

September 17, 2024

Submitted via CFTC Portal

Assistant Secretary of the Commission
for FOI, Privacy and Sunshine Acts Compliance
U.S. Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, D.C. 20581

Re: Rulebook Amendments Pursuant to CFTC Regulation 40.6

Pursuant to Commodity Exchange Act (“CEA”) Section 5c and Commodity Futures Trading Commission (“CFTC”) Regulation 40.6(a) ForecastEx LLC (“ForecastEx”, the “Exchange”, or the “Clearinghouse”) is self-certifying the following changes to the ForecastEx Rulebook to be made effective on October 1, 2024.

- ForecastEx is making a non-substantive change to Rule 610 in order to directly state that ForecastEx will segregate customer and non-customer funds in accordance with Part 22 of CFTC Regulations. ForecastEx’s rules already describe the part 22 compliant segregation regime that ForecastEx employs, but ForecastEx is further clarifying this point in order to avoid any and all confusion.
- ForecastEx is amending Rule 616(c) with regards to the automatic haircuts applied to US Government Securities in the ForecastEx Clearing Fund. Since the Clearinghouse has determined to only accept T-bills, which have maturities of less than one year, as acceptable collateral for the purposes of the Clearing Fund, ForecastEx is removing the tiered system of haircutting securities by maturity date and replacing it with a single 99% haircut that is applied to all securities.
- ForecastEx is making a non-substantive change to the definition of Customer in order to more closely align its definition of Customer with CFTC Regulations. Similarly, the term “Affiliated Customer” was changed to be “Affiliated Participant”.
- ForecastEx is replacing the terms “Event Position” and “Event Market” with the terms “Forecast Contract” and “Forecast Market” wherever they appear in the Rulebook to more closely align with ForecastEx’s marketing.
- ForecastEx added a sentence to the Rulebook’s preamble clarifying that pairing and executions on ForecastEx are subject to CFTC rules regarding trading, so that there is no confusion about the applicability of CFTC regulations with regards to ForecastEx’s unique execution process.
- ForecastEx made several additional non-substantive conforming language changes.

A redlined Rulebook showing the changes is attached as Appendix A. A clean version with the rule changes incorporated is attached as Appendix B.

ForecastEx certifies that the proposed amendments comply with the Commodity Exchange Act (“CEA”) and CFTC regulations. ForecastEx further certifies that a copy of the non-confidential portions of the 40.6 filing have been posted to the ForecastEx Website.

ForecastEx has reviewed the Core Principles for Designated Contract Markets (“DCMs”) and has determined that the amendments may relate to the following Core Principles.

Core Principle B – Compliance with Rules: This core principle requires that prior to granting a member or market participant access to its markets, that market participant must consent to the jurisdiction of the exchange. The change to the definition of customer is intended to clarify that certain parties are market participants and subject to the DCM’s jurisdiction and rules.

Core Principle G – Availability of General Information: This core principle requires that the contract market shall make public information concerning the rules of the contract market. The changes to ForecastEx’s rulebook further that goal by providing clarification on ForecastEx’s rules so that market participants and the public has a clear understanding of ForecastEx’s rules.

Core Principle K – Financial Integrity of Transactions: This core principle requires that a DCM adopt and enforce rules for ensuring the financial integrity of transactions. The non-substantive amendment to Rule 610 clarifies how the Clearinghouse will appropriately segregate customer and non-customer funds. The change to Rule 616(c) clarifies how the clearinghouse will haircut securities deposited in the Clearing Fund, which can be used in extreme situations to ensure the integrity of transactions.

ForecastEx has also reviewed the Core Principles for Derivatives Clearing Organizations (“DCOs”) and has determined that the amendments may relate to the following Core Principles.

Core Principle 1 – Financial Resources: This core principle requires that a DCO have adequate financial resources to cover its expenses and a default by the largest clearing member. The amendment to Rule 616(c) deals with the automatic haircut applied to US Government Securities placed into the Clearing Fund, which are resources that ForecastEx includes as part of its 39.11 calculations.


Core Principle 5 – Treatment of Funds: This core principle requires that a DCO establish standards and procedures to protect customer assets. The amendment to Rule 610 clarifies the segregation regime that ForecastEx employs, which is part of how it protects Customer Collateral.

Core Principle 11 – Public Information: This core principle requires that a DCO make available concerning its rules and operations to the public and its market participants. The amendments are designed to bring greater clarity to ForecastEx’s rules and enhance the understanding of participants of ForecastEx’s rules and operations.

No substantive opposing views were offered in response to this submission.

If there are any questions regarding the submission please contact me at gdeese@forecastex.com.

Respectfully Submitted,



Graham Deese
Chief Regulatory Officer

Attachments:

Appendix A – ForecastEx LLC Rulebook - Redline

Appendix B – ForecastEx LLC Rulebook