

VIA CFTC PORTAL

April 18, 2022

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

Re: SMFE 2022-007 - Emergency Self-Certification Pursuant to CFTC Regulation 40.6(a)(6) – Exchange Rules 34003.D. and 36003.D.

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c) of the Commodity Exchange Act, as amended (“Act”), and Section 40.6(a)(6) of the Commission’s regulations thereunder, Small Exchange, Inc. (“SMFE” or the “Exchange”) submits this self-certification as written notice that the Exchange is amending Exchange Rules 34003.D. and 36003.D., both titled “Daily Price Limits”, concerning the Small 10 Year US Treasury Yield Index Futures Contracts and Small 2 Year US Treasury Yield Index Futures Contracts, respectively, as set forth on the attached Exhibit A, which is attached hereto and incorporated herein by reference (“Rule Change”). The Rule Change is being filed as an emergency rule certification, effective April 19, 2022. The Exchange has determined this Rule Change constitutes an emergency as it believes the current price limits set on each Contract are unnecessarily restrictive and causing each Contract to pause, which is thereby limiting each Contract’s trading range.

The purpose of the Rule Change is to update the intraday and daily limits for each product. The intraday limits for the Small 10 Year US Treasury Yield Index Futures Contracts will be updated from 1.75 and 3.50 to 2.50 and 5.00, and the daily limit will be updated from 5.00 to 6.50. The intraday limits for the Small 2 Year US Treasury Yield Index Futures Contracts will be updated from 1.25 and 2.50 to 2.50 and 5.00, and the daily limit will be updated from 4.00 to 6.50.

The Exchange reviewed the designated contract market core principles (“Core Principles”) as set forth in the Act and identified that the amendments may have some bearing on the following Core Principles:

- Core Principle 2, Compliance with Rules: The Exchange shall continue its normal practice to establish, monitor, and enforce compliance with the rules applicable to the trading of Exchange Contracts. The Exchange will establish policies and procedures concerning compliance with the Rule Change.
- Core Principle 4, Prevention of Market Disruption: The Exchange shall continue its normal practice of preventing manipulation, price distortion, and disruptions of the delivery or cash settlement process through market surveillance, compliance, and enforcement practices and procedures.

- Core Principle 7, Availability of General Information: The Exchange shall continue to make available to all required parties concerning the terms and conditions of the Contracts that the Exchange offers; the rules, regulations, and mechanisms for executing transactions on or through the Exchange; and the rules and specifications describing the operation of the Exchange.
- Core Principle 11, Financial Integrity of Transactions: The Exchange shall continue its normal practice to establish and enforce: rules and procedures for ensuring the financial integrity of transactions entered into, on or through the facilities of the Exchange contract (including the clearance and settlement of the transactions with a derivatives clearing organization); and rules to ensure the financial integrity of any FCM and introducing broker, and the protection of customer funds.
- Core Principle 12, Protection of Markets and Market Participants: The Exchange shall continue its normal practice to establish and enforce rules: to protect markets and market participants from abusive practices committed by any party, including abusive practices committed by a party acting as an agent for a participant; and to promote fair and equitable trading on the contract market.

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,

/s/ Peter D. Santori
Chief Regulatory Officer

Enclosed: Exhibit A (additions underlined; deletions ~~overstruck~~)

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

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34003.D. Daily Price Limits

The Exchange uses intraday and daily price limits to ensure its markets work in an efficient and orderly manner during large, unexpected movements and increased volatility. The Exchange employs two intraday limits of ~~1.75~~ 2.50 (~~175~~ 250 ticks) and ~~3.50~~ 5.00 (~~350~~ 500 ticks) and a daily limit of ~~5.00~~ 6.50 (~~500~~ 650 ticks) all using the Contract's previous day's Daily Settlement, as described below:

* * *

- Once the market enters an "open" state after an intraday limit of ~~1.75~~ 2.50 has been reached on the up (down) side, all Contracts that are based on the Index will be subject, for the remainder of the Business Day, only to an intraday limit of ~~3.50~~ 5.00 and a daily limit of ~~5.00~~ 6.50 on the up (down) side all using the Contract's previous day's Daily Settlement.
 - Once the market enters an "open" state after an intraday limit of ~~1.75~~ 2.50 has been reached on the up (down) side, all Contracts that are based on the Index will be subject, for the remainder of the Business Day, only to a daily limit of ~~5.00~~ 6.50 on the up (down) side all using the Contract's previous day's Daily Settlement.
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- The market cannot trade at prices ~~5.00~~ 6.50 above or below the Contract's previous day's Daily Settlement. This is a pre-order validation that prevents the acceptance of orders at such prices in such circumstances.

