the SMALL exchange

Rule Self-Certification

June 29, 2020

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

Re: SMFE 2020-009 - Self-Certification Pursuant to CFTC Regulation 40.6 – Exchange Rules 30003.D.; 31003.D. and 32003.D.

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c) of the Commodity Exchange Act, as amended ("Act"), and Section 40.6 of the Commission's regulations thereunder, Small Exchange, Inc. ("SMFE" or the "Exchange") submits this self-certification as written notice that the Exchange is amending Exchange Rules 30003.D., 31003.D. and 32003.D., all titled "Daily Price Limits" concerning the Small Stocks 75 Index Futures Contracts, Small Precious Metals Index Futures Contracts and Small Dollar Index Futures Contracts, respectively, as set forth on the attached Exhibit A, which is attached hereto and incorporated herein by reference ("Rule Change"). The Rule Change is effective July 20, 2020.

The purpose of the Rule Change is to clarify the process by which the Exchange implements daily price limits in each of the three above-referenced Contracts, as follows:

1. When a Contract enters into a "pause" as a result of reaching an intraday limit price, all Contracts that are based on the relevant Index will also be paused, and remained paused for the entire three minute period that comprises such pause.
2. Once the market enters an "open" state after an intraday limit of 7% (9% in the case of SM75) has been reached on the up (down) side, all Contracts that are based on the Index will be subject, for the remainder of the trading day, only to an intraday limit of 13% and a daily limit of 20% on the up (down) side all using the Contract's previous day's settlement value.
3. Once the market enters an "open" state after an intraday limit of 13% has been reached on the up (down) side, all Contracts that are based on the Index will be subject, for the remainder of the trading day, only to a daily limit of 20% on the up (down) side all using the Contract's previous day's settlement value.
4. In the event that an intraday price limit is reached within three (3) minutes of the Exchange's market close time, the Exchange shall not reopen all Contracts that are based on the Index.

5. The Exchange is also changing the first intraday limit in the Small Stocks 75 Index Futures Contracts from 7% to 9%.

The Exchange reviewed the designated contract market core principles ("Core Principles") as set forth in the Act and identified that the amendments may have some bearing on the following Core Principles:

- Core Principle 2, Compliance with Rules: The Exchange shall continue its normal practice to establish, monitor, and enforce compliance with the rules applicable to the trading of Exchange Contracts. The Exchange will establish policies and procedures concerning compliance with the Rule Change.
- Core Principle 4, Prevention of Market Disruption: The Exchange shall continue its normal practice of preventing manipulation, price distortion, and disruptions of the delivery or cash settlement process through market surveillance, compliance, and enforcement practices and procedures. Concerning the change of the first intraday limit in the Small Stocks 75 Index Futures Contracts from 7% to 9%, the Exchange notes that such Contracts will still be subject to Market Wide Circuit Breakers ("MWCB") established by the U.S. equity, options, and futures exchanges for coordinated cross-market trading halts in the event of a severe market price decline in the S&P 500 Index (see, e.g., New York Stock Exchange Rule 7.12 "Trading Halts Due to Extraordinary Market Volatility"), as set forth in Exchange Rules 30003.D.
- Core Principle 7, Availability of General Information: The Exchange shall continue to make available to all required parties concerning the terms and conditions of the Contracts that the Exchange offers; the rules, regulations, and mechanisms for executing transactions on or through the Exchange; and the rules and specifications describing the operation of the Exchange.
- Core Principle 11, Financial Integrity of Transactions: The Exchange shall continue its normal practice to establish and enforce: rules and procedures for ensuring the financial integrity of transactions entered into, on or through the facilities of the Exchange contract (including the clearance and settlement of the transactions with a derivatives clearing organization); and rules to ensure the financial integrity of any FCM and introducing broker, and the protection of customer funds.
- Core Principle 12, Protection of Markets and Market Participants: The Exchange shall continue its normal practice to establish and enforce rules: to protect markets and market participants from abusive practices committed by any party, including abusive practices committed by a party acting as an agent for a participant; and to promote fair and equitable trading on the contract market.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.6(a), the Exchange certifies that the amendments comply with the Act, including regulations under the Act. The Exchange is not aware of any opposing views. The Exchange also certifies that this submission has been posted on the Exchange's website at www.thesmallexchange.com.

