

May 7, 2020

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 2020-005 - CFTC Regulation 40.2(a) Certification: Initial Listing of the Small Dollar Index Futures 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 Dollar Index Futures 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 May 15, 2020 for trade date May 18, 2020.

Contract Title	Commodity Code	SMFE Rulebook Chapter
Small Dollar Index Futures	SFX	32

The underlying reference for the Contracts shall be the Small Dollar Index ("Index").

Contract Description	3
Cash Market Overview	3
Index Administration, Governance, and Maintenance	6
Compliance with Core Principles	7
Contract Specifications	14
Market Participant Overview and Due Diligence	16
Attachments	17
Appendix A: Small Exchange Rulebook Chapter 32	18
Appendix B: Applicable Position Limits and Reportable Position Levels	21
Appendix C: Applicable Non-Reviewable Trading Ranges	22
Appendix D: Pertinent Special Price Fluctuation Limits	23
Appendix E: Small Dollar Index Methodology	24
Appendix F: Small Dollar Index Components and Weights	24
Appendix G: Settlement Day, Value, and Process	24
Appendix H: Exchange Fees	25
Appendix I: Historical Data	26

Contract Description

The Small Dollar Index Futures Contracts are based on the Small Dollar Index, a measure of the value of the U.S. Dollar relative to a basket of foreign currencies (the Euro, Chinese Renminbi, Japanese Yen, British Pound, Canadian Dollar, Australian Dollar, and Mexican Peso). The seven (7) currencies comprising the Index are among the most actively traded and represent several of the world's largest economic regions. Weights of the constituent foreign currencies are determined using a formula that considers the associated region's gross domestic product ("GDP") and trade volume (U.S Dollar denominated). Index component weights are re-calculated annually.

As described below, the Index is maintained by an independent Index Calculation Agent ("ICA") in accordance with the IOSCO Principles for Financial Benchmarking (the "IOSCO Principles"). The Index is calculated by the ICA using a methodology designed by Small Exchange, Inc. (the "Index Methodology") and disseminated to major market data vendors on a one-second frequency using the last trade price of its underlying constituents as traded in their respective cash markets.

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 Contracts.¹ With 60% of the weighting attributed to GDP, the Contracts provide Participants a vehicle to hedge currency risk from the largest economic regions or invest in the value of the U.S. Dollar. With 40% of the weighting attributed to cash market trading volume, the Contracts are representative of the most actively exchanged foreign currencies. The smaller notional size of the Contracts affords Participants a capital-efficient way to mitigate broad foreign exchange 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 equity market exposure.

Cash Market Overview

The Small Dollar Index Futures Contracts add value to the market by offering Participants asset exposure and risk mitigation not currently available with traditional currency products.

The seven (7) currencies comprising the Index are the Euro, Chinese Renminbi, Japanese Yen, British Pound, Canadian Dollar, Australian Dollar and Mexican Peso. The current spot prices of each currency are weighted according to two (2) metrics: GDP of the respective region and average cash market trading volume of each currency. Therefore, the output of the Index Methodology is an index that consists of the most pertinent global currencies. A breakdown of the weighting methodology is detailed in Appendix E.

¹ 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).

The Euro, Chinese Renminbi, Japanese Yen, British Pound, Canadian Dollar, Australian Dollar, and Mexican Peso are used globally and trade continuously around the world. Global trading occurs as market Participants drive the convergence of local prices through arbitrage activity, hedge existing exposure, as well as, speculate on future exchange rates. These Participants include global corporations, consumer and producer end-users, and financial intermediaries, such as banks. Such diversity of Participants, along with the nature of global supply and demand for foreign currencies, can provide a strong foundation of liquidity for all seven (7) of the currencies that make up the Index.

