

tpSEF Inc.

101 Hudson Street
Jersey City
NJ 07302
USA

tel +1 201 557 5000

fax +1 201 557 5995

web www.tullettprebon.com

December 2, 2020

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: *tpSEF Inc. – Regulation 40.2 Certification of AECO XW6 Options (tpSEF Submission #20-319P)*

Dear Mr. Kirkpatrick:

tpSEF Inc. (“tpSEF”) hereby notifies the Commodity Futures Trading Commission (the “Commission”) of its intent to list AECO XW6 Options (the “Contract”) on tpSEF’s swap execution facility. tpSEF intends to list this Contract on December 4, 2020.

Pursuant to Commission Regulation 40.2, this submission includes:

- i. The intended listing date – December 4, 2020;
- ii. A certification by tpSEF that: (a) the Contract complies with the Commodity Exchange Act, as amended, and the Commission regulations thereunder; and (b) concurrent with this submission, tpSEF posted on its website: (i) a notice of pending certification of the Contract, and (ii) a copy of this submission, attached as Exhibit A;
- iii. The terms and conditions of the Contract, attached as Exhibit B; and
- iv. An explanation and analysis of the Contract’s compliance with applicable core principles and Commission regulations, attached as Exhibit C.

tpSEF will be separately updating Appendix B to its Rulebook (tpSEF Inc. Swap Specifications) to reflect the listing of the Contract.

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Questions regarding this submission should be directed to Brian Donnelly, Chief Compliance Officer, at (201) 984-6956 or by email at bddonnelly@tullettprebon.com.

Very truly yours,

tpSEF Inc.

A handwritten signature in black ink, appearing to read 'Brian D. Donnelly', written over a horizontal line.

By: _____

Name: Brian D. Donnelly

Title: Chief Compliance Officer

Date: December 2, 2020

Enclosures

cc: CFTC Division of Market Oversight (dmosubmissions@cftc.gov)
Nancy Markowitz, CFTC (nmarkowitz@cftc.gov)

EXHIBIT A

CERTIFICATIONS PURSUANT TO SECTION 5c OF THE COMMODITY EXCHANGE
ACT, 7 U.S.C. §7A-2 AND COMMODITY FUTURES TRADING COMMISSION
REGULATION 40.2, 17 C.F.R. §40.2

tpSEF Inc. (“tpSEF”) hereby certifies that: (i) AECO XW6 Options (the “Contract”) comply with the Commodity Exchange Act, 7 U.S.C. §1 *et seq.* and Commodity Futures Trading Commission (“Commission”) regulations thereunder; and (ii) concurrent with this submission, tpSEF posted on its website: (a) a notice of pending certification of the Contract with the Commission and (b) a copy of this submission.

tpSEF Inc.



By: _____

Name: Brian D. Donnelly

Title: Chief Compliance Officer

Date: December 2, 2020

EXHIBIT B

Terms and Conditions

Summary:	This covers AECO XW6 Options (“AECO XW6 Options”).
Limitations on Available Selections and Default Settings:	The terms under which AECO XW6 Options covered by this filing may be traded are shown below and in the attached tables.
Incorporated Standards:	This contract description incorporates by reference the following industry standard documentation and standards: 2005 ISDA Commodity Derivatives Definitions (“Commodity Definitions”)
Product Type/ISDA OTC Taxonomy:	
ISDA OTC Asset Class:	Commodity
ISDA OTC Base Product:	Energy
ISDA OTC Transaction Type:	Swap
ISDA OTC Settlement Type	Cash
Terms:	
Trade Date:	As agreed by the parties.
Commodity:	Natural gas
Total Notional Quantity:	As agreed by the parties.
Notional Quantity (Daily)	As agreed by the parties.
Calculation Period(s):	As agreed by the parties.
Option Style:	European, American, as agreed by the parties.
Option Type:	
Buyer:	As specified by the parties.
Seller:	As specified by the parties.
Commodity Reference Price:	Natural Gas - NGX AB-NIT Month Ahead Index 7A (Canadian Dollar/Gigajoule)-Canadian Gas Price Reporter
Business Days:	As specified by the parties.
Business Day Convention:	Following business day
Pricing Date(s):	As specified by the parties.
Strike Price:	As specified by the parties.
Expiration Date:	As specified by the parties.

