

October 31, 2024

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

**Re: SMFE 2024-008 - Self-Certification Pursuant to CFTC Regulation 40.6 – Amendments to SMFE Rules Definitions, 315, 403, 507, 508, 516, 607, 608, 904, 1006, and Error Trade Policy**

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulation 40.6, Small Exchange, Inc. (“Small Exchange” or the “Exchange”) hereby submits for self-certification amendments to the following Exchange Rules as set forth on the attached Exhibit A, which is attached hereto and incorporated herein by reference (“Rule Change”):

1. Chapter 1: Definitions (amending definitions of Call Option, Option Month, Put Option, and Option Series to reflect that Exchange products are or may be offered in expiration terms other than monthly; amending definition of Order Book to clarify that it is part of the Exchange’s Trading System; amending definitions of Purchaser to clarify that it includes transactions in Futures, as well as Options; amending definition of Participant to remove the reference to Subscriber, which is no longer offered by the Exchange; deleting the definition of Subscriber, which is no longer offered by the Exchange; adding the definition of Maker to reflect the Exchange’s Maker/Taker Model; adding the definition of Liquidity Pool to reflect the Exchange’s Maker/Taker Model; adding the definition of Liquidity Provider to reflect the Exchange’s Maker/Taker Model; adding the definition of Taker to reflect the Exchange’s Maker/Taker Model; and adding the definition of Tradable Price to reflect the Exchange’s Maker/Taker Model);
2. Rule 315: (amending to reflect that a Participant does not need to be a Market Maker to participate in an Exchange Liquidity Provider Incentive Program);
3. Rule 403: Right of Inspection (changing second (a) in Rule 403 to (b), and (b) to (c));
4. Rule 507: Acceptable Orders (amending the definitions of Market with Protection Order, Limit Order, Stop Order, and Stop Limit Order to reflect changes to the Exchange’s Trading System; and adding (v) to reflect the acceptance of Maker Allocation Orders and Taker Orders for execution by the Exchange);
5. Rule 508: Spread Orders (amending to reflect the manner in which spread trades are accepted and executed by the Exchange);
6. Rule 516: Exchange Trading System Matching Algorithm (amending to reflect changes to the Exchange’s Trading System);
7. Rule 607: Disruptive Trading Practices Prohibited (amending to clarify (a) and (b) that Orders, as well the Exchange Tradeable Price, are subject to the purview of this Rule; and other consistency edits);

8. Rule 608: Abusive Trading Practices Prohibited (amending (d) to include Orders within the scope of the Rule);
9. Rule 904: Settlement, Value, and Process (amending the determination of the settlement value on the Exchange);
10. Rule 1006: Market Data (amending (a)(ii) to indicate that the Exchange has a proprietary interest in every Order and Maker Allocation Order submitted for entry into the Exchange's Trading System); and
11. Appendix A: Error Trade Policy (amending to reflect that Trade price is "as published by the Exchange," the Exchange may adjust Trade prices outside of the Exchange's Non-Reviewable Range, and the Exchange, at its discretion, may allow the Trade to stand or cancel the Trade rather than adjusting the price, and that, in this regard, the decision of the Exchange is final).

The Rule Change is effective November 15, 2024.

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 7, Availability of General Information: The Rule Change will be disseminated on the Exchange's website ([www.thesmallexchange.com](http://www.thesmallexchange.com)). For further inquiry, Market Participants may contact the Exchange for more information regarding the Rule Change. Daily publication of trading information, trading volume, open interest, and price information will be published daily on the Exchange's website and via quote vendors.
- Core Principle 8, Daily Publication of Trading Information: The Exchange shall continue to publish on its website, on a daily basis, the trading volumes, open interest, and price information for the Contracts.
- Core Principle 9, Execution of Transactions: The amendments will further enable the Exchange to continue their current practice of providing a competitive, open, and efficient market mechanism for executing transactions.
- Core Principle 10, Trade Information: The Rule Change continues to require that the appropriate participants maintain a record of orders that reflect the terms of the order, and such other information required under this Core Principle.

- Core Principle 11, Financial Integrity of Transactions: Exchange Contracts will continue to be cleared by Options Clearing Corporation, a CFTC-registered derivatives clearing organization subject to the CFTC regulations related thereto.
- 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, as of the effective date of this filing, a copy of this submission will be posted on the Exchange's website at [www.thesmallexchange.com](http://www.thesmallexchange.com).

If you require any additional information regarding this submission, please contact the undersigned at (312) 575-3673, or via email at [nicolette.kmiecik@thesmallexchange.com](mailto:nicolette.kmiecik@thesmallexchange.com).

Regards,

/s/

Nicolette Kmiecik  
Chief Regulatory Officer | General Counsel

Enclosure: Exhibit A

Exhibit A

(additions underlined; deletions ~~overstruck~~)

Chapter 1: Definitions

\* \* \*

**Call Option** or **Call** means an Option whereby: (i) the Purchaser has the right, but not the obligation, to enter into an underlying Futures Contract to buy a commodity for delivery in the Option Week, Month, or Quarter, at the Strike Price specified; and (ii) the Grantor has the obligation, upon exercise, to enter into an underlying Futures Contract to sell a commodity for delivery in such Option Week, Month, or Quarter, at such Strike Price.

\* \* \*

~~CLOB~~ (“**Order Book**”) means ~~central limit o~~Order bo**ok** and part of the Exchange’s Trading System.

