



CFE Regulatory Circular RG17-018

Date: December 1, 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

Overview

Cboe Futures Exchange, LLC (“CFE” or the “Exchange”) will commence trading in Cboe Bitcoin (USD) Futures (futures symbol “XBT”) on a date to be announced through the issuance of a circular.

- 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 30% 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		
LISTING DATE:	To be announced by circular		
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 at 2:45 p.m. on its final settlement date.		
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			

	<p>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>
BLOCK TRADES:	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

	<p>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>
NO-BUST RANGE:	<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>
TERMINATION OF TRADING:	<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>
FINAL SETTLEMENT DATE:	<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</p>

	<p>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:	5 contracts.
CONTINGENCIES:	<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 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</p>

	<p>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>.