

## **Chapter 34**

### **Single Stock Futures**

#### **34100. SCOPE OF CHAPTER**

This chapter is limited in application to trading in any contract that is a security future (as such term is defined in Section 1a(31) of the Commodity Exchange Act) and that provides for the physical delivery of a single security (each, a "Single Stock Future"). The procedures for trading, clearing, settlement, and any other matters not specifically covered herein shall be governed by the other Rules of the Exchange.

#### **34101. SPECIFICATIONS SUPPLEMENTS**

The general specifications set forth in this Chapter shall be subject to, and qualified by, the specific terms applicable to trading, clearing or settlement of particular Single Stock Futures, as provided in Specifications Supplements adopted by the Exchange. Each Specifications Supplement for a Single Stock Future shall be substantially in the form set forth in Rule 34109 or such other form as the Exchange may approve. No Specifications Supplement shall become effective until the Exchange has submitted to the CFTC (i) a certification satisfying the requirements set forth in CFTC Regulation 41.22 and (ii) a filing satisfying the requirements set forth in CFTC Regulation 41.23, with respect to the Single Stock Future to which it relates.

#### **34102. CONTRACT SPECIFICATIONS**

##### **34102.A. Underlying Securities**

Each Single Stock Future shall be based on an underlying security, which satisfies the requirements set forth in CFTC Regulation 41.21(a), as determined by the Exchange.

##### **34102.B. Trading Unit**

Each Single Stock Future shall require the delivery of a particular number of shares of the underlying security, as determined by the Exchange

##### **34102.C. Trading Hours**

Single Stock Futures shall be traded during such hours, as determined by the Exchange.

##### **34102.D. Minimum Price Fluctuations**

The minimum price fluctuation for each Single Stock Future shall be equivalent to \$0.01 per share.

##### **34102.E. Delivery Months**

Single Stock Futures shall be traded for delivery in such months, as determined by the Exchange.

##### **34102.F. Position Limits**

For purposes of Rule 559, the position limit applicable to positions in any Single Stock Future held during the last five trading days of an expiring contract month shall be the position limit adopted by the Exchange in accordance with CFTC Regulation 41.25.

##### **34102.G. Price Limits**

There is no daily price limit for Single Stock Futures.

##### **34102.H. Last Trading Day**

All trading in a particular Single Stock Future shall terminate at the close of business on such dates, as determined by the Exchange.

#### **34103. DELIVERY**

Delivery of the underlying securities upon termination of a Single Stock Future, and payment of the price in respect thereof, shall be made in accordance with the Rules of the Exchange's Clearing House. As promptly as possible after the receipt of a notice of delivery from the Clearing House with respect to a Single Stock Future held by a member firm for a customer, such member firm shall require such customer to deposit the underlying securities (in the case of a short position) or pay the aggregate price in respect thereof, in full and in cash (in the case of a long position), or in either case, if the transaction is effected in a margin account, to make the required margin deposit in accordance with the applicable regulations of the Federal Reserve Board.

**34104. REGULATORY TRADING HALTS**

Trading in a Single Stock Future shall be halted at all times that a regulatory halt, as defined in CFTC Regulation 41.1(l), has been instituted for the underlying security.

**34105. DAILY SETTLEMENT PRICE**

(a) The daily settlement price for each Single Stock Future will be the average of the final bid and final offer of the Single Stock Future at the close of trading.

(b) If there is no bid or offer at the close of trading, then the Exchange shall set a reasonable settlement price by adjusting the average of the last bid and offer disseminated to the market and captured by an independent price reporting system during the trading day by the difference between the consolidated price of the underlying security at the time that the last bid or offer was quoted on the Exchange and the consolidated price of the underlying security at the close of regular trading hours.

(c) Notwithstanding the above, the Exchange may in its sole discretion establish a settlement price that it deems to be a fair and reasonable reflection of the market. The Exchange will consider all relevant factors, including those discussed in this provision, when establishing such a settlement price.

**34106. FINAL SETTLEMENT PRICE**

The final settlement price of a Single Stock Future shall be calculated in accordance with Rule 34105, unless the final settlement price is fixed in accordance with the Rules of the Exchange's Clearing House.

