of that contract on the prior Business Day; or</p> <p>(B) the best offer in the XBT futures contract closest to expiration is 20% or more below the daily settlement price of that contract on the prior Business Day.</p> <p>The Exchange shall commence a trading halt in XBT futures as soon as practicable following the occurrence of one of the triggering events set forth above and there may be time between the occurrence of a triggering event and the commencement of the trading halt.</p> <p>The Exchange may extend the time period of a halt pursuant to above halt provisions or halt trading in XBT futures at any time pursuant to any other Exchange rule or policy.</p> <p>For purposes of the above halt provisions, the XBT futures contract closest to expiration shall shift to the XBT futures contract that is next closest to expiration at the end of trading hours for the expiring XBT futures contract at 2:45 p.m. Chicago time on the final settlement date for that contract.</p> <p>Notwithstanding any of the above provisions, the Help Desk may, in its absolute and sole discretion, take any action it determines necessary to protect market integrity. For avoidance of doubt, this authority includes, but is not limited to, modifying or eliminating the above price movement parameters at any time and/or determining whether to halt or not to halt trading pursuant to the above halt provisions.</p>
<p>CONTINGENCIES:</p>	<p>If the Final Settlement Value is not available or the normal settlement procedures cannot be utilized due to a trading disruption or other unusual circumstance, the Final Settlement Value will be determined in accordance with the By-Laws and Rules of The Options Clearing Corporation (“OCC”).</p> <p>In that event, OCC would coordinate with CFE and CFE</p>

	<p>would coordinate with Gemini regarding the final settlement price. Under Article XII, Section 5(c)(2) of the OCC By-laws, OCC would fix the final settlement price based on its judgment of what is appropriate for the protection of investors and the public interest, taking into account such factors as fairness to buyers and sellers, the maintenance of a fair and orderly market, consistency of interpretation and practice, and consistency with actions taken in related futures or other markets. Without limiting the generality of the foregoing, OCC may fix the final settlement price using: (i) the reported price or value for the relevant underlying interest at the close of regular trading hours on the last preceding trading day for which such a price or value was reported; (ii) the reported price or value for the relevant underlying interest at the opening of regular trading hours on the next trading day for which such an opening price or value is reported; or (iii) a price or value for the relevant underlying interest at such other time, or representing a combination of average prices or values at such time or times, as OCC deems appropriate. The alternatives that OCC could consider using in this circumstance could include, among others:</p> <ol style="list-style-type: none">(1) Using the Winklevoss Blended Bitcoin Index value at 4:00 p.m. Eastern time on the final settlement date.(2) Using the bitcoin price on the Gemini Exchange continuous order book at 4:00 p.m. Eastern time on the Final Settlement Date.(3) Using a volume weighted average price (“VWAP”) or time weighted average price (“TWAP”) of bitcoin trade prices on the Gemini Exchange on the Final Settlement Date.(4) Using the following day Gemini Exchange Auction price as the Final Settlement Value. <p>The form of bitcoin on which the XBT futures and their Final Settlement Values will be based is the form of bitcoin in U.S. dollars traded on the Gemini Exchange. If the Gemini Exchange were to offer trading in multiple forms of bitcoin in U.S. dollars, CFE would designate the form of bitcoin traded on the Gemini Exchange on which XBT futures and their Final Settlement Values would be based for all then currently listed XBT futures contracts and subsequent XBT futures contract listings.</p>
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A detailed description of Gemini Trust Company, LLC and the Gemini Exchange market for bitcoin trading, and the manner in which Gemini Exchange auctions are run may be found on the Gemini website at <https://gemini.com>.

Margin Requirements for XBT Futures

All XBT futures contracts, outright

Speculative Customer Initial: 1.10 x Customer Maintenance

Customer Maintenance: 40% x daily settlement price

The customer maintenance margin requirement is both the initial and maintenance margin requirement for hedgers and Trading Privilege Holders (“TPHs”).

Note that the initial and maintenance margin requirements for XBT futures contracts will not be a set dollar amount as is the case with other CFE futures contracts. The margin requirements for XBT futures contracts will vary with their daily settlement price. Brokerage firms may impose higher margin requirements or impose other conditions, and might require margin as a percentage of a futures contract’s price at various times throughout the day.

Spread Margin Requirements (intra-commodity)

Speculative Customer Initial: 1.10 x Customer Maintenance

Customer Maintenance: the net difference between the outright maintenance margin requirement on the long contract(s) and the outright maintenance margin requirement on the short contract(s), plus, for each spread, a spread charge equal to 5% of the daily settlement price that is the greatest among all XBT futures contracts available for trading.

The Options Clearing Corporation (OCC) has updated CFE’s SPAN® file to accommodate SPAN margining of XBT futures contracts.

As with other CFE futures contracts, the margin rates for XBT futures are subject to change by OCC at any time.

Margin requirements for XBT futures contracts can be found in the CFE margin table located on the CFE website at <http://cfe.cboe.com/margins/cfe-margins>.

Additional information is available at cboe.com/bitcoin.

Questions regarding this circular may be directed to CFE Regulatory Interpretations at (312) 786-7229 or AskCFEReg@cboe.com.

(Replaces Regulatory Circular RG17-018)