\* \* \*

**Liquidity Pool** refers to a pool of capital allocations from Liquidity Providers (i.e., Makers), which is used to facilitate transactions/trades in Futures or Options on Futures. The Makers commit to adding liquidity for both sides of the market (buy/sell) and receive compensation from the accessor of liquidity (i.e., Takers) for their capital allocations as a Maker. The Exchange operates two separate Liquidity Pools; one Liquidity Pool is dedicated to Futures trading, while the other facilitates the trading of Options on Futures.

\* \* \*

**Liquidity Provider** means any Participant who contributes capital to a Liquidity Pool and stands ready to execute either buy or sell orders routed by a Taker. Liquidity Providers, in return for the provision of capital, are compensated by a portion of the Taker fee.

\* \* \*

**Maker** means any Participant who initiates allocation orders (hereinafter, referred to as “Maker Allocation Orders” or “Maker Allocation”) by adding funds and liquidity to either the Futures Liquidity Pool or the Options on Futures Liquidity Pool. Makers receive a portion of the Taker fee for adding liquidity. All Participants on the Exchange can participate as Makers on the Exchange.

\* \* \*

**Option Week, Month, or Quarter** means, with respect to any Option, the Option delivery ~~Week, m~~Month, or ~~q~~Quarter of the underlying Futures Contract.

\* \* \*

**Participant** means any Person initiating or executing a Transaction on or subject to the Rules of the Exchange, directly or indirectly through an intermediary, or any Person who is authorized to access or utilize the Exchange pursuant to the applicable Trading System requirements. ~~A Participant also includes a Subscriber.~~

\* \* \*

**Purchaser** means, with respect to any Future or Option, the Account purchasing such Future or Option on the Exchange, until the time such Future or Option is accepted by the Clearing Organization.

\* \* \*

**Put Option or Put** means an Option whereby: (i) the Purchaser has the right, but not the obligation, to enter into an underlying Futures Contract to sell a commodity for delivery in the Option Week, Month, or Quarter, at the Strike Price specified; and (ii) the Grantor has the obligation, upon exercise, to enter into an underlying Futures Contract to buy a commodity for delivery in such Option Week, Month, or Quarter, at such Strike Price.

\* \* \*

**Series or Option Series** means a group of Options on the same underlying Future with the same Strike Price and Option Week, Month, or Quarter.

\* \* \*

~~**Subscriber** means a Participant who is a natural person 18 years of age or older, and who has satisfied the terms of the Exchange's Subscription Offer to participate on the Exchange, as applicable and in existence, if at all, at the time such person applies to take advantage of such offer, and has been approved by the Exchange to be a Subscriber to the Exchange.~~

\* \* \*

**Taker** means any Participant who removes liquidity by taking available Maker Allocation Orders. Most orders are filled automatically; those that cannot be executed at the published Tradeable Price are posted to the Order Book in time-price priority. Taker fees apply when removing liquidity from the market. All Participants on the Exchange can participate as "Takers" on the Exchange.

\* \* \*

**Tradeable Price** means the market price for Futures and Options on Futures trading, which is calculated using commonly accepted mathematical models and published by the Exchange.

\* \* \*

**Trading System** means: (a) the electronic systems administered by or on behalf of the Exchange which perform the functions set out in the Rules of the Exchange, including controlling, monitoring and recording trading on the Exchange; (b) any connectivity to the foregoing electronic systems that is administered by or on behalf of the Exchange; and (c) the Exchange electronic trading facility, ~~CLOB~~ Order Book, and interface operated by the Exchange as a Designated Contract Market.

\* \* \*

**Chapter 3: Membership and Access**

\* \* \*

**Rule 315: ~~Market Maker~~ Liquidity Provider Incentive Program**

The Exchange may adopt the implementation of a ~~market maker or~~ liquidity provider incentive program from time to time to which the program participant may be appointed and authorized to provide ~~maintain~~ liquidity to the Exchange ~~two-sided markets~~. The terms and conditions of each individual program will be set forth in separate regulatory filings submitted to the CFTC. Any ~~Member Participant~~ that is accepted into the Exchange ~~market maker or~~ liquidity provider incentive program shall be subject to Exchange Rules. ~~Any liquidity provider market maker must be a Corporate or Clearing Member in good standing.~~ Any such program shall specify:

- (a) The qualifications to participate in, and the procedures to apply to, the program;
- (b) The obligations which must be met;
- (c) The benefits that shall accrue to participants in the program; and
- (d) The consequences for failing to meet the program obligations.

\* \* \*

**Chapter 4: Obligations of Members**

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**Rule 403: Right of Inspection**

- (a) Each Member and Related Party agrees that the Exchange (or its authorized representative, including the Regulatory Services Provider) shall be entitled to:
  - (i) inspect or examine the systems, equipment and software operated or used by Member in connection with Trading Activity or subject to the Rules;
  - (ii) have access to the books and records of the Member;
  - (iii) have access to the systems, equipment and software operated or used by Member in connection with Exchange or any futures or related activity, and the premises where the same is located, and any data stored therein; and
  - (iv) remove, copy or reproduce any data to which the Exchange has provided under this Rule.