The foreign exchange (“FX”) market is the most actively traded market in the world and is largely an over-the-counter (“OTC”) market, meaning trading takes place on electronic platforms and via telephone between banks and other market participants. However, the portion of FX notional volume transacted on exchange in the form of futures and options on futures contracts is steadily increasing. It now represents close to 40% of Electronic Communications Network (“ECN”) notional volume.²

There are five (5) segments of the FX market:

- I. “Spot Market” – Buying (selling) one currency and simultaneously selling (buying) another OTC bilaterally between counterparties such as banks and prime brokers.
- II. “Swap Market” – Buying (selling) one currency for spot delivery and simultaneously selling (buying) a currency forward contract for delivery to reduce exposure to short-term currency exchange risk.
- III. “Forward Market” – Buying (selling) currency pairs through a contract that stipulates which currencies are to be traded, when the exchange is to occur, and how much currency is involved. In the Forward Market, a firm eliminates the uncertainty of the buying (selling) price to be paid (received) in the future.
- IV. “Futures and Options Market” – Buying (selling) currency pairs on-exchange with fixed expiration dates and transparent prices. All participants trade in accounts held at futures commission merchants (“FCM”) and introducing brokers (“IB”).
- V. “Exchange-Traded Funds (“ETF”) Market” – Buying (selling) exposure to currencies through an exchange product that trades like a security.

Several types of FX market participants are actively trading the above captioned FX markets including FX dealers, FX brokers, ECN traders and institutional investors. FX dealers, primarily banks, conduct FX business for their clients and themselves, and collectively form the interbank market. FX dealers are the core of the FX market because their trading serves as price discovery and sets volume levels. FX brokers and ECNs facilitate FX trading through their agreements with liquidity brokers to hedge existing positions and manage exposure. Institutional investors, including smaller banks, global businesses, hedge funds, mutual funds, pension funds, Commodity Trading Advisors (“CTA”), Commodity Pool Operators (“CPO”) and other large investors represent a growing segment of FX market participants

² [Quarterly Q1 2018 CME FX Report](#)

meeting their speculation and hedging needs. The weighting methodology of the Index allows a deep pool of Participants to continually manage their U.S. Dollar exposure versus the largest economies and most actively traded global currencies.

The Index is weighted according to the relative size of a region’s economy, which provides exposure to the largest economies’ currencies while simultaneously diversifying across economies. The Index Methodology uses GDP data released from the World Bank to determine the size of a region’s economy.

As can be seen in Table 1, the Index includes currencies from the largest economies. Over the last five (5) years, the United States, Eurozone, and China had the world’s largest economies.

Gross Domestic Product by Region (Current US\$ Millions)³					
Region	2014	2015	2016	2017	2018
United States	\$ 17,427,600	\$ 18,120,700	\$ 18,624,500	\$ 19,390,600	\$ 20,544,300
United Kingdom	\$ 3,022,830	\$ 2,885,570	\$ 2,650,850	\$ 2,622,430	\$ 2,855,300
Japan	\$ 4,850,410	\$ 4,394,980	\$ 4,949,270	\$ 4,872,140	\$ 4,971,320
Canada	\$ 1,799,270	\$ 1,559,620	\$ 1,535,770	\$ 1,653,040	\$ 1,713,340
Australia	\$ 1,464,960	\$ 1,349,030	\$ 1,208,040	\$ 1,323,420	\$ 1,433,900
Mexico	\$ 1,314,560	\$ 1,170,560	\$ 1,077,780	\$ 1,150,890	\$ 1,220,700
China	\$ 10,482,400	\$ 11,064,700	\$ 11,191,000	\$ 12,237,700	\$ 13,608,200
Eurozone	\$ 13,478,928	\$ 11,667,285	\$ 11,934,740	\$ 12,589,498	\$ 13,646,600

Table 1 Gross Domestic Product by Region

In addition to weighting each currency by the respective region’s GDP, the Index incorporates each currency’s total average daily volume as measured by the New York Federal Reserve Foreign Exchange Committee. Incorporating currencies with the largest average daily volume ensures the Index is representative of the foreign exchange market and addresses Participants’ needs for holistic U.S. Dollar exposure.

As demonstrated in Table 2, the currencies with the largest average daily volume of the past four (4) years are the Euro, Japanese Yen, and British Pound.

³ [World Bank National Accounts Data](#)

Total Average Daily Volume (Spot Transactions Millions of US\$) U.S. Dollar Versus: ⁴				
Currency	2016	2017	2018	2019
Euro	\$ 84,438	\$ 90,901	\$ 103,823	\$ 75,941
Japanese Yen	\$ 65,915	\$ 68,250	\$ 78,924	\$ 50,117
British Pound	\$ 42,227	\$ 38,638	\$ 41,235	\$ 43,592
Canadian Dollar	\$ 30,441	\$ 29,733	\$ 34,917	\$ 28,269
Australian Dollar	\$ 21,602	\$ 21,755	\$ 27,680	\$ 18,300
Mexican Peso	\$ 14,210	\$ 16,266	\$ 16,855	\$ 11,316
Chinese Renminbi⁵	\$2,002	\$2,758	\$4,415	\$ 3,737

Table 2 Total Average Daily Volume (Spot Transactions Millions of USD) U.S. Dollar Versus:

Seven (7) currency pairs are represented in the Index to provide Participants holistic U.S. Dollar exposure. The currencies comprising the Index are among the most actively traded. 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.

