January 6, 2022

VIA ELECTRONIC PORTAL

Mr. Christopher J. Kirkpatrick
Office of the Secretariat
Commodity Futures Trading Commission
3 Lafayette Center
1155 21st Street NW
Washington, DC 20581

Re: SMFE 2022-001 - CFTC Regulation 40.2(a) Certification: Initial Listing of the Small Precious Metals Index Options Contracts

Dear Mr. Kirkpatrick:

Small Exchange, Inc. ("SMFE" or "Exchange") hereby notifies the Commodity Futures Trading Commission ("CFTC" or "Commission") that it is self-certifying the initial listing of the Small Precious Metals Index Options Contracts ("Contract" or "Contracts") as set forth below for trading on the Small Exchange matching engine and for submission for clearing via the Options Clearing Corporation ("OCC"), effective January 7, 2022 for trade date January 10, 2022.

Contract Title	Underlying Future Symbol	SMFE Rulebook Chapter
Small Precious Metals Index Monthly Options on Futures Contracts	SPRE	31A

The underlying reference for the Contracts shall be the Small Precious Metals Index Futures Contract ("SPRE").

Contract Description

The Contracts are Options on SPRE. This underlying Futures Contract is based on the Small Precious Metals Index ("Index"). Each Options contract is exercisable into one SPRE futures contract. The Index comprises three (3) precious metals that are among the most actively traded in the U.S.; gold, silver, and platinum.[1] Index component weights are determined using a formula that considers each metal's domestic consumption, global production, and notional traded volume. Index component weights are re-calculated annually.

The Index is calculated and administered by the Exchange's Index Calculation Agent ("ICA"), a leading provider of indices. The Index has been calculated and published daily, without exception, since its inception on date October 21, 2019.

Since its launch on June 1, 2020, SPRE has continuously developed liquidity. Clearing support is provided by a broad spectrum of futures commission merchants ("FCMs"). As demonstrated below, the market for SPRE can readily support options trading. Since launch and through October 2021:

- More than 4,000 unique accounts have traded SPRE across all client types and time periods
- Nearly 230,000 SPRE have been traded representing nearly $1.7 billion in notional value
- The Average Daily Volume is 640
    - Highest volume day: February 1, 2021 - 2,270 SPRE traded ($17.9 million notional)
    - Best month: March 2021 -- averaged 885 SPRE traded per day (total $148 million notional for the month of March)
- The Average Open Interest is 532 across the front and back month
    - Highest open interest day: March 30, 2021 -- 1,260 ($8.8 million notional)
    - Best month: March 2021-- averaged 921 open interest per day (average $6.6 million notional)

Additionally, the pace of new accounts utilizing SPRE has expanded in 2021 showing that the marketplace is increasingly using SPRE to hedge precious metals risk and/or exposure. Over 3,000 unique accounts engaged in the market for SPRE in 2021, with over 700 accounts actively trading SPRE in October 2021.

The Exchange believes the Contracts will appeal to a wide range of Exchange Participants based on the Index Methodology and the notional size of the underlying Futures Contracts.[2] With 70% of the

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[1] Detailed information on the Index can be found in the Small Exchange's CFTC filing SMFE 2020-004 (June 16, 2020) (8cbab431-3469-42af-915a-328e1d977479_SMFE+2021-007+Amendment+to+Small+Exchange+Fee+Schedule.pdf).

[2] Each capitalized term used in this product filing and not defined herein shall have the meaning set forth in the Small Exchange Rulebook (as amended, restated, supplemented or otherwise modified from time to time in accordance with its provisions).

weighting attributed to domestic consumption and 25% of the weighting attributed to global production, the Contracts help facilitate risk management and investment for both retail and industrial Participants. Further, with 5% of the weighting attributed to notional traded volume, the Contracts are representative of the most actively traded precious metals. The smaller notional size of the Contracts afford Participants a capital-efficient way to mitigate broad precious metals volatility. In addition to retail Participants, the Exchange expects the Contracts to appeal to financial advisors of Separately Managed Accounts ("SMAs"), pension funds, and institutions looking for particular precious metals market exposure.