- (a)(b) Upon request of the Exchange, a Member shall provide such information concerning the Member’s (and any of its Customers and Related Parties activities or use of exchange facilities) use of the Exchange Trading System or business conducted on or related to the Exchange in the manner and timeliness requested by the Exchange.
- (b)(c) Upon request of the Exchange, Regulatory Service Provider, or DCO each Member shall provide evidence of its financial condition at such times and in such manner as shall be prescribed by the Exchange.

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**Chapter 5: Trading Practices**

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**Rule 507. Acceptable Orders**

- (a) At the discretion of the Exchange, any of the following types of Orders, as well as any other types that may be approved from time to time and as set forth on the Exchange’s website, may be entered into the Trading System with respect to any Contract:
  - (i) ~~Market with Protection Order. Market with Protection Orders are executed at the best price or prices available in the order book~~ Order Book at the time the Order is received by the Trading System but will not execute outside a predefined range of prices referred to as the protected range. ~~For bid Orders, protection points are added to the current best offer price in the order book to calculate the protection price limit. For offer Orders, protection points are subtracted from the current best bid price in the order book to calculate the protection price limit.~~
  - (ii) Limit Order. Limit Orders are Orders to buy or sell a stated quantity at a specified price or at a better price if obtainable. Unless otherwise specified, any residual volume from an incomplete limit Order is retained in the Order Book ~~central order book~~ until the end of the Business Day.
  - (iii) ~~Stop with Protection Order.~~ The ~~Stop with Protection Order~~ type is an Order which, when accepted, does not immediately go on the Order Book, but must be “triggered” by an update to the Exchange’s Tradeable Price. ~~trade in the market at the price level submitted with the Order. Stop Orders with protection prevent stop Orders from being executed at extreme prices. A Stop with Protection Order is activated when the market trades at or through the stop trigger price and can only be executed within the protection range limit. Once triggered, t~~The Order enters the Order Book as a Market Order with the protection price limit equal to the trigger price plus or minus the pre-defined protection point range.
  - (iv) Stop Limit Order. The Stop Limit Order type is an Order which, when accepted, does not immediately go on the Book, but must be “triggered” by an update to the Exchange’s Tradeable Price. ~~trade in the market at the price level submitted with the Order. — Once triggered, After the trigger price is traded in the market, the Order enters the Order Book as a L~~imit Order at the Order limit price. The limit price is the highest/lowest price at which the sStop Order can be filled. The Order can be filled at all price levels between

the trigger price and the limit price. If any quantity remains unfilled, it remains on the Order Book as a Limit Order at the limit price.

- (v) Maker Allocation Order. A Maker Allocation Order represents the provision of capital by a Maker Participant to facilitate the execution of another Participant's Order to buy or sell a Future or Options on Futures (a "Taker Order").
  - (A) Makers provide a dollar allocation to the respective Liquidity Pool that may be divided into a max allocation per order to be executed through the Trading System on a time priority basis.
  - (B) The Taker Order, if executed, shall be fully satisfied by the Maker Allocation Order.
  - (C) Orders are matched for execution at the price published by the Exchange, as determined by the Exchange's Index Calculation Agent using established mathematical models and prevailing market conditions.
  - (D) Taker Orders that are not immediately executable against any Maker Allocation Order shall be displayed separately in the Order Book on a price-time priority basis.
  - (E) Taker Orders are not executable against any other Taker Order on the Exchange; that is, only Orders between a Taker and Maker Allocation shall execute on the Exchange.
  
- (b) Time in ForceAt the discretion of the Exchange, any of the following types of Time in Force, as well as any other special instructions that may be approved from time to time and as set forth on the Exchange's website, may be entered into the Trading System with respect to any Contract:
  - (ii) Day Order: An Order that is executed or canceled by the end of the trading day. Day Orders do not extend beyond the day they were placed.~~An Order that expires automatically at the end of each day's trading session.~~
  - (ii) Good 'til Canceled Order (GTC): An Order that remains active until it is either executed or actively canceled. Unlike Day Orders, GTC Orders can carry over multiple trading sessions.~~An Order which is valid until canceled by the Customer.~~
  - (ii) Immediate or Cancel (IOC): An Order to bid or offer that must be immediately filled and any unfilled portion of the Order is canceled.
  - (ii) Fill or Kill Order (FOK): An Order that demands immediate execution or cancellation. Typically involving a designation, added to an order, instructing the broker to offer or bid (as the case may be) one time only; if the Order is not filled immediately, it is then automatically cancelled.
  
- (c) The following Order types are not accepted by the Exchange and will be rejected by the Trading System:
  - (ii) Fill or Kill ("FOK"): An Order that must be executed immediately in its entirety or not at all. These Orders are not accepted by the Exchange; and



- (ii) Immediate or Cancel ("IOC"): An Order that must be executed immediately. Any portion of the Order that cannot be filled instantly is canceled. Similar to FOK Orders, IOC Orders are not accepted by the Exchange.

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**Rule 508. Spread Orders**

If offered by the Exchange, a Futures spread Order is an Order to simultaneously buy and sell at least two different Contracts in a form permitted by the Exchange, as set forth on the Exchange's website. Exchange Futures spreads operate on a Central Limit Order Book and therefore accept a single price and quantity even though they are constructed as combinations of multiple Contracts.

