

CX Futures Exchange, L.P.
Rule Amendments Submission #2019-06
July 24, 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 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 PRODUCT 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 by these rule amendments is expanding two of its existing incentive programs. First, CX is amending its Liquidity Incentive Program under Rule XI-101 by expanding the eligible recipients to any Participant of the Exchange (hereafter, the “Daily Liquidity Incentive Program”) and by expanding the incentive payment to apply to all CX’s Daily Contracts, rather than just the Daily Aggregate Snowfall Index Swaps Contract (“DASI Contract”). Further, the rule is being amended to remove the requirement that qualifying contracts must be purchased no fewer than 7 days prior to contract expiration.

The Daily Liquidity Incentive Program is an 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 amended Daily Liquidity Incentive Program compensates Participants who meet specified performance criteria that support liquidity in these contracts.

The Exchange has considered whether the Daily Liquidity Incentive Program 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.

As stated above, the Daily Liquidity Incentive Program is designed to attract order flow while incentivizing market participants to provide liquidity. It places on Participants measurable obligations, the fulfillment of which will result in enhanced liquidity in the market. The incentive program will be in effect one year from its effective date. The Exchange will make payment under this program for trading beginning July 1, 2019.

Secondly, CX is amending its Education Incentive Program under Rule XI-102 to expand the program to all Participants on the Exchange trading in any Contract listed on the Exchange, singly or in combination. Prior to its amendment, the Education Incentive Program only applied to those trading in the Daily Average Snowfall Contract and only to new Participants. The rule is being modified to provide a one-time \$25.00 incentive payment for completing an Education Survey in addition to the one-time \$10.00 incentive payment. Both incentives are one-time payments which can only be redeemed when the aggregate original margin for trading by the Participant equals the amount of the aggregate incentive payments. For the avoidance of doubt, for those electing to take the educational survey, the total \$35.00 incentive payment can be received only when the aggregate original margin required for the Contracts traded equals \$35.00 or more. The amended program will commence on the day that it becomes effective.

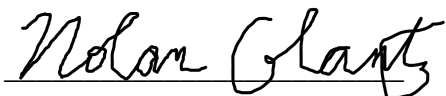
The Exchange has considered whether the Education Incentive Program complies with Exchange Rule V-10 and with the Core Principles 9, 12 and 19. The Education Incentive Program is designed as an educational tool to familiarize all Participants with the trading interface for Daily Contracts. The Program establishes specific criteria for participation, which is open to all. The Education Incentive Program will encourage liquidity by increasing the knowledge of Participants and encouraging traders to become more familiar with the trading interface. Because the program is meant as an educational tool, the Exchange will monitor activity on the Exchange for compliance with Exchange 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.

Both of these incentive programs, as amended, comply with the cited Core Principles by encouraging enhanced liquidity in the Daily Contracts in a manner designed to promote fair and equitable trading and, by being available to all participants, do not impose any restraint on trade or undue burden on competition.

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: July 24, 2019

Attachment A – Rule Amendment

...

CHAPTER XI INCENTIVE PROGRAMS

...

XI-101. ~~DASI~~ Daily 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) who will thereby 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 in any of CX's Daily Contracts, namely the DASI, DARI, HEDTI or LEDTI Contracts,~~ 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. Payments will be made under the program, as amended, for trading beginning on July 1, 2019.

Initial effective date: ~~8/7/2019~~12/14/2018

...

XI-102. ~~DASI~~ Education Incentive Program (~~DEIPEIP~~)

(a) This incentive program shall be available to all Participants that ~~applied~~ apply 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~~ CX's Contracts, an eligible Participant must trade an aggregate number of DASI, DARI, HEDTI, LEDTI or ANSLs Contracts after ~~August 7, 2019~~ November 30, 2018 such that the aggregate original margin required for such ~~DASI~~ Contracts is at least \$10.00 for those not completing the optional Education Survey or \$35.00 for those who do complete the Education Survey.

(c) Incentive Program payments will equal \$10.00 per Participant for those not completing the Education Survey, plus an additional \$25.00 for those who do complete the optional Education Survey. 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.

Initial effective date: ~~12/14/2018~~ 8/7/2019