

January 30, 2024

VIA COMMISSION PORTAL

Christopher J. Kirkpatrick

Secretary, Commodity Futures Trading Commission

Three Lafayette Centre

1155 21st Street, N.W.

Washington, D.C. 20581

Re: IMX Health [2024-001] -- CFTC Regulation 40.2(a) – Certification: Initial Listing of IMX Morningstar US Healthcare Index Futures Contract by IMX Health, LLC

Dear Mr. Kirkpatrick:

IMX Health, LLC (“IMX” or “Exchange”) hereby notifies the Commodity Futures Trading Commission (the “CFTC”), pursuant to Commission Regulation 40.2(a), that it is certifying the initial listing of the **IMX Morningstar US Healthcare Index Futures Contract** (the “Contract”) for trading on IMX’s designated contract market (“DCM”). IMX will list the Contract no earlier than March, 2024.

Contract Name	Contract Code	IMX Rulebook Chapter
IMX Morningstar US Healthcare Index Futures	MHST	12

This submission includes the following sections and attachments:

- IMX Morningstar US Health Care Index Futures Contract specifications in section 1.
- A description of the underlying index, the Morningstar® US Healthcare IndexSM, and its administration by Morningstar, Inc. (“Morningstar”) in section 2.
- Data showing compliance with the Commodity Exchange Act’s (the “CEA”) requirements for defining an index and accompanying futures product as broad-based in section 3.
- A concise explanation and analysis of the Exchange Contract’s compliance with applicable provisions of the CEA including the Core Principles, and the Commission’s Regulations in section 4.

- A copy of the Contract's Rulebook, which will be published as Contract Specifications on IMX's website, attached as Appendix A.
- The Exchange fees associated with trading and clearing the Contract attached as Appendix B.
- Position Limits, Accountability and Reportable Levels of the Contract attached as Appendix C.
- Non-Reviewable Ranges for the Contract attached as Appendix D.
- Daily and Intraday Price Limits for the Contract attached as Appendix E.
- Index Construction Methodology for the US Morningstar Health Care Index attached as Exhibit F.
- Morningstar Statement of Compliance with IOSCO Principles attached as Exhibit G.
- Morningstar Indexes Recalculation Guidelines attached as Exhibit H.
- Construction Rules for Morningstar Global Sector Indexes attached as Exhibit I.
- Current Holdings for Morningstar Global Sector Indexes attached as Exhibit J.

SECTION 1: Contract Specifications for IMX-Morningstar US Healthcare Index

Contract Overview	A futures contract based on the underlying Morningstar US Healthcare Index that is designed to measure the performance of companies of biotechnology, pharmaceuticals, research services, home healthcare, hospitals, long-term care facilities, and medical equipment and supplies.
Reference Index	Morningstar® US Healthcare Index SM
Contract Size	\$10.00 x Index Value
Minimum Tick	Regular: 1=\$10.00
Delivery Months	Nearest Four (4) March Quarterly Contracts
Last Trading Date	9:30am CT on Third Friday of the Contract Month
Settlement Type	Financial Settlement
Settlement Terms	IMX Quarterly Equity Index Futures Settlement Procedures
Settlement Currency	USD
Trading Hours	Monday – Friday 8:30 a.m. – 3:00 p.m. CT
Speculative Limits	<p>IMX Position Limits*:</p> <ul style="list-style-type: none"> • Spot Month: 20,000 Contracts • All Month: 30,000 Contracts <p>IMX Accountability Limit:</p> <ul style="list-style-type: none"> • Spot Month: 5,000 Contracts • All Month: 20,000 Contracts <p>*The proposed MHST Contract is not a Referenced Contract per the definition in 150.1 of the CEA</p>
Reportable Levels	IMX Position Reportable Levels: 25 Contracts

SECTION 2: Index Definition and Administration

Index Definition and Construction: The Morningstar Global Sector Indexes are designed to facilitate accurate performance benchmarking and efficient portfolio construction across 11 sectors and 145 industries as defined by the Morningstar Global Equity Classification Structure (GECS), a single, unified sector classification scheme which categorizes companies based on their primary lines of business. The Morningstar® US Healthcare IndexSM, upon which this proposed futures contract is listed, represents one—the Healthcare Sector--of the 11 sectors of the global sector indexes.¹

The Morningstar US Healthcare Index (“Index”) measures the performance of companies within the eleven constituent industries that makeup the Healthcare Sector:

1. Biotechnology
2. Diagnostics & Research
3. Drug Manufacturers—General
4. Drug Manufacturers—Specialty
5. Health Information Services
6. Healthcare Plans
7. Medical Care Facilities
8. Medical Devices
9. Medical Distribution
10. Medical Instruments & Supplies
11. Pharmaceutical Retailers

The Morningstar US Healthcare Index includes all healthcare stocks belonging to the above industries from the Morningstar US Market Index, which represents approximately the top 97% of the U.S. market. The Index had 159 constituents as of the first quarter of 2024 representing a total \$5.6T market cap². The Index does not incorporate Environmental, Social, or Governance (ESG) criteria. The performance start date of the Index is December 31, 1991, and the live calculation inception date is December 20, 2010.

