



CFE Regulatory Circular RG18-005

Date: March 15, 2018

To: Trading Privilege Holders

From: Regulatory Division

Re: XBT Futures Contract
Frequently Asked Questions

This Circular Updates/Replaces CFE Regulatory Circular RG 17-030¹

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 specified the terms and conditions for Cboe Bitcoin (USD) futures (ticker symbol “XBT”) listed for trading on CFE. This Regulatory Circular is intended to provide information regarding some basic topics related to XBT futures.

XBT futures are 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 are traded on the CFE Exchange, which is operated and maintained by CFE separate and apart from Gemini.

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](#).

On February 25, 2018, CFE migrated its trading platform to Bats technology. In connection with the migration, CFE filed rule filings [CFE-2017-017](#) and [CFE-2018-002](#) amending many of CFE’s current rules, including rule provisions in both the CFE Rulebook and the Policies and Procedures Section of the CFE Rulebook. Rule changes impacting the topics covered in this Regulatory Circular are highlighted in the questions below. Please note the rule changes as a result of the CFE System migration include, but are not limited to, the topics covered in this Regulatory Circular. Additional information regarding topics related to the CFE System migration beyond the scope of this Regulatory Circular can be found in CFE Regulatory Circular [RG18-003](#). CFE Trading Privilege Holders (“TPHs”) should refer to the CFE Rulebook and the Policies and Procedures Section of the CFE Rulebook for additional detail regarding the topics covered by this regulatory circular.

¹ FAQs in this circular that are denoted with asterisks (***) have been updated compared to what was published in CFE Regulatory Circular RG17-030.

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).

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

Answer: The contract specification rules for XBT futures are 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>.

Please note the [CFE Rulebook](#) has been updated to reflect changes as a result of the CFE System migration. A high level summary of various post-migration rule changes can also be found in CFE Regulatory Circular [RG18-003](#).

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

Answer: The XBT futures contract specifications 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).

Please note that various sections of the contract specifications for XBT futures changed as a result of the CFE System migration, including among others, the sections pertaining to trading hours, threshold widths, price limits and minimum size requirements for Block Trades executed as spread transactions. For further information regarding these changes please see CFE Regulatory Circular [RG18-003](#).

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 is 1 bitcoin.

Question 4: What contract expirations are available for trading in XBT futures?

Answer: CFE currently lists monthly (“serial”) XBT futures.

*****Question 5: What are the trading hours for XBT futures?**

Answer: Following the CFE System migration and pursuant to CFE Rule 1302(b), trading hours for XBT futures commence for trading each trading day at 5:00 p.m. on the previous calendar day and continue until 3:15 p.m. on the following applicable trading day. Trading in XBT futures then goes into a queuing period from 3:15 p.m. to 3:30 p.m. Trading then continues from 3:30 p.m. to 4:00 p.m. on the applicable trading day. All of these trading hours are part of the same trading day. All times referenced are Central Time.

XBT Trading Hours	
Type of Trading Hours	Monday – Friday (all times Central Time)
Extended	5:00 p.m. (previous day) to 8:30 a.m.
Regular	8:30 a.m. to 3:15 p.m.
Extended	3:30 p.m. to 4:00 p.m.

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

For more information regarding the post-migration trading hours for XBT futures please consult CFE Regulatory Circular [RG18-003](#).

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

Answer: XBT futures are 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.

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

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

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

Answer: The final settlement value of an expiring XBT futures contract is 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 is the final settlement date for XBT futures?

Answer: Pursuant to CFE Rule 1302(b), the final settlement date for monthly XBT futures is two business days prior to the third Friday of the month denoted by the ticker symbol. The final settlement dates 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.

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/>.

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-only 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: What are the parameters for the Gemini Exchange auction price?

Answer: The Gemini Exchange Auction will be automatically canceled if the final auction price deviates from the value of the Winklevoss Blended Bitcoin Index by more than 5% at the time of the auction.

Question 13: Where can I find additional information regarding the Winklevoss Blended Bitcoin Index?

Answer: Additional information regarding the Winklevoss Blended Bitcoin Index can be found at: <https://winkdex.com/>.

Question 14: Are market orders accepted in XBT futures?

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

Question 15: Are Trade at Settlement (“TAS”) transactions in XBT futures permitted?