Contract Specifications

Contract Title / Rulebook Chapter / Commodity Code	Small Precious Metals Index Monthly Options on Futures Contracts / 31A / S01M + YY[month code] + [expiration date as YYYYMMDD] + [C or P + Strike Price]
Underlying Futures Contract / Rulebook Chapter / Commodity Code	Small Precious Metals Index Futures Contract / Chapter 31 / SPRE
Price Basis and Minimum Price Fluctuation	$0.01 tick size
Trading and Clearing Hours	7:00 AM – 4:00 PM Monday through Friday. Adjusted hours of 7:00 AM – 3:00 PM on the expiration day.
Options Style	American
Settlement	Physical
Strike Intervals	Strike prices will have $1.00 intervals and will be set up to 30% above and 30% below the underlying futures contract's previous day's closing price.
Listing Schedule	New option contracts will be added monthly as the current month expires. The new option contract will begin trading the business day after the new underlying futures contract begins trading. For example, if the new futures contract begins trading the Monday after expiration on the previous Friday, the new, corresponding option contract will begin trading Tuesday.
Termination of Trading	Upon expiration on the third Friday of the month. If the third Friday is a market holiday, expiration is on the business day prior to the holiday.

Large Trader Reporting Level	25
Settlement at Expiration	Settle on Close - The final settlement value of SPRE will be used to determine which options are in-the-money.
Position Accountability Level	10,000
Expiring Month Position Accountability Level Five Business Days Prior to Expiration	5,000
Price Limits	Price limits are imposed on the underlying, SPRE. If these limits are reached, trading will be paused in both the underlying and the option. For details, please visit: https://smallexchange.com/hub#RiskControls
Matching Algorithm	F: First-In, First-Out (FIFO)

Compliance with Core Principles

The Exchange has reviewed CFTC Part 38 "Designated Contract Markets", which sets forth the Core Principles with which every DCM must demonstrate compliance, and it has identified that the Contracts may obligate the Exchange to comply with the following Core Principles:

Core Principle 2 - Compliance with Rules

Trading in the Contracts will be subject to all the Exchange's Rules, including prohibitions against fraudulent, noncompetitive, manipulative, abusive, and disruptive practices as outlined in Chapter 6 of the Exchange's Rulebook, specifically, the Exchange's Trade Practice Rules.

As with all Contracts listed for trading on the Exchange, trading activity in the Contracts will be subject to monitoring, surveillance, and regulation by the Exchange's Regulatory Department as outlined in Chapter 5 of the Exchange's Rulebook. The Regulatory Department has the authority to exercise its investigatory and enforcement jurisdiction where potential rule Violations are identified. The Exchange has processes in place to monitor its markets for compliance with the Rules.

The Exchange continues to contract with the National Futures Association ("NFA") to be its Regulatory Service Provider. As such, the NFA works with the Exchange to provide trade practice surveillance, market surveillance, investigations and disciplinary escalations, regulatory reporting and recordkeeping, arbitration services, and audit trail requirements. The Exchange has also contracted with Eventus Systems ("Eventus") as a software provider for real-time market surveillance. The Exchange's regulatory staff uses the technology and services provided by Eventus along with the Exchange's proprietary software, Admin and Risk Monitor ("ARM") application to monitor positions and trading in real-time and to detect potential market anomalies, trade practice Violations, and large trader positions. The Exchange is a member of the Joint Compliance Committee ("JCC"). The JCC is a voluntary committee of self-regulatory organizations including DCMs, swap execution facilities, and registered futures associations. Additionally, the Exchange is a member of the Joint Audit Committee ("JAC"). The JAC is a representative committee of the Audit and Financial Surveillance Departments of DCMs and has the responsibility to determine the best policies, practices, and procedures for conducting financial reviews, and to assist its members in the financial surveillance of Futures Commission Merchants ("FCM"). Lastly, the Exchange is a member of the Intermarket Surveillance Group ("ISG"). The ISG is an international group of exchanges, market centers, and market regulators that perform market surveillance in their respective jurisdictions. The ISG provides a framework for the sharing of information and the coordination of regulatory efforts among exchanges trading securities and related products to address potential intermarket manipulations and trading abuses.

The Exchange certifies that its surveillance program and systems together with its participation in key industry groups for information sharing and regulatory coordination addresses the DCM requirements of Core Principle 2.