Index Administration, Governance, and Maintenance

The Index is calculated and published by dxFeed, an independent Index Calculation Agent. dxFeed provides a state-of-the-art index management platform that supports multiple index families with controlled workflows and a flexible environment for data handling and research. Their platform and templates help ensure that the indices they create and maintain have the desired qualities of a sound index: representativeness, economic significance, continuity and consistency of pricing.

dxFeed carries out the calculation of the Index in accordance with IOSCO Principles including, without limitation, index administration, conflicts of interests, internal oversight, governance, Index compilation, publication and distribution, and data sufficiency.

dxFeed provides a full lifecycle management solution for indices with support for index design, back testing, basket analysis reweighting and rebalancing, version management for index methodologies, and seamless transfer from research and development to production.

Additionally, dxFeed has a highly comprehensive feed handling solution offering a broad range of data services. dxFeed's data is streamed to approximately 200,000 end-users simultaneously, including major data vendors such as ICE Data Services / SFTI, Refinitiv and Options-IT, and they deliver financial information for more than two million financial instruments (e.g., equities, futures, options, indices, FX,

⁴ [October New York Federal Reserve FX Volume Surveys](#)

⁵ Listed as Yuan in the FX Volume Survey

etc.) from a variety of exchanges in North America, Europe, and around the world. This availability and depth of product pricing helps ensure Index integrity because data inputs are sourced from a variety of reputable and recognized quality sources.

Exchange Affiliates have previously engaged with dxFeed for services. Based on the level of satisfaction of such Affiliates with dxFeed in the areas of work quality, consistency in service support, and industry expertise, the Exchange undertook vetting dxFeed for index calculation and ultimately identified them as a top choice as an ICA.

The Index Methodology is publicly available on the ICA's website: <https://indexit.dxfed.com>.

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 compliance 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 robust processes in place to monitor its markets for compliance with the Rules.

The Exchange has contracted the National Futures Association ("NFA") to be its Regulatory Service Provider. As such, the NFA will work with the Exchange to provide trade practice surveillance, market surveillance, investigations and disciplinary escalations, regulatory reporting and recordkeeping, arbitration services, and audit trail requirements. These regulatory functions will also be supported by the Exchange's technology, which will collect and transmit the bid, offer, and trade data to the NFA.

The Exchange has also contracted Eventus Validus 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, Administration 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 ARM allows the Exchange staff to monitor trading and the market in real-time with the ability to query orders, trades, and current positions. The ARM also monitors firms' risk limit usage and prevents new orders if pre-trade limits are breached.

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. The JCC operates through its members to protect market integrity within and across its members’ markets by providing a forum for information sharing related to investigations and disciplinary actions among other regulatory topics and issues that may impact their markets, members, or self-regulatory responsibilities.

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”).

The Exchange is a member of the Futures Industry Association (“FIA”). The FIA is the leading global trade organization for futures, options, and centrally-cleared derivatives markets. The FIA’s membership includes clearing firms, exchanges, clearinghouses, trading firms, and commodities specialists from more than 48 countries and technology vendors, lawyers, and other professionals serving the industry. The FIA’s mission is to support open, transparent, and competitive markets, protect and enhance the integrity of the financial system, and promote high standards of professional conduct. The Exchange adheres to and supports the mission of the FIA through the enforcement of its Rules.

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.

The Index is composed of currencies that are among the most actively traded in the FX market. There are numerous global entities that trade FX 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. 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 currencies 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 U.S. Dollar volatility, diversify a portfolio, or invest passively in the value of the U.S. Dollar.

Per the Index Methodology, the Contracts provide distinctive U.S. Dollar exposure against the most widely-traded foreign currencies 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 CTAs and CPOs 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 FX market risk.

