



## CFE Regulatory Circular 21-003

**Date:** May 25, 2021  
**Exchanges:** CFE  
**Markets:** Futures  
**To:** Trading Privilege Holders and Other Market Participants  
**Re:** Position Accountability

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### Replaces CFE Regulatory Circular [RG14-013](#)

Cboe Futures Exchange, LLC (“CFE” or the “Exchange”) is issuing this circular to remind Trading Privilege Holders (“TPHs”) and other Market Participants (“MPs”) of certain requirements related to position accountability under CFE Rule 412A.

#### Position Limit /Accountability Table

CFE publishes and updates position limits and accountability levels, as applicable, on its website for Contracts available for trading on CFE. The CFE Position and Accountability Chart is available here:

<http://cfe.cboe.com/publish/CFEPosLimAcc/CFEPositionLimitandAccountabilityChart.pdf>

#### Position Accountability Requirements

CFE designates for each Contract listed on the Exchange whether it is subject to position limits or position accountability. CFE Rule 412A sets forth the general requirements applicable to Contracts subject to position accountability and the Contract Specifications rule chapter for each Contract sets forth the applicable position accountability level(s) for that Contract.

CFE Rule 412A, taken together with CFE Rule 308,<sup>1</sup> provides that a TPH or other MP must provide notice to the Exchange, in a form and manner prescribed by the Exchange before, or within one Business Day of exceeding, an all-expirations-combined position accountability level. During the time period in which a position accountability level solely for an expiring contract is applicable, a TPH or other MP must provide notice to the Exchange in a form and manner prescribed by the Exchange no later than one full Business Day prior to exceeding that position accountability level.

#### Notice Requirement

##### All-Expirations-Combined Position Accountability Levels

If a TPH or other MP anticipates exceeding the all-expirations-combined VX futures position accountability level, the TPH or other MP should submit a completed CFE Position Accountability Information form (Position Accountability Form) to CFE Regulation. If a TPH exceeds the all-expirations-

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<sup>1</sup> Pursuant to CFE Rule 308, non-TPH MPs are also subject to CFE position accountability and the provisions of Rule 412A.

combined VX futures position accountability level and has not already submitted a completed CFE Position Accountability Form with respect to those positions, the TPH must submit a completed Position Accountability Form to CFE Regulation within one Business Day of exceeding that position accountability level.

Expiring Contract Position Accountability Levels

If at the time of commencement of trading hours for the Business Day immediately preceding the Business Day on which a position accountability level solely for the expiring VX future becomes applicable a TPH or other MP *controls* aggregate positions in the expiring VX future in excess of that position accountability level, the TPH or other MP must submit a completed Position Accountability Form to CFE Regulation by no later than 10:00 a.m. (all times noted are Central Time) on that immediately preceding Business Day.

- For example, assume the final settlement date of the April VX future is Wednesday, April 16. As a result, the 30,000 contract position accountability level for the April VX future becomes applicable at 5:00 p.m. on the preceding Thursday, April 10 (which is the start of VX futures trading hours for the Business Day of Friday, April 11). Assume that at 3:30 p.m. on Wednesday, April 9 (which is the start of VIX futures trading hours for the Business Day of Thursday, April 10) a TPH controls over 30,000 net long April VX futures contracts. The TPH must submit a completed Position Accountability Form to CFE Regulation by no later than 10:00 a.m. on Thursday, April 10. This is the case even though the 30,000 contract position accountability level does not become applicable until 5:00 p.m. on Thursday, April 10.

If at the time of commencement of trading hours for the Business Day immediately preceding the Business Day on which a position accountability level solely for the expiring VX future becomes applicable a TPH or other MP *intends to control* aggregate positions in the expiring VX future in excess of that position accountability level at the time it becomes applicable, the TPH or other MP must submit a completed Position Accountability Form to CFE Regulation by no later than 10:00 a.m. on that immediately preceding Business Day.

- For example, assume again that the final settlement date of the April VX future is Wednesday, April 16. As a result, the 30,000 contract position accountability level for the April VX future becomes applicable at 5:00 p.m. on the preceding Thursday, April 10 (which is the start of VX futures trading hours for the Business Day of Friday, April 11). Assume that at 3:30 p.m. on Wednesday, April 9 (which is the start of VX futures trading hours for the Business Day of Thursday, April 10) a TPH does not control over 30,000 net long or net short April VX futures contracts but that the TPH intends to control over 30,000 net short April VX futures by 3:30 p.m. on Thursday, April 10. The TPH must submit a completed Position Accountability Form to CFE Regulation by no later than 10:00 a.m. on Thursday, April 10. This is the case even though the 30,000 contract position accountability level does not become applicable until 5:00 p.m. on Thursday, April 10.

