



THIS CIRCULAR HAS BEEN UPDATED/SUPERSEDED BY CFE REGULATORY CIRCULAR RG17-030

CFE Regulatory Circular RG17-027

Date: December 8, 2017

To: Trading Privilege Holders

From: Regulatory Division

Re: XBT Futures Contract Frequently Asked Questions – Updated

This Circular Updates/Replaces CFE Regulatory Circular RG 17-020¹

On December 1, 2017, Cboe Futures Exchange, LLC (“CFE” or the “Exchange”) filed a product certification, [CFE-2017-018](#), to list Cboe Bitcoin (USD) futures with the Commodity Futures Trading Commission (“CFTC”). The filing specifies the terms and conditions for Cboe Bitcoin (USD) futures (ticker symbol “XBT”) to be listed for trading on CFE. This Regulatory Circular is intended to provide information regarding some basic topics related to XBT futures.

CFE plans to launch trading in XBT futures on Sunday, December 10, 2017 at 5:00 p.m. central time for business date Monday, December 11, 2017. XBT futures will be cash-settled futures contracts that are based on the auction price of bitcoin in U.S. dollars on the Gemini Exchange, a facility of Gemini Trust Company, LLC (“Gemini”). The Gemini Exchange is operated and maintained by Gemini. XBT futures will be traded on the CFE Exchange, which is operated and maintained by CFE separate and apart from Gemini.

Information regarding the launch of XBT futures, including initial expirations available for trading, can be found in CFE Information Circular [IC17-053](#). Information regarding the launch date for XBT futures and the waiver of December XBT transaction fees can be found in CFE Regulatory Circular [RG17-022](#). Information regarding the XBT futures product and margin requirements can be found in CFE Regulatory Circular [RG17-026](#). Fee information for XBT futures can be found in CFE Regulatory Circular [RG17-019](#). Information regarding the Lead Market Maker program can be found in CFE Information Circular [IC17-052](#). What follows are some questions and answers about trading in XBT futures. If you should have additional questions, please contact the CFE Regulatory Interpretations team (contact information listed below).

¹ FAQs in this circular that are denoted with asterisks (***) have been updated compared to what was originally published in CFE Regulatory Circular RG17-020.

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Question 1: Where can I find the applicable XBT futures rules?

Answer: The product certification, [CFE-2017-018](#), which contains information on the rules specifically related to XBT futures, can be found on the CFE website at: <http://cfe.cboe.com/about-cfe/cfe-rule-filings>. The contract specification rules for XBT futures will be included in Chapter 13 of the CFE Rulebook. More generally, unless otherwise noted, the other rules contained in the CFE Rulebook (and provisions in the Policies and Procedures section of the CFE Rulebook) will apply. These documents are available via this link: <http://cfe.cboe.com/about-cfe/legal-regulatory>.

Question 2: Where can I find XBT futures contract specifications?

Answer: The XBT futures contract specifications, which were included in [CFE-2017-018](#), can be found on the CFE website at: [http://cfe.cboe.com/cfe-products/cboe-bitcoin-\(usd\)-futures/contract-specifications](http://cfe.cboe.com/cfe-products/cboe-bitcoin-(usd)-futures/contract-specifications).

Question 3: What is the contract multiplier for XBT futures?

Answer: Pursuant to CFE Rule 1302(a), the contract multiplier for each XBT futures contract will be 1 bitcoin.

*****Question 4: What contract expirations will be available for trading XBT futures?**

Answer: CFE will initially list monthly (“serial”) XBT futures with the following expirations: January 2018, February 2018 and March 2018. For further information on the launch and initial expirations please see CFE Regulation Circular [RG17-022](#).

Question 5: What will be the trading hours for XBT futures?