\* \* \*

**Rule 516. Exchange Trading System Matching Algorithm**

The Exchange's Trading System matches Taker Orders against Maker Allocation Orders on the Exchange at a Tradeable Price published by the Exchange. In the event multiple Orders arrive in the Trading System at the same price, Orders will be executed on a time priority basis. Central Limit Order Book ("CLOB") uses a Price/Time algorithm (also known as the First In, First Out or FIFO method). Under the Price/Time algorithm, Orders will be matched with the earliest bid or offer to arrive in the Trading System at the best price. If there are multiple bids and offers that have the same price, the earliest to arrive in the Trading System will be the bid or offer to which the Order is matched. If the Order exceeds the quantity of the bid or offer, the Participant will be filled at the next, best bid or offer for their Order.

- (a) Except as provided in, and in accordance with, Rule 517, all Transactions on the Exchange will be matched and executed through the operation of the Trading System CLOB.
- (b) Trading on the Trading System CLOB remains open throughout the Business Day unless a market is paused or halted by the Exchange, a Market Wide Circuit Breaker, or Force Majeure. Executable Orders, at prices published by the Exchange, shall be matched in accordance with Rule 507. Orders that are not immediately executable against any Maker Allocation Order shall be displayed in the Order Book on a price-time priority basis and will be executed in a manner consistent with Rule 507. Executable Orders shall be displayed separately in the Order
- (c) The Trading System CLOB matches Orders using an automated matching algorithm begins upon receipt of the first Tradeable Price during market hours. Opening price will be published on the Exchange's website. Bids and offers are matched on the basis of price/time priority; that is, an Order at a better price will always have priority over an Order at an inferior price and older Orders will have priority over newer Orders at the same price.
- (d) Trading on the Trading System CLOB begins at the opening time set by the Exchange.
- (ed) A Trade is executed on the Trading System CLOB when the Tradeable Price published by the Exchange matches a Taker Order with a Maker Allocation Order in the Liquidity Pool for either Futures or Options on Futures. the price of a bid (offer) equals or is greater (less) than the price of an offer (bid) for the same Contract and, if an option Order, the same strike price and option type.

- (fe) Details of each Transaction executed on the Trading System CLOB ~~or~~ are subject to Exchange Rules and will be recorded by the Exchange, ~~and~~ Confirmation of the Transaction will be displayed on the Trading System for each ~~Member, Authorized Trader or Participant~~ who is a party to the Transaction.
- (gf) Failure of the Exchange to ~~broadcast~~ publish any message with ~~in~~ respect ~~of~~ to a Transaction on the Exchange ~~or subject to the Rules~~ shall not invalidate such Transaction.
- (hg) In the event ~~that~~ the Trading System or any part of the Trading System fails, the Exchange, in its sole discretion, shall determine whether a pending trade has successfully executed. Such determination shall be conclusive and binding, and the Exchange shall not be obligated to compensate any party for losses caused by any delay or failure of performance. Exchange's determination that a Transaction has or has not been made shall be conclusive and binding.

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**Chapter 6: Trading Business Conduct**

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**Rule 607. Disruptive Trading Practices Prohibited**

- (a) All Orders must be entered for the purpose of executing bona fide Transactions. Additionally, all non-actionable messages must be entered in good faith for legitimate purposes.
  - (i) No Person shall enter or cause to be entered an Order with the intent, at the time of entry, to cancel the Order before execution or to modify the Order to avoid execution;
  - (ii) No Person shall enter or cause to be entered an actionable or non-actionable message or messages with the intent to mislead other market participants;
  - (iii) No Person shall enter or cause to be entered an actionable or non-actionable message or messages with the intent to overload, delay, or disrupt the Exchange Trading System or other market participants; and
  - (iv) No Person shall enter or cause to be entered an actionable or non-actionable message with the intent to disrupt, with reckless disregard for the adverse impact on, the orderly conduct of trading or the fair execution of Transactions.
- (b) In connection with the placement of any Order or the execution of any Transaction, it shall be a Violation of the Rules for any Person to engage in any trading practice or conduct that constitutes disruptive trading practices prohibited by the act or by the Commission pursuant to Commission regulation, including, but is not limited to, engaging in conduct that:
  - (i) Violates the Tradeable Price bids or offers;

- (ii) Demonstrates intentional or reckless disregard for the Orderly execution of Transactions during the opening or closing periods; or
- (iii) Spoofing, ~~bidding or offering~~ with intent to cancel, before execution.

**Rule 608. Abusive Trading Practices Prohibited**

No Member, Related Party or Participant that directly or indirectly effects a Transaction on the Exchange shall engage in any abusive trading practices or trading practices that the Exchange deems to be abusive, manipulative, disruptive or prohibited by CFTC Regulation 38.152, including, but not limited to the following types of Transactions as defined by CFTC Regulations:

\* \* \*

- (d) Spoofing: entering an Order, bidding or offering with intent to cancel the Order, bid or offer before execution.

