



Rule Self-Certification

October 26, 2021

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

Re: SMFE 2021-020 - Self-Certification Pursuant to CFTC Regulation 40.6(a) – Amendments to Exchange Product Rules, Chapters 34, 35 and 36

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, Chapters 34, 35 and 36, 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 November 9, 2021.

The purpose of the Rule Change is to set forth the process by which the Exchange shall determine the Daily Settlement of the Contracts bought or sold on the Exchange pursuant to such Chapters, when such day falls on a day which is a federal holiday and on which the bond markets are closed; and to make clarifying changes with respect to Chapters 34 and 35 (adding “Value” in B.). The Exchange reviewed the designated contract market core principles (“Core Principles”) as set forth in the Act and identified that the Rule Change 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 amendments 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 34: Small 10-Year US Treasury Yield Index Futures Contracts

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34004. Settlement Procedures

Contracts will be cash settled.

34004.A. Daily Settlement of the Front Month

Daily Settlement of the Front Month shall follow the process as described in Rule 904, unless such day falls on a day which is a federal holiday and on which the bond markets are closed. In such a case, if a Trade occurs in the last sixty (60) seconds of the Contract's Trading Hours, the Daily Settlement for the front month will be calculated using the volume weighted average price ("VWAP") of such Trades, rounded to the nearest tradable tick, or \$0.01. If there are no Trades during this time, the Exchange will use the last Trade in the Contract for the Daily Settlement.

34004.A-B. Final Settlement Value

On the day of expiration, the Final Settlement of the Contract will be determined pursuant to the process set forth in Exchange Rule 904(e)(ii).

34004.B-C. Final Settlement

Clearing Members holding open positions in an expiring Contract at its termination of trading shall make payment to or receive payment from the Clearing House in accordance with normal variation margin procedures based on such expiring Contract's Final Settlement.

34004.D. Conflict with Exchange Rule 904

If there is any conflict between this Chapter and Exchange Rule 904, with respect to application of Exchange Rule 904 to the trading, clearing and cash settlement of Contracts, this Chapter shall govern.

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Chapter 35: Small 30 Year US Treasury Yield Futures Contracts

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35004. Settlement Procedures
Contracts will be cash settled.

35004.A. Daily Settlement of the Front Month

Daily Settlement of the Front Month shall follow the process as described in Rule 904, unless such day falls on a day which is a federal holiday and on which the bond markets are closed. In such a case, if a Trade occurs in the last sixty (60) seconds of the Contract's Trading Hours, the Daily Settlement for the front month will be calculated using the volume weighted average price ("VWAP") of such Trades, rounded to the nearest tradable tick, or \$0.01. If there are no Trades during this time, the Exchange will use the last Trade in the Contract for the Daily Settlement.

35004.A.B. Final Settlement Value

On the day of expiration, the Final Settlement of the Contract will be determined pursuant to the process set forth in Exchange Rule 904(e)(ii).

35004.B.C. Final Settlement

Clearing Members holding open positions in an expiring Contract at its termination of trading shall make payment to or receive payment from the Clearing House in accordance with normal variation margin procedures based on such expiring Contract's Final Settlement.

35004.D. Conflict with Exchange Rule 904

If there is any conflict between this Chapter and Exchange Rule 904, with respect to application of Exchange Rule 904 to the trading, clearing and cash settlement of Contracts, this Chapter shall govern.

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Chapter 36: Small 2 Year US Treasury Yield Futures Contracts

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36004. Settlement Procedures
Contracts will be cash settled.

36004.A. Daily Settlement of the Front Month

Daily Settlement of the Front Month shall follow the process as described in Rule 904, unless such day falls on a day which is a federal holiday and on which the bond markets are closed. In such a case, if a Trade occurs in the last sixty (60) seconds of the Contract's Trading Hours, the Daily Settlement for the front month will be calculated using the volume weighted average price ("VWAP") of such Trades, rounded to the nearest tradable tick, or \$0.01. If there are no Trades during this time, the Exchange will use the last Trade in the Contract for the Daily Settlement.

36004.BA. Final Settlement Value

On the day of expiration, the Final Settlement of the Contract will be determined pursuant to the process set forth in Exchange Rule 904(e)(ii).

