

CX FUTURES EXCHANGE, L.P.
CHAPTER IX
CONTRACTS

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IX-3302. HIGH EXTREME DAILY TEMPERATURE INDEX SWAPS

(a) Scope and Underlying

(i) These Contract Rules govern the trading on CX Futures Exchange, L.P. (the “Exchange”) of the HIGH EXTREME DAILY TEMPERATURE INDEX SWAPS (“HEDTI Contract”) and are “Contract Specifications” under Rule IX-1 of the Rules of the Exchange. In general, the HEDTI Contract is a swap (having the characteristics of a cash-settled option on an underlying index) that will settle based upon the high temperature measurement on each calendar day (midnight to midnight local time of the given location) and will pay a dollar amount per contract to each position holder as calculated by applying a conversion factor (the “HEDTI Conversion Factor”) per Rule 3302(e) below.

(ii) Clearing of the HEDTI Contract will be governed by the rules of the CX Clearinghouse, L.P. (the “Clearinghouse”). These Contract Rules constitute “Contract Rules” Under Rule I-7 of the Rules of the Clearinghouse.

(iii) Capitalized terms used, but not defined herein, have the meanings ascribed to them in the Rules of the Exchange or the Rules of the Clearinghouse, as applicable.

(b) Calculation and Quotation of the Index

(i) The High Extreme Daily Temperature Index (“HEDTI”) represents the day’s departure from the normal high temperature measured in degrees Fahrenheit by specific measuring stations during each station’s local calendar day (midnight to midnight, local time). Normal high temperature values are published by the Exchange and available on the Exchange’s website and are generally consistent with the National Weather Service definition of average climatological temperatures for a given location and date averaged over a 30-year period. For the avoidance of doubt, the HEDTI normal high temperature is determined by the values published on the Exchange website and not by the National Weather Service or any similar metric published by the National Weather Service.

(ii) Each index point shall be quoted to the nearest one point and each point represents one-degree Fahrenheit of reported high temperature at the specified location above the normal high temperature (e.g. a KNYC index value of 10 indicates that station KNYC has reported a daily high temperature 10 degrees Fahrenheit above the normal high temperature).

(iii) For the avoidance of doubt, any report of a daily high temperature that is less than or equal to the normal high temperature for the corresponding date and location will result in a HEDTI value of zero (“0”).

(iv) The daily high temperature used in the HEDTI will be calculated by the Exchange relying primarily on data published by the National Weather Service (“NWS”) in its Climate

Report (“CLI”). Other weather products reported by the NWS may be used as necessary to supplement or confirm data appearing in the CLI. The Exchange makes no warranties with respect to the accuracy of the data published by the NWS and the Exchange in its discretion may use other public and private weather reporting sources to determine the value of the High Extreme Daily Temperature Index when doing so is in the best interest of the marketplace.

(c) Placement of Bids

(i) Immediately after a HEDTI Contract is listed, Participants, through the Exchange, will be able to bid for contracts by specifying the Ticker Symbol of the contract. All bids will be at the contract premium price per contract specified in Table 1 and require Original Margin to be deposited equal to the per-contract amount with the Clearinghouse.

Table 1	
Trading Days prior to Final Settlement	Contract Premium and Original Margin per Contract
7 or more	\$1.00
6	\$1.25
5	\$1.50
4	\$1.75
3	\$2.00
2	\$2.25
1	\$2.50

(ii) Bids may not be cancelled once entered onto the CX Direct System; provided however, the Strike Level of a bid that has been entered may be modified if (A) the modified bid is for the same measurement station and Final Settlement Date as the original bid and (B) the price difference, if any, between the original bid and the contract premium price per contract in effect at the time that the bid is modified (as specified in Table 1 above) is deposited as Original Margin with the Clearinghouse.

(iii) Once a position is created by the CX Direct System the position may not be liquidated except by Final Settlement as provided under Rule IX-3302(e).

(d) [Reserved]

(e) Determination of Final Settlement Prices for each Strike Level

Each HEDTI position holder will receive a payout on his or her position equal to the number of contracts at each Strike Level times the respective Final Settlement Price for each contract. The Final Settlement Price for each contract at each Strike Level is calculated using the procedure in subparagraphs (i) to (iii) below. Using this procedure, the Final Settlement Price for any contract is at least \$0.01 and no more than \$249.99.

(i) After the HEDTI is determined for each measuring station for a given Final Settlement Date, then the Exchange will determine the HEDTI Conversion Factor applicable to each Strike Level for that measuring station on that date.