Expiration Time:	As specified by the parties.
Latest Exercise Time:	As specified by the parties.
Automatic Exercise:	Applicable
Cash Settlement:	Applicable
Settlement Date:	As specified by the parties.
Calculation Agent:	As specified by the parties.
Settlement Amount:	As specified by the parties.
Settlement Date:	As specified by the parties.
Valuation Date:	As specified by the parties.
Averaging Dates:	As specified by the parties.
Premium:	As specified by the parties.
Premium Payment Date:	As specified by the parties.
Market Disruption Events:	Unless otherwise specified by the parties, per the Commodity Definitions.
Consequences of Market Disruption Events:	Unless otherwise specified by the parties, per the Commodity Definitions.
Disruption Fallbacks:	Unless otherwise specified by the parties, per the Commodity Definitions.
Maximum Days of Disruption:	Unless otherwise specified by the parties, per the Commodity Definitions.

EXHIBIT C

EXPLANATION AND ANALYSIS OF THE CONTRACT'S COMPLIANCE WITH APPLICABLE CORE PRINCIPLES AND COMMISSION REGULATIONS

As required by Commodity Futures Trading Commission ("Commission") Regulation 40.2(a), the following analysis, in narrative form, demonstrates that AECO XW6 Options (the "Contract") are consistent with the requirements of the Commodity Exchange Act, as amended (the "Act"), and the Commission regulations and guidance thereunder (in particular, Appendix B to Part 37 and Appendix C to Part 38).

Appendix B to Part 37

CORE PRINCIPLE 3 OF SECTION 5H OF THE ACT—SWAPS NOT READILY SUSCEPTIBLE TO MANIPULATION; CORE PRINCIPLE 4 OF SECTION 5H OF THE ACT—MONITORING OF TRADING AND TRADE PROCESSING

The swap execution facility shall permit trading only in swaps that are not readily susceptible to manipulation.

(a) Guidance.

(1) In general, a swap contract is an agreement to exchange a series of cash flows over a period of time based on some reference price, which could be a single price, such as an absolute level or a differential, or a price index calculated based on multiple observations. Moreover, such a reference price may be reported by the swap execution facility itself or by an independent third party. When listing a swap for trading, a swap execution facility shall ensure a swap's compliance with Core Principle 3, paying special attention to the reference price used to determine the cash flow exchanges. Specifically, Core Principle 3 requires that the reference price used by a swap not be readily susceptible to manipulation. As a result, when identifying a reference price, a swap execution facility should either: Calculate its own reference price using suitable and well-established acceptable methods or carefully select a reliable third-party index.

(2) The importance of the reference price's suitability for a given swap is similar to that of the final settlement price for a cash-settled futures contract. If the final settlement price is manipulated, then the futures contract does not serve its intended price discovery and risk management functions. Similarly, inappropriate reference prices cause the cash flows between the buyer and seller to differ from the proper amounts, thus benefitting one party and disadvantaging the other. Thus, careful consideration should be given to the potential for manipulation or distortion of the reference price.

The Contract, a commodity option, grants the owner the right to receive a cash payment based on the relationship between the price of a commodity-based price index at a specific date or dates and a strike price agreed by the parties at inception of the Contract.

The Contract is based upon the value of natural gas at the AECO Hub gas storage facility in Alberta. It is one of the largest natural gas hubs in North America, with its substantial production and storage capability and extensive network of export pipelines. The AECO Hub serves as the reference point for establishing the Alberta NOVA Inventory Transfer ("AB-NIT") price for users of the transmission pipelines in the province. Gas prices are often quoted in terms of the basis differential between AECO

Hub prices and Henry Hub prices.