Answer: Pursuant to CFE Rule 1302(b), the regular trading hours for XBT futures on CFE will be from 8:30 a.m. to 3:15 p.m. Central Time, except on final settlement dates when trading hours for expiring XBT futures will end at 2:45 p.m. Central Time. Extended trading hours for XBT futures on CFE will be from 5:00 p.m. Sunday to 8:30 a.m. Monday, Central Time, and from 3:30 p.m. (previous day) to 8:30 a.m. Tuesday through Friday, Central Time.

XBT futures follow the same Holiday Session Trading Hours as VIX futures. Information regarding the CFE holiday schedule can be found at: <http://cfe.cboe.com/about-cfe/holiday-calendar>.

Question 6: How will the settlement process work for XBT futures?

Answer: Trading in XBT futures will be cash-settled futures contracts that are based on the 3:00 p.m. Central Time auction price of bitcoin in U.S. dollars on the Gemini Exchange, a facility of Gemini. Trading in XBT futures contracts ends at 2:45 p.m. Central Time on the final settlement date. See CFE Rule 1303 for additional information on the settlement of XBT futures.

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Question 7: How will the daily settlement price for XBT futures be determined?

Answer: Pursuant to CFE Rule 1302(p), the daily settlement price for XBT futures will be the average of the last bid and last offer for the XBT futures contract during the applicable business day prior to the close of trading on that business day.

Question 8: How will the final settlement value for XBT futures be determined?

Answer: The final settlement value of an expiring XBT futures contract will be based on the official auction price for bitcoin in U.S. dollars on the Gemini Exchange determined at 3:00 p.m. Central Time on the final settlement date. A detailed description of the Gemini Exchange marketplace, including details on the auction, may be found on the Gemini marketplace page at <https://gemini.com/marketplace>.

If the Gemini Exchange Auction price is not within the Gemini Exchange 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 Final Settlement Value will be determined in accordance with the By-Laws and Rules of The Options Clearing Corporation (“OCC”). See Article XII, Section 5(c)(2) of the OCC By-laws: https://www.theocc.com/components/docs/legal/rules_and_bylaws/occ_bylaws.pdf. Refer to the XBT futures contract specifications for additional detail regarding settlement contingencies.

Question 9: What will be the final settlement date for XBT futures?

Answer: Pursuant to CFE Rule 1302(b), the final settlement date for monthly XBT futures would be two business days prior to the third Friday of the month denoted by the ticker symbol. The final settlement dates would apply regardless of whether one of the Fridays referenced above is a CFE holiday. If the final settlement date is a CFE holiday, the final settlement date shall be the business day immediately preceding the holiday.

Please see Question 4 above and the listing circular CFE Information Circular [IC17-053](#) for additional information regarding the initial listings.

Question 10: Where can I find information regarding the Gemini Exchange Auction process?

Answer: The Gemini Exchange Auction process is operated on the Gemini Exchange by Gemini, separate and apart from CFE. Information regarding the Gemini Exchange Auction process can be found on the Gemini website at: <https://gemini.com/marketplace/>.

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Question 11: What is the cutoff time for auction orders on the Gemini Exchange?

Answer: The terms and conditions for participating in the Gemini Exchange Auction are subject to Gemini Exchange requirements, separate and apart from CFE. Currently the Gemini Exchange has a cutoff time to modify or cancel Gemini Exchange Auction orders of 2:59 p.m. Central Time. Currently after 2:59 p.m. Central Time new auction-only orders may still be entered. The auction runs at 3:00 p.m. Central Time. For additional information (including contacts at Gemini to direct questions) please consult the Gemini website at: <https://gemini.com/marketplace/>.

Question 12: Will market orders be accepted in XBT futures?

Answer: No. Pursuant to CFE Rule 1302(b), market orders for XBT futures will not be accepted during regular or extended trading hours. Market orders received by CFE will be automatically rejected.

Question 13: Will Trade at Settlement (“TAS”) transactions in XBT futures permitted?

Answer: No, pursuant to CFE Rule 1302(q), TAS transactions will not be permitted in XBT futures at this time.

