

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): _____

Organization: _____

Filing as a: **DCM** **SEF** **DCO** **SDR** Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): _____ Filing Description:

SPECIFY FILING TYPE Please note only ONE choice allowed per Submission.

Organization Rules and Rule Amendments

Certification	§ 40.6(a)
Approval	§ 40.5(a)
Notification	§ 40.6(d)
Advance Notice of SIDCO Rule Change	§ 40.10(a)
SIDCO Emergency Rule Change	§ 40.10(h)

Rule Numbers: _____

New Product Please note only ONE product per Submission.

Certification	§ 40.2(a)
Certification Security Futures	§ 41.23(a)
Certification Swap Class	§ 40.2(d)
Approval	§ 40.3(a)
Approval Security Futures	§ 41.23(b)
Novel Derivative Product Notification	§ 40.12(a)
Swap Submission	§ 39.5

Official Product Name: _____

Product Terms and Conditions (product related Rules and Rule Amendments)

Certification	§ 40.6(a)
Certification Made Available to Trade Determination	§ 40.6(a)
Certification Security Futures	§ 41.24(a)
Delisting (No Open Interest)	§ 40.6(a)
Approval	§ 40.5(a)
Approval Made Available to Trade Determination	§ 40.5(a)
Approval Security Futures	§ 41.24(b)
Approval Amendments to enumerated agricultural products	§ 40.4(a), § 40.5(a)
“Non-Material Agricultural Rule Change”	§ 40.4(b)(5)
Notification	§ 40.6(d)

Official Name(s) of Product(s) Affected: _____

Rule Numbers: _____



June 3, 2024

Submitted via CFTC Portal

Mr. Christopher J. Kirkpatrick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Re: SpectrAxe, LLC – CFTC Regulation 40.2 Certification of USD/CNY NDOs

Dear Mr. Kirkpatrick:

SpectrAxe, LLC (SpectrAxe) hereby notifies the Commodity Futures Trading Commission (Commission), pursuant to CFTC Regulation 40.2(a), of its intent to list USD/CNY non-deliverable foreign exchange options (NDOs) for trading on the Axe FX Trading Platform, SpectrAxe's swap execution facility (SEF) electronic trading system. SpectrAxe intends to list USD/CNY options on June 14, 2024.

This submission letter contains the following attachments:

- The submission cover sheet;
- Attachment A, which provides a concise explanation and analysis of NDOs, including as USD/CNY NDOs;
- Attachment B, which provides the contract specifications for NDOs as published on SpectrAxe's website, in accordance with Rule 901 of the SpectrAxe Rulebook (Rulebook);
- Attachment C, which provides a concise explanation and analysis of NDOs' compliance with applicable provisions of the Commodity Exchange Act (Act), including the Core Principles and the Commission's regulations thereunder (CFTC Regulations).

Based on the foregoing, SpectrAxe certifies that the USD/CNY NDOs comply with the Act and CFTC Regulations. Additionally, SpectrAxe certifies that it has concurrently posted a copy of this submission letter and attachments hereto on its website at www.spectraxesef.com.

* * *

Should you have questions regarding this submission, please do not hesitate to contact me at +1-929-581-0340 or mlee@spectrax.com.

Very truly yours,

A handwritten signature in black ink, appearing to read 'mlee', followed by a horizontal line.

Michael G. Lee
Chief Compliance Officer, Chief Regulatory Officer
SpectrAxe, LLC

Attachment A

SpectrAxe intends to offer NDOs, including USD/CNY NDOs, on the Axe FX Trading Platform, SpectrAxe's SEF electronic trading system.

A NDO is a derivative financial instrument that gives the owner the right but not the obligation to buy or sell an agreed amount of one currency in exchange for an agreed amount of another currency at a future specified exchange rate (strike price), but using a net cash settlement in the relevant foreign currency made by one party to another based on the difference between the two FX prices (the strike price and the prevailing settlement rate).

The offered NDOs will be settled in the European option style, whereby the right to exercise may occur only on a single date (Expiry Date). Settlement of an "in-the-money" option is typically 1 or 2 days following the agreed Expiry Date, using the prevailing settlement rate of the reference currency in the Expiry Date. Settlement is in cash, where Participants exchange the net cash difference between the prevailing settlement rate and the strike price of the NDO.

For more information, the contract specifications for NDOs are included in Attachment B.

