August 20, 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 2020-014 - CFTC Regulation 40.2(a) Certification: Initial Listing of the Small Technology 60 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 Technology 60 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 August 21, 2020 for trade date August 24, 2020.

Contract Title	Commodity Code	SMFE Rulebook Chapter
Small Technology 60 Index Futures	STIX	33

The underlying reference for the Contracts shall be the Small Technology 60 Index ("Index").

Contract Description

The Small Technology 60 Index Futures Contracts are based on the Small Technology 60 Index, which comprises 60 large- and mid-cap equity securities in the technology sector that are among the largest and most actively traded in the U.S. The Index components represent four (4) subsectors with each containing 15 stocks. Index components are classified in accordance with their business, and the final constituents are selected at the discretion of the Index Committee who monitors market capitalization, notional traded volume, and overall viability of the company.

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 on their respective primary exchanges.

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] The Contracts are representative of the largest and most actively held technology sector stocks, and their smaller notional size afford Participants a capital-efficient way to hedge the most active portion of a passive stock portfolio or invest in the most relevant publicly traded technology companies. 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 Technology 60 Index Futures Contracts add value to the market by offering Participants asset exposure and risk mitigation not currently available with traditional equity index products. Technology has grown to be the largest sector of the equity market, and Participants increasingly need direct, efficient access to a diversified and complete technology product. The Small Technology 60 Index Futures Contracts grant this access by offering near-equal weightings to all sixty (60) stocks across four (4) technology subsectors.

The Index Committee classifies stocks to ensure the constituents comprising the Index are among the largest and most actively traded U.S. stocks within the technology sector. A breakdown of the stock selection process is detailed in Appendix E.

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[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).

As of July 14, 2020, the median capitalization of the stocks in the Index was approximately $90 billion with the largest stock at $1.5 trillion (AMZN) and the smallest at $9 billion (IMMU). Additionally, on this date the median notional volume traded was $275 million with the largest $13.4 billion (AMZN) and the smallest $51.7 million (IMMU). Eligibility is determined by the Index Committee, which meets biannually to assess the state of the Index. The guidelines are as follows:

- Eligible components must fall into one of the following subsector classifications as determined by the Index Committee:
  ○ Information Technology
  ○ Retail Technology
  ○ Media Technology
  ○ Biology Technology
- Components must have listed options at the time of addition to the Index
- The average 3-month price must be greater than $10 upon addition to the Index
- Publicly traded for at least 3 months prior to inclusion into the Index
- The capitalization must be at least $1 billion at time of entry

In determining which stocks comprise the Index, the Index Committee considers market capitalization, notional traded volume, and the overall viability of the company. Capitalization is considered so the Index uses recognizable stocks. Notional traded volume is considered so the Index uses stocks which are actively traded in the primary market.

Market capitalization and volume considerations provide Participants with a Contract comprising the most liquid and actively held stocks. The viability of the company is determined by the Index Committee to ensure constituents are representative of their associated subsectors and equipped to endure broad equity volatility.

Another of the criteria for inclusion in the Index, is a stock must list options at the time of addition to the Index. This requirement ensures all eligible underlyings meet the Securities Exchange Commission's ("SEC") principles for listing option contracts, as required by the "Plan for the Purpose of Developing and Implementing Procedures Designed to Facilitate the Listing and Trading of Standardized Options Submitted Pursuant to Section 11A(a)(3)(B) of the Securities Exchange Act of 1934,"[2] which effectively means only stocks that are widely held are those selected for inclusion in the Index. Including optionable stocks also supports liquidity providers' hedging preferences, as they often use the cash markets, futures markets, and options markets for risk mitigation which further contributes to the foundation of a liquid, fair, and orderly market.

The following four (4) sectors are represented in the Index including 15 stocks from each sector:

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[2] https://www.theocc.com/components/docs/clearing/services/options_listing_procedures_plan.pdf.

- Information Technology – Companies that use systems such as computers or telecommunications for the storage, sending, or retrieval of information.
- Retail Technology – Companies that use software, hardware, and big data to aid in the selling of goods to the general public.
- Media Technology – Companies that use software, hardware, and other technological tools in the creation, production, and management of media.
- Biology Technology – Companies that use living systems and technological tools in the creation or modification of products that advance health.

These four (4) sectors represent a holistic cross-section of equity market exposure and signify some of the largest sub-sectors of the technology sector and the U.S. economy. As of July 14, 2020, the average capitalization of the components was $214 billion.