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

Question 16: What are 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 17: What are the requirements for Block Trades in XBT futures?**

Answer: Pursuant to CFE Rule 1302(k) and CFE Regulatory Circular [RG17-024](#), the minimum Block Trade quantity requirement is 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.

Please note following the CFE System migration substantive rule and operational changes were made which impacted the reporting of XBT futures Block Trades. The Trade Reporting Tool (“TRT”) is no longer used to report Block Trades. TPHs are required to report Block Trades through the Block and ECRP trade reporting tool available through the US Customer Web Portal.

A high level summary of post-migration Block Trade rule changes can be found in CFE Regulatory Circular [RG18-003](#). For more information regarding the Block and ECRP trade reporting tool please consult Section 5.21 of the [US Customer Web Portal Specification](#) document.

*****Question 18: Are Exchange of Contracts for Related Position (“ECRP”) transactions in XBT futures permitted?**

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

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.

Please note following the migration of the CFE System to Bats technology substantive rule and operational changes were made which impacted the reporting of ECRP transactions in XBT futures. TRT is no longer used to report ECRP transactions. TPHs are required to report ECRP transactions through the Block and ECRP trade reporting tool available through the US Customer Web Portal.

A high level summary of post-migration ECRP rule changes can be found in CFE Regulatory Circular [RG18-003](#). For more information regarding the Block and ECRP trade reporting tool please consult Section 5.21 of the [US Customer Web Portal Specification](#) document.

Question 19: Can my firm engage in an ECRP transaction involving the exchange of physical bitcoin for XBT futures if the physical bitcoin account is held in a different name than the XBT futures account but both accounts have the same beneficial owners?

Answer: No. Pursuant to CFE Rules 414(c) and 1302(j) each account used by party to an ECRP transaction that holds the components of the transaction that the party intends to exchange in the transaction must be in that party's own name. Accounts in two different names with the same beneficial owners do not satisfy the ECRP transaction requirements.

Question 20: If my firm's XBT futures account and physical bitcoin account are held in different names, can the accounts be on separate sides of the same ECRP transaction if the beneficial owner is the same?

Answer: No. CFE Rule 414(a)(iii) requires that the accounts involved on each side of an ECRP transaction have different beneficial owners.

*****Question 21: How do I report Block Trades and ECRP transactions?**

Answer: With the CFE system migration, Block Trades and ECRP transactions are no longer reported using TRT. TPHs are required to report Block Trades and ECRP transactions through the Block and ECRP trade reporting tool available through the US Customer Web Portal. For more information regarding the post-migration reporting tool for Block Trades and ECRP transactions please consult Section 5.21 of the [US Customer Web Portal Specification](#) document.

Question 22: What are the position limits for XBT futures?

Answer: Pursuant to CFE Rule 1302(d), XBT futures are 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 23: What are 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/cfeapplicationform.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.

Additional factors CFE will consider when reviewing an application for a position limit exemption include, but are not limited to, volume and open interest levels in XBT futures and the current financial condition of the applicant. Please be advised applicants may be required to submit additional financial information in support of their application.

Question 24: What are the reportable position levels for XBT futures?

Answer: Pursuant to CFE Rule 1302(n)(i), the position level that is 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.

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

Question 25: What are the reportable trading volume for XBT futures?

Answer: Pursuant to CFE Rule 1302(n)(ii), the reportable trading volume that triggers 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](#) for CFTC reporting requirements.

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 26: What are the margin requirements for XBT futures?

Answer: The approach with respect to margin requirements for XBT futures differs from the manner in which margin requirements are applied to other CFE futures products. Margin requirements for XBT futures are 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 is 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 27: 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.

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 28: 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 29: 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 is 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 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 30: 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](#).

Additional information regarding the OCC's margin calculations can be found in the OCC's [Bitcoin FAQ](#).

Question 31: Are the audit trail requirements for XBT futures the same as for other CFE products?

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

Please note the requirements for responding to CFE Regulation data requests have changed. For additional information please see CFE Regulatory Circular [RG18-003](#).

*****Question 32: Are the Order Entry Operator ID (“OEO ID”) requirements for XBT futures the same as for other CFE products?**

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

With the migration of the CFE System to Bats Technology, orders entered without an OEO ID will be rejected or canceled back to the sender by the CFE System. See [SR-CFE-2017-017](#) and CFE Regulatory Circular [RG18-003](#) for additional information.

