



## Special Executive Report

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**DATE:** March 28, 2019

**SER#:** 8299

**SUBJECT:** **Amendments to CME, CBOT, and NYMEX/COMEX Rule 855. Regarding Offsetting Certain Positions and Adoption of a Contracts Eligible for Offset Table**

Effective trade date Monday, April 15, 2019, and pending all relevant CFTC regulatory review periods, Chicago Mercantile Exchange Inc. ("CME"), The Board of Trade of the City of Chicago, Inc. ("CBOT"), New York Mercantile Exchange, Inc. ("NYMEX") and Commodity Exchange, Inc. ("COMEX") (collectively, the "Exchanges") shall amend CME, CBOT, and NYMEX/COMEX Rule 855. regarding offsetting positions of certain contracts and adoption of a Contracts Eligible for Offset Table (the "Table") at the end of CME, CBOT, and NYMEX/COMEX Chapter 8 ("Clearing House and Performance Bonds") to identify those products eligible for offset pursuant to each Rule (collectively, the "Rule Amendments").

The amendments to NYMEX/COMEX Rule 855. adopt a new provision to permit certain energy spread products to be unbundled into their underlying legs, which may then be offset against opposite open positions held in the underlying legs. This new provision is intended to alleviate capital requirements attendant to market participants holding open positions in a NYMEX listed spread product in addition to holding open positions in the outright NYMEX products underlying such spread.

The amendments to CME, CBOT, and NYMEX/COMEX Rule 855. streamline the text of the Rule and include the deletion of the list of existing products eligible for offset subject to the Rule based on the adoption of the new Table which will be accessible via a link at the end of Chapter 8 of each Exchange's Rulebook.

Lastly, the Table provides inclusion of all of the relevant NYMEX contracts.

The Rule Amendments are set forth below in Exhibit A with additions underscored and deletions ~~everstruck~~. The Table may be viewed [HERE](#).

Inquires regarding the aforementioned may be directed to:

|                   |  |              |
|-------------------|--|--------------|
| Ryan Hanley       | <a href="mailto:ryan.hanley@cme.com">ryan.hanley@cme.com</a>             | 312.454.8344 |
| Jeffrey Rosenthal | <a href="mailto:jeffrey.rosenthal@cme.com">jeffrey.rosenthal@cme.com</a> | 312.930.3186 |

### **EXHIBIT A**

**NYMEX and COMEX**  
**Chapter 8**  
**("Clearing House and Performance Bonds")**  
(Additions are underscored; Deletions are ~~everstruck~~.)

**855. OFFSETTING DIFFERENT-SIZED FUTURES POSITIONS**

**A. DIFFERENT-SIZED FUTURES CONTRACTS**

With the consent of the account controller, a clearing member may offset ~~and liquidate~~ long futures positions against short futures positions, or short futures positions against long futures positions, held in the same

account in the ratios set forth in the Contracts Eligible for Offset Table ("Table") at the end of Chapter 8. following ratios:

~~E-mini Crude Oil (QM) to Crude Oil Financial (WS)~~ 2:1

~~E-mini Natural Gas (QG) to Henry Hub Natural Gas Look-Alike Penultimate Financial (HP)~~ 4:1

~~Henry Hub Natural Gas Look-Last Day Financial (NN) to Henry Hub Natural Gas Look-Alike Last Day Financial (HH)~~ 4:1

~~Henry Hub Natural Gas Penultimate Financial (NP) to Henry Hub Natural Gas Look-Alike Penultimate Financial (HP)~~ 4:1

~~E-mini RBOB Gasoline (QU) to RBOB Gasoline Financial (RT)~~ 2:1

~~E-mini NY Harbor ULSD (QH) to NY Harbor ULSD Financial (BH)~~ 2:1

~~E-micro Gold (MGC) to Gold (GC)~~ 10:1

~~1,000-oz. Silver (SIL) to Silver (SI)~~ 5:1

~~The clearing member shall notify the Clearing House of offsetting positions by submitting reports to the Clearing House in such form and manner as the Clearing House shall specify. The positions shall be offset at the previous day's settlement price. The positions being offset shall be transferred to a Clearing House holding account. Long and short positions in the same contract and contract month held in the holding account shall be netted, thus reducing the number of open positions in such contract.~~

#### **B. FUTURES SPREAD CONTRACTS AND UNDERLYING FUTURES CONTRACT LEGS**

~~With the consent of the account controller, a clearing member may offset an open position in a listed futures spread contract against opposite open positions in the outright futures products of the spread contract's underlying legs held in the same account in the ratios set forth in the Table.~~

~~For purposes of Sections A. and B., the clearing member shall notify the Clearing House of offsetting positions by submitting reports to the Clearing House in such form and manner as the Clearing House shall specify. The positions shall be offset at the previous day's settlement price.~~

~~The positions being offset shall be transferred to a holding account at the Clearing House. Offsetting positions in the same contract and contract month held in the holding account shall be netted, thus reducing the number of open positions in such contracts.~~

**CME**  
**Chapter 8**  
**(“Clearing House and Performance Bonds”)**  
(Additions are underscored; Deletions are ~~everstruck~~.)