**34107. CONTRACT MODIFICATIONS**

The specifications for a particular Single Stock Future shall be as set forth in the filing made with respect thereto pursuant to CFTC Regulation 41.23. If any U.S. governmental agency or body issues a law, order, ruling or directive that conflicts with the requirements of this Chapter or specifications set forth in any Specifications Supplement, such law, order, ruling or directive shall be deemed to take precedence over such requirements or specifications and shall become part of this Chapter or of such Specifications Supplement and all open and new contracts shall be subject thereto.

**34108. CONTRACT ADJUSTMENTS**

Adjustments to Single Stock Futures related to actions or transactions by or affecting the issuer of the underlying securities shall be made under the circumstances and in the manner prescribed by the Exchange or its Clearing House.

**34109. FORM OF SPECIFICATIONS SUPPLEMENT**

Supplement No. \_\_\_\_\_

Title of Single Stock Future: \_\_\_\_\_

Underlying Security:

Trading Unit:

Trading Hours:

Delivery Months:

Last Trading Day:

Delivery Day:

Minimum Price Fluctuation:

Reportable Position:

Position Limit in Expiring Contract during Last Five Trading Days:

Other Specifications:

**34110. LISTING STANDARDS**

(a) Initial listing standards for Single Stock Futures

For a Single Stock Future to be eligible for initial listing, the security underlying the Single Stock Future must meet each of the following requirements. In addition, the Exchange will not list a Single Stock Future until it has arrangements in place with a registered clearing agency

for the payment and delivery of the underlying security pursuant to Section 6(h)(3)(B) of the Securities Exchange Act of 1934 (as amended from time to time, the "Exchange Act"), and has made a rule submission required by the Securities and Exchange Commission ("SEC") regarding such arrangements.

- (1) The underlying security must be a common stock, an American Depositary Receipt ("ADR") representing common stock or ordinary shares, a share of an exchange traded fund ("ETF Share"), a trust issued receipt ("TIR") or a share of a registered closed-end management investment company ("Closed-End Fund Share").
- (2) It must be registered under Section 12 of the Exchange Act, and its issuer must be in compliance with any applicable requirements of the Exchange Act.
- (3) It must be listed on a national securities exchange or traded through the facilities of a national securities association and reported as a "national market system" security as set forth in Rule 242.600 under the Exchange Act ("NMS security").
- (4) There must be at least seven million shares or receipts evidencing the underlying security outstanding that are owned by persons other than those required to report their security holdings pursuant to Section 16(a) of the Exchange Act.

*Requirement (4) as Applied to Restructure Securities:*

*In the case of an equity security that a company issues or anticipates issuing as the result of a spin-off, reorganization, recapitalization, restructuring or similar corporate transaction ("Restructure Security"), the Exchange may assume that this requirement is satisfied if, based on a reasonable investigation, it determines that, on the Single Stock Future's intended listing date: (A) at least 40 million shares of the Restructure Security will be issued and outstanding; or (B) the Restructure Security will be listed on a national securities exchange or automated quotation system that is subject to an initial listing requirement of no less than seven million publicly owned shares.*

*In the case of a Restructure Security issued or distributed to the holders of the equity security that existed prior to the ex-date of a spin-off, reorganization, recapitalization, restructuring or similar corporate transaction ("Original Equity Security"), the Exchange may consider the number of outstanding shares of the Original Equity Security prior to the spin-off, reorganization, recapitalization, restructuring or similar corporate transaction ("Restructuring Transaction").*

- (5) In the case of an underlying security other than an ETF Share, TIR or Closed-End Fund Share, there must be at least 2,000 security holders.

*Requirement (5) as Applied to Restructure Securities:*

*If the security under consideration is a Restructure Security, the Exchange may assume that this requirement is satisfied if, based on a reasonable investigation, the Exchange determines that, on the Single Stock Future's intended listing date: (A) at least 40 million shares of the Restructure Security will be issued and outstanding; or (B) the Restructure Security will be listed on a national securities exchange or automated quotation system that is subject to an initial listing requirement of at least 2,000 shareholders. In the case of a Restructure Security issued or distributed to the holders of the Original Equity Security, the Exchange may consider the number of shareholders of the Original Equity Security prior to the Restructuring Transaction.*

- (6) In the case of an underlying security other than an ETF Share, TIR or Closed-End Fund Share, it must have had a total trading volume (in all markets in which the underlying security has traded) of at least 2,400,000 shares in the preceding 12 months.

