



The Future of Futures

FairX (LMX Labs, LLC)  
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Chicago, IL 60606

**FairX Submission #2022-04E**

February 18, 2022

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

VIA CFTC Electronic Filing

**Re: CFTC Regulation 40.6 Certification: Amendment of Micro SuperTech Index Futures Terms and Conditions**

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulation 40.6, LMX Labs, LLC, operator of FairX, (the “Exchange”) hereby submits for self-certification its amendment to the Terms and Conditions of the Micro SuperTech Index futures trading on the Exchange. The purpose of the Amendment is to harmonize the settlement procedures for all FairX contracts.

Contract Description

The Micro Super Tech Index futures contract (the “Contract”) is a quarterly cash-settled contract with the following specifications

<b>Contract Name</b>	Micro SuperTech Index Futures
<b>Contract Code</b>	LTEC
<b>Contract Size</b>	\$10 x SuperTech Max Index (TECHMAX) <sup>1</sup>
<b>Price Quotation</b>	Index points to one (1) decimal places
<b>Minimum Tick Size</b>	0.1 index points (\$1.00 per contract)

<sup>1</sup> Prime® is a trademark and service mark of Prime Indexes and its affiliates (collectively). licensors own all proprietary rights in the Indices. Prime is NOT affiliated with FairX, and neither approves, endorses, reviews or recommends the Micro SuperTech Index futures. Prime does not guarantee the timeliness, accurateness or completeness of any data or information relating to the SuperTech Max Index (TECHMAX), and neither shall be liable in any way to FairX, investors in the Micro SuperTech Index futures or other third parties in respect of the use or accuracy of the the SuperTech Max Index (TECHMAX) or any data included therein.

<b>Listed Contracts</b>	Initial listing of Three (3) months in the March/June/September/December quarterly cycle
<b>Price Limits</b>	7% and 13% Intraday 20% daily
<b>Last Trading Day</b>	Third Thursday of the contract month.
<b>Daily Settlement: Lead Month</b>	<p><u>Lead Month</u>: primary contract for settlements with the expectation of having the most activity.</p> <p><u>Midday</u>: 10:00 CT</p> <ul style="list-style-type: none"> <li>○ 1-min VWAP of futures contract rounded to the nearest tradable tick</li> <li>○ 1-min TWAP of futures contract midpoint of the Bid/Ask rounded to the nearest tradable tick</li> <li>○ Cash index value<sup>2</sup> + (difference between previous day's cash index value and previous day's futures settlement)</li> </ul> <p><u>EOD</u>: 15:00 CT</p> <ul style="list-style-type: none"> <li>○ 1-min VWAP of futures contract rounded to the nearest tradable tick</li> <li>○ 1-min TWAP of futures contract midpoint of the Bid/Ask rounded to the nearest tradable tick</li> <li>○ Cash index value<sup>1</sup> + (difference between previous day's cash index value and previous day's futures settlement)</li> </ul>
<b>Daily Settlement: Non-Lead Months</b>	<p><u>Non- Lead Months</u>: all other contracts not the lead month</p> <p><u>Midday</u>: 10:00 CT</p>

<sup>2</sup> Should option 3 be used, FairX will use the index value provided by Index Provider at the time closest to 10:00 CT and/or 15:00 CT, respectively.

- 1-min VWAP of futures contract rounded to the nearest tradable tick
- If the spread trades between 09:59:00-10:00:00 CT, then the spread VWAP is calculated, rounded to the spread's nearest tradable tick and then applied to the lead month settlement to derive the back month settlement.
- 1-min TWAP of futures contract midpoint of the Bid/Ask rounded to the nearest tradable tick
- Last spread trade price is applied to the lead month settlement to derive the settlement.
- Front month settlement value + (previous day's calendar spread).

EOD: 15:00 CT

- 1-min VWAP of futures contract rounded to the nearest tradable tick
- If the spread trades between 14:59:00-15:00:00 CT, then the spread VWAP is calculated, rounded to the spread's nearest tradable tick and then applied to the lead month settlement to derive the back month settlement.
- 1-min TWAP of futures contract midpoint of the Bid/Ask rounded to the nearest tradable tick
- Last spread trade price is applied to the lead month settlement to derive the settlement.