Together, the Index's stock selection requirements, weighting methodology, and sector representations produce an Index and Contracts that 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, 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.dxfeed.com.

Index Evaluation

The Commodity Exchange Act ("CEA" or the "Act") requires that security futures products, defined as those that comprise single stock futures and futures on narrow-based security indices, shall be subject to the joint jurisdiction of the CFTC and the SEC.

Futures products for which the underlying references are broad-based security indices remain subject to the sole jurisdiction of the CFTC.

CEA Section 1(35)(A)(i)-(iv) defines a "narrow-based index" as an index:

i.   that has 9 or fewer component securities;

ii.   in which a single component security comprises more than 30% of the index's weighting;

iii.   in which the five highest weighted component securities in the aggregate comprise more than 60% of the index's weighting; or

iv.   in which the lowest weighted component securities comprising, in the aggregate, 25% of the index's weighting have an aggregate dollar value of average daily trading volume less than $50,000,000 (or $30,000,000 in the case of an index with 15 or more component securities), except that if there are two or more securities with equal weighting that could be included in the calculation of the lowest weighted component securities comprising, in the aggregate, 25% of the index's weighting, such securities shall be ranked from lowest to highest dollar value of average daily trading volume and shall be included in the calculation based on their ranking starting with the lowest ranked security.

As described more fully below, the Index fails to meet any of the criteria for consideration as a narrow-based index; as such, this Index is considered a broad-based security index subject to the sole jurisdiction of the CFTC. Each of the above-mentioned narrow-based security criteria, as it applies to the actual Small Technology 60 Index Methodology, is addressed, respectively, below:

i.   As of July 14, 2020, the number of stocks in the Small Technology 60 Index is sixty (60). In the case of the Index falling beneath 45 stocks, each stock loss under 45 will result in an addition. The new stock will be added to the index at the weight of the deleted

stock. Complex problems may require an additional course of action that is not covered under this document. More information can be found under the Product Methodology and in the associated Corporate Actions Methodology.

ii.   The largest weighted stocks, for the 3-year period of May 2, 2017 to July 14, 2020 falls below the 30% threshold. In no instance did the largest component account for more than 5% of the Index's weight. This is demonstrated in Table 1, which depicts the percentiles of the weights of the largest stock in the Index during the evaluation period.

	Weight of the Largest Stock in the Index
Maximum	5.0%
75th Percentile	1.9%
Median	1.6%
25th Percentile	1.3%
Minimum	0.2%

Table 1 Empirical results of weights of the largest weighted stock in the Small Technology 60 Index, May 2, 2017 to July 14, 2020

iii.   The five largest weighted stocks, for the 3-year period of May 2, 2017 to July 14, 2020, fall well below the 60% threshold. In no instances did the sum of the five (5) largest components account for more than 18.2% of the Index's weight. This is demonstrated in Table 2, which depicts the percentiles of the weights of the sums of the five (5) largest stocks in the Index during the evaluation period.

	Weight of the Sum of the Five Largest Stocks
Maximum	18.2%
75th Percentile	15.7%
Median	14.7%
25th Percentile	13.3%
Minimum	8.3%

Table 2 Empirical results of weighting of the sum of the five largest weighted stocks in the Small Technology 60 Index, May 2, 2017 to July 14, 2020

iv.   Statistics for trading volumes are included in Table 3. Results were obtained by finding the smallest daily volume stocks in the Index that together summed to 25% of the Index. The results of the daily trading volumes over the 3-year period of May 2, 2017 to July 14,

2020 can be seen below. If the representative aggregate daily trading volume of components was less than $30 million, then the Index would be considered narrow-based. In the case of the Index, the notional value of trading volume of the smallest components exceeds $3.8 billion, which is considerably larger than the $30 million threshold.

	Trading volume of smallest Index components aggregating to 25% of Index weight
Maximum	$35,368,502,386
75th Percentile	$13,021,243,262
Median	$10,776,531,877
25th Percentile	$9,481,439,760
Minimum	$3,866,522,759

Table 3 Empirical results of trading volume of the smallest index components aggregating to 25% of the index weight in the Small Technology 60 Index, August 26, 2019 to March 25, 2020

Therefore, as shown above, the Index fails to meet any of the criteria for consideration as a narrow-based index; as such, this Index is considered a broad-based security index subject to the sole jurisdiction of the CFTC.

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 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 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 stocks that are among the most actively traded in the market. There are numerous global entities that trade equities 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. Due to the amount of stocks traded, the Index is deemed as having sufficient volume and liquidity. 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 stocks 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 equity market volatility, diversify a portfolio, or invest passively in the most relevant large capitalization technology stocks.