¹https://assets.contentstack.io/v3/assets/bltabf2a7413d5a8f05/blt86ad25626caadb5/6267eadc47f423681896b4b2/OS_Morningstar-Global-Sector-Indexes.pdf

² <https://indexes.morningstar.com/indexes/details/morningstar-us-healthcare-sector-FSUSA0B58E?currency=USD&variant=TR&tab=overview>

Further information regarding the eligibility of constituent stocks and the calculation of index weighting can be found in the Related Documents section of the MHST homepage³, and is summarized below:

The Morningstar US Market Index, from which the healthcare index is derived, includes large-, mid-, and small-cap stocks but excludes micro caps, whose market caps are among the smallest approximately 3% of the U.S. equity market—a segment where trading volume is typically the thinnest.

When market cap is calculated, it is adjusted by float. To accurately reflect the composition of the market available to investors, only free-floating shares are considered when determining a company's total outstanding share count. Strategic holdings that are not publicly traded are excluded.

Index eligibility rules also require that securities meet the following criteria at the time of reconstitution (resetting membership) in June and December:

- Securities with more than 10 nontrading days in the prior quarter are excluded.
- A security must be among the top 75% of the companies in the investable universe based on its liquidity score, which is the average of its rank on each of the following measures:
 - average monthly trading volume during the six calendar months immediately prior to reconstitution or, in the case of corporate entities younger than six months, since the security was first issued (partial months are prorated by the number of trading days in the month)
 - lowest two months' total trading volume during the six calendar months immediately before reconstitution (months need not be sequential)

The Morningstar US Healthcare Index is weighted according to float-adjusted market cap. This ensures that the most-liquid stocks represent the largest weight in the index. Smaller and less-traded securities receive proportionally less weight.⁴

Index Administration: Morningstar indicates it is compliant with the International Organization of Securities Commissions' Principles for Financial Benchmarks for Morningstar-branded indexes. For each benchmark, the IOSCO principles cover the governance arrangements intended to ensure the benchmark's integrity, the quality of its design, and its methodology.

³ <https://indexes.morningstar.com/indexes/details/morningstar-us-healthcare-sector-FSUSA0B58E?currency=USD&variant=TR&tab=overview>

⁴ <https://assets.contentstack.io/v3/assets/bltabf2a7413d5a8f05/bltefa80edd23c9a492/6536b7f312bd2dd846af8540/The-Healthcare-Sector-Benefits-from-Moats-and-Growth-Trends.pdf>

Morningstar Indexes indicates it is in compliance with the nineteen IOSCO principles. Further information regarding Morningstar Indexes' compliance with these principles can be found in Morningstar Indexes' statement of compliance attached to this filing as Exhibit G.

The index price, constituent information, weightings, calculation methodology, reconstitution schedule, rebalancing frequency, and further details are publicly available and can be found on the MHST's landing page on the Morningstar website. Market and trading data regarding the proposed MHST Futures contract will be publicly available on the IMX website pursuant to core principle 8.

SECTION 3: Index Evaluation

The CEA requires that any futures products, based on securities, to be defined as either narrow- or broad-based in order to establish jurisdiction of regulatory oversight by either the combined review of the SEC and CFTC (narrow-based) or by solely the CFTC (broad-based). The CEA applies the following criteria to define a narrow-based index:

1. The index has nine or fewer component securities; or
2. Any one of the component securities comprises more than 30 percent of the index's weighting; or
3. The five highest weighted component securities together comprise more than 60 percent of the index's weighting; or
4. The lowest weighted component securities comprising, in the aggregate, 25 percent of the index's weighting have an aggregate dollar value of average daily trading volume (ADTV) of less than \$50 million (or \$30 million in the case of an index with 15 or more component securities). The dollar value of ADTV is calculated as of the preceding six full calendar months.⁵

The Morningstar US Healthcare Index does not fall within any of the narrow-based index criteria as identified by the CEA. For this reason, IMX has determined that the Index, and therefore the future Contract upon the Index, are to be solely under the regulatory oversight of the CFTC. The chart found in Exhibit 1 summarizes the criteria for defining a narrow-based index and the relevant characteristics of the Index:

⁵ <https://www.cftc.gov/IndustryOversight/ContractsProducts/SecurityFuturesProduct/sfpoverview.html>

Exhibit 1 – Morningstar US Healthcare Index Narrow vs Broad Based Criteria

<i>Criteria</i>	Index Characteristic	Narrow-Based Security
<i>Criteria 1: Number of Securities</i>	159 Securities	9 securities
<i>Criteria 2: Maximum Security Weighting</i>	8.81%	<30%
<i>Criteria 3: Aggregate weighting of top 5 securities</i>	34.12%	<60%
<i>Criteria 4: Aggregate Dollar Value of ADTV of lowest 25% holdings by weighting</i>	\$12,614,059,354	\$30,000,000

Further information regarding Morningstar’s Index Construction Methodology, Construction Rules for the Morningstar Global Sector Indices, Morningstar Indexes Recalculation Guidelines, and Current Holdings of the Morningstar US Healthcare Index, can be found in Exhibits F, H, I, and J respectively.

SECTION 4: Compliance with Core Principles

IMX has determined that the Exchange Contract certified herein relate to the following DCM Core Principles:

Core Principle 2 – Compliance with Rules

Trading in the Exchange Contract will be subject to the IMX Rulebook (the “Rules”), which prohibits abusive trading practices, including:

- Fraudulent acts (Rule 507)
- Fictitious, wash or non-competitive transactions (Rule 508)
- Market disruption (Rule 509)
- Market manipulation (Rule 510)
- Disruptive trading practices (Rule 511)
- Prohibited misstatements (Rule 512)
- Acts detrimental to welfare (Rule 513).

As with all Exchange Contracts listed for trading on the Exchange Trading Platform, trading activity in the Exchange Contract will be subject to monitoring and surveillance by IMX’s Regulatory Department. IMX has the authority to exercise its investigatory and enforcement power where potential Exchange rule violations are identified. See Chapter 6 of the Rules.

IMX certifies that the surveillance program of the Exchange, coupled with the services of vendors for T+1 trade practice surveillance and the participation of IMX in industry groups for regulatory coordination address the concerns outlined in Core Principle 2.

Core Principle 3 – Contracts Not Readily Susceptible to Manipulation

The Morningstar US Healthcare Index underlying the Contract is sufficiently broad to deter manipulation of the associated derivatives contracts. As of Jan 15, 2024, the Morningstar US Healthcare Index includes 159 constituent companies with an approximate market capitalization of \$5.6 trillion.

Core Principle 4 – Prevention of Market Disruption

IMX Rule 510 prohibits traders from attempting to manipulate, or manipulating the market, in any contract listed on IMX's Trading Platform. This Rule is enforced by IMX in accordance with Chapter 6 of the Rules. Further, trading activity in the Exchange Contract will be subject to monitoring and surveillance by IMX's Regulatory Department.

Furthermore, contracts listed on the Exchange are subject to intraday and daily price limits established to reduce the impact of periods of large volatility. Daily and intraday price limits are set in reference to the previous business day's settle price with intraday price limits set at 7% and 13% each resulting in a two-minute market halt. A daily price limit is set to 20% and trading may not occur beyond this level. Further clarification of daily and intraday price limits can be found in Appendix A: IMX Rulebook Chapter 12.

In addition to Exchange listed intraday and daily price limits, the Contract will be subject to Market Wide Circuit Breakers ("MWCB") as defined in Nasdaq Stock Market Rule 4121 for Trading Halts Due to Extraordinary Volatility and New York Stock Exchange Rule 7.12 for Trading Halts Due to Extraordinary Volatility. MWCB may result in the temporary halt of markets, or, in extreme cases, cause the markets to close prior to the normal close of a trading session. Details of MWCB price levels are as follows:

- Level 1 halt (7% decline in S&P 500 index)
 - Trading will halt for at least 15 minutes if drop occurs before 14:25 p.m. CT
 - At or after 14:25 p.m. CT—trading will continue, unless there is a Level 3 halt.
- Level 2 halt (13% decline in S&P 500 index)
 - Trading will halt for at least 15 minutes if drop occurs before 14:25 p.m. CT
 - At or after 14:25 p.m.—trading will continue, unless there is a Level 3 halt.
- Level 3 halt (20% decline in S&P 500 index)

- At any time during the trading day—trading will halt for the remainder of the trading day.