Question 14: What will be the requirements for crossing orders in XBT futures?

Answer: Pursuant to CFE Rule 1302(h), the eligible size for an original order that may be entered for a cross trade with one or more other original orders is one contract. At least one of the original orders to be entered in the cross trade must be exposed to the market for at least five seconds. Consult CFE Rule 407 for additional requirements applicable to crossing orders.

*****Question 15: What will be the requirements for block trades in XBT futures?**

Answer: Please note that block trades will be permitted in XBT futures commencing on Sunday, December 17, 2017 at 5:00 p.m. central time for business date Monday, December 18, 2017. Block trades in XBT futures may not be consummated prior to that time, and the Trade Reporting Tool (TRT) will not accept block trades in XBT futures submitted prior to that time.

Starting Sunday December 17, 2017, and pursuant to CFE Rule 1302(k) and CFE Regulatory Circular [RG17-024](#), the minimum block trade quantity requirement will be 50 contracts if there is only one leg involved in the trade. Each leg in a block trade with legs in multiple contract expirations must meet the above minimum block trade quantity requirement. Block trades must satisfy the requirements of CFE Rule 415.

Unlike other CFE products, block trades in XBT futures must be reported to CFE through the Trade Reporting Tool (“TRT”) and may not be submitted to the Help Desk by e-mail. (See Question 17 below for additional information on TRT.)

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Additional information regarding block trades in XBT futures can be found in CFE Regulatory Circular [RG17-024](#).

Question 16: Will Exchange of Contracts for Related Position (“ECRP”) transactions be permitted?

Answer: ECRP transactions will be permitted pursuant to CFE Rule 1302(j) and must satisfy the requirements of CFE Rule 414.

Unlike other CFE products, ECRP transactions in XBT futures must be reported to CFE through TRT and may not be submitted to the Help Desk by e-mail. (See Question 17 below for additional information on TRT.)

Please note, pursuant to CFE Rule 1302(j), for market participants engaging in an ECRP transaction in which the related position is bitcoin, the related portion of the transaction must be consummated through the facilities of Gemini. CFE Regulation will verify the transfer, ownership, and existence of the bitcoin related to the ECRP transaction with Gemini to ensure compliance with this requirement under CFE Rule 414 after the transaction. This review will be conducted after the ECRP has been reported to the exchange via TRT.

Question 17: How do I use TRT?

Answer: TRT is a web-interface to CFE’s trading system that streamlines the reporting process for Block Trades and ECRPs by allowing for these transactions to be electronically reported to CFE’s trading system.

Each TPH executing a Block Trade or ECRP must have at least one individual or firm that is pre-authorized by a CFE Clearing Member to act as an Authorized Reporter for the TPH to report Block Trades and/or ECRPs to CFE on behalf of the TPH. An Authorized Reporter must be a CFE TPH or a Related Party of a CFE 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. That Form may be accessed at: <http://cfe.cboe.com/publish/CFETradingPermitForms/BlockTradeECRPAuthorizedReporterRegistrationandGuaranteeForm.pdf>, and submission instructions are noted on the Form. If an Authorized Reporter has already been designated to CFE for a TPH through the submission of this Form, it is not necessary to resubmit this Form.

In order to utilize TRT, Authorized Reporters must complete and submit the CFE Block Trade/ECRP Electronic Reporting System Authorized Reporter Web Access Request Form which is available on the CFE website at: <http://cfe.cboe.com/publish/CFETradingPermitForms/BlockTradeECRPElectronicReportSysRegstForm.pdf>.

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CFE Clearing Members may set a maximum transaction size limit for Block Trades and ECRPs that are reported through TRT. A separate limit may be set for electronically reported Block Trades and for the Contract legs of electronically reported ECRPs. Each limit may be set by the executing TPH or executing TPH login. With respect to Block Trades and ECRPs with more than one Contract leg, the maximum transaction size limit shall apply with respect to the total number of Contracts of the transaction for strips and with respect to the largest Contract leg of the transaction for spreads.