The Exchange believes the currencies comprising the Index are deemed as having sufficient volume and liquidity for market Participants. As demonstrated in Table 2, the average daily spot market volume traded of the constituent currencies is substantial. Additionally, the Index Methodology assigns greater weightings to widely used and actively traded currencies to mitigate the potential for market manipulation. Based on this liquidity, there will be minimal adverse market impact from Participants hedging in the Contract. Thinly traded currencies 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. 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 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 G.

The Exchange has in place surveillance tools and procedures to identify potential manipulation during trading hours and the final settlement window. As part of its market surveillance program for potential manipulation, the Exchange has contracted with Eventus Systems. Eventus Systems 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 Validus 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.

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 a FIX session or the Exchange's Trading System to simultaneously cancel all existing orders on all Exchange markets and to prevent placing any new orders until the kill switch 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 a 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 to ensure its markets work in an efficient and orderly manner during large, unexpected movements and increased volatility. The Exchange employs two intraday limits of 7% and 13% and a daily limit of 20% all using the Contract's previous day's settlement value, as described below:

- Once an intraday price limit is reached, the following actions take place over the next three (3) minutes:
 - The market enters a "paused" state for one (1) minute, with no order matching or trades occurring. Only order cancellations are allowed. New and replace orders are rejected by the Trading System.
 - During the second minute, the market enters the "pre-open" state, where no orders match and no Trades occur, but orders on opposite sides of the market may cross. Limit, Stop and Stop-Limit order types are accepted with a time in force of Good Till Cancelled ("GTC") or Day. Orders can also be canceled or replaced. Market, Fill or Kill ("FOK") and Immediate or Cancel ("IOC") orders are rejected by the Trading System.
 - In the third minute, the market enters a "pre-open no cancel" state, where no orders match and no Trades occur, but orders on opposite sides of the market may cross. Limit, Stop and Stop-Limit order types are accepted with a time in force of GTC or Day. Cancel and replace requests will not be accepted. Market, FOK and IOC orders are rejected by the Trading System.
 - At the end of the third minute, the market enters an "open" state, with regular price-time priority matching in effect, and all supported orders are accepted. Upon reopening, the Exchange does not calculate or disseminate an opening print.
 - In the event that an intraday price limit is reached within three (3) minutes of the Exchange's market close time, the Exchange shall not reopen. The Exchange will publish

a daily settlement value or a final settlement value on the Contract's day of expiration, as appropriate, using the process set forth in Exchange Rule 904 and the intraday price limit pause time as the Exchange's market close time for the purposes of such process.

- The market cannot trade at prices 20% above or below the Contract's previous day's settlement value. This is a pre-order validation that prevents the acceptance of orders at such prices in such circumstances.

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 automated market surveillance system, DETECT, 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 compliance 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 DETECT 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. 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.

Index levels and average daily trading volume of spot currencies as of March 25, 2020 exemplify the conservatism of these position accountability levels and position limits. On this date, the Index closed at \$161.17, placing the notional value of one (1) Contract at \$16,117. This places a hypothetical 10,000 Contract position (i.e., at the Contract's accountability level) at approximately \$161 million. This signifies roughly 0.07% of the spot Euro, Japanese Yen, British Pound, Canadian Dollar, Australian Dollar, Mexican Peso and Chinese Renminbi average daily volume in October 2019. Telescoping position limits to 5,000 Contracts for the five (5) business days prior to expiration helps further mitigate the potential for manipulation.

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.

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 Dollar Index Futures 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.

Contract Specifications

Product Name	Small Dollar Index Future
Symbol	SFX
Contract Description	Cash-settled futures Contract with the Small Dollar Index as its underlying
Contract Size	\$100 x Small Dollar Index
Contract Listings	<p>New Contracts will be added monthly with two (2) Contracts outstanding at any time. Each Contract will expire monthly.</p> <p>The First Trading Day (“FTD”) shall be the first business day that is not more than 61 calendar days prior to the Last Trading Day (“LTD”) for the respective Contract month.</p> <p>There is no seasonality or other cyclical basis for listing the Contracts. After surveying market Participants, the Exchange believes that the need for hedging equity exposure will be continual and therefore listing two (2) successive months will be useful to potential hedgers.</p>

