



The Future of Futures

FairX (LMX Labs, LLC)  
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Chicago, IL 60606

**FairX Submission #2021-09E**

June 4, 2021

Mr. Christopher J. Kirkpatrick  
Secretary of the Commission  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, NW  
Washington, DC 20581

VIA CFTC Electronic Filing

**Re: CFTC Regulation 40.2 Certification: Listing of Micro SuperTech Index Futures**

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulation 40.2, LMX Labs, LLC, operator of FairX, (the “Exchange”) hereby submits for self-certification its initial listing of Micro SuperTech Index futures to be offered for trading on the Exchange on or after June 7, 2021.

Contract Description

The Micro Super Tech Index futures contract (the “Contract”) will be a quarterly cash-settled contract with the following specifications

<b>Contract Name</b>	Micro SuperTech Index Futures
<b>Contract Code</b>	LTEC
<b>Contract Size</b>	\$10 x SuperTech Max Index (TECHMAX) <sup>1</sup>
<b>Price Quotation</b>	Index points to one (1) decimal places
<b>Minimum Tick Size</b>	0.1 index points (\$1.00 per contract)
<b>Listed Contracts</b>	Initial listing of Three (3) months in the

<sup>1</sup> Prime® is a trademark and service mark of Prime Indexes and its affiliates (collectively). licensors own all proprietary rights in the Indices. Prime is NOT affiliated with FairX, and neither approves, endorses, reviews or recommends the Micro SuperTech Index futures. Prime does not guarantee the timeliness, accurateness or completeness of any data or information relating to the SuperTech Max Index (TECHMAX), and neither shall be liable in any way to FairX, investors in the Micro SuperTech Index futures or other third parties in respect of the use or accuracy of the the SuperTech Max Index (TECHMAX) or any data included therein.

	March/June/September/December quarterly cycle
<b>Price Limits</b>	7% and 13% Intraday 20% daily
<b>Last Trading Day</b>	Third Thursday of the contract month.
<b>Daily Settlement</b>	<p>Daily Settlement:</p> <ol style="list-style-type: none"> <li>1. Volume-weighted average price of all trades occurring between 2:59pm-3pm CT</li> <li>2. If no trades occur between 2:59pm-3pm CT, the midpoint between the bid and ask during this time</li> <li>3. If a two-sided market is not available during this time, then the settlement price will be determined using the following calculation:</li> </ol> <p>Cash index value + (Previous Day's Back-Front Spread / Days Between Front and Back Month Contracts) x Days to Expiration</p>
<b>Final Settlement</b>	Cash-settled to the closing value of the Prime SuperTech MAX Index (TECHMAX) on the Last Trading Day for the Contract.
<b>Position Limits</b>	All Months 25,000 contracts
<b>Large Trader Reporting</b>	200 contracts
<b>Trading Hours</b>	5-4pm CT Sun-Fri, with trading halt from 4pm to 5pm CT Mon-Thurs.

Index Description

The composition of the SuperTech Max Index (TECHMAX) (the "Index") includes companies engaged in high-growth technology, media, and manufacturing industries that focus on providing internet-enabled, electronic devices or services to consumers and is 100 x the scale of the SuperTech Index. The Index is administered and published by Prime Indexes. The Index methodology may be viewed [here](#). Per the methodology, the Index constituents are reviewed on a quarterly basis in March, June, September, and December.

## Compliance with Core Principles

The Exchange has reviewed the designated contract market (“DCM”) core principles (“Core Principles”) set forth in the Commodity Exchange Act and has identified that the Contract may most directly implicate the following Core Principles:

### *Core Principle 2 -- Compliance with Rules*

Trading in the Contract is subject to the Exchange Rulebook (the “Rulebook”) including Chapter 5, which prohibits fraud, non-competitive trading, market manipulation and abusive and disruptive trade practices. Additionally, as with all contracts traded on the Exchange, trading will be subject to monitoring and surveillance by the Market Regulation Department, which has the authority to investigate and enforce Exchange rules, as described in Chapter 7.

### *Core Principle 3 -- Contracts Not Readily Subject to Manipulation*

The Index underlying the Contract is sufficiently broad as to deter attempts to corner, manipulate, or unduly influence the settlement price of expiring Contracts. As of April 30, 2021, the index is made up of fifteen component equities that are widely traded in liquid markets that are themselves subject to extensive regulatory oversight and have total market capitalization of approximately \$30.5 trillion.<sup>2</sup>

### *Core Principle 4 -- Prevention of Market Disruption*

Chapter 5 of the Rulebook prohibits Participants from manipulating, distorting the price of, and disrupting the settlement process of the Contract. As with all contracts traded on the Exchange, trading in the Contract will be subject to monitoring and surveillance by the Market Regulation Department. Further, trading in the Contract shall be subject to price limits consistent with the US equity market-wide circuit breakers. Moreover, regardless of price movement on the Exchange, trading in the Contract will halt when a general market-wide trading halt occurs in the US equity market (See, e.g., NYSE Rule 7.12).

### *Core Principle 5 -- Position Limits or Accountability*

The Contract shall be subject to an all-month position limit of 25,000 contracts. This limit is comparable to limits imposed on similarly sized US equity index futures products traded on other DCMs, including the Nano SuperTech Index futures. By way of providing context, using the closing value of the Index on April 30, 2021, of 3062.44, the notional value of a 25,000 contract position would be approximately \$765.6 million, which represents approximately 0.003% of the Index’s \$30.5 trillion market capitalization.

### *Core Principle 7 -- Availability of General Information*

The Exchange shall publish on its website and in its Rulebook the specifications, terms and conditions of the Contract.

### *Core Principle 8 -- Daily Publication of Trading Information*

The Exchange shall publish on its website on a daily basis the trading volumes, open interest, and price information for the Contract.