The AECO Hub has historically been one of the lowest cost locations in North America for purchasing natural gas, as this province is a supply basin and there is a cost for transporting Alberta's gas supplies to markets across North America. Natural gas suppliers in Alberta purchase their gas supplies directly from gas producers or through trading platforms, such as the NGX, for eventual sale to consumers. Retail gas prices include distribution charges that cover the fixed costs of infrastructure to deliver the natural gas to the consumer, as well as other charges to recover the retailer's operating and administrative expenses. NGX is a subsidiary of ICE. The AECO Hub is hub into one of the most liquid spot and forward energy markets in North America.

The Natural Gas-NGX AB-NIT Month Ahead Index 7A (Canadian \$/Gigajoule)-Canadian Price Reporter" means that the price for a Pricing Date will be that day's Specified Price per gigajoule of natural gas for delivery on the Delivery Date, stated in Canadian Dollars, published under the heading "Monthly Canadian and U.S. natural gas price summary: Canadian Domestic Gas Prices: NGX AB-NIT Month Ahead Index (7A): C\$/Gj" in the issue of Canadian Gas Price Reporter that reports prices effective for that Pricing Date.

The ICE NGX AB-NIT Month Ahead Index (7A) is determined by calculating the volume-weighted average of all the transactions during a calendar month in the product that represents gas delivery for the following calendar month. The Index is published in the Canadian Gas Price Reporter on the page labeled "ICE NGX Monthly Indices". In the event that the Canadian Gas Price Reporter or electronic exchange does not report the required information to determine the ICE NGX AB-NIT Month Ahead Index (7A), or the ICE NGX AB-NIT Month Ahead Index (7A) is otherwise not determinable, the price will be the price determined by the exchange with reference to the most comparable reported prices in respect of Intra-Alberta gas bought and sold for the entire delivery month on the TransCanada Pipeline Alberta System based on agreements made during the month immediately prior to the delivery month.

According to Enerdata, the volume weighted average price is calculated using the following methodology:

- a) Multiply the Transaction price by the Transaction quantity for each trade in the source data file.
- b) Sum the product(s) achieved in step (a).
- c) Sum the Transaction quantity for each trade in the source data file.
- d) Divide the sum from step (b) by the sum from step (c).

Volume Weighted Average Price = $\text{Sum (Price x Quantity) / Sum (Quantity)}$

The weighted average prices are calculated first by automated electronic routines and subsequently cross-checked against a manual calculation for accuracy. Once verified, the weighted average prices are used in the generation of the Price Indices. All Price Indices are published in the Canadian Gas Price Reporter Monthly and Daily and on the Enerdata website at www.enerdata.com.

The price index used to settle the subject option is based on comprehensive, well-established and transparent rules and procedures. It is representative of the market value of natural gas at the AECO Hub in that it is based on, the weighted average price of all transactions during a calendar month. The Hub is an active market for natural gas in Canada with many participants. The index is relied upon by market participants as a reliable indicator of the value of natural gas at the Hub.

Accordingly, the cash settlement reference price is not readily susceptible to manipulation, and it is a reliable and widely-accepted indicator of the cash market value of natural gas.

Finally, tpSEF Inc. (“tpSEF”) has established rules and an enforcement infrastructure to detect and prevent manipulation. tpSEF staff conduct real-time market surveillance and the National Futures Association (“NFA”) provides regulatory services on a T+1 basis. NFA’s services include comprehensive trade practice and market surveillance services (the scope of which can be found in the Regulatory Services Agreement between NFA and tpSEF submitted to the Commission as part of tpSEF’s swap execution facility application) (note that the foregoing also demonstrates compliance with Core Principle 4).

(3) For swaps that are settled by physical delivery or by cash settlement refer to the guidance in Appendix C to Part 38 of this chapter—Demonstration of Compliance that a Contract is not Readily Susceptible to Manipulation, section b(2) and section c(4), respectively.

Please see below.

Appendix C to Part 38 - Demonstration of Compliance That a Contract Is Not Readily Susceptible to Manipulation

(d) Options on a Futures Contract. (4) Options on Physicals Contracts.