#### **855. OFFSETTING DIFFERENT SIZED FUTURES POSITIONS AND OPTIONS POSITIONS FOR DIFFERENT-SIZED CONTRACTS**

~~With the consent of the account controller, a clearing member may offset ~~and liquidate~~ long ~~E-Mini or E-Micro~~ futures positions against short ~~regular~~ futures positions, or short ~~E-Mini or E-Micro~~ futures positions against long ~~regular~~ futures positions, held in the same account in the ratios set forth in the Contracts Eligible for Offset Table ("Table") at the end of Chapter 8. following ratios of ~~E-Mini or E-Micro~~ to regular futures contracts:~~

~~E-Mini S&P 500 to regular S&P 500: 5:1~~

~~E-Mini Currency to regular Currency: 2:1~~

~~E-Mini Nikkei 225 (Yen) to regular Nikkei 225 (Yen): 5:1~~

~~E-Micro GBP/USD, EUR/USD, AUD/USD, CAD/USD, JPY/USD, CHF/USD, USD/RMB or CNY, USD/Offshore RMB or CNH to regular Currency 10:1~~

~~E-Micro INR/USD to regular INR/USD 5:1~~

~~With the consent of the account controller, a clearing member may offset ~~and liquidate~~ long options on futures positions ~~in options on E-Mini or E-Micro futures contracts (“E-Mini or E-Micro options”)~~ against short options on futures positions ~~in options on regular futures contracts (“regular options”)~~, or short options on futures positions ~~in E-Mini or E-Micro options~~ against long options on futures positions ~~in regular options~~, held in the same account ~~in the ratios set forth in the Table~~, provided that ~~(a) any such offsetting and liquidating combination of E-Mini or E-Micro options and regular options corresponds to one of the offsetting and liquidating combinations of E-Mini or E-Micro futures and regular futures specified in this Rule, and provided that~~ the options to be netted have ~~(b) European exercise, (c) the same expiration date, and (d) the same exercise price. If all of the foregoing requirements are met, then the offsets will be in the following ratios of options on E-Mini or E-Micro futures contracts to options on regular futures contracts:~~~~

**Options on E-Mini S&P 500 futures to Options on S&P 500 futures: 5:1**

The clearing member shall notify the Clearing House of offsetting positions by submitting reports to the Clearing House in such form and manner as the Clearing House shall specify. The positions shall be offset at the previous day's settlement price for futures and at a price of zero for options.

The positions being offset shall be transferred to a ~~CME~~-holding account at the Clearing House. Offsetting Long and short positions in the same contract and contract month held in the holding account shall be netted, thus reducing the number of open positions in such contract.

**CBOT**  
**Chapter 8**  
**(“Clearing House and Performance Bonds”)**  
(Additions are underscored; Deletions are ~~everstruck~~.)

**855. OFFSETTING ~~MINI-SIZED AND FULL-SIZED FUTURES~~ POSITIONS FOR DIFFERENT-SIZED CONTRACTS**

With the consent of the account controller, a clearing member may offset ~~and liquidate~~ long ~~mini-sized~~ futures positions against short ~~full-sized~~ futures positions, or short ~~mini-sized~~ futures positions against long ~~full-sized~~ futures positions, held in the same account in the ratios set forth in the Contracts Eligible for Offset Table (“Table”) at the end of Chapter 8, following ratios of ~~mini-sized~~ to ~~full-sized~~ futures contracts:

~~Mini-sized (1000 bu.) Corn to Full-sized (5000 bu.) Corn 5:1~~

~~Mini-sized (1000 bu.) Soybean to Full-sized (5000bu.) Soybean 5:1~~

~~Mini-sized (1000 bu.) Wheat to Full-sized (5000 bu.) Wheat 5:1~~

~~Mini-sized (1000 bu.) KC HRW Wheat to Full-sized (5000 bu.) KC HRW Wheat 5:1~~

The clearing member shall notify the Clearing House of offsetting positions by submitting reports to the Clearing House in such form and manner as the Clearing House shall specify. The positions shall be offset at the previous day's settlement price.

The positions being offset shall be transferred to a holding account at the Clearing House. Offsetting Long and short positions in the same contract and contract month held in the holding account shall be netted, thus reducing the number of open positions in such contract.