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Chapter 36: Small 2 Year US Treasury Yield Futures Contracts

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36003.D. Daily Price Limits

The Exchange uses intraday and daily price limits to ensure its markets work in an efficient and orderly manner during large, unexpected movements and increased volatility. The Exchange employs two intraday limits of ~~1.25~~ 2.50 (~~125~~ 250 ticks) and ~~2.50~~ 5.00 (~~250~~ 500 ticks) and a daily limit of ~~4.00~~ 6.50 (~~400~~ 650 ticks) all using the Contract's previous day's Daily Settlement, as described below:

* * *

- Once the market enters an "open" state after an intraday limit of ~~1.25~~ 2.50 has been reached on the up (down) side, all Contracts that are based on the Index will be subject, for the remainder of the Business Day, only to an intraday limit of ~~2.50~~ 5.00 and a daily limit of ~~4.00~~ 6.50 on the up (down) side all using the Contract's previous day's Daily Settlement.
 - Once the market enters an "open" state after an intraday limit of ~~2.50~~ 5.00 has been reached on the up (down) side, all Contracts that are based on the Index will be subject, for the remainder of the Business Day, only to a daily limit of ~~4.00~~ 6.50 on the up (down) side all using the Contract's previous day's Daily Settlement.
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- The market cannot trade at prices ~~4.00~~ 6.50 above or below the Contract's previous day's Daily Settlement. This is a pre-order validation that prevents the acceptance of orders at such prices in such circumstances.

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

34003.D. Daily Price Limits

The Exchange uses intraday and daily price limits to ensure its markets work in an efficient and orderly manner during large, unexpected movements and increased volatility. The Exchange employs two intraday limits of 2.50 (250 ticks) and 5.00 (500 ticks) and a daily limit of 6.50 (650 ticks) all using the Contract's previous day's Daily Settlement, as described below:

* * *

- Once the market enters an "open" state after an intraday limit of 2.50 has been reached on the up (down) side, all Contracts that are based on the Index will be subject, for the remainder of the Business Day, only to an intraday limit of 5.00 and a daily limit of 6.50 on the up (down) side all using the Contract's previous day's Daily Settlement.
- Once the market enters an "open" state after an intraday limit of 2.50 has been reached on the up (down) side, all Contracts that are based on the Index will be subject, for the remainder of the Business Day, only to a daily limit of 6.50 on the up (down) side all using the Contract's previous day's Daily Settlement.

* * *

- The market cannot trade at prices 6.50 above or below the Contract's previous day's Daily Settlement. This is a pre-order validation that prevents the acceptance of orders at such prices in such circumstances.

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Chapter 36: Small 2 Year US Treasury Yield Futures Contracts

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36003.D. Daily Price Limits

The Exchange uses intraday and daily price limits to ensure its markets work in an efficient and orderly manner during large, unexpected movements and increased volatility. The Exchange employs two intraday limits of 2.50 (250 ticks) and 5.00 (500 ticks) and a daily limit of 6.50 (650 ticks) all using the Contract's previous day's Daily Settlement, as described below:

* * *

- Once the market enters an "open" state after an intraday limit of 2.50 has been reached on the up (down) side, all Contracts that are based on the Index will be subject, for the remainder of the Business Day, only to an intraday limit of 5.00 and a daily limit of 6.50 on the up (down) side all using the Contract's previous day's Daily Settlement.
 - Once the market enters an "open" state after an intraday limit of 5.00 has been reached on the up (down) side, all Contracts that are based on the Index will be subject, for the remainder of the Business Day, only to a daily limit of 6.50 on the up (down) side all using the Contract's previous day's Daily Settlement.
- * * *
- The market cannot trade at prices 6.50 above or below the Contract's previous day's Daily Settlement. This is a pre-order validation that prevents the acceptance of orders at such prices in such circumstances.