In order to utilize this TRT risk control mechanism, Clearing Members must submit a completed CFE Block Trade/ECRP (TRT) Risk Controls Web Access and Login Request Form which is available on the CFE website at <http://cfe.cboe.com/publish/CFETradingPermitForms/CFEBlockTradeECRPRiskCtrlsForm.pdf>. Please follow the submission instructions noted on the Form.

The TRT risk control mechanism is separate from the other risk control mechanisms that CFE makes available to Clearing Members and cannot be utilized through Clearing Member access to CFE's other risk control mechanisms. Accordingly, Clearing Members must complete and submit the above Form in order to obtain access to the TRT risk control mechanism, instead of the Form used to obtain access to CFE's other risk control mechanisms.

Under CFE Rule 513A, Clearing Members are required to obtain access to and utilize the risk control mechanisms that CFE makes available for use by Clearing Members, including the above TRT risk control mechanism. Please see Question 36 below for further information related to CFE Risk Controls.

Authorized Reporters may submit electronic Block Trade and ECRP transaction reports through TRT during CFE trading hours and outside of CFE trading hours to the extent permitted by CFE Rules 414 and 415. For Block Trades and ECRPs that are submitted through TRT outside of trading hours, CFE's trading system will generally disseminate the Block Trade or ECRP Contract leg and provide a transaction summary to the Authorized Reporters following the next commencement of trading hours.

The business day which Authorized Reporters submitting a Block Trade or ECRP through TRT designate for the Block Trade or ECRP Contract leg to be submitted for clearing must conform to the same parameters in this regard that apply to Block Trades or ECRPs that are reported to the Help Desk. These parameters are set forth in the first and third columns of the charts in CFE Rules 414(i) and 415(g) and may be modified in the event that CFE will not be open for business or will have shortened trading hours.

The Authorized Reporter that is the initiator of an electronic report of Block Trade or ECRP through TRT must enter the required information into TRT promptly enough to allow a reasonable amount of time for the other Authorized Reporter to electronically accept that report by no later than ten minutes after the transaction is agreed upon for a Block Trade and no later than thirty minutes after the transaction is agreed upon for an ECRP.

It is the responsibility of Authorized Reporters to effect and report Block Trades and ECRPs into TRT in conformity with applicable requirements. The acceptance of a Block Trade or ECRP by TRT and CFE's

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trading system does not constitute a determination by CFE that the transaction was effected or reported in conformity with applicable requirements. Block Trades and ECRPs that are not effected or reported in conformity with applicable requirements, even if accepted by TRT and CFE's trading system, remain subject to appropriate disciplinary action in accordance with CFE Rules.

Question 18: What will be the position limits for XBT futures?

Answer: Pursuant to CFE Rule 1302(d), XBT futures will be subject to position limits under CFE Rule 412. A person may not own or control more than 5,000 contracts net long or short in all XBT futures contracts expirations combined and may not own or control more than 1,000 contracts net long or 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.

Question 19: What will be the procedures for requesting a position limit exemption for XBT futures?

Answer: CFE Rule 412(c)-(f) covers the position limit exemption application process.

CFE Regulatory Circular [RG14-029](#) highlights certain requirements related to position limits including exemptions.

The CFE Position Limit and Accountability Table can be found on the CFE Website at: <http://cfe.cboe.com/publish/CFEPosLimAcc/CFEPositionLimitandAccountabilityChart.pdf>.

The CFE Position Limit Exemption Application Form is available at: <http://cfe.cboe.com/publish/cfetradingpermitforms/cfepositionlimitapplication.pdf>.