Core Principle 3 - Contracts Not Readily Subject to Manipulation

The Exchange believes that the Contracts are not readily susceptible to manipulation because of their structural attributes, active underlying cash market, and reliance on a well-administered Index. The market for the components of the underlying reference Index of the Contracts is judged to be sufficiently broad to deter attempted cornering, manipulation, crowding, or exertion of undue influence during Exchange hours and the final settlement window of expiring Contracts. Each Contract delivers one SPRE which in turn settles in cash, by reference to the Index. There is strong liquidity in SPRE, with meaningful daily volume and open interest.

The Index is composed of metals that are among the most actively traded in the market. There are numerous global entities that trade precious metals on a 24-hour basis, which market Participants, such as liquidity providers, pension funds, asset managers, and individual traders deem as providing sufficient volume and liquidity to be viable cash marketplaces because of the large notional volume traded. Further, the Exchange has commitments from several large, well-known liquidity providers to post two-sided quotes in the Contracts.

The liquidity provider Participants, with which the Exchange has commitments, are active in both the cash and derivative markets for each constituent comprising the Index. The Contracts complement these Participants' existing market exposure and can be used to further manage their own risk while creating a deeper pool of liquidity for other Participants. For example, if a Participant takes a limit-sized position, equal to 5,000 Contracts within five (5) business days prior to expiration, the depth of the related cash, futures, and option markets allows them to manage this position without causing market disruption.

The arbitrage opportunities that exist between the Contracts and constituent precious metals comprising the Index will help keep prices consistent with those of the marketplace. Additionally, the Exchange may implement a Liquidity Provider Incentive Program ("LPIP"), or a similar program, to encourage market participation and foster a fair, orderly, and liquid marketplace.

In addition to liquidity provider Participants, the Exchange expects market Participants to be individual traders and investors because the Index Methodology and the Contract's notional size afford these individuals a capital-efficient way to hedge precious metals market volatility, diversify a portfolio, or invest passively in the three (3) most prominent, market-wise, precious metals.

Per the Index Methodology, the Contracts provide distinctive precious metals market exposure to the most prominent and widely-traded precious metals and an economic benefit to a broad pool of retail Participants. As volume and open-interest increase, the Exchange expects that the size of the Contracts will lend themselves to adoption by Commodity Trading Advisors ("CTA") and Commodity Pool Operators ("CPO") for more efficient account management. The Contracts allow a wide range of Participants, including individual traders and investors, liquidity providers, CTAs, CPOs, pension funds and asset managers, the ability to better manage and mitigate precious metals market risk.

The Exchange believes the precious metals comprising the Index are deemed as having sufficient volume and liquidity for market Participants. On December 6, 2021 the notional traded volume of gold, silver, and platinum futures contracts were $30.4 billion, $5.9 billion, and $800 million respectively. Additionally, the Index Methodology assigns greater weightings to highly consumed and produced precious metals that are liquid to mitigate the potential for market manipulation. Based on this liquidity, there will be minimal adverse market impact from Participants hedging in the Contracts. Thinly traded metals are more susceptible to manipulation, so given the depth of the market, the Contracts are not readily subject to manipulation.

The final settlement methodology and depth of constituent pricing makes it difficult for a market Participant to improperly affect the settlement value. For all Contracts, the final settlement of the underlying futures contract is used to determine which options will be automatically exercised. The final settlement value is determined by the ICA in accordance with the final settlement methodology using reference data selected in consultation with the Exchange. Prices for the Index's components are taken from trade data between a network of nearly seventy banks and financial institutions comprising the cash market. The final settlement value is used to determine which Contracts are in-the-money. Those Contracts are then automatically exercised which results in a position in the underlying Futures Contract.

The final monthly settlement value is determined by the ICA sampling a number of prices over a 90-second period between 14:58:30 CT to 14:59:59 CT (inclusive), reviewing those prices to ensure that they fall within a common range of prices that were printed on those markets, and then taking the average of that range. Using the last price for each of the Index's constituents, the value of the Index is calculated and disseminated on a one-second frequency. The final settlement value is calculated as the modified average of the Index prints during this 90-second period.

The final settlement value will be calculated by the ICA and subject to approval by the Exchange and the Derivatives Clearing Organization ("DCO"). The final settlement value will be published shortly after 15:00:00 CT, made available to the DCO, and made publicly available on the Exchange's website and through the Exchange's market data feed in a timely manner. Notice of the final settlement value for the Contract will be made available to all market Participants.