	<ul style="list-style-type: none"> <li>○ Front month settlement value + (previous day's calendar spread).</li> </ul>
<b>Final Settlement</b>	Cash-settled to the closing value of the Prime SuperTech MAX Index (TECHMAX) on the Last Trading Day for the Contract.
<b>Position Limits</b>	All Months 25,000 contracts
<b>Large Trader Reporting</b>	200 contracts
<b>Trading Hours</b>	5-4pm CT Sun-Fri, with trading halt from 4pm to 5pm CT Mon-Thurs.

Index Description

The composition of the SuperTech Max Index (TECHMAX) (the "Index") includes companies engaged in high-growth technology, media, and manufacturing industries that focus on providing internet-enabled, electronic devices or services to consumers and is 100 x the scale of the SuperTech Index. The Index is administered and published by Prime Indexes. The Index methodology may be viewed [here](#). Per the methodology, the Index constituents are reviewed on a quarterly basis in March, June, September, and December.

## Compliance with Core Principles

The Exchange has reviewed the designated contract market (“DCM”) core principles (“Core Principles”) set forth in the Commodity Exchange Act and has identified that the Contract may most directly implicate the following Core Principles:

### *Core Principle 2 -- Compliance with Rules*

Trading in the Contract is subject to the Exchange Rulebook (the “Rulebook”) including Chapter 5, which prohibits fraud, non-competitive trading, market manipulation and abusive and disruptive trade practices. Additionally, as with all contracts traded on the Exchange, trading is subject to monitoring and surveillance by the Market Regulation Department, which has the authority to investigate and enforce Exchange rules, as described in Chapter 7.

### *Core Principle 3 -- Contracts Not Readily Subject to Manipulation*

The Index underlying the Contract is sufficiently broad as to deter attempts to corner, manipulate, or unduly influence the settlement price of expiring Contracts. As of February 17, 2022 the index is made up of fifteen component equities that are widely traded in liquid markets that are themselves subject to extensive regulatory oversight and have total market capitalization of approximately \$30.83 trillion.<sup>3</sup>

### *Core Principle 4 -- Prevention of Market Disruption*

Chapter 5 of the Rulebook prohibits Participants from manipulating, distorting the price of, and disrupting the settlement process of the Contract. As with all contracts traded on the Exchange, trading in the Contract will be subject to monitoring and surveillance by the Market Regulation Department. Further, trading in the Contract shall be subject to price limits consistent with the US equity market-wide circuit breakers. Moreover, regardless of price movement on the Exchange, trading in the Contract will halt when a general market-wide trading halt occurs in the US equity market (See, e.g., NYSE Rule 7.12).

### *Core Principle 5 -- Position Limits or Accountability*

The Contract shall be subject to an all-month position limit of 25,000 contracts. This limit is comparable to limits imposed on similarly sized US equity index futures products traded on other DCMs, including the Nano SuperTech Index futures. By way of providing context, using the closing value of the Index on February 17, 2022, of 3621.88, the notional value of a 25,000 contract position would be approximately \$905 million, which represents approximately 0.003% of the Index’s \$30.5 trillion market capitalization.

### *Core Principle 7 -- Availability of General Information*

The Exchange shall publish on its website and in its Rulebook the specifications, terms and conditions of the Contract.

### *Core Principle 8 -- Daily Publication of Trading Information*

The Exchange shall publish on its website on a daily basis the trading volumes, open interest, and price information for the Contract.

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<sup>3</sup> Statistics sourced from Bloomberg on February 17, 2022.

*Core Principle 9 -- Execution of Transactions*

The Contract shall be listed for trading on the Exchange's trading system, which provides for efficient, competitive, and open execution of transactions.

*Core Principle 10 -- Trade Information*

All requisite trade information is included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse.

*Core Principle 11 -- Financial Integrity of Transactions*

The Contract is cleared by Nodal Clear, LLC, a CFTC registered derivatives clearing organization subject to the CFTC regulations related thereto.