Please note TPHs requesting an exemption from the CFE position limit requirements for a bona fide hedging transaction (as defined by CFTC Regulation 1.3(z)(1)) to hedge a position in bitcoin traded on the Gemini Exchange and/or an exchange other than the Gemini Exchange will be required to demonstrate ownership and the existence of the bitcoin in order to be granted a position limit exemption.

Question 20: What will be the reportable position levels for XBT futures?

Answer: Pursuant to CFE Rule 1302(n)(i), the position level that will be required to be reported is any open position in XBT futures at the close of trading on any trading day equal to or in excess of 5 contracts on either side of the market. General requirements pertaining to reportable positions are set forth in CFE Rule 412B.

See *also* CFTC Regulation 15.03. Additional information on the reporting requirements and process can be found in CFE Regulatory Circulars [RG15-027](#) and [RG16-018](#).

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Question 21: What will be the reportable trading volume for XBT futures?

Answer: Pursuant to CFE Rule 1302(n)(ii), the reportable trading volume that will trigger the requirement to report a volume threshold account to the CFTC is 50 or more XBT futures contracts during a single trading day or such other reportable trading volume threshold as may be designated by the CFTC. See also CFTC Regulation 15.04.

Please note the CFTC issued no-action relief regarding reportable trading volume which set the reportable volume threshold at 250 or more contracts on a single day. The no-action relief currently remains in effect until September 28, 2020.

For additional information please see the CFTC press release regarding the most recent no-action relief: <http://www.cftc.gov/PressRoom/PressReleases/pr7617-17> and the corresponding CFTC No Action Letter: <http://www.cftc.gov/idc/groups/public/@lrllettergeneral/documents/letter/17-45.pdf>.

*****Question 22: What will be the margin requirements for XBT futures?**

Answer: The approach with respect to margin requirements for XBT futures will differ from the manner in which margin requirements are applied to other CFE futures products. Margin requirements for XBT futures will be a percentage of the current daily settlement price, whereas the margin requirement for other CFE futures products is a set dollar amount. When the margin requirement is a percentage of the current daily settlement price, the margin requirement will increase (decrease) if the daily settlement price increases (decreases).

The speculative initial margin requirement for a long or short XBT futures contract is set by the OCC pursuant to CFTC Regulation 39.13(g) at 1.10 x the maintenance margin requirement (i.e., 110%). The maintenance margin requirement will be 40% of the daily settlement price. CFE sets maintenance margin requirements pursuant to CFE Rule 516(c) and has set the XBT futures maintenance margin requirement equal to the requirement assessed by the OCC to a Clearing Member.

These requirements are minimums. Futures Commission Merchants (“FCMs”) and/or clearing FCMs may impose higher margin requirements or other conditions. Market participants should discuss margin requirements for XBT futures with their FCM and/or clearing FCM prior to trading.

Question 23: Do the margin requirements for XBT futures differ for TPHs and market participants engaged in hedging (“hedger”)?

Answer: Yes, CFE’s maintenance margin requirements under CFE Rule 516(c) serve as both the initial and maintenance margin requirement for both TPHs and hedgers. The speculative initial margin requirement does not apply.

The margin rates required for TPHs and hedgers are minimums. TPHs must confirm margin requirements with their clearing FCM.

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When extending hedge margin treatment, Clearing Members and, if applicable, TPHs must comply with CFE Rule 516(l). Market participants seeking hedge margin rate treatment must consult their FCM and/or clearing FCM regarding the application procedure and other conditions for hedge margin rate eligibility.

*****Question 24: Will a margin call result on a long position in XBT futures (non-Trading Privilege Holder / non-hedger) as a result of a decrease in the daily settlement price of the XBT futures?**

Answer: CFE Rule 516(f) governs margin calls. Whether a decrease in the daily settlement price would result in a margin call depends on the magnitude of the decrease and how much excess equity (equity in excess of the amount of equity utilized for margin) is in an account. A decrease in the daily settlement price would result in a reduction of equity as a result of a cash debit (variation margin) equal to the price decline. At the same time, the maintenance margin requirement would be reduced due to the lower daily settlement price, but by a fraction of the daily settlement price decrease. A margin call would be triggered for the amount needed to bring equity back to the speculative initial margin requirement, if the equity in an account falls below the current maintenance margin level. The analysis is similar in the case of a short position in XBT futures when there is an increase in the daily settlement price.