Tick Size / Price Increments	Tick Size: 0.01 Index Points (\$1.00) Contract Multiplier: \$100
Initial Price Limits	7%, 13% and 20%
Daily Settlement Value	<p>Daily Settlement of Front Month: If a Trade occurs in the last sixty (60) seconds of the Contract’s trading hours, the daily settlement value 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 value for such Contracts:</p> <p style="text-align: center;"><i>Cash Index Value + (Previous Day’s Back-Front Spread / Days Between Front and Back Month Contracts) x Days to Expiration</i></p> <p>Daily Settlement of Back Month: If a Trade occurs in the last sixty (60) seconds of the Contract’s trading hours, the daily settlement value 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 settlement value of such back month Contract will be calculated using calendar spreads. In the absence of relevant calendar spread trades during the trading day, the settlement value for such back month Contract will be the front month settlement value for such product plus the previous day’s front month minus back month spread value.</p>
Final Settlement Value	On the day of expiration, the final settlement value of the Contract is determined using the modified average cash value of the respective cash index, starting at 14:58:30 CT to 14:59:59 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 comprises 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 value for the product.
Last Trading Day & Time	<p>The LTD is the maturity date of the Contract, which is the third Friday of the respective Contract month at 15:00:00 CT. If that day falls on a holiday, the LTD is the first business day preceding the third Friday.</p> <p>The Contract expires with the establishment of the final settlement value. The final settlement value is published shortly after 15:00:00 CT.</p>
Final Settlement Date	Cash settlement will occur the same business day as the expiration of the Contract.

Settlement Process	Contracts are settled to cash. Payments will be determined by the final settlement value posted by the Exchange.
Large Trader Reporting Level	25
Position Accountability Level	10,000
Position Limits	5,000 Contracts five (5) business days prior to expiration
Non-Competitive Trades	Block trades will not be supported for this Contract
Clearing	Contract will be cleared by the OCC

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 dollar index futures product. 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 currency index futures product that reflects the value of the U.S. Dollar against the most actively traded currencies in the foreign exchange market for hedging and risk mitigation, short-term investment opportunities, and long-term passive investment. Because the currencies in the Index are weighted according to the size of the region’s economy and their volume traded and are rebalanced annually, the Contract is a way for individual Participants to gain exposure to currencies of the largest economies and simultaneously diversify across overall foreign exchange 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 ETFs or building a basket of spot currencies, the Contract is a capital-efficient way to add U.S. Dollar 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 32
Appendix B: Applicable Position Limits and Reportable Position Levels
Appendix C: Applicable Non-Reviewable Trading Ranges
Appendix D: Pertinent Special Price Fluctuation Limits
Appendix E: Small Dollar Index Methodology
Appendix F: Small Dollar Index Components and Weights
Appendix G: Settlement Day, Value, and Process
Appendix H: Exchange Fees
Appendix I: Historical Data

Appendix A: Small Exchange Rulebook Chapter 32

Small Dollar Index Futures Contracts

32001. Scope of Chapter

This chapter is limited in application to Small Dollar Index Futures Contracts (“Contract” or “Contracts”). The provisions of these rules shall apply to all Contracts bought or sold on the Exchange for cash settlement based on the Floating Price, as defined herein. The procedures for trading, clearing and cash settlement of Contracts and any other matters not specifically covered herein, shall be governed by the Rules of the Exchange.

32002. Contract Specifications

The Floating Price for each Contract is based on the Small Dollar Index (“Index”), a measure of the value of the U.S. Dollar relative to a basket of foreign currencies (the Euro, Chinese Renminbi, Japanese Yen, British Pound, Canadian Dollar, Australian Dollar, and Mexican Peso). The seven (7) currencies comprising the Index are among the most actively traded and represent several of the world’s largest economic regions. Weights of the constituent foreign currencies are determined using a formula that considers the associated region’s gross domestic product (“GDP”) and trade volume (U.S. Dollar-denominated). Index component weights are re-calculated annually.

32003. Trading Specifications

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

32003.A. Trading Schedule

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

32003.B. Trading Unit

The trading unit is equal to \$100 times the Index.

32003.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.