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**Chapter 9: Clearing**

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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. 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 Contracts not the front month are the back month.~~
- ~~(be) Daily Settlement.~~
  - (i) The Daily Settlement of a Futures Contract shall be the Futures price at the market close. 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:~~

$$\text{Cash Index Value} + (\text{Previous Day's Back Front Spread} / \text{Days Between Front and Back Month Contracts}) \times \text{Days to Expiration}$$

- ~~(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) The Daily Settlement of an Options Contract shall be the Futures Option price at the market close. 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.~~
- (c) Final Settlement.
  - (i) For all Futures Contracts based on an Exchange equity index, the following applies, unless otherwise indicated.
    - (A) The Futures Contract will expire quarterly on the third Friday of March, June, September, and December. If the third Friday of March, June, September, or December is a market holiday, expiration is on the trade day before the holiday. Exchange market holidays are listed on the website, [smallexchange.com](http://smallexchange.com).
    - (B) On the day of expiration, the Final Settlement of the Futures Contract is calculated using the opening print for each component of such index. If the opening print for an index component is not disseminated or otherwise determined by 12:00 PM CT, the value used for such component will be the last sale. In all cases, the corresponding weights of such values in the index, and the Final Settlement of the Futures Contract, shall be determined by the Exchange's Index Calculation Agent on a best effort's basis and validated by the Exchange.
    - (C) Quarterly Futures cease trading on Thursday PM and settle to cash on Friday AM. 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.~~
- (ii) For all Options Contracts based on an Exchange equity index, the following applies, unless otherwise indicated.
  - (A) Options shall be listed for expiration on such dates and shall be scheduled for trading during such hours as may be determined by the Exchange, provided that there shall be no trading in Options when trading is halted in the underlying Futures Contract.
  - (B) For the weekly Options expiration, the final closing price of the Futures Contract on Friday at 3 PM CT will be used to determine which Options are in the money or out of the money.
  - (C) The Final Settlement value of the underlying quarterly Futures Contract published at 8:30 AM CT is used to determine which Options are in the money. ~~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.~~
  - (D) An Option may be exercised only at, and not before, the expiration of such Option. Following termination of trading in expiring Options, any such Option that is in the money shall be automatically exercised by the Clearing House, and any such Option that is out of the money shall be abandoned by the Clearing House. For the avoidance of doubt, no such Option that expires in the money may be abandoned, and no such Option that expires out of the money may be exercised. Whether an Option expires in the money or out of the money shall be determined

by the Exchange’s Index Calculation Agent and validated by the Exchange, in its sole discretion, by reference to the Final Settlement value of such Option’s Underlying Futures Contract.

(E) Exercised Options will result in a position in the underlying Futures Contract.

\* \* \*

**Chapter 10: Miscellaneous**

\* \* \*

**Rule 1006. Market Data**

(a) All Members and all employees, agents, vendors, and other Persons affiliated with the foregoing understand and acknowledge that the Exchange has a proprietary interest in:

\* \* \*

(ii) the price and quantity data for each and every Order and/or bid, and offer Maker Allocation Order submitted for entry into the Trading System, including the time at which the Order and/or Maker Allocation Order bid, and offer was entered into the Trading System;

\* \* \*

**Appendix A: Error Trade Policy**

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**Price Adjustments and Trade Cancellations**

The Exchange will make a decision if the Trade in question will be subject to review. The Exchange will first determine if the Trade price, as published by the Exchange, is inside the non-reviewable range. In deciding if the Trade price is in the non-reviewable range, the Exchange will determine the fair value market price at the time the potential error occurred. In making the determination, the Exchange may consider one or more of the following all relevant factors, including the last Trade price, the underlying index price, ~~a better bid or offer price, a more recent price in a different Contract month~~ and the prices of related contracts trading on the Exchange or other markets.

**A. Trade Price in Non-Reviewable Range**

If the Exchange determines the Trade price, as published by the Exchange, was inside the non-reviewable range, no further action will be taken, and the Trade will stand.

**B. Trade Price Outside Non-Reviewable Range**

If the Exchange determines that a Trade price, as published by the Exchange, is outside the Non-Reviewable Range, the Trade price ~~may~~ will be adjusted to a price that equals the fair value market price for that Contract at the time the Trade in review occurred, plus or minus the Non-Reviewable Range. In the event there are multiple parties, prices and/or Contracts involved in the Trades in question, the

Exchange has the authority to cancel, rather than price adjust, these Trades. The Exchange will alert Participants to the decision. The Exchange, at its discretion, may allow the Trade to stand or cancel the Trade rather than adjusting the price. The decision of the Exchange is final.

Any Trades that were price adjusted will be inserted into the Exchange's official time and sales records at the adjusted Trade price. If any Trades are canceled those Trades will be canceled and removed from the Exchange's official time and sales records.

\* \* \*

**Exhibit A**

(clean version)

**Chapter 1: Definitions**

\* \* \*

**Call Option or Call** means an Option whereby: (i) the Purchaser has the right, but not the obligation, to enter into an underlying Futures Contract to buy a commodity for delivery in the Option Week, Month, or Quarter, at the Strike Price specified; and (ii) the Grantor has the obligation, upon exercise, to enter into an underlying Futures Contract to sell a commodity for delivery in such Option Week, Month, or Quarter, at such Strike Price.

\* \* \*

**Order Book** means Order Book and part of the Exchange’s Trading System.

\* \* \*

**Liquidity Pool** refers to a pool of capital allocations from Liquidity Providers (*i.e.*, Makers), which is used to facilitate transactions/trades in Futures or Options on Futures. The Makers commit to adding liquidity for both sides of the market (buy/sell) and receive compensation from the accessor of liquidity (*i.e.*, Takers) for their capital allocations as a Maker. The Exchange operates two separate Liquidity Pools; one Liquidity Pool is dedicated to Futures trading, while the other facilitates the trading of Options on Futures.

\* \* \*

**Liquidity Provider** means any Participant who contributes capital to a Liquidity Pool and stands ready to execute either buy or sell orders routed by a Taker. Liquidity Providers, in return for the provision of capital, are compensated by a portion of the Taker fee.