Example (all figures are hypothetical, rounded to the nearest dollar):

Long one bitcoin futures contract (no other positions)

	Day 1 Daily Settlement Price: \$11,000	Day 2 Daily Settlement Price: \$10,200
Loss (variation)	-	\$(800)
Account Equity	\$4,840	\$4,040
Speculative Initial Margin Req.	\$4,840	\$4,488
Maintenance Margin Req.	\$4,400	\$4,080
Margin Call	0	\$448

*****Question 25: What is the margin requirement for spreads (intra-commodity) in XBT futures?**

Answer: Pursuant to CFE Rule 516(b), the intra-commodity spread maintenance margin requirement shall be the net difference between the outright maintenance margin requirement on the long contract and the outright maintenance margin requirement on the short contract **plus** a spread charge equal to 5% of the daily settlement price that is the greatest among all XBT futures contracts available for trading. Example (all figures are hypothetical, rounded to the nearest dollar): Long 1 contract with a daily settlement price of \$11,667 and outright maintenance margin requirement of \$4,667. Short 1 contract with a daily settlement price of \$11,000 and outright maintenance margin requirement of \$4,400. The

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difference in the maintenance margin requirements equals \$267 (\$4,667 - \$4,400). The greatest daily settlement price from among all XBT futures contracts available for trading is \$11,800. Five percent of \$11,800 equals \$590. The spread maintenance margin requirement is \$857 (\$267 + \$590). The speculative customer initial margin requirement is \$943 (\$857 x 1.10).

*****Question 26: Where can I find additional information on margin requirements for CFE products?**

Answer: CFE Rule 516 governs margin requirements for CFE products. Additional information on margin requirements for CFE products, including XBT futures, can be found on the CFE website at: <http://cfe.cboe.com/margins/cfe-margins> and in CFE Regulatory Circular RG17-026.

Question 27: Will the audit trail requirements for XBT futures be the same as for other CFE products?

Answer: Yes, please consult CFE Rule 403 for audit trail requirements.

Question 28: Will the Order Entry Operator ID (“OEO ID”) requirements for XBT futures be the same as for other CFE products?

Answer: Yes, please consult CFE Rule 303A for OEO ID requirements.

Question 29: Will CFE Regulation contact firms regarding order and trading activity in XBT futures or the underlying bitcoin product on the Gemini Exchange or other bitcoin exchanges?

Answer: Yes, while not necessarily related to a regulatory investigation or potential rule violation, CFE Regulation may request information from market participants regarding their trading activity in XBT futures as well as their trading activity in the underlying Gemini Exchange and on other bitcoin exchanges, such as those bitcoin exchanges from which bitcoin transaction prices are used in the Winklevoss Blended Bitcoin Index.

Please note the Gemini Exchange is a separate and distinct entity from the CFE Exchange. Firms trading on the Gemini Exchange are subject to the rules and requirements of the Gemini Exchange. Responses to inquiries from CFE do not relieve firms from their obligations to respond to similar inquiries from the Gemini Exchange (or vice versa).

Question 30: How will CFE review order and trading activity during settlement?

Answer: CFE Regulation will review order and trade activity in XBT futures and on the Gemini Exchange, including but not limited to during settlement. CFE Regulation will review for activity in XBT futures in correlation with order and trade activity on the Gemini Exchange for order and trade activity that may be in contravention of CFE rules, including but not limited to: (1) market manipulation or attempted market manipulation; (2) wash trading; (3) acts detrimental to the Exchange; (4) engaging in acts inconsistent with just and equitable principles of trade and (5) abusive practices. In addition, CFE Regulation will also consider market participant’s activity on those markets from which bitcoin

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transaction prices are used in the Winklevoss Blended Bitcoin Index for any potential violations of these rules.