(i) Under the Commission's regulations, the term “option on physicals” refers to option contracts that do not provide for exercise into an underlying futures contract. Upon exercise, options on physicals can be settled via physical delivery of the underlying commodity or by a cash payment. Thus, options on physicals raise many of the same issues associated with trading in futures contracts regarding adequacy of deliverable supplies or acceptability of the cash settlement price series. In this regard, an option that is cash settled based on the settlement price of a futures contract would be considered an “option on physicals” and the futures settlement price would be considered the cash price series.

(ii) In view of the above, acceptable practices for the terms and conditions of options on physicals contracts include, as appropriate, those practices set forth above for physical-delivery or cash-settled futures contracts plus the practices set forth for options on futures contracts.

As required by Appendix C, the following analysis with respect to the Contract, which is a cash-settled option on a commodity index, sets forth those relevant sections of Appendix C that pertain to “physical delivery contracts” and to “options on futures contracts.”

(b) Futures Contracts Settled by Physical Delivery. (1) For listed contracts that are settled by physical delivery, the terms and conditions of the contract should conform to the most common commercial practices and conditions in the cash market for the commodity underlying the futures contract. The terms and conditions should be designed to avoid any impediments to the delivery of the commodity so as to promote convergence between the price of the futures contract and the cash market value of the commodity at the expiration of a futures contract.

Not applicable to the Contract.

(i) Estimating Deliverable Supplies.

(A) General definition. The specified terms and conditions, considered as a whole, should result in a “deliverable supply” that is sufficient to ensure that the contract is not susceptible to price manipulation or distortion. In general, the term “deliverable supply” means the quantity of the commodity meeting the contract's delivery specifications that reasonably can be expected to be readily available to short traders and salable by long traders at its market value in normal cash

marketing channels at the contract's delivery points during the specified delivery period, barring abnormal movement in interstate commerce. Typically, deliverable supply reflects the quantity of the commodity that potentially could be made available for sale on a spot basis at current prices at the contract's delivery points. For a non-financial physical-delivery commodity contract, this estimate might represent product which is in storage at the delivery point(s) specified in the futures contract or can be moved economically into or through such points consistent with the delivery procedures set forth in the contract and which is available for sale on a spot basis within the marketing channels that normally are tributary to the delivery point(s). Furthermore, an estimate of deliverable supply would not include supply that is committed for long-term agreements (i.e., the amount of deliverable supply that would not be available to fulfill the delivery obligations arising from current trading). The size of commodity supplies that are committed to long-term agreements may be estimated by consulting with market participants. However, if the estimated deliverable supply that is committed for long-term agreements, or significant portion thereof, can be demonstrated by the designated contract market to be consistently and regularly made available to the spot market for shorts to acquire at prevailing economic values, then those "available" supplies committed for long-term contracts may be included in the designated contract market's estimate of deliverable supply for that commodity. An adequate measure of deliverable supply would be an amount of the commodity that would meet the normal or expected range of delivery demand without causing futures prices to become distorted relative to cash market prices. Given the availability of acceptable data, deliverable supply should be estimated on a monthly basis for at least the most recent three years for which data are available. To the extent possible and that data resources permit, deliverable supply estimates should be constructed such that the data reflect, as close as possible, the market defined by the contract's terms and conditions, and should be formulated, whenever possible, with government or publicly available data. All deliverable supply estimates should be fully defined, have all underlying assumptions explicitly stated, and have documentation of all data/information sources in order to permit estimate replication by Commission staff.

Not applicable to the Contract.