For more information surrounding the final settlement value calculation, refer to Appendix E.

The Exchange has in place surveillance tools and procedures to identify potential manipulation during trading hours and the final settlement window. The Exchange uses Eventus' software as part of its market surveillance program for potential manipulative trading on the Exchange. Eventus has exceptionally strong capabilities when it comes to data extraction, transformation, and loading, and their Validus software normalizes and reconciles Exchange data to create a holistic picture of activity for surveillance purposes. Eventus' software allows the Exchange's Regulatory Department to analyze Exchange market data during regular trading hours and perform real-time Index surveillance during the final settlement window.

All activity in the Contracts will be subject to monitoring and surveillance by the Exchange's Regulatory Department using the ARM and software provided by Eventus. Additionally, the NFA will carry out trade practice and market surveillance pursuant to the provisions of the Regulatory Services Agreement.

The Exchange certifies that its surveillance program and systems together with its participation in key industry groups for information sharing and regulatory coordination address the DCM requirements of Core Principle 3.

Core Principle 4 - Prevention of Market Disruption

Trading in the Contracts will be subject to the Rules of the Exchange, which include prohibitions on manipulation, price distortion, and disruption to trading and the cash settlement process. Trading activity will be subject to monitoring and surveillance by the Exchange's Regulatory Department.

The Exchange utilizes risk controls and has the ability to pause and halt its market to prevent market disruption. The Exchange has three levels of risk controls: Exchange, firm, and Financial Information Exchange ("FIX") API. Exchange-wide risk controls include order validations, dynamic order protections, and price limits. Dynamic order protection validates incoming orders to prevent erroneously-priced orders from hitting the market while price limits protect the market from significant price moves from prior day's settlement.

Firm level risk controls include maximum order quantity limits, daily position exposure limits, a kill switch, self-trade match prevention, and execution rate protection. Maximum order limits can be set by Clearing Members on their Participant trading firms to limit the size of orders that can be placed through the Exchange Trading System. Daily position exposure limits are set by Clearing Members on their Participant trading firms to limit positions that can be held by such trading firms.

A kill switch can be enabled by the Exchange, a Clearing Member, or Participant trading firm through the Exchange's Trading System to block new orders or block new orders and cancel working orders. Once enabled, the kill switch will prevent any new orders until it has been disabled. Self-trade match prevention is an optional risk control intended to prevent matching of orders with common beneficial ownership.

Execution rate protection is a form of risk control placed on a liquidity provider's grouped orders to limit the number of trades over a specified time range. On the FIX API level, there is an optional "cancel on disconnect" risk control by which all Day orders are canceled within a FIX session when disconnected from the gateway.

The Exchange uses intraday and daily price limits on the underlying Futures Contracts to ensure its markets work in an efficient and orderly manner during large, unexpected movements and increased volatility. If the underlying Futures Contract is paused due to an intraday limit, the Contracts will also be paused.

Price bands are based on the last-traded price and will prevent erroneously-priced orders from entering the market and significantly skewing prices. The bands validate limit-price orders, and they reject any buy orders above the upper band and any sell orders below the lower band. Band validation works equally well for single futures Contracts and calendar spreads. Price bands are dynamic, set by the Exchange, and can be altered for a Contract intraday.

As its Regulatory Service Provider, the NFA works in conjunction with the Exchange on services including, but not limited to, market and trade surveillance. The Exchange will utilize the Eventus' Validus software to assist in real-time surveillance along with the Exchange's ARM. The NFA's Market Regulation Department and Validus will use the Exchange's audit trail as the primary source of data. These systems, along with the Exchange's ARM, will allow the Exchange's regulatory staff to monitor large trader positions and to detect potential market anomalies and trade practice Violations in real-time and on a T+1 basis. The Exchange's ARM, along with NFA and Validus, will alert the Exchange's compliance staff of potential position limit Violations and other potential market irregularities as they develop and before market disruptions occur or become more serious.

Core Principle 5 - Position Limits or Accountability

To prevent price distortions and market disruptions, the Contracts will be subject to accountability levels and position limits. With regard to position limits, reporting levels, and accountability levels for Options products, the number of Options that are equal to one (1) Futures Contract. In this case, one (1) Options Contract is the equivalent to one (1) Futures Contract. The Exchange has determined position accountability levels to be 10,000 Contracts per tradable month and position limits to be 5,000 Contracts for the five (5) business days prior to expiration.