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<sup>2</sup> Statistics sourced from Bloomberg on April 30, 2021.

*Core Principle 9 -- Execution of Transactions*

The Contract shall be listed for trading on the Exchange's trading system, which provides for efficient, competitive, and open execution of transactions.

*Core Principle 10 -- Trade Information*

All requisite trade information shall be included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse.

*Core Principle 11 -- Financial Integrity of Transactions*

The Contract shall be cleared by Nodal Clear, LLC, a CFTC registered derivatives clearing organization subject to the CFTC regulations related thereto.

*Core Principle 12 -- Protection of Markets and Market Participants*

Chapters 4 and 5 of the Rulebook require all market participants, including futures commission merchants carrying customer accounts, to observe high standards of integrity, market conduct, commercial honor, fair dealing, and just and equitable principles of trade and prohibits, among other things, fraud, non-competitive trading, market manipulation, and abusive and disruptive trade practices. As with all contracts traded on the Exchange, trading will be subject to monitoring and surveillance by the Market Regulation Department.

*Core Principle 13 -- Disciplinary Procedures*

Rulebook Chapter 7 sets forth the rules and procedures for the investigation, enforcement, and sanctioning of persons that violate the Exchange's Rules.

Certification

The Exchange is not aware of any substantive opposing views to the Contract. The Exchange certifies that the Contract and related rules certified herein comply with the Commodity Exchange Act and the rules and regulations promulgated thereunder.

The Exchange certifies that this submission has been concurrently posted on the Exchange's website at:

If you have any questions or require any further information, please contact me at 773-832-7973 or [mpiracci@fairx.com](mailto:mpiracci@fairx.com).

Sincerely,

/s/

Michael A. Piracci  
Chief Regulatory Officer and  
Senior Counsel

Attachments: Appendix A Amendments to FairX Rulebook Chapter 11

## APPENDIX A

Additions underscored; deletion are ~~struckthrough~~

### CHAPTER 11: CONTRACTS

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#### **RULE 1104. Micro SuperTech Index Futures**

- (a) Scope. Rule 1104 is limited in application to the trading of the Micro SuperTech Index futures ("LTEC Contract"). In addition to Rule 1104, the LTEC Contract is subject to all Rules of the Exchange as applicable. Unless otherwise stated, all times referred to herein are Central Time Zone.
- (b) Trading Schedule. The LTEC Contract shall be offered for trading in March, June, September, and December delivery months in as many months and during such hours as the Exchange shall determine from time-to-time.
- (c) Trading Unit. The trading unit is equal to \$10.00 times the Index.
- (d) Price Increments. The minimum price increment shall be 0.10 index points (\$1.00 per contract).
- (e) Position Limits, Position Accountability, and Reportable Levels. Pursuant to Rules 530 to 533 and subject to the requirements and exceptions therein, the LTEC Contract is subject to the following:
  - (1) Position Limit. 25,000 LTEC Contracts net long or net short in all months combined.
  - (2) Reportable Level. 200 LTEC Contracts
- (f) Price Limits. Trading in the LTEC Contract shall be subject to the following price limits of
  - 7% Limit (most recent Daily Settlement Price less 7%)
  - 13% Limit (most recent Daily Settlement Price less 13%)
  - 20% Limit (most recent Daily Settlement Price less 20%).
  - (1) If the 7% Limit is reached in any month trading in all months shall halt for one (1) minute during which time only order cancellations will be allowed. After trading is resumed, the 7% limit shall be inoperative for the remainder of the Business Day.
  - (2) If the 13% Limit is reached in any month trading in all months shall halt for two (2) minutes during which time only order cancellations will be allowed. After trading is resumed, the 13% limit shall be inoperative for the remainder of the Business Day.
  - (3) If the 20% Limit is reached in any month trading all months shall halt for the remainder of the Business Day.
  - (4) If a 7% or 13% Limit is reached within one (1) or two (2) minutes of the close of trading, respectively, or if the 20% limit is reached, the time of the relevant trading

halt shall be considered the close of trading for the LTEC Contracts for the relevant Business Day.

- (g) Regulatory Halt. Rule 1104(f) notwithstanding, in the event that a market-wide trading halt occurs in the US equity market (See, e.g., NYSE Rule 7.12) trading in the LTEC Contract shall halt. Trading in the LTEC Contract shall resume when trading in the US equity market resumes or the next Business Day, whichever is sooner.
- (h) Termination of Trading. Termination in expiring LTEC Contracts shall terminate at 3pm CT on the third Thursday of the contract month, or if that day falls on a day for which the Exchange is not open for trading, the first Business Day preceding the third Thursday.
- (i) Settlement. The LTEC Contract is cash settled
  - (1) Daily Settlement Price shall be determined as follows:
    - (i) Volume-weighted average price of all trades occurring in the sixty (60) seconds prior to 3pm CT on the relevant Business Day;
    - (ii) If no trades occur during the sixty (60) seconds prior to 3pm CT, then the Settlement Price will be the time-weighted average midpoint between the bid and ask during the sixty (60) seconds prior to 3pm CT; or
    - (iii) If a two-sided market is not available during the sixty (60) seconds prior to 3pm CT, then the Settlement Price will be determined using the following calculation: Cash index value + (Previous Day's Back-Front Spread / Days Between Front and Back Month Contracts) x Days to Expiration.
  - (2) Final Settlement Price shall be the closing value of the SuperTech Max Index (TECHMAX) as of the termination of trading.
  - (3) Final Settlement. Clearing Firms holding open positions in an expiring LTEC Contract at the termination of trading shall make or receive payment in accordance with the rules of the Clearing House.
- (j) Index Disclaimer.

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