

## **AMERIBOR Futures May Reflect Zero or Negative Rates**

AMERIBOR futures offered for trading on Cboe Futures Exchange, LLC (CFE) may reflect zero or negative AMERIBOR rates. In fact, this has actually occurred with AMERIBOR futures contracts so it is not just a theoretical possibility.

## **Risks Associated with AMERIBOR Futures Reflective of Zero or Negative Rates**

Futures trading is not suitable for all market participants and involves the risk of loss, which can be substantial and can exceed the amount of money deposited for a futures position. You should, therefore, carefully consider whether futures trading is suitable for you in light of your circumstances and financial resources. You should put at risk only funds that you can afford to lose without affecting your lifestyle. For additional information regarding the risks associated with trading futures and security futures, see respectively the [Risk Disclosure Statement set forth in Appendix A to CFTC Regulation 1.55\(c\)](#) and the [Risk Disclosure Statement for Security Futures Contracts](#).

Additionally, there can be increased risks with futures that are reflective of zero or negative values. When trading in the futures markets, there are risks if the market moves against your futures positions. These risks may be particularly acute in those instances in which a futures contract settles at a value reflective of a negative price. The circumstances that lead a futures contract to settle at a value reflective of a negative price may vary. For example, an interest rate future may settle at a value reflective of a negative interest rate due to various circumstances, such as the state of the economy and government monetary policy. Regardless of whether prices are reflective of positive or negative values, you should keep in mind that if the market moves against your futures positions:

- You may sustain a total loss of the funds that you deposit with your broker to establish or maintain your positions and may incur additional losses beyond these amounts;
- You may be called upon by your broker to deposit additional margin funds, on short notice, in order to maintain your positions;
- If you do not provide the required funds within the time required by your broker, your positions may be liquidated at a loss; and
- You will be liable for any resulting deficit in your account.

You should contact your futures commission merchant (FCM) if you have questions or want additional information regarding the preceding three points.

## **CFE's Trading System Supports Trading in AMERIBOR Futures Reflective of Zero or Negative Rates**

CFE previously issued a [Trade Desk Notice](#) that CFE's trading system supports trading in AMERIBOR futures reflective of zero or negative AMERIBOR rates. Refer to the Trade Desk Notice for further information in this regard.

An AMERIBOR futures contract price for 7-Day AMERIBOR (AMW) futures, One-Month AMERIBOR (AMB1) futures, and Three-Month AMERIBOR (AMB3) futures is expressed as 10,000.00 minus the product of average or compounded daily annualized AMERIBOR interest during the 7-Day, 1-Month, or 3-Month contract measurement period, multiplied by 100. For example, a contract price of 9775.75 points represents average or compounded daily annualized AMERIBOR interest of 2.2425% (equivalent to 224.25 basis points). If there are periods in which the average or compounded daily annualized AMERIBOR interest rates have zero or negative values, the contract price of AMW, AMB1, and AMB3 futures may equal or exceed 10,000.00. For example, a contract price of 10,025.25 points represents average or compounded daily annualized AMERIBOR interest of -0.2525% (equivalent to -25.25 basis points).

Similarly, an AMERIBOR futures contract price for AMERIBOR Term-30 (AMT1) futures and AMERIBOR Term-90 (AMT3) futures is expressed as 10,000.00 minus the product of the AMERIBOR benchmark interest rate expected to be used in the determination of the final settlement value, multiplied by 100. For example, a contract price of 9775.75 points represents an expected AMERIBOR benchmark interest rate of 2.2425% (equivalent to 224.25 basis points). If there are periods in which expected AMERIBOR benchmark interest rates have zero or negative values, the contract price of AMT1 and AMT3 futures may equal or exceed 10,000.00. For example, a contract price of 10,025.25 points represents an expected AMERIBOR benchmark interest rate of -0.2525% (equivalent to -25.25 basis points).

As of December 23, 2021