If a Participant's position exceeds the Contract's accountability level threshold, the Exchange may require the Participant to provide information pertaining to the nature of the position and the trading strategy employed. The Exchange may also require the Participant to liquidate a portion of their position in an orderly manner to a level that is below the accountability threshold.

No person may hold or control positions separately or in combination, net long or net short, in the Contract in excess of the Exchange's set position limit. The Exchange, in conjunction with the NFA, will closely monitor daily volume and open interest to determine if these accountability levels and/or position limits require modification, and it will make such modifications as deemed necessary.

While monitoring trading on the Exchange, the NFA will provide alerts that include, but are not limited to, the following: (a) whenever an account is identified as a large trader for the first time; (b) whenever large trader positions exceed reportable levels; (c) whenever large trader positions exceed speculative position limits, if any; or (d) whenever large trader positions exceed accountability levels.

Core Principle 7 - Availability of General Information

The Exchange will publish information on its website regarding specifications, terms and conditions, daily trading volume, open interest, and settlement value for the Contracts. Any Exchange Rule amendments and product changes (including terms and conditions of the Contracts) will also be made available through the Exchange website. Notice of new product listings, new rules, and rule amendments will be displayed on the Exchange website concurrent with the filing of such with the Secretary of the CFTC.

Core Principle 8 - Daily Publication of Trading Information

The Exchange will publish information on settlement values, volume, open interest, and opening and closing ranges for Contracts on a daily basis on its website and via market data, as appropriate.

Core Principle 9 - Execution of Transactions

The Contracts will be listed for trading on the Exchange's Trading System and cleared through its DCO, the OCC.

Core Principle 10 - Trade Information

All requisite trade information will be included in the audit trail, and it is sufficient for the Regulatory Department and the NFA as the Regulatory Service Provider to monitor for market abuses. The Exchange's Trading System will capture and maintain all information with respect to each order. This will include information on orders that were executed, those that were not executed, and all other information relating to the trade environment that determines the matching and clearing of trades, such as clearing information and number and type of Contracts. An order entered into the Exchange Trading System can be tracked from the time entered until the time that it is matched, canceled, or otherwise removed. All of this information is contained in the Exchange's audit trail.

Core Principle 11 - Financial Integrity of Transactions

The Contracts will be cleared by the OCC, which is registered with the Commission as a DCO and subject to all CFTC regulations related thereto.

Core Principle 12 - Protection of Markets and Market Participants

Chapters 4, 5, and 6 of the Exchange's Rulebook establish Rules to protect the market and market Participants from abusive, disruptive, fraudulent, noncompetitive, and unfair conduct and trade practices. These Rules apply to all Transactions in the Exchange's Contracts, which includes Small Precious Metals Index Futures Options Contracts.

Core Principle 13 - Disciplinary Procedures

The Exchange has set forth Rules in Chapter 7 of the Exchange's Rulebook that provide for the Exchange to discipline, suspend, expel, or otherwise sanction Members, Participants, and Related Parties that violate the Exchange's Rules or the CFTC's Rules and Regulations. The Exchange has engaged the NFA to monitor and provide market surveillance, and they will work together with Exchange staff to identify and pursue potential Violations of applicable Rules. At the conclusion of any of its investigations, the NFA will provide its findings to the Exchange, and the Exchange will determine whether the facts and circumstances warrant the pursuit of appropriate disciplinary action.

Core Principle 14 - Dispute Resolution

Chapter 8 of the Exchange's Rulebook establishes Rules concerning dispute resolution and provides for resolution through the NFA arbitration program.

Market Participant Overview and Due Diligence

The Exchange has consulted with a wide range of market Participants taking into account their respective needs for a precious metals index futures options contract. In doing so, the Exchange has elicited feedback from and the needs of an extensive group of market Participants including individual retail traders and investors, institutional traders, proprietary trading groups, liquidity providers, CTAs and CPOs.

The Exchange has commitments from several well-capitalized liquidity providers to post competitive, two-sided quotes during the trading day in all Exchange products. The depth and liquidity of the underlying components, along with the transparency of the Index Methodology, allow Participants to calculate the value of the Index so they are able to hedge and offset risk exposure.