Per the Index Methodology, the Contracts provide distinctive equity market exposure to the most relevant and widely held technology stocks 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 equity market risk.

Consistently tight bid-offer spreads, volume traded, and market capitalizations of the stocks comprising the Index depict liquidity. The Index Methodology filters for large and liquid stocks to mitigate the potential for market manipulation. As of July 14, 2020, the average capitalization of the 60 component stocks was $214 billion and the median $90 billion. Additionally, on this date the average daily notional volume of the 60 component stocks was $1.01 billion and the median $275 million. Based on this liquidity, there will be minimal adverse market impact from Participants hedging in the Contracts. Thinly traded stocks are more often 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.

On the day of expiration, the final settlement of the Contract is calculated using the closing price on such day for each component of such index, as determined by the rules of the primary US market for such component and disseminated by the primary US market (the "Official Closing Price"). If the Official Closing Price for an index component is not disseminated or otherwise determined by 15:45:00 CT, the Official Closing Price for such component will be the last sale during Trading Hours on such day of expiration or, if necessary, on the prior Business Day(s); in all cases, such sale shall be determined by the Exchange's ICA on a best-effort's basis and validated by the Exchange. Each component's Official Closing Price will be multiplied by its weight in the index. These values are then added together for the Final Settlement of the Contract. The calculation of the Final Settlement of each Contract is performed by the Exchange's ICA and validated by the Exchange.

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 H.

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.

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 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 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 9% and 13% and a daily limit of 20% all using the Contract's previous day's Daily Settlement, 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 all Contracts that are based on the Index 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 for all Contracts that are based on the Index, 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 for all Contracts that are based on the Index, 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 for all Contracts that are based on the Index, 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.
        - Once the market enters an "open" state after an intraday limit of 9% has been reached on the up (down) side, all Contracts that are based on the Index will be subject, for the remainder of the Business Day, only to an intraday limit of 13% and a daily limit of 20% on the up (down) side all using the Contract's previous day's Daily Settlement.
        - Once the market enters an "open" state after an intraday limit of 13% has been reached on the up (down) side, all Contracts that are based on the Index will be subject, for the remainder of the Business Day, only to a daily limit of 20% on the up (down) side all using the Contract's previous day's Daily Settlement.
- 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 all Contracts that are based on the Index. The Exchange will publish a Daily Settlement or a Final Settlement 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 Daily Settlement. This is a pre-order validation that prevents the acceptance of orders at such prices in such circumstances.

In addition to the intraday and daily price limits established by the Exchange, all Futures based on the Small Technology 60 Index are subject to Market Wide Circuit Breakers ("MWCB") established by the U.S. equity, options, and futures exchanges for coordinated cross-market trading halts in the event of a severe market price decline in the S&P 500 Index (see, e.g., New York Stock Exchange Rule 7.12 "Trading Halts Due to Extraordinary Market Volatility"). These MWCB may halt trading temporarily or, under extreme circumstances, close the markets before the normal close of the trading session, and are set forth below:

- MWCB Level 1 Halt (a 7% decline in the S&P 500 Index). Trading will halt for at least 15 minutes if drop occurs at or after 8:30AM CT but before 14:25PM CT. At or after 14:25PM CT – trading will continue, unless there is a Level 3 halt.
- MWCB Level 2 Halt (a 13% decline in S&P 500 Index). Trading will halt for at least 15 minutes if drop occurs at or after 8:30AM CT but before 14:25PM CT. At or after 14:25PM CT – trading will continue, unless there is a Level 3 halt.
- MWCB Level 3 Halt (a 20% decline in S&P 500 Index). At any time during the Business Day – trading will halt for the remainder of the Business Day.

The Exchange coordinates with MWCB halts when they occur, irrespective of whether an Exchange intraday limit is in effect at the time of such MWCB.

When a MWCB is triggered, the Exchange will pause the trading of all Contracts based on the Small Technology 60 Index for the duration of the particular MWCB halt. In the case of a MWCB Level 1 or 2 Halt, trading in such Contracts is paused for at least 15 minutes; or, in the case of a MWCB Level 3 Halt, trading in such Contracts ceases for the remainder of the Business Day, and the market for such Contracts will open the next Business Day at the Exchange's regular market opening time of 7:00AM CT. In the case of a MWCB Level 1 or Level 2 Halt, the Exchange will enter a "pre-open" state, and then a "pre-open no cancel" state, for a minute each before reopening. Upon reopening, an opening price will not be disseminated.

