

CX Futures Exchange, L.P.
Rule Amendment Submission #2019-9
September 26, 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 Daily Aggregate Snowfall Index Swaps Contract (the “DASI Contract”), which relates to the rainfall measurement on each calendar day at a given location.

With this change, several clarifications are being made to the contract rules and, furthermore, the rules now incorporate two tables into the text of the rule that were previously merely referenced in the rule.

Additionally, contract rule 3300(b)(iii) now provides that snowfall reports of “Trace” amounts are included with Strike Level “0.1” rather than with Strike Level “0”. This change for the snowfall contract aligns it with the current Daily Aggregate Rainfall Index Swaps Contract and is in response to feedback from market participants who suggested that a non-zero snowfall amount should not be included in a strike level that indicates zero snowfall occurred.

Furthermore, contract rule 3300(e)(i)(C) now provides for a DASI Conversion Factor of 0.01 for the “no rainfall” Strike Level “0” and a DASI Conversion Factor of 1.00 for the lowest strike level above zero with open interest. This change more correctly divides payouts between those hedgers seeking a hedge for “no snowfall” and those seeking a hedge for “some snowfall”.

Finally, the rule reduces the DASI Conversion Factor for any Strike Level that is 12” or more below the DASI from 0.07 to 0.01. The change reduces the incentive for market participants to select artificially low Strike Levels.

CX Futures Exchange has considered the Core Principles, in particular Core Principles 2 and 3, and has determined that these changes will provide greater certainty to the contract’s terms and conditions and make other adjustments that 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: September 26, 2019

Attachment A — Rule Amendment

CX FUTURES EXCHANGE, L.P. CHAPTER IX CONTRACTS

...

IX-3300. DAILY AGGREGATE SNOWFALL INDEX SWAPS

(a) Scope and Underlying

(i) These Contract Rules govern the trading on CX Futures Exchange, L.P. (the “Exchange”) of the DAILY AGGREGATE SNOWFALL INDEX SWAPS CONTRACT (“DASI Contract”) and are “Contract Specifications” under Rule IX-1 of the Rules of the Exchange. In general, 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 (midnight to midnight local time of the given location) and will pay a dollar amount per contract to each position holder as calculated by applying ~~the~~ a conversion factor as calculated in Tables 2 and 3 (the “DASI Conversion Factor”). per Rule 3300(e) below.

(ii) Clearing of the DASI Contract will be governed by the rules of the CX Clearinghouse, L.P. (the “Clearinghouse”). These Contract Rules constitute “Contract Rules” Under Rule I-7 of the Rules of the Clearinghouse.

(iii) Capitalized terms used, but not defined herein, have the meanings ascribed to them in the Rules of the Exchange or the Rules of the Clearinghouse, as applicable.

(b) Calculation and Quotation of the Index

(i) The Daily Aggregate Snowfall Index (“DASI”) represents the total snowfall measured, typically in tenths of inches, by specific measuring stations during each station’s local calendar day (midnight to midnight, local time).

(ii) Each index point shall be quoted to the nearest one-tenth of a point and each point represents one inch of reported snowfall at the specified location (e.g. a KNYC index value of 5.5 indicates that station KNYC has reported 5.5 inches of snowfall).

(iii) For the avoidance of doubt, any report of snowfall greater than 0.0” but less than 0.1”, including “trace” or similar reports of snowfall that are discernable although insufficient for measurement will result in a DASI value of ~~zero (0).~~ 1.

(iv) The DASI will be calculated by the Exchange relying primarily on data published by the National Weather Service (“NWS”) in its Climate Report (“CLI”). Other weather products reported by the NWS may be used as necessary to supplement or confirm data appearing in the CLI. The Exchange makes no warranties with respect to the accuracy of the data published by the NWS and the Exchange in its discretion may use other public and private weather reporting

sources to determine the value of the Daily Aggregate Snowfall Index when doing so is in the best interest of the marketplace.

(c) Placement of Bids

(i) Immediately after a DASI Contract is listed, Participants, through the Exchange, will be able to bid for contracts by specifying the Ticker Symbol of the contract. All bids will be at the contract premium price per contract specified in Table 1 and require Original Margin to be deposited equal to the per-contract amount with the Clearinghouse.

Table 1	
<u>Trading Days prior to Final Settlement</u>	<u>Contract Premium and Original Margin per Contract</u>
<u>7 or more</u>	<u>\$1.00</u>
<u>6</u>	<u>\$1.25</u>
<u>5</u>	<u>\$1.50</u>
<u>4</u>	<u>\$1.75</u>
<u>3</u>	<u>\$2.00</u>
<u>2</u>	<u>\$2.25</u>
<u>1</u>	<u>\$2.50</u>

(ii) Bids may not be cancelled once entered onto the CX Direct System; provided however, the Strike Level of a bid that has been entered may be modified if (A) the modified bid is for the same measurement station and Final Settlement Date as the original bid and (B) the price difference, if any, between the original bid and the contract premium price per contract in effect at the time that the bid is modified (as specified in Table 1) is deposited as Original Margin with the Clearinghouse.

