



# VIX Index Option Combo Versus Related Futures Transactions – Related Futures Cross (RFC)

Reference ID: C2020032005

## Overview

**Applicable Cboe Exchanges:** Cboe Options

**Effective March 20, 2020**, pursuant to expedited relief under Rule 5.24(e)(1), Cboe will permit related future cross (“RFC”) orders to be submitted for VIX index options. These orders may execute as unexposed crosses of riskless packaged transactions which include VIX option combos offset by CFE VIX futures contracts. The relief afforded by this rule will only be in place until May 15, which date may be extended, and will apply only while Cboe is operating in an all-electronic manner. RFC orders are intended to provide means for transferring risk between VIX futures positions and related VIX combo positions for purposes of reducing capital requirements on portfolios held at bank clearing firms.

## Trade Mechanics for RFC Orders

**Effective March 23, 2020**, Cboe’s QCC functionality, which provides immediate electronic crossing of options tied to an underlying security, will be adapted to support the execution of VIX RFC orders. To use this crossing functionality, a TPH must submit an RFC order, comprised of a paired order for only the options combo portion of the package. Once the paired order is received by the Exchange, the primary and contra orders will execute immediately, and fill reports, drop copies, OPRA trade information and clearing records will be automatically generated.

The paired order must include a primary/agency side order and up to 10 contra orders within a single transaction. The minimum quantity must be 10 combos, and total quantity of contra-side orders, collectively, must equal the primary order. The execution price must be in standard increments related to the option or strategy, must be at or inside the SBBO and must be better than the SBBO if there is a priority customer on any leg of the SBBO, and must be better than the price of a priority customer complex order on the COB.

RFC orders may be submitted via Cboe’s FIX API and are also supported via the Cboe PULSe application. API specifications for QCC may be found on the [markets.cboe.com](https://markets.cboe.com) website.

Rule 5.24(e)(1) provides that RFC orders may be submitted in SPX options; however, that functionality will not be available on the above effective date. The Exchange will issue a separate notice if and when this functionality is available for SPX options.

## **Trade Mechanics for the VIX Futures Portion**

The related VIX futures portion of the trade must comply with CFE Rules regarding Exchange of Contract for Related Position (ECRP) transactions, including CFE Rule 414 and CFE Rule 1202(j). The CFE requirements in relation to ECRP transactions involving VIX futures remain the same as existed prior to when Cboe Options began operating in an electronic only trading mode.

The related VIX futures portion of the trade must be submitted to CFE via the CFE Block/ECRP Reporting Tool. The tool also requires the submission of information regarding the options portion of the trade. Pursuant to CFE Rule 414(k)(x) and (xi), the information that is reported regarding the options portion of the trade must include the identity, quantity, and price or premium of the options portion of the trade, including the expiration strike price, type of options (put or call), and delta, and the time the options portion of the trade was reported to Cboe Options (which must be contemporaneous with the VIX futures execution time).

Once the ECRP transaction is fully executed and reported via the CFE Block/ECRP Reporting Tool, the futures portion of the trade will be disseminated through CFE market data and submitted to clearing.

Please note that:

- Only CFE Trading Privilege Holders (CFE TPHs) can be parties to an ECRP transaction. Any non-CFE TPH must utilize a CFE TPH to execute an ECRP trade as agent on behalf of that non-CFE TPH just as a non-CFE TPH would need to use a CFE TPH to execute an order through CFE's trading system.
- A CFE TPH needs to utilize an Authorized Reporter that is registered with CFE to report ECRP transactions to CFE on behalf of the CFE TPH.
- Any ECRP transaction involving VIX futures: (1) must be agreed to during a queuing period (other than during a trading halt) or during trading hours for VIX futures; (2) must be fully reported to CFE by no later than 30 minutes after the transaction is agreed upon; and (3) must be fully reported to CFE within a queuing period or trading hours for VIX futures.
- An Authorized Reporter for one party to the ECRP transaction must enter the required information into the CFE Block/ECRP Reporting Tool and the Authorized Reporter of the contra-party must enter contra-side information and accept the ECRP transaction in the Tool within the required time period.

Market participants may refer to the [CFE Block/ECRP Trades Summary](#) and CFE rules for further detail.

## **Additional Information**

Please contact the Cboe Trade Desk or CFE Trade Desk for support or with any questions.

We appreciate your business and remain committed to powering your potential with Cboe products, technologies, and solutions.

### **Cboe Trade Desk**

913.815.7001

[tradedesk@cboe.com](mailto:tradedesk@cboe.com)

### **CFE Trade Desk**

312.786.8700

[cfetradedesk@cboe.com](mailto:cfetradedesk@cboe.com)