32003.D. Daily Price Limits

The Exchange uses intraday and daily price limits to ensure its markets work in an efficient and orderly manner during large, unexpected movements and increased volatility. The Exchange employs two intraday limits of 7% and 13% and a daily limit of 20% all using the Contract’s previous day’s settlement value, as described below:

- Once an intraday price limit is reached, the following actions take place over the next three (3) minutes:
 - The market enters a “paused” state for one (1) minute, with no order matching or trades occurring. Only order cancellations are allowed. New and replace orders are rejected by the Trading System.
 - During the second minute, the market enters the “pre-open” state, where no orders match and no Trades occur, but orders on opposite sides of the market may cross. Limit, Stop and Stop-Limit order types are accepted with a time in force of Good Till Cancelled (“GTC”) or Day. Orders can also be canceled or replaced. Market, Fill or Kill (“FOK”) and Immediate or Cancel (“IOC”) orders are rejected by the Trading System.
 - In the third minute, the market enters a “pre-open no cancel” state, where no orders match and no Trades occur, but orders on opposite sides of the market may cross. Limit, Stop and Stop-Limit order types are accepted with a time in force of GTC or Day. Cancel and replace requests will not be accepted. Market, FOK and IOC orders are rejected by the Trading System.
 - At the end of the third minute, the market enters an “open” state, with regular price-time priority matching in effect, and all supported orders are accepted. Upon reopening, the Exchange does not calculate or disseminate an opening print.
 - In the event that an intraday price limit is reached within three (3) minutes of the Exchange’s market close time, the Exchange shall not reopen. The Exchange will publish a daily settlement value or a final settlement value on the Contact’s day of expiration, as appropriate, using the process set forth in Exchange Rule 904 and the intraday price limit pause time as the Exchange’s market close time for the purposes of such process.
- The market cannot trade at prices 20% above or below the Contract’s previous day’s settlement value. This is a pre-order validation that prevents the acceptance of orders at such prices in such circumstances.

33003.E. Position Limits, Exemptions, Accountability Levels and Reportable Levels

Position limits for the Contracts are 5,000 Contracts five business days prior to expiration.

There are no exemptions.

Position accountability levels for the Contracts are 10,000.

Reportable levels for the Contract are 25.

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

33003.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 15:00:00 CT. If that day falls on a holiday, the last trading day is the first business day preceding the third Friday.

33004. Settlement Procedures

Contracts will be cash settled.

33004.A. Final Settlement Value

On the day of expiration, the final settlement value of the Contract will be determined by the modified average cash market value of the Index, between 14:58:30 CT to 14:59:59 CT (inclusive).

33004.B. Final Settlement

Clearing Members holding open positions in an expiring Contract at its termination of trading shall make payment to or receive payment from the Clearing House in accordance with normal variation margin procedures based on such expiring Contract's Final Settlement Value.

33005. Disclaimer

NEITHER THE SMALL EXCHANGE, INC. AND/OR ITS AFFILIATES GUARANTEES THE ACCURACY AND/OR COMPLETENESS OF THE INDEX 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 INDEX, TRADING BASED ON THE INDEX, 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 INDEX 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 Position Limits and Reportable Position Levels

Instrument Name	Small Dollar Index Futures Contracts
Symbol	SFX
Rulebook Chapter	32
Contract Size	\$100 x Small Dollar Index
Type	Future
Settlement	Cash
Large Trader Reporting Level	25
Position Accountability Level	10,000
Expiring Month Position Accountability Level Five Business Days Prior to Expiration	5,000

Appendix C: Applicable Non-Reviewable Trading Ranges

Instrument Name	Symbol	Non-Reviewable Range (NRR)	NRR: Ticks
Small Dollar Index Futures Contracts	SFX	0.25 index points	25 from last trade

Appendix D: Pertinent Special Price Fluctuation Limits

Product	Rulebook Chapter	Commodity Code	Primary/Associated	Associated With	Level 1	Level 2	Level 3
Small Dollar Index Futures Contracts	32	SFX	Primary	Primary	7.00%	13.00%	20.00%

Appendix E: Small Dollar Index Methodology

Appendix F: Small Dollar Index Components and Weights

REDACTED

Appendix G: Settlement Day, Value, and Process

REDACTED

Appendix H: Exchange Fees

Non-Subscriber

Exchange Fee \$0.15 per contract

Individual Subscription Holders (Initial Lifetime Subscription Offer)

Exchange Fee \$0.07 per contract (1/2 off rack rate \$0.15)

Market Maker

Exchange Fee \$0.05 per contract

Appendix I: Historical Data

REDACTED