Question 33: 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 34: How does CFE review order and trading activity during settlement?

Answer: CFE Regulation reviews order and trade activity in XBT futures and on the Gemini Exchange, including but not limited to during settlement. CFE Regulation reviews 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 participants’ activity on those markets from which bitcoin 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](#).

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

Answer: Existing TPHs are 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 36: Is my firm required to register with the National Futures Association (“NFA”) and/or Commodity Futures Trading Commission (“CFTC”) in order to trade XBT futures on CFE?

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 37: 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 38: 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>.

*****Question 39: What are the price limits for XBT future price movements?**

Answer: Following the CFE system migration to Bats technology, Rule 1302(i) pertaining to trading halts was replaced with provisions providing for the application of automated price limits in XBT futures. The automated price limits have the same parameters and general structure as the trading halts, but the parameters and structure are now applied to price limits. The price limit parameters include a price limit for a minimum of 2 minutes in the event of a 10% upward or downward movement in XBT futures and for a minimum of 5 minutes for each additional 10% upward or downward price movement. Generally, the daily settlement price from the previous business day will be used to establish the reference price utilized to measure price movements in XBT futures (except the first trade price will be used when there is more than a short time interval between trading hours such as following weekends or holidays). When price limits are in effect, the CFE System will reject any limit order to buy/sell that is

above/below the upper/lower price limit and will not consummate the execution of any trade that is at a price above/below the upper/lower price limit. As is currently the case, the CFE Trade Desk has the authority to take any action it determines necessary to protect market integrity, which includes, but is not limited to, modifying or eliminating the price limit parameters or halting trading in XBT futures.

For further information regarding the automated price limits please see CFE Regulatory Circular [RG18-003](#).

*****Question 40: What are the price reasonability checks for XBT futures?**

Answer: CFE Rule 513A(d) describes the limit order price reasonability checks risk control. CFE utilizes this risk control to set limit order price reasonability percentage parameters by product. For XBT futures, this price reasonability percentage is 5% pursuant to CFE Rule 1302(r). Clearing members and TPHs also have the ability to designate limit order price reasonability percentage parameters by EFID and product. The most restrictive applicable limit order price reasonability percentage that is designated shall apply. This risk control rejects or cancels back to the sender any buy order with a limit price that is equal to or more than the applicable designated percentage above the prevailing best offer and any sell order with a limit price that is equal to or more than the applicable designated percentage below the prevailing best bid.

CFE Rule 513A(e) describes the market order price reasonability checks risk control. CFE utilizes this risk control to set market order price reasonability percentage parameters by product. For XBT futures, this price reasonability percentage is 5% pursuant to CFE Rule 1302(r). If a market order is partially executed at an initial price level, this risk control rejects or cancels back to the sender any remaining portion of the market order that would execute at a price that is more than the applicable designated percentage above or below that initial price level. Additionally, the risk control rejects or cancels back to the sender any portion of a market order that would execute at a price level that is outside of the applicable Threshold Width.

For further information, please see CFE Regulatory Circular [RG18-003](#).

*****Question 41: What is the Threshold Width for XBT futures?**

Answer: Pursuant to CFE Rule 1302(o) and CFE Rules 513(A)(e)-(f), 5% is the percentage used to determine the percentage of the mid-point between the highest bid and lowest offer for purposes of calculating the Threshold Width in XBT futures. For additional information please see CFE Regulatory Circular [RG18-003](#).

*****Question 42: Where can I find information regarding CFE Risk Controls?**

Answer: CFE Rule 513A contains information regarding the CFE Risk Controls available to Clearing Members.

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.

A description of CFE's risk controls can be found in: the [CFE Risk Management](#) specification, [CFE FIX Implementation Guide](#), [CFE BOE Implementation Guide](#) and CFE Regulatory Circular [RG18-003](#).

Question 43: What potential risks are involved in trading XBT futures?

Answer: Like any futures contract, trading in XBT futures is not suitable for all investors and involves the risk of loss. The risk of loss in XBT 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 trading virtual currencies and bitcoin futures and options, please refer to the CFTC website at: http://www.cftc.gov/idc/groups/public/@customerprotection/documents/file/customeradvisory_ury_ct121517.pdf and 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 Trade Desk at 312-786-8700 or cfetradedesk@cboe.com.

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