In the event that a MWCB Level 3 Halt is in effect, the Exchange shall publish a Daily Settlement or a Final Settlement on the Contract's day of expiration, as appropriate, using the process set forth in Exchange Rule 904 and the MWCB Level 3 Halt time as with the Exchange's market close time for the purposes of such process.

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 market capitalizations, as of July 14, 2020, exemplify the conservatism of these position accountability levels and position limits. On this date, the Index closed at $48.55, placing the notional value of one (1) Contract at $4,855. This places a hypothetical 10,000 Contract position (i.e., at the Contract's accountability level) at approximately $48 million. This signifies less than approximately 0.0004% of the closing market capitalization of the Index's components. 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 Technology 60 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 Technology 60 Index Future
Symbol	STIX
Contract Description	Cash-settled futures Contract with the Small Technology 60 Index as its underlying
Contract Size	$100 x Small Technology 60 Index
Contract Listings	New Contracts will be added monthly with two (2) Contracts outstanding at any time. Each Contract will expire monthly. 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. 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.
Tick Size / Price Increments	Tick Size: 0.01 Index Points ($1.00) Contract Multiplier: $100
Initial Price Limits	9%, 13%, and 20%
Daily Settlement Value	**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:

	Cash Index Value + (Previous Day's Back-Front Spread / Days Between Front and Back Month Contracts) x Days to Expiration **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.
Final Settlement Value	On the day of expiration, the final settlement of the Contract is calculated using the closing price on such day for each component of such index, as determined by the rules of the primary US market for such component and disseminated by the primary US market (the "Official Closing Price"). If the Official Closing Price for an index component is not disseminated or otherwise determined by 15:45:00 CT, the Official Closing Price for such component will be the last sale during Trading Hours on such day of expiration or, if necessary, on the prior Business Day(s); in all cases, such sale shall be determined by the Exchange's ICA on a best-effort's basis and validated by the Exchange. Each component's Official Closing Price will be multiplied by its weight in the index. These values are then added together for the Final Settlement of the Contract. The calculation of the Final Settlement of each Contract is performed by the Exchange's ICA and validated by the Exchange.
Last Trading Day & Time	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. The Contract expires with the establishment of the final settlement value. The final settlement value is published shortly after 15:00:00 CT.
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 technology sector equity 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 an equity index futures product that reflects the largest components of the global technology marketplace for hedging and risk mitigation, short-term investment opportunities, and potential long-term passive investment. Because the stocks in the Index are selected based on their technology sub-sector and considered according to market capitalization, notionally traded volume, and revenue, the Contract is a way for individual Participants to gain exposure to the largest and most actively traded global technology companies and simultaneously diversify against overall technology sector risk. The Contract allows Participants to gain and manage exposure to technology-focused companies that have become a significant portion of the overall equities market. The Contract offers customers diversification of risk exposure to some of the largest components within the technology sector of the marketplace in a manner that spreads exposure more evenly among the constituents than existing equity index futures.

- Second, the small notional value of the Contract means individual traders with smaller accounts can diversify their portfolios with futures, 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 single name equities, the Contract is a capital-efficient way to add equity technology sector 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 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 33
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 Technology 60 Index Methodology
Appendix F: Small Technology 60 Index Components and Weights
Appendix G: Corporate Actions Methodology
Appendix H: Settlement Day, Value, and Process
Appendix I: Exchange Fees
Appendix J: Historical Data

Appendix A: Small Exchange Rulebook Chapter 33

Small Technology 60 Index Futures Contracts

33001. **Scope of Chapter**

This chapter is limited in application to Small Technology 60 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.

33002. **Contract Specifications**

The Floating Price for each Contract is based on the Small Technology 60 Index ("Index") which comprises 60 large- and mid-cap technology sector equity securities that are among the largest and most actively traded in the U.S. Index components represent four (4) technology subsectors with each subsector containing 15 stocks. The stocks selected for inclusion in the Index demonstrate large market capitalizations, notionally traded volumes, and revenue compared to other stocks within their respective subsector. Index components are selected via an expert panel selection process. A breakdown of the stock selection can be found in the Small Technology 60 Index Methodology document hosted on the Index Calculation Agent's website on the Index Calculation Agent's website https://indexit.dxfeed.com.

33003. **Trading Specifications**

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

33003.A. Trading Schedule

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

33003.B. Trading Unit

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

33003.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.

