

CX Futures Exchange, L.P.
Rule Amendment Submission #2019-10
October 7, 2019

1. The text of the rule changes to the CX Futures Exchange, L.P. (“Exchange” or “CX”) Rulebook is attached. Additions are underlined and deletions are stricken through. This rule has been approved by the Exchange. Capitalized terms, unless otherwise defined herein shall possess the meaning(s) ascribed in the Exchange Rulebook.
2. The proposed effective date is ten business days after receipt by the Commodity Futures Trading Commission (“CFTC” or “Commission”) of this submission.
3. Attached, please find a certification that: (1) these rules comply with the Commodity Exchange Act and the Commission’s regulations thereunder; and (2) concurrent with this submission, CX Futures Exchange, L.P. posted on its website: (i) a notice of pending certification of the rule submissions with the Commission; and (ii) a copy of this submission.
4. A concise explanation and analysis of the operation, purpose, and effect of the amended rule appears below.
5. There were no opposing views expressed regarding these amended rules.

=====

**CONCISE EXPLANATION AND ANALYSIS OF THE OPERATION, PURPOSE, AND
EFFECT OF THE CERTIFIED RULE AND ITS COMPLIANCE WITH APPLICABLE
PROVISIONS OF THE ACT, INCLUDING CORE PRINCIPLES AND THE COMMISSION’S
REGULATIONS THEREUNDER**

Pursuant to Commission Rule 40.6(a)(7)(vi), the following is a concise explanation and analysis of the operation, purpose, and effect of the amended rules.

The Exchange currently offers the High Extreme Daily Temperature Index Swaps Contract (the “HEDTI Contract”), which relates to high extreme daily temperatures on each calendar day at a given location.

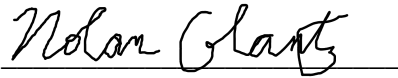
This rule amendment reduces the HEDTI Conversion Factor for any Strike Level that is 12 degrees or more below the HEDTI from 0.07 to 0.01. The change reduces the incentive for market participants to select artificially low Strike Levels, that is, strike prices that would be considered to be very “deep out of the money.”

CX Futures Exchange has considered the Core Principles, in particular Core Principles 2 (Compliance with Rules) and 3 (Contracts Not Readily Subject to Manipulation), and has determined that these changes will render the contracts more readily usable by market participants.

CERTIFICATIONS PURSUANT TO SECTION 5c OF THE COMMODITY EXCHANGE
ACT, 7 U.S.C. §7A-2 AND COMMODITY FUTURES TRADING COMMISSION RULE 40.6,
17 C.F.R. §40.6

I hereby certify that:

- (1) the amended Rules below comply with the Commodity Exchange Act, and the Commodity Futures Trading Commission's regulations thereunder; and
- (2) concurrent with this submission, CX Futures Exchange, L.P. posted on its website: (a) a notice of pending certification of the above Rules with the Commission; and (b) a copy of this submission.



By: Nolan Glantz
Title: COO
Date: October 7, 2019

Attachment A — Rule Amendment

CX FUTURES EXCHANGE, L.P. CHAPTER IX CONTRACTS

...

IX-3302. HIGH EXTREME DAILY TEMPERATURE INDEX SWAPS

(a) * * * * *

(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 <u>0.01</u>

(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) * * * * *