

CX Futures Exchange, L.P.
Rule Amendment Submission #2018-11
November 30, 2018

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 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 rules appear below.
5. There were no opposing views expressed regarding these amended rules.

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**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.

Description of CX DASI Liquidity Incentive Program and Education Incentive Program.

These programs are being submitted for self-certification as incentive programs of the Exchange.

CX recently listed its Daily Aggregate Snowfall Index Swaps Contract (“DASI Contract”). The DASI Contract is a swap (having the characteristics of a cash-settled option on an underlying index) that will settle based upon the snowfall measurement on each calendar day at a given location.

The DASI Liquidity Incentive Program (DLIP) is a market maker incentive program under Exchange Rule V-10. CX Rule V-10 provides that the Exchange may adopt programs that grant certain benefits to Participants who assume “obligations in order to provide liquidity and orderliness in the market or markets for such Contract or Contracts.”

The DLIP rewards Participants who meet specified performance criteria with a cash payment. Specifically, the program provides that it will pay each Participant \$0.01 per contract up to a maximum \$1,000.00 per month that fulfill the following obligations:

A Market Maker must connect via API to trade on CX and must purchase no fewer than 100 contracts in each of 20 city locations. All such contracts must be purchased no fewer than 7 days prior to contract expiration.

The Exchange has considered whether the DLIP complies with Exchange Rule V-10 and with the following Core Principles:

- a) Core Principle 9: to provide a competitive, open, and efficient market for execution;
- b) Core Principle 12: to establish and enforce rules to protect markets and market participants from abusive practices and to promote fair and equitable trading on designated contract markets; and
- c) Core Principle 19: to avoid adopting any rules or taking any actions that result in unreasonable restraints of trade.

This Market Making program is designed to enhance liquidity of the DASI Index in the manner envisioned by Exchange Rule V-10. It places on Participants measurable obligations the fulfillment of which will result in enhanced liquidity in the contract during periods of lower liquidity, that is the period greater than 7 days from contract expiration.

The second incentive program, the DASI Education Incentive Program (DEIP) is meant as an educational tool to familiarize new Participants with the trading interface for DASI Contracts. It provides all new Participants accepted after the specified date with a one-time \$10.00 incentive payment that can be used towards an original margin deposit required for DASI Contract positions.

Because the program is meant as an educational tool, the Exchange will monitor activity on the Exchange for compliance with Exchange rules (“Rules”). Violations of the terms of the incentive program will be considered to be a violation of an Exchange rule subject to appropriate Exchange disciplinary action.

These programs comply with the cited Core Principles by encouraging enhanced liquidity in the DASI contract in a manner designed to promote fair and equitable trading and, by being available to all participants, do not impose any restraint of trade or undue burden on competition. These Programs will be available for a period of one-year and may be renewed in the discretion of the Exchange for an additional year. These Programs may be terminated with three (3) days’ advance notice to Participants, provided however, incentive payments that have been made under


the DEIP program, once awarded, will remain available for use by the recipient for an additional period determined by the Exchange in its discretion.

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: November 30, 2018

Attachment A — Rule Amendment

CHAPTER XI INCENTIVE PROGRAMS

XI-101. DASI Liquidity Incentive Program (DLIP)

(a) This incentive program shall be available to any Participant that is connected to and trades through an API connection to the Exchange. Any such API-connected Participant, which shall include any affiliate as a single Participant, that fulfills the obligations set forth in paragraph (b) will be eligible to receive an Incentive Payment as provided under section (c) and will automatically be considered for such payment without additional application to the Exchange.

(b) To qualify for an incentive payment for trading in the DASI Contract, an eligible Participant must (1) demonstrate technical competence for API connectivity to the Exchange and then, (2) for any calendar month, trade no fewer than 100 contracts at each of 20 or more locations on at least 20 different DASI Trading Days in that month. Qualifying contracts must be purchased no fewer than 7 days prior to contract expiration.

(c) Incentive payments will equal \$0.01 per contract up to a maximum \$1,000.00 per month per Participant. No more than 10 Participants may be in the program in the same month with priority given to those completing the obligations of (b) with the greatest trading volumes in that respective month.

(d) This program shall be in effect for one-year from its effective date and may be renewed in the absolute discretion of the Exchange for another year. The program may be terminated at any time by the Exchange in its absolute discretion upon three (3) days' notice.

XI-102. DASI Education Incentive Program (DEIP)

(a) This incentive program shall be available to all Participants that applied to be a Participant on the Exchange and were accepted as a Participant after July 31, 2018. Any such Participant, which shall include any affiliate as a single Participant, that fulfills the obligations set forth in paragraph (b) will be eligible to receive a one-time Incentive Payment as provided under section (c) and will automatically be considered for such payment without additional application to the Exchange.

(b) To qualify for the one-time incentive payment for trading in the DASI Contract, an eligible Participant must trade an aggregate number of DASI Contracts after November 30, 2018 such that the aggregate original margin required for such DASI Contracts is at least \$10.00.

(c) Incentive Program payments will equal \$10.00 per Participant. Upon acceptance as a Participant (or at the inception of the program for those already a Participant at that time) the Exchange will deposit the incentive payment in the Participant's Trading Account. The incentive payment may not be withdrawn until the obligations of (b) are fulfilled. Any Participant who fails to meet the conditions of the Program in (b) within one (1) month shall forfeit the payment. The program will be limited to the first 1,000 Participants per calendar month: provided however, the Exchange may in its sole discretion extend the program in any calendar month to additional Participants who complete the obligations of (b) with priority given to those that first complete these obligations.

(d) This program shall be in effect for one-year from its effective date and may be renewed in the absolute discretion of the Exchange for another year. The program may be terminated at any time by the Exchange in its absolute discretion upon three (3) days' notice; provided however, that any Incentive Payment that has been deposited will remain available for use by the Participant for an additional period of thirty (30) days. following which the payment will be forfeit if the conditions of (b) have not been met within that period.