To best serve its Participants, the Exchange displays and matches all orders through a Central Limit Order Book ("CLOB"). Transactions are algorithmically matched on a time-price priority basis using a first-in, first-out ("FIFO") methodology.

The use case for the Contract is twofold:

- First, it meets the demands of individual investors, retail traders, CTAs and CPOs for a precious metals options product that reflects the largest components of the precious metals' marketplace for hedging and risk mitigation, short-term investment opportunities, and long-term passive investment. Because the precious metals in the Index are weighted according to consumption, production, and notionally traded volume and are rebalanced annually, the Contract is a way for individual Participants to gain exposure to the most actively traded precious metals and simultaneously diversify against overall metals risk.

- Second, the small notional value of the Contract means individual traders with smaller accounts can diversify their portfolios with an asset class that is under-represented in the traditional portfolio construction of equities, bonds, and cash. Rather than using Exchange-Traded-Funds ("ETF"), or building a basket of individual metals, the Contract is a capital-efficient way to add precious metals exposure to a portfolio. While the Contracts are appealing to the growing retail segment of futures markets, they can also benefit advisors of separately managed accounts wishing to employ specific futures strategies.

The Exchange certifies that listing the Contract complies with the Act including all regulations thereunder. The Exchange is not aware of any consequential opposing views to this proposal.

The Exchange certifies that this submission has been concurrently posted on the Exchange's website at www.thesmallexchange.com. Should you have any questions concerning the above, please contact the undersigned at (312) 761-1660.

Sincerely,

/s/ Peter D. Santori
Chief Regulatory Officer

Attachments

Appendix A: Small Exchange Rulebook Chapter 31A
Appendix B: Applicable Non-Reviewable Trading Ranges
Appendix C: Settlement Day, Value, and Process
Appendix D: Exchange Fees
Appendix E: Historical Data
Appendix F: Cash Market Overview and Analysis of Deliverable Supply

Appendix A: Small Exchange Rulebook Chapter 31A

Small Precious Metals Index Options on Futures Contracts

31A001. Scope of Chapter

This chapter is limited in application to Small Precious Metals Index Options on Futures Contracts ("Contract" or "Contracts"). The provisions of these rules shall apply to all Contracts bought or sold on the Exchange. The procedures for trading, clearing and settlement of Contracts and any other matters not specifically covered herein, shall be governed by the Rules of the Exchange.

31A002. Contract Specifications

The Contracts are Options on the Small Precious Metals Index Futures Contracts ("SPRE"), which is based on the Small Precious Metals Index ("Index").

31A003. Trading Specifications

The number of months open for trading at a given time shall be determined by the Exchange.

31A003.A. Trading Schedule

The hours of trading for this Contract shall be determined by the Exchange.

31A003.B. Trading Unit

The trading unit shall be the option to buy in the case of a call, or to sell in the case of a put, one (1) SPRE Futures Contract (Chapter 31).

31A003.C. Price Increments

Stated in decimals, to two decimal points in U.S. dollars and cents. Prices will be available during all Trading Hours. Tick sizes are 0.01 Index points equal to $1.00 per Contract.

31A003.D. Daily Price Limits

Price limits are imposed on the underlying, SPRE. In the case of a halt in the underlying SPRE, the Option will also cease trading. Reference Chapter 31.

31A003.E. Position Limits, Exemptions, Accountability Levels and Reportable Levels

Position limits for the Contracts are 5,000 Contracts five (5) Business Days prior to expiration.

Position accountability levels for the Contracts are 10,000.

Reportable levels for the Contract are 50.

Position limits, accountability levels, exemptions and reportable levels are set forth in Exchange Rule 521, “Position Limits, Accountability Levels and Reportable Levels”. Refer to Exchange Rule 522 for requirements concerning position limits, accountability levels and reportable levels.

31A003.F. Termination of Trading
Trading shall cease on the last Business Day in the contract month which is the third Friday of the month at 3:00:00PM CT. If that day falls on a holiday, the last trading day is the first Business Day preceding the third Friday.

31A003.G Listing of New Contracts
New Option Contracts will be added monthly as the current month expires. The new Option Contract will begin trading the Business Day after the new underlying Futures Contract begins trading. For example, if the new Futures Contract begins trading the Monday after expiration on the previous Friday, the new, corresponding Option Contract will begin trading Tuesday.

