

CX Futures Exchange, L.P.
Rule Amendment Submission #2018-12
December 14, 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 rule appears 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.

CX is amending Rule XI-100 to provide that incentive payments will be made to a Participant by depositing such payments into the Participant’s account to be used as original margin for trading in CX’s weather related contracts by the Participant. The rule is being further modified to provide that an incentive payment is forfeit if the recipient has not completed opening an account within 30 days of first requesting to convert credits to dollars. Further, deposited funds are also forfeit if the funds have not been used for original margin within 30 days of the latest conversion request. The purpose of this amendment is to make clear that a Person must complete the Account opening process in order that the payment can be deposited into the Person’s account. Persons who became eligible to convert credits into an incentive payment prior to the adoption of this provision but have not yet done so will have 30 days from the effective date of this provision before any incentive fee is forfeit. The rule also makes clear that the incentive payment must be used as initial margin for trading weather-related contracts. Furthermore, the modification clarifies that CX Related Parties and AccuWeather Related Parties as defined in the rule may

receive incentive payments provided that they are a Participant and not in possession of material, non-public information.

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: December 14, 2018

Attachment A — Rule Amendment

CHAPTER XI INCENTIVE PROGRAMS

XI-100. TradeWx Incentive Program (TIP)

Purpose of Incentive Program:

The object of the TradeWx Incentive Program (“TIP” or “Program”) is to familiarize Exchange Participants with the basic concepts and website functionality needed to trade “Swap Contracts” on CX Futures Exchange, L.P. (“Exchange” or “CX”). The Program consists of providing payments to Exchange Participants for participating in an educational module that operates on an interactive weather prediction website. The educational module enables its users to earn “credits” by correctly forecasting if certain weather events will or will not occur. Such credits may be converted by Exchange Participants into incentive payments that shall be deposited into the Participant’s account for use as original margin for trading in CX’s weather related swap contracts. The initial incentive payment shall be forfeit if the Person fails to complete the Account opening process within 30 days of first requesting to convert credits into dollars or within 30 days of the effective date of this provision, whichever is later. The initial or any subsequent incentive payment shall be forfeit if the deposited funds are not used within 30 days of the latest conversion request. Persons not eligible to be an Exchange Participant may also participate in the educational module operated on the interactive weather prediction website solely for its educational value.

Eligibility:

The TradeWx Incentive Program (“TIP”) is open to legal residents of the 50 United States and the District of Columbia, who at time of registration are Participants of the Exchange or who are eligible to become a Participant of the Exchange (“Program Participant”). There is no cost to apply as a Program Participant. ~~There is no trading or other obligation on a Program Participant to redeem any cash incentives provided by this program.~~ Persons not eligible to become a Program Participant or who do not wish to participate in the Incentive Program may participate on the interactive weather prediction website solely for its educational value, becoming a “Simulation User.” All persons in possession of material, non-public information with regard to CX’s weather contracts are not eligible CX Participants and therefore are not eligible to participate in the TradeWx Incentive Program.

Becoming a Simulation User, as defined below, does not indicate that any person qualifies to become a Participant of the Exchange. Incentive Program Participants must be or become a CX Participant, in accordance with Rule III-3 (Eligibility) of the Exchange Rules. Simulation Users may apply to become Exchange Participants and ~~to~~ set up a CX Trading Account at the Exchange website at any time before or during the TIP Period. Applicants to become an Exchange Participant who submit a completed Application and are accepted for a CX Trading

Account will be notified by email. Anyone who needs to modify or correct an email address used in either their TradeWx or CX Trading Account should contact the Exchange at customerservice@cantorexchange.com. Incentive Program Participants will receive incentive payments directly in their CX Clearinghouse Account. Incentive payments will be forfeit if a Program Participant fails to complete the Account opening process within 30 days of first requesting to convert credits into an incentive payment or the effective date of this provision, whichever is later. Program Participants ~~are not required to trade on the Exchange and may not~~ withdraw incentive funds from their CX Clearinghouse Account; such incentive funds may be used as original margin utilized for weather related contracts traded after December 31, 2018. Incentive Payments that are not used within 30 days of the Participant's latest conversion request shall be forfeit beginning on October 1, 2018 at 9:00 AM ET, which payments are made by the Clearinghouse via electronic transfer to a U.S. bank account. For the avoidance of doubt, the source of funds for any withdrawal must be other than incentive payments, for example from deposits or settlement payments.