If you require any additional information regarding this submission, please contact the undersigned at (312) 761-1660.

Regards,

/s/ Peter D. Santori
Chief Regulatory Officer

Enclosed: Exhibit A (additions underlined; deletions ~~overstruck~~)

Chapter 30: Small Stocks 75 Index Futures Contracts

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30003.D. Daily Price Limits

The Exchange uses intraday and daily price limits to ensure its markets work in an efficient and orderly manner during large, unexpected movements and increased volatility. The Exchange employs two intraday limits of ~~7~~9% and 13% and a daily limit of 20% all using the Contract's previous day's settlement value, as described below:

- Once an intraday price limit is reached, the following actions take place over the next three (3) minutes:
  - The market enters a "paused" state for all Contracts that are based on the Index for one (1) minute, with no order matching or trades occurring. Only order cancellations are allowed. New and replace orders are rejected by the Trading System.
  - During the second minute, the market enters the "pre-open" state for all Contracts that are based on the Index, where no orders match and no Trades occur, but orders on opposite sides of the market may cross. Limit, Stop and Stop-Limit order types are accepted with a time in force of Good Till Cancelled ("GTC") or Day. Orders can also be canceled or replaced. Market, Fill or Kill ("FOK") and Immediate or Cancel ("IOC") orders are rejected by the Trading System.
  - In the third minute, the market enters a "pre-open no cancel" state for all Contracts that are based on the Index, where no orders match and no Trades occur, but orders on opposite sides of the market may cross. Limit, Stop and Stop-Limit order types are accepted with a time in force of GTC or Day. Cancel and replace requests will not be accepted. Market, FOK and IOC orders are rejected by the Trading System.
  - At the end of the third minute, the market enters an "open" state for all Contracts that are based on the Index, with regular price-time priority matching in effect, and all supported orders are accepted. Upon reopening, the Exchange does not calculate or disseminate an opening print.
    - Once the market enters an "open" state after an intraday limit of 9% has been reached on the up (down) side, all Contracts that are based on the Index will be subject, for the remainder of the trading day, only to an intraday limit of 13% and a daily limit of 20% on the up (down) side all using the Contract's previous day's settlement value.

        - Once the market enters an "open" state after an intraday limit of 13% has been reached on the up (down) side, all Contracts that are based on the Index will be subject, for the remainder of the trading day, only to a daily limit of 20% on the up (down) side all using the Contract's previous day's settlement value.

- In the event that an intraday price limit is reached within three (3) minutes of the Exchange's market close time, the Exchange shall not reopen all Contracts that are based on the Index. The Exchange will publish a daily settlement value or a final settlement value on the Contact's day of expiration, as appropriate, using the process set forth in Exchange Rule 904 and the intraday price limit pause time as the Exchange's market close time for the purposes of such process.
- The market cannot trade at prices 20% above or below the Contract's previous day's settlement value. This is a pre-order validation that prevents the acceptance of orders at such prices in such circumstances.

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Chapter 31: Small Precious Metals Index Futures Contracts

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31003.D. Daily Price Limits

The Exchange uses intraday and daily price limits to ensure its markets work in an efficient and orderly manner during large, unexpected movements and increased volatility. The Exchange employs two intraday limits of 7% and 13% and a daily limit of 20% all using the Contract's previous day's settlement value, as described below:

- Once an intraday price limit is reached, the following actions take place over the next three (3) minutes:
  - The market enters a "paused" state <u>for all Contracts that are based on the Index</u> for one (1) minute, with no order matching or trades occurring. Only order cancellations are allowed. New and replace orders are rejected by the Trading System.
  - During the second minute, the market enters the "pre-open" state <u>for all Contracts that are based on the Index</u>, where no orders match and no Trades occur, but orders on opposite sides of the market may cross. Limit, Stop and Stop-Limit order types are accepted with a time in force of Good Till Cancelled ("GTC") or Day. Orders can also be canceled or replaced. Market, Fill or Kill ("FOK") and Immediate or Cancel ("IOC") orders are rejected by the Trading System.
  - In the third minute, the market enters a "pre-open no cancel" state <u>for all Contracts that are based on the Index</u>, where no orders match and no Trades occur, but orders on opposite sides of the market may cross. Limit, Stop and Stop-Limit order types are accepted with a time in force of GTC or Day. Cancel and replace requests will not be accepted. Market, FOK and IOC orders are rejected by the Trading System.
  - At the end of the third minute, the market enters an "open" state <u>for all Contracts that are based on the Index</u>, with regular price-time priority matching in effect, and all supported orders are accepted. Upon reopening, the Exchange does not calculate or disseminate an opening print.
    - <u>Once the market enters an "open" state after an intraday limit of 7% has been reached on the up (down) side, all Contracts that are based on the Index will be subject, for the remainder of the trading day, only to an intraday limit of 13% and a daily limit of 20% on the up (down) side all using the Contract's previous day's settlement value.</u>