31A003.G. Option Style
American Style Options with a Monthly Expiration. The underlying Futures Contract shall be for delivery in such Option’s expiration month.

31A004. Exercise Procedures
31A004.A. American Style Options with a Monthly Expiration
The buyer of the Option may exercise the Option by giving notice of the exercise to the Options Clearing Corporation (OCC) during Exchange market hours, prior to the day of the Option’s Expiration. Option exercise will result in a position in SPRE.

31A005. Settlement Procedures
Contracts will be physically settled into SPRE.

31A004.A. Final Settlement
On the day of expiration, the Final Settlement of the Contract will be determined pursuant to the process set forth in Exchange Rule 904(d)(iii).

31A006. Disclaimer
NEITHER THE SMALL EXCHANGE, INC. AND/OR ITS AFFILIATES GUARANTEES THE ACCURACY AND/OR COMPLETENESS OF THE CONTRACT OR ANY OF THE DATA INCLUDED THEREIN.

THE SMALL EXCHANGE, INC. AND/OR ITS AFFILIATES MAKES NO WARRANTIES, EXPRESS OR IMPLIED, AS TO THE RESULTS TO BE OBTAINED BY ANY PERSON OR ENTITY FROM THE

USE OF THE CONTRACT, TRADING BASED ON THE CONTRACT, OR ANY DATA INCLUDED THEREIN IN CONNECTION WITH THE TRADING OF THE CONTRACTS, OR, FOR ANY OTHER USE. THE SMALL EXCHANGE, INC. AND/OR ITS AFFILIATES MAKE NO WARRANTIES, EXPRESS OR IMPLIED, AND HEREBY DISCLAIM ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE CONTRACT OR ANY DATA INCLUDED THEREIN, WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL THE SMALL EXCHANGE, INC. AND/OR ITS AFFILIATES HAVE ANY LIABILITY FOR ANY LOST PROFITS OR INDIRECT, PUNITIVE, SPECIAL, OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

Appendix B: Applicable Non-Reviewable Trading Ranges

Instrument Name	Symbol	Non-Reviewable Range (NRR)	NRR: Ticks
Small Precious Metals Index Monthly Options on Futures Contracts	S01M + YY[month code] + [expiration date as YYYYMMDD] + [C or P + Strike Price	0.25 index points	25 from last trade

Appendix C: Settlement Day, Value, and Process

Redacted

Appendix D: Exchange Fees

Non-Community Member

Exchange Fee	$0.15 per Contract

Individual Community Members

Exchange Fee	$0.07 per Contract

Market Maker

Exchange Fee	$0.05 per Contract

Appendix E: Historical Data

Redacted

Appendix F: Cash Market Overview and Analysis of Deliverable Supply

Cash Market Overview

The Contracts add value to the market by offering Participants asset exposure and risk mitigation not currently available with traditional metals products.

The three (3) metals comprising the Index are gold, silver, and platinum. The current spot prices of each metal are weighted according to three (3) metrics: domestic consumption, global production, and notional traded volume. Therefore, the output of the Index Methodology is an index that consists of the most pertinent precious metals weighted according to their global relevance.

Gold, silver, and platinum are used globally and trade continuously around the world. Global trading occurs as market Participants drive the convergence of local prices through arbitrage activity. These Participants include producers, such as miners, refiners, fabricators, producer and consumer end-users, and financial intermediaries, such as banks. Such diversity of Participants along with the nature of global supply and demand for precious metals can provide a strong foundation of liquidity for all three (3) precious metal markets that make up the Index.

Trading in precious metals falls into three (3) categories: spot, forward, and future. The three (3) most active trading centers for metals are:

- The London Bullion Market Association (“LMBA”)
- The U.S. Futures Markets
- The Shanghai Gold Exchange (“SGE”)

These markets and trading centers comprise more than 90% of global trading volume and are complemented by smaller secondary market centers around the world (both over-the-counter (“OTC”) and exchange-traded).[3]

In the wholesale market, the two (2) primary forms of precious metals trading are OTC and on-exchange. OTC markets are characterized by market participants trading directly with one another. The counterparties bilaterally agree on a price and set contractual obligations to settle the transaction (i.e., exchange of cash for a precious metal). Exchanges are regulated platforms that act as price discovery and clearing mechanisms for trading in a given product.