The Exchange will pause trading of the Contracts for the duration of the MWCB for a period aligning with the level of the MWCB halt (i.e a level 1 and 2 MWCB halt prior to 14:25 p.m. CT will result in a 15-minute halt on the Exchange, a level 3 MWCB Halt will result in the termination of trading for the remainder of the day).

Core Principle 5 – Position Limitations or Accountability

IMX Rule 535 and 536 allows IMX to adopt position limits or position accountability levels for Exchange Contracts listed on IMX’s Trading Platform. Such position and accountability limits will be monitored in real time and as part of T+1 surveillance and adherence to Exchange Rules 535 and 536 will be enforced by the Exchange in order to ensure compliance.

Initial position limit levels for the contract will be 20,000. To contextualize this value, on January 25, 2024, the MHST index had an approximate value of 23,500. A 20,000 position in the futures contract would be equivalent to \$4.7B (i.e 23,500 index value * \$10 per index point * 20,000 contracts) which is equivalent to 0.084% of the approximately \$5.6T market capitalization.

Core Principle 6 – Emergency Authority

Pursuant to IMX Rule 504, the Exchange may take necessary or appropriate actions in response to an emergency, including the following:

- Imposing or modifying intraday market restrictions
- Imposing special margin requirements
- Ordering the liquidation or transfer of open positions in any Exchange Contract.

Core Principle 7 – Availability of General Information

The Exchange Contract will be available for trading in accordance with IMX Rules and the applicable Contract Specifications. The Rules and Contract Specifications will be available to the public on IMX’s website. Any Exchange Rule amendments or product changes will be made available through the Exchange’s website concurrently to the filings being submitted to the CFTC.

Core Principle 8 – Daily Publication of Trading Information

In accordance with IMX Rule 805, the Exchange will publish daily information on the Exchange Contract regarding volume, price ranges and open interest.

Core Principle 9 – Execution of Transactions

The Exchange Contract will be executed via the IMX platform in accordance with the Price/Time algorithm as prescribed in Rule 539.

Core Principle 10 – Trade Information

Sufficient trade information will be captured and included in the audit and data storage process to allow for the IMX Regulatory Department division to adequately monitor the markets for potential abuse.

Core Principle 11 – Financial Integrity of Transactions

Each executed Exchange Contract will be submitted for clearing through the Minneapolis Grain Exchange, a Derivatives Clearing Organization. Each Participant must be a Clearing Member or establish a clearing relationship with a Clearing Member. The Clearing Member will set risk controls and has the right to suspend trading by a Participant on the Exchange Trading Platform. *See* Rule 803.

Core Principle 12 – Protection of Markets and Market Participants

The proposed Exchange Contract will fall under IMX Rulebook Chapters 5 and 6 which outline appropriate trading practices and conduct and subsequent disciplinary rules in the event of violations of the practices outlined.

Core Principle 13 – Disciplinary Procedures

The proposed Exchange Contract will fall under IMX Rulebook Chapter 6 which outlines disciplinary actions in the event appropriate trading practices are not maintained by a market participant.

Core Principle 14 – Dispute Resolution

The proposed Exchange Contract will fall under IMX Rulebook Chapter 7 which outlines the framework and procedures for the initiation, execution and acceptance of arbitration in the event of a dispute.

IMX certifies that the Exchange Contract complies with the CEA and Commission Regulations thereunder. IMX additionally certifies that it has concurrently posted a copy of this submission letter and the attachments hereto on IMX's website at <https://www.imxhealth.com/>.

* * *

Please contact the undersigned at **(925) 338-0237** or **regulatory@imxhealth.com** if you have any questions or you would otherwise like to discuss this further.

Sincerely,

/s/ Nicholas J. Johnson

Chief Regulatory Officer

IMX Health, LLC

Appendix A:

IMX-MORNINGSTAR US HEALTHCARE INDEX FUTURES

IMX Rulebook Rule 12:

(a) Scope of Rule:

- (1) IMX Rulebook Rule 12 pertains solely to the Contract Specifications as related to the IMX Morningstar US Healthcare Index Futures Contract. The Contract will also be subject to relevant IMX Rulebook Rules where applicable.

(b) Contract Specifications:

- (1) The IMX Morningstar US Healthcare Index Futures Contract will track and subsequently settle to the underlying Morningstar US Healthcare Index that is designed to measure the performance of companies of biotechnology, pharmaceuticals, research services, home healthcare, hospitals, long-term care facilities, and medical equipment and supplies.

(c) Trading Specifications:

(1) Trading Schedule:

- The number of contracts listed for trading per contract and the hours of trading for the Contract shall be determined by the Exchange.