*Requirement (6) as Applied to Restructure Securities:*

*Look-Back Test: In determining whether a Restructure Security that is issued or distributed to the shareholders of an Original Equity Security (but not a Restructure Security that is issued pursuant to a public offering or rights distribution) satisfies this requirement, the Exchange may "look back" to the trading volume history of the Original Equity Security prior to the ex-date of the Restructuring Transaction if the following Look-Back Test is satisfied:*

- (A) *The Restructure Security has an aggregate market value of at least \$500 million;*
- (B) *The aggregate market value of the Restructure Security equals or exceeds the Relevant Percentage (defined below) of the aggregate market value of the Original Equity Security;*

- (C) The aggregate book value of the assets attributed to the business represented by the Restructure Security equals or exceeds both \$50 million and the Relevant Percentage of the aggregate book value of the assets attributed to the business represented by the Original Equity Security; or
- (D) The revenues attributed to the business represented by the Restructure Security equal or exceed both \$50 million and the Relevant Percentage of the revenues attributed to the business represented by the Original Equity Security.

For purposes of determining whether the Look-Back Test is satisfied, term “Relevant Percentage” means: (i) 25%, when the applicable measure determined with respect to the Original Equity Security or the business it represents includes the business represented by the Restructure Security; and (ii) 33-1/3%, when the applicable measure determined with respect to the Original Equity Security or the business it represents excludes the business represented by the Restructure Security.

In calculating comparative aggregate market values, the Exchange will use the Restructure Security’s closing price on its primary market on the last business day prior to the date on which the Restructure Security is selected as an underlying security for a Single Stock Future (“Selection Date”), or the Restructure Security’s opening price on its primary market on the Selection Date, and will use the corresponding closing or opening price of the related Original Equity Security.

Furthermore, in calculating comparative asset values and revenues, the Exchange will use the issuer’s (i) latest annual financial statements or (ii) most recently available interim financial statements (so long as such interim financial statements cover a period of not less than three months), whichever are more recent. Those financial statements may be audited or unaudited and may be pro forma.

*Limitation on Use of Look-Back Test:* Except in the case of a Restructure Security that is distributed pursuant to a public offering or rights distribution, the Exchange will not rely upon the trading volume history of an Original Equity Security for any trading day unless it also relies upon the market price history for that trading day.

In addition, once the Exchange commences to rely upon a Restructure Security’s trading volume and market price history for any trading day, the Exchange will not rely upon the trading volume and market price history of the Original Equity Security for any trading day thereafter.

- (7) In the case of an underlying security that is an ETF Share, TIR or Closed-End Fund Share, it must have had a total trading volume (in all markets in which the underlying security has traded) of at least 2,400,000 shares or receipts evidencing the underlying security in the preceding 12 months.
- (8) If the underlying security is a “covered security” as defined under Section 18(b)(1)(A) of the Securities Act of 1933, the market price per share of the underlying security has been at least \$3.00 for the previous five consecutive business days preceding the date on which the Single Stock Future is listed by the Exchange. For purposes of this provision, the market price of such underlying security is measured by the closing price reported in the primary market in which the underlying security is traded.

*Requirement (8) as Applied to Restructure Securities:*

*Look-Back Test:* In determining whether a Restructure Security that is issued or distributed to the shareholders of an Original Equity Security (but not a Restructure Security that is issued pursuant to a public offering or rights distribution) satisfies this requirement, the Exchange may “look back” to the market price history of the Original Equity Security prior to the ex-date of the Restructuring Transaction if the Look-Back Test described in paragraph (a)(6)(A) through (a)(6)(D) above is satisfied.

