

CX FUTURES EXCHANGE, L.P.
CHAPTER IX
CONTRACTS

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IX-3303. LOW 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 LOW EXTREME DAILY TEMPERATURE INDEX SWAPS (“LEDTI Contract”) and are “Contract Specifications” under Rule IX-1 of the Rules of the Exchange. In general, the LEDTI Contract is a swap (having the characteristics of a cash-settled option on an underlying index) that will settle based upon the low 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 “LEDTI Conversion Factor”) per Rule 3303(e) below.

(ii) Clearing of the LEDTI 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 Low Extreme Daily Temperature Index (“LEDTI”) represents the day’s departure from the normal low temperature measured in degrees Fahrenheit by specific measuring stations during each station’s local calendar day (midnight to midnight, local time). Normal low 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 LEDTI normal low 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 low temperature at the specified location below the normal low temperature (e.g. a KNYC index value of 10 indicates that station KNYC has reported a daily low temperature 10 degrees Fahrenheit below the normal low temperature).

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

(iv) The daily low temperature used in the LEDTI 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 Low Extreme Daily Temperature Index when doing so is in the best interest of the marketplace.

(c) Placement of Bids

(i) Immediately after a LEDTI 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-3303(e).

(d) [Reserved]

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

Each LEDTI 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 LEDTI is determined for each measuring station for a given Final Settlement Date, then the Exchange will determine the LEDTI Conversion Factor applicable to each Strike Level for that measuring station on that date.

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

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

Table 2	
Subtract Strike Level from LEDTI, then if this difference is:	LEDTI 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 LEDTI 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 LEDTI 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 LEDTI 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 LEDTI 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 LEDTI 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 Low 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 LEDTI 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 below the normal low temperature in New York City on July 10, 2019, the Ticker Symbol would be WXLTEMP_KNYC20190710_0005.

For the avoidance of doubt, LEDTI Contract Strike Levels may be displayed to Participants either (a) in the native LEDTI format (i.e. degrees below the normal low temperature) or (b) as an absolute temperature value (i.e. the normal low temperature for the given station and date minus the degrees below the normal low temperature). For example, if the normal low temperature in New York City on July 10, 2019 is 68 degrees Fahrenheit and the selected Strike Level is 6, then the Strike Level may be displayed either as (a) 6 degrees below the normal low temperature or (b) 62 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 Low 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 LEDTI Contracts will be “0” indicating a daily low temperature that is at or above the normal low temperature, “1” indicating a daily low temperature that is 1 degree below the normal low temperature, “2” for 2 degrees below the normal low temperature, and 1 degree increments thereafter.

(k) Minimum Price Increment

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

(l) Position Accountability Levels

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