(2) Trading Unit:

- The trading unit for the Contract is equal to \$10 times the index value.

(3) Price Increment:

- The minimum price increment (or tick size) of the Contract will be equal to 1 (i.e. \$10 per contract)

(4) Position Limits, Exemptions, Position Accountability and Reportable Levels

- Position Limits, Exemptions, Position Accountability and Reportable Levels for this contract are within the purview of Exchange rules 535, 536, and 537. Initial Position limits, Position Accountability and Reportable levels are below:

- IMX Position Limits:

- Spot Month: 20,000 Contracts
- All Month: 30,000 Contracts

- IMX Accountability Limit:

- Spot Month: 5,000 Contracts
- All Month: 20,000 Contracts

- IMX Reportable Limit:

- 25 contracts

(5) Daily Price Limits:

- Contracts listed on the Exchange are subject to intraday and daily price limits established to reduce the impact of periods of large volatility.
 - Intraday price limits are set in reference to the previous business day's settle price with two intraday price limits set at 7% and 13%, each resulting in a two-minute market halt.

- During this halt, new orders cannot be submitted and resting orders cannot be modified, however resting orders can be cancelled.
 - A daily price limit is set to 20% and trading may not occur beyond this level.
- In addition to Exchange listed intraday and daily price limits, the Contract will be subject to Market Wide Circuit Breakers (“MWCB”) as defined in Nasdaq Stock Market Rule 4121 for Trading Halts Due to Extraordinary Volatility and New York Stock Exchange Rule 7.12 for Trading Halts Due to Extraordinary Volatility. MWCB may result in the temporary halt of markets, or, in extreme cases, cause the markets to close prior to the normal close of a trading session. Details of MWCB price levels are as follows:
 - Level 1 halt (7% decline in S&P 500 index)
 - Trading will halt for at least 15 minutes if drop occurs before 14:25 p.m. CT
 - At or after 14:25 p.m. CT—trading will continue, unless there is a Level 3 halt.
 - Level 2 halt (13% decline in S&P 500 index)
 - Trading will halt for at least 15 minutes if drop occurs before 14:25 p.m. CT
 - At or after 14:25 p.m.—trading will continue, unless there is a Level 3 halt.
 - Level 3 halt (20% decline in S&P 500 index)
 - At any time during the trading day—trading will halt for the remainder of the trading day.
 - The Exchange will pause trading of the Contracts for the duration of the MWCB for a period aligning with the level of the MWCB halt (i.e a level 1 and 2 MWCB halt prior to 14:25 p.m. CT will result in at least a 15-minute halt on the Exchange, a level 3 MWCB Halt will result in the termination of trading for the remainder of the day).

(6) Termination of Trading:

- Trading will end on the third Friday of the month at 9:30:00 CT. If the third Friday falls on a holiday, the last trading day will be the first business day preceding the third Friday.

(7) Final Settlement:

- Delivery shall be by cash settlement; clearing members holding open interest in an IMX futures contract that is subject to financial settlement at the contract’s termination of trading will make or receive payment to the Clearing House via the standard variation margin procedure while utilizing the contract’s Final Settlement Price.

The Final Settlement Price is determined utilizing the following methodology:

- The Final Settlement Price will be a special opening quotation (“SOQ”) of the Index. The SOQ will be determined by the index calculation agent

on the last trading date of the contract and, as with other equity index futures, the SOQ will be derived from opening prices of the stocks that comprise the index.

- In the event that the index is not published on the last trading day of the futures contract, then the final Settlement Price will be determined from the first preceding business day which the index is published.

Appendix B:

IMX MORNINGSTAR US HEALTHCARE INDEX FUTURES CONTRACT Exchange Fees

FUTURES CONTRACTS PER SIDE PER CONTRACT (both buy and sell side)	
STANDARD	\$1.00

Appendix C:

Position Limits, Accountability and Reportable Levels for the Contract

Instrument Name	Morningstar US Healthcare
Contract Code	MHST
Rulebook Chapter	12
Spot Month Position Limit	20,000
All Month Position Limit	30,000
Spot Month Accountability Level	5,000
All Month Accountability Level	20,000
Reportable Level	25

Appendix D:

Non-Reviewable Range for the Contract

Instrument Name	Morningstar US Healthcare Index
Contract Code	MHST
Non-Reviewable Range (Index Points)	30
Non-Reviewable Range Ticks	30

Appendix E:

Daily and Intraday Price Limits for the Contract

Instrument Name	Morningstar US Healthcare Index
Contract Code	MHST
Daily Price Limit	20%
Intraday Price Limit Level 1	7%
Intraday Price Limit Level 2	13%