Rule Self-Certification

November 15, 2021

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

Re: SMFE 2021-021 - Self-Certification Pursuant to CFTC Regulation 40.6 – Exchange Rule 904

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c) of the Commodity Exchange Act, as amended ("Act"), and Section 40.6 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 Rule 904, as set forth on the attached Exhibit A, which is attached hereto and incorporated herein by reference ("Rule Change"). The Rule Change is effective November 30, 2021.

The purpose of the Rule Change is to set forth the settlement processes that the Exchange will follow in connection with the settlement of Options on Futures, once self-certified for trading on the Exchange (Exchange Rule 904(c) and (d)); and to make clarifying changes with respect to Exchange Rule 904(a), (c) and (d).

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 their normal practice to establish, monitor, and enforce compliance with the rules applicable to the trading of Exchange Contracts.

- Core Principle 4, Prevention of Market Disruption: The Exchange has the capacity to detect abnormal price movements and unusual trading volumes, including such abnormal price movements or trading volumes as may be associated with bilaterally negotiated trades, and holds the authority to take remedial action as appropriate. Further, the Rule Change will not impact the Exchange's ability to perform its trade practice and market surveillance obligations under the CEA, CFTC Regulations and its Rules.

- Core Principle 9, Execution of Transactions: The Rule Change, once Options are self-certified for trading on the Exchange, will further enable the Exchange to continue their current practice of providing a competitive, open, and efficient market mechanism for executing transactions.

- Core Principle 12, Protection of Market Participants: The Rule Change is subject to the Rules of the Exchange, which include prohibitions against abusive practices, including fraudulent, anti-competitive or unfair activity.

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

Exhibit A

(additions underlined; deletions ~~overstruck~~)

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Rule 904. Settlement, Value and Process

(a) Overview of settlement process. The Exchange, in conjunction with the DCO, will determine the settlement value for Contracts. For each Contract, the Exchange shall publish a Daily Settlement and, on the Contract's day of expiration, a Final Settlement~~ on the Contract's day of expiration~~. The Daily Settlement of each Contract occurs after the Contract closes, unless otherwise stated by the Exchange. Any settlement value shall be determined by the Exchange in accordance with the DCO's rules. Notwithstanding the foregoing, the DCO may modify settlement values in its discretion in accordance with its rules. All Contracts are cash settled at expiration.

Expiration for each Contract is the third Friday of the month at 3:00:00PM CT, unless such day falls on a day on which the Exchange is not open; in which case the day of expiration is the Business Day preceding the third Friday of the month; or, unless otherwise indicated. Final Settlement will occur on the same day as the expiration of the Contract and payments, if any, will be based on the Final Settlement determined by the Exchange.

(b) Definitions of front month and back month. The front month is the Contract nearest to expiration for a particular Exchange product. The front month is the anchor leg for settlements. When the front month expires, the nearest Contract to expiration becomes the new front month. All other monthly Contracts not the front month are the back month.

(c) Daily Settlement.

(i) ~~(c)~~For the Daily Settlement of the front month of a Future, the following applies, unless otherwise indicated. If a Trade occurs in the last sixty (60) seconds of the Future's Contract's Trading Hours, the Daily Settlement for the front month will be calculated using the volume weighted average price ("VWAP") of such Trades, rounded to the nearest tradable tick, or $0.01. If there are no Trades during this time, the Exchange will use the following methodology to determine the Daily Settlement for such Contracts:

Cash Index Value + (Previous Day's Back-Front Spread / Days Between Front and Back Month Contracts) x Days to Expiration

(ii) ~~(d)~~For the Daily Settlement of the back month of a Future, the following applies, unless otherwise indicated. If a Trade occurs in the last sixty (60) seconds of the Future's Contract's Trading Hours, the Daily Settlement will be calculated using the VWAP of such Trades rounded to the nearest tradable tick, or $0.01. If there are no trades during this time, the Daily Settlement of such back month Contract will be calculated using calendar spreads. In the absence of relevant calendar spread trades during the Business Day, the Daily Settlement for such back month Contract will be the front month Daily Settlement for such product plus the previous day's front month Daily Settlement minus the back month spread value.

(iii) For the Daily Settlement of all Options Contracts, the Exchange identifies “seed strikes” that include in-the-money and out-of-the-money Calls and Puts. Midpoints of suitable bids and offers in such Options Contracts, as determined by the Exchange, may be used to determine the volatility skew of the subject Option. Daily Settlement conforms to Call-Put parity, with the Call value increased to the same extent that the corresponding Put value is decreased. Once the underlying Futures have been daily settled, the implied volatility skews will be used, in conjunction with the underlying Future’s Daily Settlement, to derive the Daily Settlement of such Option.

(d) ~~(e)~~Final Settlement.

(i) For all Futures Contracts based on an Exchange equity index, the following applies, unless otherwise indicated. On the day of expiration, the Final Settlement of the Futures Contract is calculated using the closing price on such day for each component of such index, as determined by the rules of the primary market for such component and disseminated by the primary market (the “Official Closing Price”). If the Official Closing Price for an index component is not disseminated or otherwise determined by 3:45:00PM CT, the Official Closing Price for such component will be the last sale during Trading Hours on such day of expiration or, if necessary, on the prior Business Day(s); in all cases, such sale shall be determined by the Exchange’s Index Calculation Agent on a best-effort’s basis and validated by the Exchange. Each component’s Official Closing Price will be multiplied by its weight in the index. These values are then added together for the Final Settlement of the Contract. The calculation of the Final Settlement of each Futures Contract is performed by the Exchange’s Index Calculation Agent, and validated by the Exchange.