\* \* \*

**Maker** means any Participant who initiates allocation orders (hereinafter, referred to as “Maker Allocation Orders” or “Maker Allocation”) by adding funds and liquidity to either the Futures Liquidity Pool or the Options on Futures Liquidity Pool. Makers receive a portion of the Taker fee for adding liquidity. All Participants on the Exchange can participate as Makers on the Exchange.

\* \* \*

**Option Week, Month, or Quarter** means, with respect to any Option, the Option delivery Week, Month, or Quarter of the underlying Futures Contract.

\* \* \*



**Participant** means any Person initiating or executing a Transaction on or subject to the Rules of the Exchange, directly or indirectly through an intermediary, or any Person who is authorized to access or utilize the Exchange pursuant to the applicable Trading System requirements.

\* \* \*

**Purchaser** means, with respect to any Future or Option, the Account purchasing such Future or Option on the Exchange, until the time such Future or Option is accepted by the Clearing Organization.

\* \* \*

**Put Option** or **Put** means an Option whereby: (i) the Purchaser has the right, but not the obligation, to enter into an underlying Futures Contract to sell a commodity for delivery in the Option Week, Month, or Quarter, at the Strike Price specified; and (ii) the Grantor has the obligation, upon exercise, to enter into an underlying Futures Contract to buy a commodity for delivery in such Option Week, Month, or Quarter, at such Strike Price.

\* \* \*

**Series** or **Option Series** means a group of Options on the same underlying Future with the same Strike Price and Option Week, Month, or Quarter.

\* \* \*

**Taker** means any Participant who removes liquidity by taking available Maker Allocation Orders. Most orders are filled automatically; those that cannot be executed at the published Tradeable Price are posted to the Order Book in time-price priority. Taker fees apply when removing liquidity from the market. All Participants on the Exchange can participate as “Takers” on the Exchange.

\* \* \*

**Tradeable Price** means the market price for Futures and Options on Futures trading, which is calculated using commonly accepted mathematical models and published by the Exchange.

\* \* \*

**Trading System** means: (a) the electronic systems administered by or on behalf of the Exchange which perform the functions set out in the Rules of the Exchange, including controlling, monitoring and recording trading on the Exchange; (b) any connectivity to the foregoing electronic systems that is administered by or on behalf of the Exchange; and (c) the Exchange electronic trading facility, Order Book, and interface operated by the Exchange as a Designated Contract Market.

\* \* \*

**Chapter 3: Membership and Access**

\* \* \*

**Rule 315: Liquidity Provider Incentive Program**

The Exchange may adopt the implementation of a liquidity provider incentive program from time to time to which the program participant may be appointed and authorized to provide liquidity to the Exchange. The terms and conditions of each individual program will be set forth in separate regulatory filings submitted to the CFTC. Any Participant that is accepted into the Exchange liquidity provider incentive program shall be subject to Exchange Rules. Any such program shall specify:

- (a) The qualifications to participate in, and the procedures to apply to, the program;
- (b) The obligations which must be met;
- (c) The benefits that shall accrue to participants in the program; and
- (d) The consequences for failing to meet the program obligations.

\* \* \*

**Chapter 4: Obligations of Members**

\* \* \*

**Rule 403: Right of Inspection**

- (a) Each Member and Related Party agrees that the Exchange (or its authorized representative, including the Regulatory Services Provider) shall be entitled to:
  - (i) inspect or examine the systems, equipment, and software operated or used by Member in connection with Trading Activity or subject to the Rules;
  - (ii) have access to the books and records of the Member;
  - (iii) have access to the systems, equipment and software operated or used by Member in connection with Exchange or any futures or related activity, and the premises where the same is located, and any data stored therein; and
  - (iv) remove, copy, or reproduce any data to which the Exchange has provided under this Rule.
- (b) Upon request of the Exchange, a Member shall provide such information concerning the Member's (and any of its Customers and Related Parties activities or use of exchange facilities) use of the Exchange Trading System or business conducted on or related to the Exchange in the manner and timeliness requested by the Exchange.
- (c) Upon request of the Exchange, Regulatory Service Provider, or DCO each Member shall provide evidence of its financial condition at such times and in such manner as shall be prescribed by the Exchange.