There is a limit of one (1) TradeWx Incentive Program participation per CX Participant for the duration of the TIP. Simulation Users may register for only simulation account. Simulation Users who register for more than one (1) simulation account may lose credit balances in one or all of the simulation accounts they control as determined by the Exchange.

Simulation Summary:

Simulation Users visiting forecasterchallenge.accuweather.com or other URLs provided via the Exchange website (the "Sites") will be presented with an opportunity to earn credits for registering, visiting and/or predicting weather outcomes (e.g. daily and monthly snow amount, daily and monthly rain amount, daily high and low temperature) for a variety of locations in the continental United States.

Following registration, Simulation Users will be given the option to practice trading situations by making numerous weather forecasts using their simulation credit balances. All credits used to make a prediction are immediately deducted from the Simulation User's account but will result in the Simulation User earning a greater number of credits if the forecasted weather event occurs. Correct trading decisions/forecasts will result in credits being credited to the Simulation User's account as soon as practical after the Exchange's final determination that the forecasted weather event has occurred.

The Exchange may offer additional credit bonuses for simulation play elements other than making weather predictions. Specifically, upon registering on the Site with a valid email address, each Simulation User will receive a total of 25,000 simulation credits in their account. Additional credits can be obtained each day the Participant visits any of the Sites. Other opportunities to earn credits apart from making weather predictions may, from time to time, be presented to Users.

The Exchange will have exclusive right to determine if a weather event has or has not occurred in consultation with the Weather Data Provider.

The Incentive Program - Converting Credits to U.S. Dollars:

Simulation credits are not valid U.S. currency, have no cash value and are used for simulation purposes only on the Sites.

However, from time to time, Simulation Users who are or who are eligible to become Participants will be offered the option of converting credits in their simulation account for \$10 cash, will be deposited by the Exchange into a valid CX Clearinghouse Account and made available for use as original margin in CX's weather contracts as described below. All such deposits are forfeit unless the Simulation User becomes a CX Participant within 30 days of requesting to convert credits into an incentive payment or of the effective date of this rule, which is later. Incentive payments are also forfeit unless used as original margin in CX weather contracts within 30 days of the Participant's latest conversion request or the effective date of this provision, whichever is later.

No one Participant may receive more than \$10 per calendar day or more than \$100 in the aggregate under this Incentive Program. Exchange, in its sole discretion, will determine credit tabulations and forecast winners during the TIP Period.

Furthermore, the total amount of conversions that will be permitted in any one calendar month will be published on the Exchange website. The conversion of credits to U.S. dollars will be prioritized by time of request. In event that the aggregate of Simulation User conversion requests exceeds the monthly cap, then conversions shall be awarded by order of first conversion request. Credits that are not converted due to the monthly cap will be returned to Simulation Users and may be converted given priority for conversion in subsequent months. For the avoidance of doubt, if the number of conversion request is less than the monthly cap, then the Exchange will award less than the monthly cap to Program Participants for that monthly TIP Period.

There is no ~~financial obligation required~~ to obtain a valid CX Trading Account, however Program Participants are required to complete fully and submit the CX Participant Application Packet ("Application") according to the instructions provided. To comply with regulatory requirements, valid CX Trading Accounts require the Program Participant's Social Security Number on the Application along with all other required fields in accordance with the instructions provided. Social Security Number and other required Program Participant information to be used for Application processing and solely for the purpose of administering this Program and the Participant's CX Trading Account.

All federal, state and local taxes, and all other expenses associated with Simulation User conversions are Simulation User's sole responsibility. Participants will receive their converted amounts as deposits to the CX Participant Clearinghouse Accounts within one week of the completion of the verification process. In the event that a conversion requested was rejected for

any reason, the Simulation User's simulation account balance will not be re-credited with the credit conversion amount.

Limit one (1) Application per person. Additional Applications received from any one person or email address after the first Application received from that person or email address will void all related simulation accounts and credit balances.

The decision to accept or reject an Application to become an Exchange Participant or a Simulation User is at the sole discretion of Exchange. Incomplete Applications and/or Applications containing inaccurate information will be void at Exchange's sole discretion. Completed Applications are subject to review and approval by Exchange. The use of script, macro or any device to automate or subvert the Application and/or participation process is prohibited and all such Applications will be void.