*Restructure Securities Issued in Public Offering or Rights Distribution:* In determining whether a Restructure Security that is distributed pursuant to a public offering or a rights distribution satisfies requirement (8), the Exchange may look back to the market price history of the Original Equity Security if: (i) the foregoing Look-Back Test is satisfied; (ii) the Restructure Security trades “regular way” on a national securities exchange or automatic quotation system for at least five trading days immediately preceding the Selection Date; and (iii) at the close of trading on each trading day on which the Restructure Security trades “regular way” prior to the Selection Date, as well as at the opening of trading on the Selection Date, the market price of the Restructure Security was at least \$3.00.

*Limitation on Use of Look-Back Test: Except in the case of a Restructure Security that is distributed pursuant to a public offering or rights distribution, the Exchange will not rely upon the market price history of an Original Equity Security for any trading day unless it also relies upon the trading volume history for that trading day. In addition, once the Exchange commences to rely upon a Restructure Security's trading volume and market price history for any trading day, the Exchange will not rely upon the trading volume and market price history of the related Original Equity Security for any trading day thereafter.*

- (9) If the underlying security is not a "covered security" as defined under Section 18(b)(1)(A) of the Securities Act of 1933, it must have had a market price per security of at least \$7.50, as measured by the lowest closing price reported in any market in which it has traded, for the majority of business days during the three calendar months preceding the date of selection.

*Requirement (9) as Applied to Restructure Securities:*

*Look-Back Test: In determining whether a Restructure Security that is issued or distributed to the shareholders of an Original Equity Security (but not a Restructure Security that is issued pursuant to a public offering or rights distribution) satisfies this requirement, the Exchange may "look back" to the market price history of the Original Equity Security prior to the ex-date of the Restructuring Transaction if the Look-Back Test described in paragraph (a)(6)(A) through (a)(6) (D) above is satisfied.*

*Restructure Securities Issued in Public Offering or Rights Distribution: In determining whether a Restructure Security that is distributed pursuant to a public offering or a rights distribution satisfies requirement (9), the Exchange may look back to the market price history of the Original Equity Security if: (i) the foregoing Look-Back Test is satisfied; (ii) the Restructure Security trades "regular way" on a national securities exchange or automatic quotation system for at least five trading days immediately preceding the Selection Date; and (iii) at the close of trading on each trading day on which the Restructure Security trades "regular way" prior to the Selection Date, as well as at the opening of trading on the Selection Date, the market price of the Restructure Security was at least \$7.50.*

*Limitation on Use of Look-Back Test: Except in the case of a Restructure Security that is distributed pursuant to a public offering or rights distribution, the Exchange will not rely upon the market price history of an Original Equity Security for any trading day unless it also relies upon the trading volume history for that trading day. In addition, once the Exchange commences to rely upon a Restructure Security's trading volume and market price history for any trading day, the Exchange will not rely upon the trading volume and market price history of the related Original Equity Security for any trading day thereafter.*

- (10) If the underlying security is an ADR:
- (A) The Exchange must have in place an effective surveillance sharing agreement with the primary exchange in the home country where the stock underlying the ADR is traded;
  - (B) The combined trading volume of the ADR and other related ADRs and securities in the U.S. ADR market, or in markets with which the Exchange has in place an effective surveillance sharing agreement, represents (on a share equivalent basis) at least 50% of the combined worldwide trading volume in the ADR, the security underlying the ADR, other classes of common stock related to the underlying security, and ADRs overlying such other stock over the three-month period preceding the date of selection of the ADR as the underlying security for a Single Stock Future ("Selection Date");
  - (C) (i) The combined trading volume of the ADR and other related ADRs and securities in the U.S. ADR market, and in markets with which the Exchange has in place an effective surveillance sharing agreement, represents (on a share equivalent basis) at least 20% of the combined worldwide trading volume in the ADR and in other related ADRs and securities over the three-month period preceding the Selection Date;
  - (ii) The average daily trading volume for the ADR in the U.S. markets over the three-month period preceding the Selection Date is at least 100,000 receipts; and
  - (iii) The daily trading volume for the ADR is at least 60,000 receipts in the U.S. markets on a majority of the trading days for the three-month period preceding the Selection Date; or

