



Rule Self-Certification

October 5, 2021

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

Re: SMFE 2021-019 - Self-Certification Pursuant to CFTC Regulation 40.6(a) – Amendments to Exchange Rules, Chapter 1, Definitions

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 amending Exchange Rules, Chapter 1, Definitions, as set forth on the attached Exhibit A (marked and clean versions, respectively), which is attached hereto and incorporated herein by reference (“Rule Change”). The Rule Change is effective October 20, 2021.

The purpose of the Rule Change is to set forth the definitions that the Exchange will add in order to facilitate the trading of options on futures, once self-certified for trading on the Exchange.

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 their normal practice to establish, monitor, and enforce compliance with the rules applicable to the trading of Exchange Contracts.
- Core Principle 4, Prevention of Market Disruption: The Exchange has the capacity to detect abnormal price movements and unusual trading volumes, including such abnormal price movements or trading volumes as may be associated with bilaterally negotiated trades, and holds the authority to take remedial action as appropriate. Further, the Rule Change will not impact the Exchange’s ability to perform its trade practice and market surveillance obligations under the CEA, CFTC Regulations and its Rules.
- Core Principle 9, Execution of Transactions: The Rule Change, once Options are self-certified for trading on the Exchange, will further enable the Exchange to

continue their current practice of providing a competitive, open, and efficient market mechanism for executing transactions.

- Core Principle 12, Protection of Market Participants: The Rule Change is subject to the Rules of the Exchange, which include prohibitions against abusive practices, including fraudulent, anti-competitive or unfair activity.

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,

Peter D. Santori
Chief Regulatory Officer

Enclosed: Exhibit A

Exhibit A

Revisions to Small Exchange Definition (additions underlined; deletions ~~overstruck~~)

Chapter 1: Definitions

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Associated Person has the meaning set forth in CFTC Regulation 1.3.

At-the-Money Option means a Call or Put Option which has a Strike Price that is the same as the price of the underlying Futures Contract for such Option on any day.

* * *

Business Day means any day which the Exchange is open for trading.

Call Option or Call means an Option whereby: (i) the Purchaser has the right, but not the obligation, to enter into an underlying Futures Contract to buy a commodity for delivery in the Option Month, at the Strike Price specified; and (ii) the Grantor has the obligation, upon exercise, to enter into an underlying Futures Contract to sell a commodity for delivery in such Option Month, at such Strike Price.

* * *

Clearing House means such Derivatives Clearing Organization or organizations as the Exchange has designated from time to time to provide clearing services with respect to any or all of its Contracts. To the extent that the Exchange designates multiple DCOs to provide clearing services at any given time, the term Clearing House shall refer to any DCO designated to provide such services with respect to the Contract or Clearing Firm in question.

Closing Transaction means any Transaction in which a Person: (i) grants an Exchange Call Option or Exchange Put Option which is in the same Series as an Exchange Call Option or Exchange Put Option, respectively, which had been purchased by such Person; or (ii) purchases an Exchange Call Option or Exchange Put Option which is in the same Series as an Exchange Call Option or Exchange Put Option, respectively, which had been granted by such Person.

* * *

Execution means an agreement by the parties (whether orally, in writing, electronically, or otherwise) to the terms of a Contract that legally binds the parties to such Contract terms under Applicable Law.

Exercise Price or Strike Price means the price at which the underlying Futures Contract may be purchased or sold pursuant to any Option.

* * *

Future(s) means any Contract for the purchase or sale of a commodity for future delivery.

Grantor means, with respect to any Option, the Account selling or writing such Option on the Exchange, until the time such Option is accepted by the Clearing Member.

* * *

IB or **Introducing Broker** has the meaning set forth in CFTC Regulation 1.3(mm) and CEA Section 1a (31).

In-the-Money Option means an Option that has a Strike Price that is lower (in the case of a Call Option) or higher (in the case of a Put Option) than the price of the Underlying Futures Contract for such Option.

* * *

Option means a Contract whereby one (1) party grants to another the right, but not the obligation, to buy or sell a Futures Contract.

Option Month means, with respect to any Option, the delivery month of the underlying Futures Contract.

* * *

Order means any bid or offer.

Out-of-the-Money Option means an Option which has a Strike Price that is higher (in the case of a Call Option) or lower (in the case of a Put Option) than the price of the underlying Futures Contract for such Option on any day.

* * *

Public Person means an individual that is determined by the Board or Chief Regulatory Officer, as applicable, to have no “material relationship” with the Exchange, as such term is used in Rule 202.

Purchaser means, with respect to any Option, the Account purchasing such Option on the Exchange, until the time such Option is accepted by the Clearing Organization.

Put Option or **Put** means an Option whereby: (i) the Purchaser has the right, but not the obligation, to enter into an underlying Futures Contract to sell a commodity for delivery in the Option Month at the Strike Price specified; and (ii) the Grantor has the obligation, upon exercise, to enter into an underlying Futures Contract to buy a commodity for delivery in such Option Month at such Strike Price.

* * *

SEC means the U.S. Securities and Exchange Commission or any successor regulatory body.

Series or **Option Series** means a group of Options on the same underlying Future with the same Strike Price and Option Month.

Settlement Premium means the daily Settlement Premium of an Exchange Option determined in accordance with the Rules.

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Clean Version

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