Types of activity that may be subject to further review by CFE Regulation may include, but are not limited to:

- Orders entered during the auction process at prices significantly above and/or below the Gemini indicative auction prices
- Large orders entered that appear to be intended to move the Gemini Exchange Auction price
- A market participant enters a large number of orders and/or cancellations/updates which may be for the purpose of overloading the systems of other market participants
- A market participant places buy (or sell) orders that he intends to have executed, and then immediately enters numerous sell (or buy) orders for the purpose of attracting interest to the resting orders. The market participant placed these subsequent orders to induce, or trick, other market participants to execute against the initial, order. Immediately after the execution against the resting order, the market participant cancels the open orders

For further information related to CFE Rule 620, Disruptive Practices, and activity that CFE Regulation takes into consideration when assessing whether conduct violates Rule 620, please see CFE Policies and Procedures Section XVIII.
<http://cfe.cboe.com/framed/pdf/framed?content=/publish/cfepolicies/cfepoliciesandprocedures.pdf§ion=ABOUT+CFE&title=CFE+Policies+and+Procedures>)

Please note, the Gemini Exchange performs reviews of trading activity on the Gemini Exchange independent of any CFE review. Please consult the Gemini Exchange website for further information regarding trading on the Gemini Exchange: <https://gemini.com/>.

Question 31: What are the CFE registration requirements to have access to trade XBT futures on CFE?

Answer: Existing TPHs will be eligible to trade XBT futures without any additional registration requirements. Other market participants can access XBT futures as customers provided their FCM makes the product available to trade.

Firms wishing to become TPHs should consult Chapter 3 of the CFE Rulebook. The CFE Rulebook (and other information) is available on the CFE “Legal and Regulatory” webpage, which is located at: <http://cfe.cboe.com/about-cfe/legal-regulatory>. Additional information regarding TPH permits and trading on CFE can also be found on the CFE Trading Permits webpage at: <http://cfe.cboe.com/trade-cfe/trading-permits>.

Question 32: Will my firm be required to register with the National Futures Association (“NFA”) and/or Commodity Futures Trading Commission (“CFTC”) in order to trade XBT futures on CFE?

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Answer: Whether your firm will need to register with the NFA and/or CFTC will depend on facts and circumstances specific to your firm. There are no specific registration requirements with respect to XBT futures. CFE suggests that firms consult with the NFA and/or CFTC directly and/or with the firm's compliance/legal counsel to determine any applicable registration requirements with NFA and/or CFTC. For information regarding NFA registration, please contact the NFA Information Center at: (312) 781-1410; (800) 621-3570; or information@nfa.futures.org. For information regarding CFTC registration, the CFTC directs firms to reach out to the NFA regarding registration information. NFA contact information is located in the "Registration Information" section of the CFTC's website at: <http://www.cftc.gov/Contact/index.htm>.

For reference, Chapter 3 of the CFE Rulebook covers CFE trading privilege requirements. Additionally, CFE Regulatory Circular [RG14-041](#) provides some information regarding CFTC registration requirements that correspond to Cboe Options TPHs and related capacities.

Question 33: What are the Gemini Exchange registration requirements to have access to trade the underlying Gemini bitcoin product?

Answer: For information regarding registration for institutional clients on the Gemini Exchange please contact Gemini at bd@gemini.com.