(ii) For all Futures Contracts based on all other Exchange indices, the following applies, unless otherwise indicated. On the day of expiration, the Final Settlement of the Futures Contract is determined using the modified average cash value of the respective cash index, starting at 2:58:30PM CT to 2:59:59PM CT, inclusive. The value of the cash index will be recorded for each second of this time frame. In the event the cash index value does not change during the one-second aggregation period, the value for the prior second is carried forward to ensure this is always comprised of 90 values; further, in the event the cash index value changes multiple times during such one-second aggregation period, the last value is used. The average of these 90 values is the Final Settlement for the product. The calculation of the Final Settlement of each Futures Contract is performed by the Exchange’s Index Calculation Agent, and validated by the Exchange.

(iii) For all Options Contracts, the Final Settlement of the underlying Futures Contract is used to determine which Options Contracts will be automatically exercised. Options Contracts that are +1 tick in-the-money will be automatically exercised. Exercised Options Contracts will result in a position in the underlying Futures Contract at 3:00:00PM CT, which is then cash-settled pursuant to applicable Exchange Rules. Contrary instructions are not allowed on the day of expiration.

Clean Version

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Expiration for each Contract is the third Friday of the month at 3:00:00PM CT, unless such day falls on a day on which the Exchange is not open; in which case the day of expiration is the Business Day preceding the third Friday of the month; or, unless otherwise indicated. Final Settlement will occur on the same day as the expiration of the Contract and payments, if any, will be based on the Final Settlement determined by the Exchange.

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(i) For the Daily Settlement of the front month of a Future, the following applies, unless otherwise indicated. If a Trade occurs in the last sixty (60) seconds of the Future's Contract's Trading Hours, the Daily Settlement for the front month will be calculated using the volume weighted average price ("VWAP") of such Trades, rounded to the nearest tradable tick, or $0.01. If there are no Trades during this time, the Exchange will use the following methodology to determine the Daily Settlement for such Contracts:

Cash Index Value + (Previous Day's Back-Front Spread / Days Between Front and Back Month Contracts) x Days to Expiration

(ii) For the Daily Settlement of the back month of a Future, the following applies, unless otherwise indicated. If a Trade occurs in the last sixty (60) seconds of the Future's Contract's Trading Hours, the Daily Settlement will be calculated using the VWAP of such Trades rounded to the nearest tradable tick, or $0.01. If there are no trades during this time, the Daily Settlement of such back month Contract will be calculated using calendar spreads. In the absence of relevant calendar spread trades during the Business Day, the Daily Settlement for such back month Contract will be the front month Daily Settlement for such product plus the previous day's front month Daily Settlement minus the back month spread value.

(iii) For the Daily Settlement of all Options Contracts, the Exchange identifies "seed strikes" that include in-the-money and out-of-the-money Calls and Puts. Midpoints of suitable bids and offers in such Options Contracts, as determined by the Exchange, may be used to determine the volatility skew of the subject Option. Daily Settlement conforms to Call-Put parity, with the Call value increased to the same extent that the corresponding Put value is decreased. Once the underlying Futures have been daily settled, the implied volatility skews will be used, in conjunction with the underlying Future's Daily Settlement, to derive the Daily Settlement of such Option.

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(i) For all Futures Contracts based on an Exchange equity index, the following applies, unless otherwise indicated. On the day of expiration, the Final Settlement of the Futures Contract is calculated using the closing price on such day for each component of such index, as determined by the rules of the primary market for such component and disseminated by the primary market (the "Official Closing Price"). If the Official Closing Price for an index component is not disseminated or otherwise determined by 3:45:00PM CT, the Official Closing Price for such component will be the last sale during Trading Hours on such day of expiration or, if necessary, on the prior Business Day(s); in all cases, such sale shall be determined by the Exchange's Index Calculation Agent on a best-effort's basis and validated by the Exchange. Each component's Official Closing Price will be multiplied by its weight in the index. These values are then added together for the Final Settlement of the Contract. The calculation of the Final Settlement of each Futures Contract is performed by the Exchange's Index Calculation Agent, and validated by the Exchange.

(ii) For all Futures Contracts based on all other Exchange indices, the following applies, unless otherwise indicated. On the day of expiration, the Final Settlement of the Futures Contract is determined using the modified average cash value of the respective cash index, starting at 2:58:30PM CT to 2:59:59PM CT, inclusive. The value of the cash index will be recorded for each second of this time frame. In the event the cash index value does not change during the one-second aggregation period, the value for the prior second is carried forward to ensure this is always comprised of 90 values; further, in the event the cash index value changes multiple times during such one-second aggregation period, the last value is used. The average of these 90 values is the Final Settlement for the product. The calculation of the Final Settlement of each Futures Contract is performed by the Exchange's Index Calculation Agent, and validated by the Exchange.

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