Historically, the OTC market for precious metals has been structured around London, where exchanges and market centers offer spot and futures trading. In the precious metals markets, as in most asset

[3] World Gold Council, 2018.

classes, there is a symbiotic relationship between OTC and on-exchange trading. Despite London's leading role in the physical market, the U.S. futures markets and the COMEX/NYMEX derivatives exchanges operated by CME Group have also become increasingly important in driving price discovery.

London and the United States constitute the largest share of OTC and futures market volume globally. The Contracts will create a new price discovery mechanism for gold, silver, and platinum prices simultaneously and lend themselves to liquidity providers for increased arbitrage for keeping prices consistent with those of the marketplace.

The depth of market for gold, silver, and platinum is great as each metal has both an industrial and economic use case for a variety of Participants including investors, speculators and hedgers. Table 1 shows the depth of market for each metal in the Index.

According to the United States Geological Survey, estimates of domestic consumption for gold, silver, and platinum in 2019 were 4,822,605 troy ounces; 208,979,550 troy ounces; and 1,060,973 troy ounces, respectively.

The 2019 estimates for global production of gold, silver, and platinum were 106,097,310 troy ounces; 868,068,900 troy ounces; and 5,787,127 troy ounces, respectively. In addition to being widely produced and widely consumed, these metals are actively traded in the U.S. futures market.

Data from the Futures Industry Association ("FIA") reveals that the average monthly trading volume of gold, silver, and platinum futures contracts were 9,373,334 contracts; 2,267,706 contracts; and 559,997 contracts for the first three (3) months of 2020. This depth of market supports an Index that is resilient to market abuses because thinly traded commodities are more often susceptible to manipulation.

	Gold	**Silver**	**Platinum**
Domestic Consumption (Troy Ounces)	4,822,605[4]	208,979,550[5]	1,060,973[6]
Global Production (Troy Ounces)	106,097,310	868,068,900	5,787,126
Average of January, February, and March 2020 Futures Traded on NYMEX/COMEX	9,373,334	2,267,706	559,977

Table 1 Depth of Market for Gold, Silver, and Platinum

Gold, silver, and platinum are represented in the Index to provide Participants holistic precious metal exposure. Therefore, the Index's weighting methodology may be appealing to a variety of Participants for risk mitigation and hedging, short-term investment opportunity, and long-term passive investment.

[4] United States Geological Survey 2020 Annual Gold Publication.
[5] United States Geological Survey 2020 Annual Silver Publication.
[6] United States Geological Survey 2020 Annual Platinum-Group Metals Publication.

Analysis of Deliverable Supply

In determining accountability levels and position limits, the Exchange conducted an analysis of deliverable supply. For the proposed Contracts, the Exchange has determined deliverable supply is equal to global mine production data from major gold-, silver-, and platinum-producing nations. Major gold-producing nations are China, Australia, Russia, the United States, and Canada (these nations accounted for 44% of estimated global gold mine production in 2019).

Major silver-producing nations are Mexico, Peru, China, Russia, and Poland (these nations accounted for 65% of estimated global silver mine production in 2019). Major platinum-producing nations are South Africa, Russia, Zimbabwe, Canada, and the United States (these nations accounted for 99% of estimated global platinum mine production in 2019).

Global mine production estimates provided by the United States Geological Survey for 2019 and depicted in Table 1 represent the Exchange's assessment of yearly deliverable supply. Therefore, the Exchange's estimates of yearly deliverable supply are 106,097,310 troy ounces of gold; 868,068,900 troy ounces of silver; and 5,787,126 troy ounces of platinum.

No adjustments are made to reflect long-term supply arrangements in this market nor are they made for each precious metals' quality.

As of March 25, 2020, the Index comprises 2.53979014 troy ounces of gold, 74.3520408 troy ounces of silver, and 0.7319726 troy ounces of platinum. With the Contract's position limit of 5,000 Contracts, this is equal to 0.14%, 0.51%, and 0.76% of the monthly deliverable supply of gold, silver, and platinum metals, respectively. Given the large amount of gold, silver, and platinum produced globally, the Contract's position limits are well below 25% of the deliverable supply as prescribed by 17 CFR 151.4(a)(2)(i). Telescoping position limits to 5,000 Contracts for the five (5) business days prior to expiration helps further mitigate the potential for manipulation.