Attachment B

DESCRIPTION	Non-Deliverable FX Options (NDOs) offer the right but not the obligation to buy or sell an agreed amount of one currency in exchange for an agreed amount of another currency at a specified exchange rate (strike price) through, specifically, a cash settlement in the relevant foreign currency.
TRADE DATE	The date the transaction is agreed between and becomes legally binding on the parties.
OPTION STYLE	European Style (NDO buyer may only exercise the NDO on the Expiry Date).
EXPIRY DATE	Between 1 day and 2 years, as agreed between the parties.
AUTOMATIC EXERCISE	Applicable, pursuant to the SpectrAxe Rulebook.
STRIKE PRICE	As agreed between the parties.
NOTIONAL AMOUNT	As agreed between the parties.
NOTIONAL AMOUNT MINIMUM	Dependent on the currency pair underlying the NDO.
MINIMUM TICK	Dependent on the currency pair underlying the NDO.
OPTION TYPE	<ul style="list-style-type: none">• Put – NDO buyer has the right to sell an agreed amount of the base currency at the agreed-upon strike price.• Call – NDO buyer has the right to buy an agreed amount of the base currency at the agreed-upon strike price.
DELTA HEDGES	<p>NDOs may be traded:</p> <ul style="list-style-type: none">• with an underlying delta hedge that is forward dated; or• without a delta hedge. <p>Maximum of two vanilla options with up to two hedges may be traded in a single transaction.</p>
AVAILABLE TENORS	Dependent on the currency pair underlying the NDO.
SETTLEMENT DATE	One or two business days after the Expiry Date, depending on the underlying currency pair, or as agreed between the parties.

SETTLEMENT TYPE	In cash, where Participants exchange the net cash difference between the prevailing settlement rate and the strike price of the NDO.
PREMIUM AMOUNT	As agreed between the parties.
PREMIUM PAYMENT DATE	Premium is valued before trade execution and may be paid spot or forward upon the settlement of the NDO, as agreed between the parties.
DISRUPTION EVENT	<p>Should a Disruption Event, as set forth by the EMTA Template Terms for Non-Deliverable Currency Option Transactions applicable to the Reference Currency (the EMTA Template Terms), prevent the use of a prevailing settlement rate, settlement shall proceed under the Disruption Fallback procedures set forth by the EMTA Template Terms.</p> <p>If the procedures outlined by the EMTA Template Terms do not provide a resolution, the Company may, in its sole discretion, lift the anonymity of the Participants and require bilateral negotiations between the Participants to resolve any settlement issues that may occur under the Disruption Fallback procedures.</p>
TRADING HOURS	As set forth in the SpectrAxe website.
HOLIDAY CALENDAR	As agreed between the parties and suitable to the currency's market standards.
CLEARING	n/a – Not cleared.
BLOCK MINIMUM	n/a – No block trading allowed on the SEF.
REPORTABLE LEVELS	As set forth in CFTC Regulation 15.03.
POSITION LIMITS	As set forth in Part 150 of CFTC Regulations.
DEFINITIONS	Unless explicitly defined, all capitalized terms are defined in the SpectrAxe Rulebook, the 2006 ISDA Definitions, or the EMTA Template Terms, as updated. If there are any conflicts between definitions, the definitions in the SpectrAxe Rulebook shall prevail.

Available Currency Pairs:

USD/BRL

USD/IDR

USD/CLP

USD/INR

USD/CNY

USD/KRW

USD/COP

Attachment C

SpectrAxe has determined that NDOs, including USD/CNY NDOs, bear upon the following Core Principles:

Core Principle 2 - Compliance with Rules

Trading in NDOs will be subject to the Rulebook, which prohibits abusive trading practices, including: acts detrimental to SpectrAxe (see SpectrAxe Rule 609); acts that are inconsistent with just and equitable principles (see SpectrAxe Rule 602); fraudulent acts (see SpectrAxe Rule 603); fictitious or non-competitive transactions (see SpectrAxe Rule 604); market manipulation (see SpectrAxe Rule 606); disruptive trading practices (see SpectrAxe Rules 605 and 607); misstatements (see SpectrAxe Rule 608); wash sales (see SpectrAxe Rule 613); and pre-negotiated or non-competitive trades, such as money passes (see SpectrAxe Rule 614).

As with all Swaps (as defined in the Rulebook) listed for trading on the Axe FX Trading Platform, trading activity in NDOs will be subject to monitoring and surveillance by the SpectrAxe Market Control Center. SpectrAxe has the authority to exercise its investigatory and enforcement powers where potential rule violations are identified (see Chapter 7 of the Rulebook).

Core Principle 3 - Swaps Not Readily Susceptible to Manipulation

NDOs will be based on the prevailing settlement rate for the respective reference currency and are not readily susceptible to manipulation because wide dealer and industry support provides significant liquidity in all market conditions for the currency pairs available on the Axe FX Trading Platform.

SpectrAxe anticipates that the five most liquid currencies in regard to NDOs that will be traded on the Axe FX Trading Platform are, in order: (1) USD, (2) CNY, (3) KRW, (4) INR and (5) BRL.

SpectrAxe anticipates that the five least liquid currencies in regard to NDOs that will be traded on the Axe FX Trading Platform are, in order: (1) COP, (2) CLP, (3) IDR, (4) BRL and (5) INR.