\* \* \*

## Chapter 5: Trading Practices

\* \* \*

### Rule 507. Acceptable Orders

- (a) At the discretion of the Exchange, any of the following types of Orders, as well as any other types that may be approved from time to time and as set forth on the Exchange’s website, may be entered into the Trading System with respect to any Contract:
- (i) Market with Protection Order. Market with Protection Orders are executed at the best price or prices available in the Order Book at the time the Order is received by the Trading System but will not execute outside a predefined range of prices referred to as the protected range.
  - (ii) Limit Order. Limit Orders are Orders to buy or sell a stated quantity at a specified price or at a better price if obtainable. Unless otherwise specified, any residual volume from an incomplete limit Order is retained in the Order Book until the end of the Business Day.
  - (iii) Stop Order. The Stop Order type is an Order which, when accepted, does not immediately go on the Order Book, but must be “triggered” by an update to the Exchange’s Tradeable Price. Once triggered, the Order enters the Order Book as a Market Order with the protection price limit equal to the trigger price plus or minus the pre-defined protection point range.
  - (iv) Stop Limit Order. The Stop Limit Order type is an Order which, when accepted, does not immediately go on the Book, but must be “triggered” by an update to the Exchange’s Tradeable Price. Once triggered, the Order enters the Order Book as a Limit Order at the Order limit price. The limit price is the highest/lowest price at which the Stop Order can be filled. The Order can be filled at all price levels between the trigger price and the limit price. If any quantity remains unfilled, it remains on the Order Book as a Limit Order at the limit price.
  - (v) Maker Allocation Order. A Maker Allocation Order represents the provision of capital by a Maker Participant to facilitate the execution of another Participant’s Order to buy or sell a Future or Options on Futures (a “Taker Order”).
    - (A) Makers provide a dollar allocation to the respective Liquidity Pool that may be divided into a max allocation per order to be executed through the Trading System on a time priority basis.
    - (B) The Taker Order, if executed, shall be fully satisfied by the Maker Allocation Order.
    - (C) Orders are matched for execution at the price published by the Exchange, as determined by the Exchange’s Index Calculation Agent using established mathematical models and prevailing market conditions.

- (D) Taker Orders that are not immediately executable against any Maker Allocation Order shall be displayed separately in the Order Book on a price-time priority basis.
  - (E) Taker Orders are not executable against any other Taker Order on the Exchange; that is, only Orders between a Taker and Maker Allocation shall execute on the Exchange.
- (b) At the discretion of the Exchange, any of the following types of Time in Force, as well as any other special instructions that may be approved from time to time and as set forth on the Exchange’s website, may be entered into the Trading System with respect to any Contract:
- (i) Day Order: An Order that is executed or canceled by the end of the trading day. Day Orders do not extend beyond the day they were placed.
  - (ii) Good ‘til Canceled Order (GTC): An Order that remains active until it is either executed or actively canceled. Unlike Day Orders, GTC Orders can carry over multiple trading sessions.
- (c) The following Order types are not accepted by the Exchange and will be rejected by the Trading System:
- (ii) Fill or Kill (“FOK”): An Order that must be executed immediately in its entirety or not at all. These Orders are not accepted by the Exchange; and
  - (ii) Immediate or Cancel (“IOC”): An Order that must be executed immediately. Any portion of the Order that cannot be filled instantly is canceled. Similar to FOK Orders, IOC Orders are not accepted by the Exchange.

\* \* \*

**Rule 508. Spread Orders**

If offered by the Exchange, a Futures spread Order is an Order to simultaneously buy and sell at least two different Contracts in a form permitted by the Exchange, as set forth on the Exchange’s website. Exchange Futures spreads accept a single price and quantity even though they are constructed as combinations of multiple Contracts.

\* \* \*

**Rule 516. Exchange Trading System Matching Algorithm**

The Exchange’s Trading System matches Taker Orders against Maker Allocation Orders on the Exchange at a Tradeable Price published by the Exchange. In the event multiple Orders arrive in the Trading System at the same price, Orders will be executed on a time priority basis.

- (a) Except as provided in, and in accordance with, Rule 517, all Transactions on the Exchange will be matched and executed through the operation of the Trading System.
- (b) The Trading System remains open throughout the Business Day unless a market is paused or halted by the Exchange, a Market Wide Circuit Breaker, or Force Majeure. Executable Orders, at

prices published by the Exchange, shall be matched in accordance with Rule 507. Orders that are not immediately executable against any Maker Allocation Order shall be displayed in the Order Book on a price-time priority basis and will be executed in a manner consistent with Rule 507.

- (c) The Trading System matching algorithm begins upon receipt of the first Tradeable Price during market hours. Opening price will be published on the Exchange’s website.
- (d) A Trade is executed on the Trading System when the Tradeable Price published by the Exchange matches a Taker Order with a Maker Allocation Order in the Liquidity Pool for either Futures or Options on Futures.
- (e) Details of each Transaction executed on the Trading System are subject to Exchange Rules and will be recorded by the Exchange. Confirmation of the Transaction will be displayed on the Trading System for each Participant who is a party to the Transaction.
- (f) Failure of the Exchange to publish any message with respect to a Transaction on the Exchange shall not invalidate such Transaction.
- (g) In the event the Trading System or any part of the Trading System fails, the Exchange, in its sole discretion, shall determine whether a pending trade has successfully executed. Such determination shall be conclusive and binding, and the Exchange shall not be obligated to compensate any party for losses caused by any delay or failure of performance.

\* \* \*

**Chapter 6: Trading Business Conduct**

\* \* \*

**Rule 607. Disruptive Trading Practices Prohibited**

- (a) All Orders must be entered for the purpose of executing bona fide Transactions. Additionally, all non-actionable messages must be entered in good faith for legitimate purposes.
  - (i) No Person shall enter or cause to be entered an Order with the intent, at the time of entry, to cancel the Order before execution or to modify the Order, bid or offer to avoid execution;
  - (ii) No Person shall enter or cause to be entered an actionable or non-actionable message or messages with the intent to mislead other market participants;
  - (iii) No Person shall enter or cause to be entered an actionable or non-actionable message or messages with the intent to overload, delay, or disrupt the Exchange Trading System or other market participants; and
  - (iv) No Person shall enter or cause to be entered an actionable or non-actionable message with the intent to disrupt, with reckless disregard for the adverse impact on, the orderly conduct of trading or the fair execution of Transactions.