33003.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 9% and 13% and a daily limit of 20% all using the Contract's previous day's Daily Settlement, as described below:

- Once an intraday price limit is reached, the following actions take place over the next three (3) minutes:
  - o The market enters a "paused" state for all Contracts that are based on the Index 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.
  - o During the second minute, the market enters the "pre-open" state for all Contracts that are based on the Index, 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.
  - o In the third minute, the market enters a "pre-open no cancel" state for all Contracts that are based on the Index, 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.
  - o At the end of the third minute, the market enters an "open" state for all Contracts that are based on the Index, 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.
    - ▪ Once the market enters an "open" state after an intraday limit of 9% has been reached on the up (down) side, all Contracts that are based on the Index will be subject, for the remainder of the Business Day, only to an intraday limit of 13% and a daily limit of 20% on the up (down) side all using the Contract's previous day's Daily Settlement.
    - ▪ Once the market enters an "open" state after an intraday limit of 13% has been reached on the up (down) side, all Contracts that are based on the Index will be subject, for the remainder of the Business Day, only to a daily limit of 20% on the up (down) side all using the Contract's previous day's Daily Settlement.
- 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 all Contracts that

are based on the Index. The Exchange will publish a Daily Settlement or a Final Settlement 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 Daily Settlement. This is a pre-order validation that prevents the acceptance of orders at such prices in such circumstances.

In addition to the intraday and daily price limits established by the Exchange, all Futures based on the Small Technology 60 Index are subject to Market Wide Circuit Breakers ("MWCB") established by the U.S. equity, options, and futures exchanges for coordinated cross-market trading halts in the event of a severe market price decline in the S&P 500 Index (see, e.g., New York Stock Exchange Rule 7.12 "Trading Halts Due to Extraordinary Market Volatility"). These MWCB may halt trading temporarily or, under extreme circumstances, close the markets before the normal close of the trading session, and are set forth below:

- MWCB Level 1 Halt (a 7% decline in the S&P 500 Index). Trading will halt for at least 15 minutes if drop occurs at or after 8:30AM CT but before 14:25PM CT. At or after 14:25PM CT – trading will continue, unless there is a Level 3 halt.
- MWCB Level 2 Halt (a 13% decline in S&P 500 Index). Trading will halt for at least 15 minutes if drop occurs at or after 8:30AM CT but before 14:25PM CT. At or after 14:25PM CT – trading will continue, unless there is a Level 3 halt.
- MWCB Level 3 Halt (a 20% decline in S&P 500 Index). At any time during the Business Day – trading will halt for the remainder of the Business Day.

The Exchange coordinates with MWCB halts when they occur, irrespective of whether an Exchange intraday limit is in effect at the time of such MWCB.

When a MWCB is triggered, the Exchange will pause the trading of all SM75 Contracts based on the Small Technology 60 Index for the duration of the particular MWCB halt. In the case of a MWCB Level 1 or 2 Halt, trading in such Contracts is paused for at least 15 minutes; or, in the case of a MWCB Level 3 Halt, trading in such Contracts ceases for the remainder of the Business Day, and the market for such Contracts will open the next Business Day at the Exchange's regular market opening time of 7:00AM CT. In the case of a MWCB Level 1 or Level 2 Halt, the Exchange will enter a "pre-open" state, and then a "pre-open no cancel" state, for a minute each before reopening. Upon reopening, an opening price will not be disseminated.

In the event that a MWCB Level 3 Halt is in effect, the Exchange shall publish a Daily Settlement or a Final Settlement on the Contract's day of expiration, as appropriate, using

the process set forth in Exchange Rule 904 and the MWCB Level 3 Halt time as with the Exchange's market close time for the purposes of such process.

33003.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 Contracts are 200.

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.

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 of the Contract will be determined pursuant to the process set forth in Exchange Rule 904(e)(i).

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.

33005.   Disclaimer
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Appendix B: Applicable Position Limits and Reportable Position Levels

Instrument Name	Small Technology 60 Index Futures Contracts
Symbol	STIX
Rulebook Chapter	33
Contract Size	$100 x Small Technology 60 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 Technology 60 Index Futures Contracts	STIX	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 Technology 60 Index Futures Contracts	33	STIX	Primary	Primary	9.00%	13.00%	20.00%

Appendix E: Small Technology 60 Index Methodology

Redacted

Appendix F: Small Technology 60 Index Components and Weights

Redacted

Appendix G: Corporate Actions Methodology

Redacted

Appendix H: Settlement Day, Value, and Process

Redacted

Appendix I: 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 J: Historical Data

Redacted