(B) Accounting for variations in deliverable supplies. To assure the availability of adequate deliverable supplies and acceptable levels of commercial risk management utility, contract terms and conditions should account for variations in the patterns of production, consumption and supply over a period of years of sufficient length to assess adequately the potential range of deliverable supplies. This assessment also should consider seasonality, growth, and market concentration in the production/consumption of the underlying cash commodity. Deliverable supply implications of seasonal effects are more straightforwardly delineated when deliverable supply estimates are calculated on a monthly basis and when such monthly estimates are provided for at least the most recent three years for which data resources permit. In addition, consideration should be given to the relative roles of producers, merchants, and consumers in the production, distribution, and consumption of the cash commodity and whether the underlying commodity exhibits a domestic or international export focus. Careful consideration also should be given to the quality of the cash commodity and to the movement or flow of the cash commodity in normal commercial channels and whether there exist external factors or regulatory controls that could affect the price or supply of the cash commodity.

Not applicable to the Contract.

(C) Calculation of deliverable supplies. Designated contract markets should derive a quantitative estimate of the deliverable supplies for the delivery period specified in the proposed contract. For

commodities with seasonal supply or demand characteristics, the deliverable supply analysis should include that period when potential supplies typically are at their lowest levels. The estimate should be based on statistical data, when reasonably available, covering a period of time that is representative of the underlying commodity's actual patterns of production, patterns of consumption, and patterns of seasonal effects (if relevant). Often, such a relevant time period should include at least three years of monthly deliverable supply estimates permitted by available data resources. Deliverable supply estimates should also exclude the amount of the commodity that would not be otherwise deliverable on the futures contract. For example, deliverable supplies should exclude quantities that at current price levels are not economically obtainable or deliverable or were previously committed for long-term agreements.

Not applicable to the Contract.

(2) Contract terms and conditions requirements for futures contracts settled by physical delivery.

(i) For physical delivery contracts, an acceptable specification of terms and conditions would include, but may not be limited to, rules that address, as appropriate, the following criteria and comply with the associated standards:

(A) Quality Standards. The terms and conditions of a commodity contract should describe or define all of the economically significant characteristics or attributes of the commodity underlying the contract. In particular, the quality standards should be described or defined so that such standards reflect those used in transactions in the commodity in normal cash marketing channels. Documentation establishing that the quality standards of the contract's underlying commodity comply with those accepted/established by the industry, by government regulations, and/or by relevant laws should also be submitted. For any particular commodity contract, the specific attributes that should be enumerated depend upon the individual characteristics of the underlying commodity. These may include, for example, the following items: grade, quality, purity, weight, class, origin, growth, issuer, originator, maturity window, coupon rate, source, hours of trading, etc. If the terms of the contract provide for the delivery of multiple qualities of a specific attribute of the commodity having different cash market values, then a "par" quality should be specified with price differentials applicable to the "non-par" qualities that reflect discounts or premiums commonly observed or expected to occur in the cash market for that commodity.

Not applicable to the Contract.

(B) Delivery Points and Facilities. Delivery point/area specifications should provide for futures delivery at a single location or at multiple locations where the underlying cash commodity is normally transacted or stored and where there exists a viable cash market(s). If multiple delivery points are specified and the value of the commodity differs between these locations, contract terms should include price differentials that reflect usual differences in value between the different delivery locations. If the price relationships among the delivery points are unstable and a designated contract market chooses to adopt fixed locational price differentials, such differentials should fall within the range of commonly observed or expected commercial price differences. In this regard, any price differentials should be supported with cash price data for the delivery location(s). The terms and conditions of the contracts also should specify, as appropriate, any conditions the delivery facilities and/or delivery facility operators should meet in order to be eligible for delivery. Specification of any requirements for delivery facilities also should consider the extent to which ownership of such facilities is concentrated and whether the level of concentration would be susceptible to manipulation of the futures contract's prices. Commodity

contracts also should specify appropriately detailed delivery procedures that describe the responsibilities of deliverers, receivers and any required third parties in carrying out the delivery process. Such responsibilities could include allocation between buyer and seller of all associated costs such as load-out, document preparation, sampling, grading, weighing, storage, taxes, duties, fees, drayage, stevedoring, demurrage, dispatch, etc. Required accreditation for third-parties also should be detailed. These procedures should seek to minimize or eliminate any impediments to making or taking delivery by both deliverers and takers of delivery to help ensure convergence of cash and futures at the expiration of a futures delivery month.