        - <u>Once the market enters an "open" state after an intraday limit of 13% has been reached on the up (down) side, all Contracts that are based on the Index will be subject, for the remainder of the trading day, only to a daily limit of 20% on the up (down) side all using the Contract's previous day's settlement value.</u>
- In the event that an intraday price limit is reached within three (3) minutes of the Exchange's market close time, the Exchange shall not reopen <u>all Contracts that are based on the Index</u>. The Exchange will publish a daily settlement value or a final settlement value on the Contact's day of expiration, as appropriate, using the process set forth in Exchange Rule 904 and the intraday price limit pause time as the Exchange's market close time for the purposes of such process.
- The market cannot trade at prices 20% above or below the Contract's previous day's settlement value. This is a pre-order validation that prevents the acceptance of orders at such prices in such circumstances.

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Chapter 32: Small Dollar Index Futures Contracts

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32003.D. Daily Price Limits

The Exchange uses intraday and daily price limits to ensure its markets work in an efficient and orderly manner during large, unexpected movements and increased volatility. The Exchange employs two intraday limits of 7% and 13% and a daily limit of 20% all using the Contract's previous day's settlement value, as described below:

- Once an intraday price limit is reached, the following actions take place over the next three (3) minutes:
  - The market enters a "paused" state <u>for all Contracts that are based on the Index</u> for one (1) minute, with no order matching or trades occurring. Only order cancellations are allowed. New and replace orders are rejected by the Trading System.
  - During the second minute, the market enters the "pre-open" state <u>for all Contracts that are based on the Index</u>, where no orders match and no Trades occur, but orders on opposite sides of the market may cross. Limit, Stop and Stop-Limit order types are accepted with a time in force of Good Till Cancelled ("GTC") or Day. Orders can also be canceled or replaced. Market, Fill or Kill ("FOK") and Immediate or Cancel ("IOC") orders are rejected by the Trading System.
  - In the third minute, the market enters a "pre-open no cancel" state <u>for all Contracts that are based on the Index</u>, where no orders match and no Trades occur, but orders on opposite sides of the market may cross. Limit, Stop and Stop-Limit order types are accepted with a time in force of GTC or Day. Cancel and replace requests will not be accepted. Market, FOK and IOC orders are rejected by the Trading System.
  - At the end of the third minute, the market enters an "open" state <u>for all Contracts that are based on the Index</u>, with regular price-time priority matching in effect, and all supported orders are accepted. Upon reopening, the Exchange does not calculate or disseminate an opening print.
    - <u>Once the market enters an "open" state after an intraday limit of 7% has been reached on the up (down) side, all Contracts that are based on the Index will be subject, for the remainder of the trading day, only to an intraday limit of 13% and a daily limit of 20% on the up (down) side all using the Contract's previous day's settlement value.</u>

    - <u>Once the market enters an "open" state after an intraday limit of 13% has been reached on the up (down) side, all Contracts that are based on the Index will be subject, for the remainder of the trading day, only to a daily limit of 20% on the up (down) side all using the Contract's previous day's settlement value.</u>

- In the event that an intraday price limit is reached within three (3) minutes of the Exchange's market close time, the Exchange shall not reopen <u>all Contracts that are based on the Index</u>. The Exchange will publish a daily settlement value or a final settlement value on the Contact's day of expiration, as appropriate, using the process set forth in Exchange Rule 904 and the intraday price limit pause time as the Exchange's market close time for the purposes of such process.
- The market cannot trade at prices 20% above or below the Contract's previous day's settlement value. This is a pre-order validation that prevents the acceptance of orders at such prices in such circumstances.

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