*Core Principle 12 -- Protection of Markets and Market Participants*

Chapters 4 and 5 of the Rulebook require all market participants, including futures commission merchants carrying customer accounts, to observe high standards of integrity, market conduct, commercial honor, fair dealing, and just and equitable principles of trade and prohibits, among other things, fraud, non-competitive trading, market manipulation, and abusive and disruptive trade practices. As with all contracts traded on the Exchange, trading are subject to monitoring and surveillance by the Market Regulation Department.

*Core Principle 13 -- Disciplinary Procedures*

Rulebook Chapter 7 sets forth the rules and procedures for the investigation, enforcement, and sanctioning of persons that violate the Exchange's Rules.

Certification

The Exchange is not aware of any substantive opposing views to the Contract. The Exchange certifies that the Contract and related rules certified herein comply with the Commodity Exchange Act and the rules and regulations promulgated thereunder.

The Exchange certifies that this submission has been concurrently posted on the Exchange's website at: [www.fairx.com](http://www.fairx.com).

If you have any questions or require any further information, please contact me at 773-409-4128 or [aloranger@fairx.com](mailto:aloranger@fairx.com).

Sincerely,

/s/

Anne Loranger  
Chief Regulatory Officer and  
Legal Counsel

Attachments: Appendix A Amendments to FairX Rulebook Chapter 11

## APPENDIX A

Additions underscoring; deletion are ~~struckthrough~~

### CHAPTER 11: CONTRACTS

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#### RULE 1104. Micro SuperTech Index Futures

(a) - (h) No Change.

(i) Settlement. The LTEC Contract is cash settled

(1) Daily Settlement Price shall be determined as follows:

- ~~(i) Volume weighted average price of all trades occurring in the sixty (60) seconds prior to 3pm CT on the relevant Business Day;~~
- ~~(ii) If no trades occur during the sixty (60) seconds prior to 3pm CT, then the Settlement Price will be the time-weighted average midpoint between the bid and ask during the sixty (60) seconds prior to 3pm CT; or~~
- ~~(iii) If a two-sided market is not available during the sixty (60) seconds prior to 3pm CT, then the Settlement Price will be determined using the following calculation: Cash index value + (Previous Day's Back-Front Spread / Days Between Front and Back Month Contracts) x Days to Expiration.~~

(i) Lead Month: primary contract for settlements with the expectation of having the most activity.

a. Midday: 10:00 CT

- i. 1-min VWAP of futures contract rounded to the nearest tradable tick
- ii. 1-min TWAP of futures contract midpoint of the Bid/Ask rounded to the nearest tradable tick
- iii. Cash index value<sup>4</sup> + (difference between previous day's cash index value and previous day's futures settlement)

b. EOD: 15:00 CT

- i. 1-min VWAP of futures contract rounded to the nearest tradable tick
- ii. 1-min TWAP of futures contract midpoint of the Bid/Ask rounded to the nearest tradable tick
- iii. Cash index value<sup>1</sup> + (difference between previous day's cash index value and previous day's futures settlement)

(ii) Non- Lead Months: all other contracts not the lead month

a. Midday: 10:00 CT

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<sup>4</sup> Should option 3 be used, FairX will use the index value provided by Index Provider at the time closest to 10:00 CT and/or 15:00 CT, respectively.

- i. 1-min VWAP of futures contract rounded to the nearest tradable tick
- ii. If the spread trades between 09:59:00-10:00:00 CT, then the spread VWAP is calculated, rounded to the spread's nearest tradable tick and then applied to the lead month settlement to derive the back month settlement.
- iii. 1-min TWAP of futures contract midpoint of the Bid/Ask rounded to the nearest tradable tick
- iv. Last spread trade price is applied to the lead month settlement to derive the settlement.
- v. Front month settlement value + (previous day's calendar spread).

b. EOD: 15:00 CT

- i. 1-min VWAP of futures contract rounded to the nearest tradable tick
- ii. If the spread trades between 14:59:00-15:00:00 CT, then the spread VWAP is calculated, rounded to the spread's nearest tradable tick and then applied to the lead month settlement to derive the back month settlement.
- iii. 1-min TWAP of futures contract midpoint of the Bid/Ask rounded to the nearest tradable tick
- iv. Last spread trade price is applied to the lead month settlement to derive the settlement.
- v. Front month settlement value + (previous day's calendar spread).

(2) - (3) No Change.

(j) No Change.