Compliance with CX Trading Rules:

The Exchange will monitor all Simulation User activity for compliance with Exchange rules and regulations ("Rules"), available at the Exchange website and incorporated herein by reference as a rule of the simulation play. Any credits acquired through activity that, in the sole discretion of Exchange, is in violation of the Rules in this section or any Exchange Rule will be deemed void and may result in forfeiture of all credits earned by the Simulation User or denying Simulation User access to the Sites. Accordingly, the Exchange reserves the right, in its sole discretion, to void any and all credits or other activities of any Simulation User whom Exchange believes has attempted to tamper with, influence or impair the administration, security, fairness, or proper play of this simulation module.

~~CX is Released Parties and AW Released Parties (as those terms are defined below) are not~~ responsible for incomplete, inaccurate, garbled, late, lost, stolen, damaged, undelivered, delayed, or misdirected emails, Applications, or TradeWx submissions; theft, destruction or unauthorized access to, or alteration of, Applications or TradeWx activity; credit allocation errors; failures or malfunctions of phones, phone lines or telephone systems; interrupted or unavailable network, cable, satellite, Internet Service Provider (ISP), server or other connections; any error, omission, interruption, defect or delay in any transmission or communication; traffic congestion on the Internet or for any technical problem, including but not limited to any injury or damage to Simulation User's or any other person's computer related to or resulting from participation in this simulation module; typographical or errors in these Rules, in any Program-related advertisements or other materials; the cancellation, suspension or preemption of any trading activity, trading activity tabulation or other problems or errors of any kind, whether mechanical, human, electronic, typographical, printing or otherwise, which may occur in connection with the administration of this simulation game, the tabulation of profits and/or credits, or the announcement of the winners. Credits which are incorrectly or improperly allocated to a simulation account are void and will be forfeited.

CAUTION: Any Simulation User attempt to deliberately damage the website or undermine the legitimate operation of this program is a violation of criminal and civil laws and should such an attempt be made, the Exchange reserves the right to seek damages and/or other remedies (including attorneys' fees) from any such person(s) responsible for the attempt to the fullest extent permitted by law.

TIP Period:

A new TIP will begin each month (each a "TIP Period"). Each monthly TIP Period will be listed on the CX website. Exchange's servers are the official time clock. The Exchange, in its sole discretion, may choose to discontinue offering new TIP Periods.

Conflicts of Interests

~~Employees, officers, directors, and representatives of CX Futures Exchange, L.P., and its respective parent company, subsidiaries, affiliates, distributors, and advertising/promotion agencies (collectively, "CX Released Parties") and their immediate family members (parent, spouse, sibling or child and their respective spouses, regardless of where they reside) and those living in the same household of each, whether or not related, may be Simulation Users but are not eligible Program Participants and therefore may not request the conversion of simulation credits to U.S. dollars.~~

~~Furthermore, employees, officers, directors, and representatives of AccuWeather, Inc. ("Weather Data Provider"), and its respective parent company, subsidiaries, affiliates, distributors, and advertising/promotion agencies (collectively, "AW Released Parties") and their immediate family members (parent, spouse, sibling or child and their respective spouses, regardless of where they reside) and those living in the same household of each, whether or not related, may be Simulation Users but may not request the conversion of simulation credits to U.S. dollars.~~

Miscellaneous:

~~No transfer, assignment, cash conversion, or substitution of credits except by Exchange, which reserves the right to substitute a credit or cash conversion amount with one of comparable or greater value, at its sole discretion. Exchange, CX in its sole discretion, reserves the right to modify, suspend or terminate this Program for any reason, including should any virus, bugs, non-authorized human intervention or other causes, corrupt or impair the administration, security, fairness or proper play of this Program.~~

By participating, Participants agree to be bound by these Rules and agree that CX and its designees and assigns may use (unless prohibited by law) such Participant's name, city, and/or state of residence, photograph and/or likeness for advertising and/or trade purposes and/or for the purpose of posting their name, user name and/or for any other purpose in any media or format now or hereafter known throughout the world in perpetuity without further compensation, permission or notification; and shall have no liability and will be held harmless for any liability,

loss, injury or damage, including, without limitation, personal injury to Participant or any other person or death or damage to personal or real property, due in whole or in part, directly or indirectly, by reason of the acceptance, possession, use or misuse of any credits or cash conversion amount related thereto or participation in this Program.