- (D) The SEC and Commodity Futures Trading Commission (“CFTC”) have otherwise authorized the listing.
- (11) The Exchange will not list for trading any Single Stock Future where the underlying security is a Restructure Security that is not yet issued and outstanding, regardless of whether the Restructure Security is trading on a “when issued” basis or on another basis that is contingent upon the issuance or distribution of securities.
- (b) Maintenance standards for Single Stock Futures
- (1) The Exchange will not open for trading any Single Stock Future with a new delivery month, and may prohibit any opening purchase transactions in the Single Stock Future already trading, to the extent it deems such action necessary or appropriate, unless the underlying security meets each of the following maintenance requirements; provided that, if the underlying security is an ETF Share, TIR or Closed-End Fund Share, the applicable requirements for initial listing of the related Single Stock Future (as described in paragraph (a) above) shall apply in lieu of the following maintenance requirements:
- (A) The underlying security must be registered under Section 12 of the Exchange Act.
- (B) There must be at least 6,300,000 shares or receipts evidencing the underlying security outstanding that are owned by persons other than those who are required to report their security holdings pursuant to Section 16(a) of the Exchange Act.
- (C) There must be at least 1,600 security holders.
- (D) It must have had an average daily trading volume (across all markets in which the underlying security is traded) of at least 82,000 shares or receipts evidencing the underlying security in each of the preceding 12 months.
- Requirement (D) as Applied to Restructure Securities:*
- If a Restructure Security is approved as an underlying security for a Single Stock Future under the initial listing standards in paragraph (a) of this Rule, the average daily trading volume history of the Original Equity Security (as defined in paragraph (a) of this Rule) prior to the commencement of trading in the Restructure Security (as defined in paragraph (a) of this Rule), including “when-issued” trading, may be taken into account in determining whether this requirement is satisfied.*
- (E) The market price per share of the underlying security has not closed below \$3.00 on the previous trading day to the Last Trading Day, as set forth in the Specifications Supplement, of the nearest expiring Single Stock Future on the underlying security. The market price per share of the underlying security will be measured by the closing price reported in the primary market in which the underlying security traded.
- Requirement (E) as Applied to Restructure Securities:*
- If a Restructure Security is approved as an underlying security for a Single Stock Future under the initial listing standards in paragraph (a) of this Rule, the market price history of the Original Equity Security prior to the commencement of trading in the Restructure Security, including “when-issued” trading, may be taken into account in determining whether this requirement is satisfied.*
- (F) If the underlying security is an ADR and was initially deemed appropriate as an underlying security or a Single Stock Future under paragraph (a)(10)(B) or (a)(10)(C) of this Rule, the Exchange will not open for trading Single Stock Futures having additional delivery months on the ADR unless:
- (i) The percentage of worldwide trading volume in the ADR and other related securities that takes place in the U.S. and in markets with which the Exchange has in place an effective surveillance sharing agreement for any consecutive three-month period is: (a) at least 30%, without regard to the average daily trading volume in the ADR; or (b) at least 15% when the average U.S. daily trading volume in the ADR for the previous three months is at least 70,000 receipts;
- (ii) The Exchange has in place an effective surveillance sharing agreement with the primary exchange in the home country where the security underlying the ADR is traded; or
- (iii) The SEC and CFTC have otherwise authorized the listing.
- (2) The Exchange will not open trading in a Single Stock Future with a new delivery month unless:

- (A) The issuer of the underlying security satisfies applicable Exchange Act reporting requirements, or corrects any failure within 30 days after the date the report was due to be filed; and
  - (B) The underlying security is listed on a national securities exchange or is principally traded through the facilities of a national securities association and is designated as an NMS security.
- (3) If prior to the withdrawal from trading of a Single Stock Future covering an underlying security that has been found not to meet the Exchange's requirements for continued approval, the Exchange determines that the underlying security again meets the Exchange's requirements, the Exchange may open for trading new delivery months in such Single Stock Future and may lift any restriction on opening purchase transactions.
- (4) Whenever the Exchange announces that approval of an underlying security has been withdrawn for any reason or that the Exchange has been informed that the issuer of an underlying security has ceased to be in compliance with Exchange Act reporting requirements, each member firm shall, prior to effecting any transaction in Single Stock Futures with respect to such underlying security for any customer, inform such customer of such fact and that the Exchange may prohibit further transactions in such Single Stock Futures as it determines is necessary and appropriate.