During the time period in which a position accountability level solely for the expiring VX future is applicable, a TPH or other MP must submit a completed Position Accountability Form to CFE Regulation by no later than one full Business Day prior to exceeding that position accountability level.

- For example, assume again that the final settlement date of the April VIX future is Wednesday, April 16. As a result, the 10,000 contract position accountability level for the April VX future becomes applicable at 5:00 p.m. on the preceding Monday, April 14 (which is the start of VX futures trading hours for the Business Day of Tuesday, April 15). Assume that at 1:00 p.m. on Tuesday, April 15 a TPH first decides that it would like to exceed the 10,000 contract position accountability level. The TPH would not be able to do so because the TPH would have needed to have submitted a completed Position Accountability Form to CFE Regulation by no later than 1:00 p.m. on Monday, April 14 (a full Business Day in advance) and also have not been restricted by CFE Regulation with respect to exceeding that position accountability level.

Please note with respect to the above examples that one VXM futures contract is deemed to be equivalent to one-tenth (0.10) of one VX futures contract for purposes of applying position accountability levels.

TPHs and other MPs required to provide notice to the Exchange must submit the Position Accountability Form to CFE Regulation and will be subject to the following provisions:

- The TPH or other MP shall provide to CFE such information as CFE may prescribe or request pertaining to: the nature and size of the positions; the trading strategy employed with respect to the positions; the TPH's or other MP's intentions with respect to the positions; any hedging activities relating to the positions; and any other information relating to the positions or the TPH's or other MP's intentions with respect to the positions as CFE may prescribe or request;
- CFE may, in its sole discretion, require the TPH or other MP: (a) not to further increase any positions that are above the applicable position accountability levels; (b) to reduce any positions that are above the applicable position accountability levels; or (c) to comply with any prospective levels or limits prescribed by CFE which equal or exceed the applicable position accountability levels or the size of the positions controlled by the TPH or other MP;
- The TPH or other MP shall hold all positions in excess of the applicable position accountability levels in an account or accounts designated in writing to CFE and shall not transfer or move the positions to another account absent advance written notice to and approval by CFE; and
- Any positions in excess of the position accountability levels must be initiated and liquidated in an orderly manner.

In determining whether any TPH has exceeded the position accountability levels established by the Exchange, all positions shall be aggregated in accordance with CFE Rule 412A(f). Specifically, unless an exemption set forth in 412A(f)(iii) applies: (i) all positions in accounts for which any Person, by power of attorney or otherwise, directly or indirectly controls trading or holds a 10 percent or greater ownership or equity interest must be aggregated with the positions held and trading done by that Person; and (ii) any Person that, by power of attorney or otherwise, holds or controls the trading of positions in more than one account or pool with substantially identical trading strategies, must aggregate all such positions (determined pro rata) with all other positions held and trading done by

that Person and the positions in accounts which the Person must aggregate pursuant to item (i) of this paragraph.

If a TPH or other MP exceeds a position accountability level as a result of maintaining positions at more than one Clearing Member, the TPH or other MP will be deemed to have waived the confidentiality of its positions and the identity of the Clearing Members at which the positions are maintained. To the extent that a TPH or other MP does not comply with any written or verbal instruction issued by CFE with respect to position accountability levels, such non-compliance may constitute a violation of Rule 412A.

A TPH or other MP may request relief from providing the Position Accountability Form on an ongoing basis if the TPH plans to exceed position accountability levels set by the Exchange. A TPH or other MP should complete the Position Accountability Form along with the requested details of the rationale for the request and return it to CFE Regulation.

### **Applicability of Position Accountability Provisions to Market Participants**

Additionally, each TPH is required under CFE Rule 609(a) to establish, maintain, and administer reasonable supervisory procedures to ensure that its Related Parties, automated trading systems and Customers comply with CFE Rules, including Rule 412A. Each MP is required under CFE Rule 609(b) to supervise MP's activities and automated trading systems to ensure compliance with CFE Rules applicable to the MP, including CFE Rule 412A.

This circular is not intended to provide a comprehensive description of the provisions related to CFE position accountability. TPHs and other MPs should refer to Rule 412A and the contract specifications rule chapter for each relevant contract for other additional detail.

### **Position Accountability Form**

The CFE Position Accountability Form (including instructions for submission) is available on CFE's website at:

<http://cfe.cboe.com/publish/CFETradingPermitForms/CFEPositionAccountabilityInformationForm.pdf>

### **Additional Information**

Please contact CFE Regulatory Interpretations at [CFEreginterps@cboe.com](mailto:CFEreginterps@cboe.com) or 312.786.7229 for additional information.