To demonstrate the level of liquidity for these currencies, the chart below represents the average daily turnover of OTC foreign exchange instruments in these currencies in April 2022, [as reported in the Triennial Survey](#) by the Bank of International Settlements¹:

Currency	April 2022 daily average turnover*
USD	\$6,639 billion
CNY	\$526 billion
KRW	\$142 billion
INR	\$122 billion
BRL	\$66 billion
IDR	\$28 billion
CLP	\$24 billion
COP	\$14 billion

*On a “net-net” basis, measured in USD

¹ The Bank of International Settlements’ Triennial Survey takes place every three years in the month of April. As of the date of this submission, the April 2022 figures are the most recent available figures.

Core Principle 4 - Monitoring of Trading and Trade Processing

All trading activity of NDOs on SpectrAxe is monitored on a real-time basis by the Market Control Center. The Market Control Center conducts real-time monitoring in order to observe any aberrant or atypical price volatility or volume volatility. Real-time monitoring enables SpectrAxe to cancel NDO trades as a means of mitigating any errors or malfunctions in the operations of the Axe FX Trading Platform, given that any such adjustments are made transparent to the impacted Participants and PFIs in accordance with the Rulebook.

The Market Control Center may contact the Compliance Department on a real-time basis if it identifies instances of NDO trading behavior that may be inconsistent with the Rules and may warrant contacting the Participant. In addition, the Compliance Department reviews the SEF's audit trail on a T+1 basis to identify such instances.

The Compliance Department is authorized under Chapter 7 of the Rulebook to conduct investigations and disciplinary proceedings.

Core Principle 5 - Ability to Obtain Information

Pursuant to the Rulebook, SpectrAxe has the authority and ability to obtain sufficient information for each NDO to allow SpectrAxe to fully perform its operational, risk management, governance and regulatory functions described in Section 5h of the Act and Part 37 of CFTC Regulations (see, e.g., SpectrAxe Rule 503).

Core Principle 6 - Position Limits or Accountability

SpectrAxe may adopt position limits or position accountability levels for NDOs if necessary and appropriate, pursuant to SpectrAxe Rules 408 and 409. SpectrAxe continually assesses whether position limits or position accountability levels are necessary, appropriate, and should be adopted for NDOs to reduce the threat of market manipulation or congestion.

Note that SpectrAxe, as well as individual PFIs (as defined in the Rulebook), currently manages Participant risk through the use of Limits (as defined in the Rulebook).

Core Principle 7 - Financial Integrity of Transactions

SpectrAxe has established trade procedures, including the involvement of PFIs, pursuant to the Rulebook, to ensure the financial integrity of NDOs entered through the Axe FX Trading Platform.

Core Principle 8 - Emergency Authority

Pursuant to the Rulebook, SpectrAxe's Chief Operating Officer (COO), or any individual designated by the COO and approved by SpectrAxe's Board of Directors (Board), is authorized to place, with immediate effect, a temporary emergency addition to the Rulebook that may provide for, or may authorize, the Board or any committee thereof to undertake actions necessary or appropriate to respond to the Emergency (as defined in the Rulebook), including (i) imposing or modifying position limits, price limits or intraday market restrictions on NDOs; (ii) ordering the liquidation or transfer of open positions in any NDO; (iii) ordering the fixing of a settlement price on any NDO; (iv) extending, limiting or changing the trading hours or expiration date of an NDO; (v) suspending or curtailing trading, or limiting trading to liquidation only, in an NDO; (vi)

transferring NDO contracts and associated margin, or altering any NDO's settlement terms or conditions; (vii) modifying or suspending any provision in the Rulebook; and/or (viii) taking market actions as may be directed by the Commission (see SpectrAxe Rule 412(b)).

Core Principle 9 - Timely Publication of Trading Information

In accordance with Part 16 of CFTC Regulations, SpectrAxe will publish daily market volume data reports for each Swap (or class of Swap) in terms of notional value. Further, SpectrAxe will publish for each trading day, by tenor of the Swap, the opening price and the high and low prices.

SpectrAxe will submit electronic reports of all primary economic terms data for each Swap to a registered swap data repository immediately following execution of such Swap, pursuant to its Rulebook and CFTC Regulations. All such reports will meet the standards put forth in CFTC Regulations, including the requirement in CFTC Regulation 45.5 to include a unique transaction identifier for each Swap.

Core Principle 10 - Recordkeeping and Reporting

SpectrAxe keeps all books and records regarding NDO transactions required to be maintained under the Act and CFTC Regulations, including CFTC Regulations 37.1001 and 45.2(a). These books and records are retained for the life of the Trade (as defined in the Rulebook) and five years following the termination of the Trade, as required by CFTC Regulations. Additionally, these books and records are readily accessible for inspection.