*****Question 34: What is CFE's policy in regards to forks in the Bitcoin Network as it relates to the CFE XBT contract?**

Answer: If the Blockchain for bitcoin diverges into different paths, 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. Gemini will elect to support the Bitcoin Network that has the greatest cumulative computational difficulty for the forty-eight hour period following a given hard fork. The greatest cumulative computational difficulty is defined as the total threshold number of hash attempts required to mine all existing blocks in the respective Blockchain, accounting for potential differences in relative hash difficulty. If Gemini is unable to make a conclusive determination about which Bitcoin Network has the greatest cumulative computational difficulty after forty-eight hours, or Gemini determines in good faith that this is not a reasonable criterion upon which to make a determination, Gemini will support the Bitcoin Network which Gemini deems in good faith is most likely to be supported by a greater number of users and miners. The Gemini Exchange will consult with CFE in the event of a fork. 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.

For additional information regarding the Gemini Exchange fork policy please visit the Gemini website at: <https://gemini.com/user-agreement/#forks>.

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Question 35: When will CFE halt due to XBT future price movements?

Answer: Pursuant to CFE Rule 1302(i)(ii) trading in XBT futures will be halted for 2 minutes if during regular or extended trading hours for XBT futures:

- 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
- 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.

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:

- 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
- 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.

The Exchange shall commence a trading halt in XBT futures pursuant to the provisions of Rule 1302(i)(ii) 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.

Nothing in Rule 1302(i)(ii) shall be construed to limit the ability of the Exchange to extend the time period of a halt pursuant to Rule 1302(i)(ii) or to halt trading in XBT futures pursuant to any other Exchange rule or policy.

For purposes of Rule 1302(i)(ii), 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.

Notwithstanding any provisions of Rule 1302(i)(ii), 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 price movement parameters in Rule 1302(i)(ii) at any time and/or determining whether to halt or not to halt trading under Rule 1302(i)(ii).

Question 36: What are the price reasonability checks for XBT futures?

Answer: Pursuant to CFE Rule 1302(r) as is described in Rule 513A(b), CFE's trading system shall in a manner determined by the Exchange reject (i) any buy order with a limit price in an XBT futures contract if the limit price upon receipt of the order by the system is more than a designated amount above the prevailing best offer in that contract and (ii) any sell order with a limit price in an XBT futures contract if the limit price upon receipt of the order by the system is more than a designated amount below the

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prevailing best bid in that contract. The designated amounts for the price reasonability checks for XBT futures will be set at:

<u>Price Range</u>	<u>Designated Amount</u>
0 – 5,000.00	250.00
5,000.01 – 10,000.00	375.00
10,000.01 – 25,000.00	500.00
25,000.01+	750.00

Question 37: Where can I find information regarding CFE Risk Controls?

Answer: CFE Rule 513A contains information regarding the CFE Risk Controls available to Clearing Members. Additional information can also be found in CFE Regulatory Circular [RG16-007](#).

As a reminder Cboe Systems automatically treat any combination of parameterized risk control, login, and product that does not have a risk control threshold set by the applicable Clearing Member as being set to a threshold level of zero. Clearing Members that set CFE risk controls at the product level will need to update applicable risk controls for XBT futures to allow for trading.

*****Question 38: What potential risks are involved in trading XBT futures?**

Answer: Like any futures contract, trading is not suitable for all investors and involves the risk of loss. The risk of loss in futures can be substantial. Market participants should, therefore, carefully consider whether such trading is suitable in light of their own circumstances and financial resources. For additional information regarding futures trading risks, see the Risk Disclosure Statement set forth in [CFTC Regulation 1.55\(b\)](#).

For additional information regarding trading risks associated with Virtual Currencies, including bitcoin, please refer to the National Futures Association Website at: <https://www.nfa.futures.org/investors/investor-advisory.html>.

For additional information regarding the general risks associated with trading futures contracts please refer to the National Futures Association Website at: <https://www.nfa.futures.org/investors/investor-resources/files/security-futures-disclosure.pdf>.

Additional Information

For operational questions please contact the CFE Help Desk at 877-226-3773 or helpdesk@cboe.com.

For regulatory questions please contact CFE Regulatory Interpretations at (312) 786-7229 or AskCFEReg@cboe.com.