(A) For Strike Level “0”, if the HEDTI is zero (0), then the Conversion Factor will be 1.00, or for HEDTI values greater than zero, 0.01.

(B) For all other Strike Levels, the HEDTI Conversion Factor is determined by Table 2 below.

Table 2	
Subtract Strike Level from HEDTI, then if this difference is:	HEDTI Conversion Factor
Less than zero	0.01
zero	1.00
1	0.50
2	0.33
3	0.25
4	0.20
5	0.16
6	0.14
7	0.12
8	0.11
9	0.10
10	0.09
11	0.08
12 or more	0.07

(C) If, after applying (A) and (B) above, the HEDTI Conversion Factor for all Strike Levels with open interest is 0.01, then the lowest Strike Level above zero (“0”) with open interest will be assigned a HEDTI Conversion Factor of 1.00 and all other Strike Levels will remain unchanged.

(ii) The Exchange will multiply the number of contracts bid at each Strike Level by the HEDTI Conversion Factor and sum these values across all Strike Levels to obtain the contract's total Residual Bid Interest.

(iii) The Final Settlement Price for each Strike Level will equal that Strike Level’s HEDTI Conversion Factor times the total Original Margin applicable to the contract divided by the total Residual Bid Interest then rounded down to the nearest one cent (\$0.01).

(iv) After determination of the Final Settlement Price for each contract as provided above, the Exchange will post for each Strike Level (A) the bid interest; (B) the Residual Bid

Interest after application of the HEDTI Conversion Factor; and (C) the Final Settlement Price for each Strike Level.

(v) Final Settlement of open positions in each contract will occur as soon as practical after the Exchange's calculation and verification of each day's High Extreme Daily Temperature Index; for the avoidance of doubt, such time is generally not later than noon of the first Business Day following the Final Settlement Date.

(f) Ticker Symbols and Quotation Style

Each HEDTI Contract will be uniquely identified by a "Ticker Symbol" that is composed of (A) station code (e.g. KNYC), (B) Final Settlement Date and (C) Strike Price. By way of example, for a contract with a Strike Level of 5 degrees above the normal high temperature in New York City on July 10, 2019, the Ticker Symbol would be WXHTEMP_KNYC20190710_0005.

For the avoidance of doubt, HEDTI Contract Strike Levels may be displayed to Participants either (a) in the native HEDTI format (i.e. degrees above the normal high temperature) or (b) as an absolute temperature value (i.e. the normal high temperature for the given station and date plus the degrees above the normal high temperature). For example, if the normal high temperature in New York City on July 10, 2019 is 84 degrees Fahrenheit and the selected Strike Level is 6, then the Strike Level may be displayed either as (a) 6 degrees above the normal high temperature or (b) 90 degrees Fahrenheit.

(g) Final Settlement Date and Termination of Trading

(i) The Final Settlement Date for each contract may be any calendar day that is not more than ninety-one (91) days and not less than one (1) day from the current Trading Day as made available to Participants on the CX Direct System.

(ii) Termination of Trading will occur at 5:00 PM ET on the Trading Day that precedes the Final Settlement Date. For example, all contracts that have a July 10th Final Settlement Date will terminate trading at 5:00 PM ET on July 9th.

(h) Trading Hours

Trading Hours shall begin at 5:00 PM ET on the First Trading Day and be available continuously until the Termination of Trading except that the Exchange may permit modifications to these Trading Days and Trading Hours for the purposes of (A) scheduled technology maintenance, (B) abbreviated holiday trading schedules, and (C) as required by market or environmental considerations. All such changes shall be posted on the Exchange website.

(i) Contract Locations

The Exchange may list contracts for any location that has adequate weather reporting capabilities to calculate the High Extreme Daily Temperature Index. The complete list of such locations may be found on the Exchange website.

(j) Valid Strike Levels

The valid Strike Levels for HEDTI Contracts will be “0” indicating a daily high temperature that is at or below the normal high temperature, “1” indicating a daily high temperature that is 1 degree above the normal high temperature, “2” for 2 degrees above the normal high temperature, and 1 degree increments thereafter.

(k) Minimum Price Increment

The minimum price increment of each HEDTI Contract is one cent (\$0.01).

(l) Position Accountability Levels

The position accountability level shall be 10,000 contracts for all HEDTI contracts combined.

(m) Original Margin Requirements

Original Margin shall be sufficient to cover the maximum possible loss a Participant could incur upon liquidation or expiration of a contract.