- (b) In connection with the placement of any Order, or the execution of any Transaction, it shall be a Violation of the Rules for any Person to engage in any trading practice or conduct that constitutes disruptive trading practices prohibited by the act or by the Commission pursuant to Commission regulation, including, but is not limited to, engaging in conduct that:
  - (i) Violates the Tradeable Price;
  - (ii) Demonstrates intentional or reckless disregard for the orderly execution of Transactions during the opening or closing periods; or
  - (iii) Spoofing.

**Rule 608. Abusive Trading Practices Prohibited**

No Member, Related Party, or Participant that directly or indirectly effects a Transaction on the Exchange shall engage in any abusive trading practices or trading practices that the Exchange deems to be abusive, manipulative, disruptive or prohibited by CFTC Regulation 38.152, including, but not limited to the following types of Transactions as defined by CFTC Regulations:

\* \* \*

- (d) Spoofing: entering an Order, with intent to cancel the Order, before execution.

\* \* \*

**Chapter 9: Clearing**

\* \* \*

**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. 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.
- (b) Daily Settlement.
  - (i) The Daily Settlement of a Futures Contract shall be the Futures price at the market close.
  - (ii) The Daily Settlement of an Options Contract shall be the Futures Option price at the market close.
- (c) Final Settlement.

- (i) For all Futures Contracts based on an Exchange equity index, the following applies, unless otherwise indicated.
  - (A) The Futures Contract will expire quarterly on the third Friday of March, June, September, and December. If the third Friday of March, June, September, or December is a market holiday, expiration is on the trade day before the holiday. Exchange market holidays are listed on the website, [smallexchange.com](http://smallexchange.com).
  - (B) On the day of expiration, the Final Settlement of the Futures Contract is calculated using the opening print for each component of such index. If the opening print for an index component is not disseminated or otherwise determined by 12:00 PM CT, the value used for such component will be the last sale. In all cases, the corresponding weights of such values in the index, and the Final Settlement of the Futures Contract, shall be determined by the Exchange's Index Calculation Agent on a best effort's basis and validated by the Exchange.
  - (C) Quarterly Futures cease trading on Thursday PM and settle to cash on Friday AM.
  
- (ii) For all Options Contracts based on an Exchange equity index, the following applies, unless otherwise indicated.
  - (A) Options shall be listed for expiration on such dates and shall be scheduled for trading during such hours as may be determined by the Exchange, provided that there shall be no trading in Options when trading is halted in the underlying Futures Contract.
  - (B) For the weekly Options expiration, the final closing price of the Futures Contract on Friday at 3 PM CT will be used to determine which Options are in the money or out of the money.
  - (C) The Final Settlement value of the underlying quarterly Futures Contract published at 8:30 AM CT is used to determine which Options are in the money.
  - (D) An Option may be exercised only at, and not before, the expiration of such Option. Following termination of trading in expiring Options, any such Option that is in the money shall be automatically exercised by the Clearing House, and any such Option that is out of the money shall be abandoned by the Clearing House. For the avoidance of doubt, no such Option that expires in the money may be abandoned, and no such Option that expires out of the money may be exercised. Whether an Option expires in the money or out of the money shall be determined by the Exchange's Index Calculation Agent and validated by the Exchange, in its sole discretion, by reference to the Final Settlement value of such Option's Underlying Futures Contract.
  - (E) Exercised Options will result in a position in the underlying Futures Contract.

\* \* \*

**Chapter 10: Miscellaneous**

\* \* \*

**Rule 1006. Market Data**

- (a) All Members and all employees, agents, vendors, and other Persons affiliated with the foregoing understand and acknowledge that the Exchange has a proprietary interest in:

\* \* \*

- (ii) the price and quantity data for each and every Order and/or Maker Allocation Order submitted for entry into the Trading System, including the time at which the Order and/or Maker Allocation Order was entered into the Trading System;

\* \* \*

**Appendix A: Error Trade Policy**

\* \* \*

**Price Adjustments and Trade Cancellations**

The Exchange will make a decision if the Trade in question will be subject to review. The Exchange will first determine if the Trade price, as published by the Exchange, is inside the non-reviewable range. In deciding if the Trade price is in the non-reviewable range, the Exchange will determine the fair value market price at the time the potential error occurred. In making the determination, the Exchange may consider one or more of the following factors, including the last Trade price, the underlying index price, and the prices of related contracts trading on the Exchange or other markets.

**A. Trade Price in Non-Reviewable Range**

If the Exchange determines the Trade price, as published by the Exchange, was inside the non-reviewable range, no further action will be taken, and the Trade will stand.

**B. Trade Price Outside Non-Reviewable Range**

If the Exchange determines that a Trade price, as published by the Exchange, is outside the Non-Reviewable Range, the Trade price may be adjusted to a price that equals the fair value market price for that Contract at the time the Trade in review occurred, plus or minus the Non-Reviewable Range. In the event there are multiple parties, prices and/or Contracts involved in the Trades in question, the Exchange has the authority to cancel, rather than price adjust, these Trades. The Exchange will alert Participants to the decision. The Exchange, at its discretion, may allow the Trade to stand or cancel the Trade rather than adjusting the price. The decision of the Exchange is final.

Any Trades that were price adjusted will be inserted into the Exchange’s official time and sales records at the adjusted Trade price. If any Trades are canceled those Trades will be canceled and removed from the Exchange’s official time and sales records.

\* \* \*