(iii) Once a position is created by the CX Direct System the position may not be liquidated except by Final Settlement as provided under Rule IX-3300(e).

(d) [Reserved]

(e) Determination of Final Settlement Prices for each Strike Level

Each DASI 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 ~~and, Using this procedure, the values in Tables 2 and 3, with a minimum Final Settlement Price for any contract of at least \$0.01 and a maximum Final Settlement Price of \$99~~ no more than \$249.99.

(i) After the DASI is determined for each measuring station for a given Final Settlement Date, then the Exchange will determine the DASI Conversion Factor applicable to each Strike Level for that measuring station on that date as shown in Table 2. If the DASI Conversion Factor applicable to every Strike Level is 0.01, then the lowest Strike Level (in the sequence “0”, “0.1”, “1”, et al) will have a DASI Conversion Factor of one (1.00) and all other Strike Levels will have a DASI Conversion Factor of 0.01.

(A) For Strike Level “0.0”, if the DASI is zero (“0.0”), then the Conversion Factor will be 1.00, or for DASI values greater than zero, 0.01.

(B) The DASI Conversion Factor for all other Strike Levels will be determined by Table 2 below.

Table 2	
<u>Subtract Strike Level from DASI (Add 0.1 for Strike 0.1), then if this difference is:</u>	<u>DASI Conversion Factor</u>
<u>Less than zero</u>	<u>0.01</u>
<u>0.0" to 0.9"</u>	<u>1.00</u>
<u>1.0" to 1.9"</u>	<u>0.50</u>
<u>2.0" to 2.9"</u>	<u>0.33</u>
<u>3.0" to 3.9"</u>	<u>0.25</u>
<u>4.0" to 4.9"</u>	<u>0.20</u>
<u>5.0" to 5.9"</u>	<u>0.16</u>
<u>6.0" to 6.9"</u>	<u>0.14</u>
<u>7.0" to 7.9"</u>	<u>0.12</u>
<u>8.0" to 8.9"</u>	<u>0.11</u>
<u>9.0" to 9.9"</u>	<u>0.10</u>
<u>10.0" to 10.9"</u>	<u>0.09</u>
<u>11.0" to 11.9"</u>	<u>0.08</u>
<u>12" or more</u>	<u>0.01</u>

(C) If, after applying (A) and (B) above, the DASI Conversion Factor for all Strike Levels with open interest is 0.01, then the lowest Strike Level above zero (“0.0”) with open interest will be assigned a DASI 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 DASI 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 DASI Conversion Factor times the total Original Margin applicable to the contract divided by the total Residual Bid Interest, ~~and 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 DASI 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 Daily Aggregate Snowfall 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) Ticker Symbols

Each DASI Contract will be uniquely identified by a "Ticker Symbol" that is composed of (A) station code (e.g. KNYC), (B) Final Settlement Date and (C) Strike Price. By way of example, for a contract on at least 2 inches of snowfall in New York City on December 10, ~~2018~~2019, the Ticker Symbol would be WXSNOV_KNYC~~20181210~~20191210_020.

(g) Final Settlement Date and Termination of Trading

(i) The Final Settlement Date for each contract may be any calendar day that is not more than ninety-one (91) days and not less than one (1) day from the current Trading Day as made available to Participants on the CX Direct System.

(ii) Termination of Trading will occur at 5:00 PM ET on the Trading Day that precedes the Final Settlement Date. For example, all contracts that have a February 15th Final Settlement Date will terminate trading at 5:00 PM ET on February 14th.

(h) Trading Hours

Trading Hours shall begin at 5:00 PM ET on the First Trading Day and be available continuously until the Termination of Trading except that The Exchange may permit modifications to these Trading Days and Trading Hours for the purposes of (A) scheduled technology maintenance, (B) abbreviated holiday trading schedules, and (C) as required by market or environmental considerations. All such changes shall be posted on the Exchange website.

(i) Contract Locations

The Exchange may list contracts for any location that has adequate weather reporting capabilities to calculate the Daily Aggregate Snowfall Index. The complete list of such locations may be found on the Exchange website.

(j) Valid Strike Levels

The valid Strike Levels for DASI Contracts will be 0.0", 0.1" and whole 1.0" increments thereafter. ~~From 1.0" and beyond, the full set of possible Strike Levels are made available to traders on the CX Direct System.~~

(k) Minimum Price Increment

The minimum price increment of each DASI Contract is one cent (\$0.01).

(l) Position Accountability Levels

The position accountability level shall be 10,000 contracts for all DASI contracts combined.

(m) Original Margin Requirements

Original Margin shall be sufficient to cover the maximum possible loss a Participant could incur upon liquidation or expiration of a contract.