Not applicable to the Contract.

(C) Delivery Period and Last Trading Day. An acceptable specification of the delivery period would allow for sufficient time for deliverers to acquire the deliverable commodity and make it available for delivery, considering any restrictions or requirements imposed by the designated contract market. Specification of the last trading day for expiring contracts should consider whether adequate time remains after the last trading day to allow for delivery on the contract.

Not applicable to the Contract.

(D) Contract Size and Trading Unit. An acceptable specification of the delivery unit and/or trading unit would be a contract size that is consistent with customary transactions, transportation or storage amounts in the cash market (e.g., the contract size may be reflective of the amount of the commodity that represents a pipeline, truckload or railcar shipment). For purposes of increasing market liquidity, a designated contract market may elect to specify a contract size that is smaller than the typical commercial transaction size, storage unit or transportation size. In such cases, the commodity contract should include procedures that allow futures traders to easily take or make delivery on such a contract with a smaller size, or, alternatively, the designated contract market may adopt special provisions requiring that delivery be made only in multiple contracts to accommodate reselling the commodity in the cash market. If the latter provision is adopted, contract terms should be adopted to minimize the potential for default in the delivery process by ensuring that all contracts remaining open at the close of trading in expiring delivery months can be combined to meet the required delivery unit size. Generally, contract sizes and trading units should be determined after a careful analysis of relevant cash market trading practices, conditions and deliverable supply estimates, so as to ensure that the underlying market commodity market and available supply sources are able to support the contract sizes and trading units at all times.

The Contract size is the notional amount, which, as is customary in the market, is agreed upon by the counterparties.

(E) Delivery Pack. The term “delivery pack” refers to the packaging standards (e.g., product may be delivered in burlap or polyethylene bags stacked on wooden pallets) or non-quality related standards regarding the composition of commodity within a delivery unit (e.g., product must all be imported from the same country or origin). An acceptable specification of the delivery pack or composition of a contract's delivery unit should reflect, to the extent possible, specifications commonly applied to the commodity traded or transacted in the cash market.

Not applicable to the Contract.

(F) Delivery Instrument. An acceptable specification of the delivery instrument (e.g., warehouse receipt, depository certificate or receipt, shipping certificate, bill of lading, in-line transfer, book

transfer of securities, etc.) would provide for its conversion into the cash commodity at a commercially-reasonable cost. Transportation terms (e.g., FOB, CIF, freight prepaid to destination) as well as any limits on storage or certificate daily premium fees should be specified. These terms should reflect cash market practices and the customary provision for allocating delivery costs between buyer and seller.

Not applicable to the Contract.

(G) Inspection Provisions. Any inspection/certification procedures for verifying compliance with quality requirements or any other related delivery requirements (e.g., discounts relating to the age of the commodity, etc.) should be specified in the contract rules. An acceptable specification of inspection procedures would include the establishment of formal procedures that are consistent with procedures used in the cash market. To the extent that formal inspection procedures are not used in the cash market, an acceptable specification would contain provisions that assure accuracy in assessing the commodity, that are available at a low cost, that do not pose an obstacle to delivery on the contract and that are performed by a reputable, disinterested third party or by qualified designated contract market employees. Inspection terms also should detail which party pays for the service, particularly in light of the possibility of varying inspection results.

Not applicable to the Contract.

(H) Delivery (Trading) Months. Delivery months should be established based on the risk management needs of commercial entities as well as the availability of deliverable supplies in the specified months.

Not applicable to the Contract.

(I) Minimum Price Fluctuation (Minimum Tick). The minimum price increment (tick) should be set at a level that is equal to, or less than, the minimum price increment commonly observed in cash market transactions for the underlying commodity. Specifying a futures' minimum tick that is greater than the minimum price increment in the cash market can undermine the risk management utility of the futures contract by preventing hedgers from efficiently establishing and liquidating futures positions that are used to hedge anticipated cash market transactions or cash market positions.

As agreed between the counterparties, the minimum price increment is consistent with customary transactions in the market.