36004.CB. Final Settlement

Clearing Members holding open positions in an expiring Contract at its termination of trading shall make payment to or receive payment from the Clearing House in accordance with normal variation margin procedures based on such expiring Contract's Final Settlement.

36004.D. Conflict with Exchange Rule 904

If there is any conflict between this Chapter and Exchange Rule 904, with respect to application of Exchange Rule 904 to the trading, clearing and cash settlement of Contracts, this Chapter shall govern.

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Clean Version

Chapter 34: Small 10-Year US Treasury Yield Index Futures Contracts

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34004. Settlement Procedures

Contracts will be cash settled.

34004.A. Daily Settlement of the Front Month

Daily Settlement of the Front Month shall follow the process as described in Rule 904, unless such day falls on a day which is a federal holiday and on which the bond markets are closed. In such a case, if a Trade occurs in the last sixty (60) seconds of the Contract's Trading Hours, the Daily Settlement for the front month will be calculated using the volume weighted average price ("VWAP") of such Trades, rounded to the nearest tradable tick, or \$0.01. If there are no Trades during this time, the Exchange will use the last Trade in the Contract for the Daily Settlement.

34004.B. Final Settlement Value

On the day of expiration, the Final Settlement of the Contract will be determined pursuant to the process set forth in Exchange Rule 904(e)(ii).

34004.C. Final Settlement

Clearing Members holding open positions in an expiring Contract at its termination of trading shall make payment to or receive payment from the Clearing House in accordance with normal variation margin procedures based on such expiring Contract's Final Settlement.

34004.D. Conflict with Exchange Rule 904

If there is any conflict between this Chapter and Exchange Rule 904, with respect to application of Exchange Rule 904 to the trading, clearing and cash settlement of Contracts, this Chapter shall govern.

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Chapter 35: Small 30 Year US Treasury Yield Futures Contracts

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35004. Settlement Procedures

Contracts will be cash settled.

35004.A. Daily Settlement of the Front Month

Daily Settlement of the Front Month shall follow the process as described in Rule 904, unless such day falls on a day which is a federal holiday and on which the bond markets are closed. In such a case, if a Trade occurs in the last sixty (60) seconds of the Contract's Trading Hours, the Daily Settlement for the front month will be calculated using the volume weighted average price ("VWAP") of such Trades, rounded to the nearest tradable tick, or \$0.01. If there are no Trades during this time, the Exchange will use the last Trade in the Contract for the Daily Settlement.

35004.B. Final Settlement Value

On the day of expiration, the Final Settlement of the Contract will be determined pursuant to the process set forth in Exchange Rule 904(e)(ii).

35004.C. Final Settlement

Clearing Members holding open positions in an expiring Contract at its termination of trading shall make payment to or receive payment from the Clearing House in accordance with normal variation margin procedures based on such expiring Contract's Final Settlement.

35004.D. Conflict with Exchange Rule 904

If there is any conflict between this Chapter and Exchange Rule 904, with respect to application of Exchange Rule 904 to the trading, clearing and cash settlement of Contracts, this Chapter shall govern.

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Chapter 36: Small 2 Year US Treasury Yield Futures Contracts

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36004. Settlement Procedures
Contracts will be cash settled.

36004.A. Daily Settlement of the Front Month

Daily Settlement of the Front Month shall follow the process as described in Rule 904, unless such day falls on a day which is a federal holiday and on which the bond markets are closed. In such a case, if a Trade occurs in the last sixty (60) seconds of the Contract's Trading Hours, the Daily Settlement for the front month will be calculated using the volume weighted average price ("VWAP") of such Trades, rounded to the nearest tradable tick, or \$0.01. If there are no

Trades during this time, the Exchange will use the last Trade in the Contract for the Daily Settlement.

36004.B. Final Settlement Value

On the day of expiration, the Final Settlement of the Contract will be determined pursuant to the process set forth in Exchange Rule 904(e)(ii).

36004.C. Final Settlement

Clearing Members holding open positions in an expiring Contract at its termination of trading shall make payment to or receive payment from the Clearing House in accordance with normal variation margin procedures based on such expiring Contract's Final Settlement.

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If there is any conflict between this Chapter and Exchange Rule 904, with respect to application of Exchange Rule 904 to the trading, clearing and cash settlement of Contracts, this Chapter shall govern.

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