(J) Maximum Price Fluctuation Limits. Designated contract markets may adopt price limits to: (1) Reduce or constrain price movements in a trading day that may not be reflective of true market conditions but might be caused by traders overreacting to news; (2) Allow additional time for the collection of margins in times of large price movements; and (3) Provide a “cooling-off” period for futures market participants to respond to bona fide changes in market supply and demand fundamentals that would lead to large cash and futures price changes. If price limit provisions are adopted, the limits should be set at levels that are not overly restrictive in relation to price movements in the cash market for the commodity underlying the futures contract.

As agreed between the counterparties.

(K) Speculative Limits. Specific information regarding the establishment of speculative position limits are set forth in part 150, and/or part 151, as applicable, of the Commission's regulations.

None required by Parts 150 or 151.

(L) Reportable Levels. Refer to § 15.03 of the Commission's regulations.

tpSEF will adhere to the applicable reporting levels set forth in § 15.03 of the Commission's regulations.

(M) Trading Hours. Should be set by the designated contract market to delineate each trading day.

The Contract is traded twenty-three hours a day from Sunday to Friday Eastern Time. The Contract is not traded between 5:30 p.m. and 6:30 p.m. Eastern Time.

(d) Options on a Futures Contract. (1) The Commission's experience with the oversight of trading in futures option contracts indicates that most of the terms and conditions associated with such trading do not raise any regulatory concerns or issues. The Commission has found that the following terms do not affect an option contract's susceptible to manipulation or its utility for risk management. Thus, the Commission believes that, in most cases, any specification of the following terms would be acceptable; the only requirement is that such terms be specified in an automatic and objective manner in the option contract's rules:

- **Exercise method;**
- **Exercise procedure (if positions in the underlying futures contract are established via book entry);**
- **Strike price listing provisions, including provisions for listing strike prices on a discretionary basis;**
- **Strike price intervals;**
- **Automatic exercise provisions;**
- **Contract size (unless not set equal to the size of the underlying futures contract); and**
- **Option minimum tick should be equal to or smaller than that of the underlying futures contract.**

As noted in the Contract's terms and conditions (see Exhibit C), the terms are specified in an automatic and objective manner. The Contract features automatic exercise. The payments must be made on the Settlement Date, which is set by the counterparties at the start of the contract.

(2) Option Expiration & Last Trading Day. For options on futures contracts, specification of expiration dates should consider the relationship of the option expiration date to the delivery period for the underlying futures contract. In particular, an assessment should be made of liquidity in the underlying futures market to assure that any futures contracts acquired through exercise can be liquidated without adversely affecting the orderly liquidation of futures positions or increasing the underlying futures contract's susceptibility to manipulation. When the underlying futures contract exhibits a very low trading activity during an expiring delivery month's final trading days or has a greater risk of price manipulation than other contracts, the last trading day and expiration day of the option should occur prior to the delivery period or the settlement date of the underlying future. For example, the last trading day and option expiration day might appropriately be established prior to first delivery notice day for option contracts with underlying futures contracts that have very limited deliverable supplies. Similarly, if the futures contract underlying an option contract is cash settled using cash prices from a very limited number of underlying cash market transactions,

Mr. Christopher J. Kirkpatrick

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the last trading and option expiration days for the option contract might appropriately be established prior to the last trading day for the futures contract.

As noted above, the last trading day of the Contract is the Expiration Date of the option. As previously stated, the natural gas market is an extremely liquid market and the ICE NGX AB-NIT Month Ahead Index is a robust price index. Accordingly, the Contract is not readily susceptible to manipulation.

(3) Speculative Limits. In cases where the terms of an underlying futures contract specify a spot month speculative position limit and the option contract expires during, or at the close of, the futures contract's delivery period, the option contract should include a spot-month speculative position limit provision that requires traders to combine their futures and option position and be subject to the limit established for the futures contract. Specific rules and policies for speculative position limits are set forth in part 150 and/or part 151, as applicable, of the Commission's regulations.

None required.