

FairX (LMX Labs, LLC)
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Chicago, IL 60606

FairX Submission #2022-05E

February 18, 2022

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

VIA CFTC Electronic Filing

Re: CFTC Regulation 40.6 Certification: Notification of Rulebook Updates

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulation 40.6(a), LMX Labs, LLC, operator of FairX, (the “Exchange”) hereby submits for self-certification an amendment to the settlement procedures for the Exchange’s equity index futures products.

The Exchange has made these amendments to harmonize our settlement procedures across all Exchange contracts.

A copy of the revised rules in redline format are attached hereto as Exhibit A. The proposed amendments will become effective on March 7, 2022.

Compliance with Core Principles

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

Core Principle 7 -- Availability of General Information

When made effective, the revised rules will be contained in the Exchange Rulebook, which is available on the Exchange’s website.

Certification

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

The Exchange certifies that this submission has been concurrently posted on the Exchange’s website at: www.fairx.com.

If you have any questions or require any further information, please contact me at 773-409-4128 or aloranger@fairx.com.

Sincerely,

/s/

Anne Loranger
Chief Regulatory Officer and
Legal Counsel

Attachments: Exhibit A

EXHIBIT A

(additions underscored; deletions ~~struck through~~)

CHAPTER 1100: CONTRACT SPECIFICATIONS

RULE 1101. Micro Bloomberg US Large Cap Index Futures

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

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

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

a. Midday: 10:00 CT

- i. 1-min VWAP of futures contract rounded to the nearest tradable tick
- ii. 1-min TWAP of futures contract midpoint of the Bid/Ask rounded to the nearest tradable tick
- iii. Cash index value¹ + (difference between previous day's cash index value and previous day's futures settlement)

b. EOD: 15:00 CT

- i. 1-min VWAP of futures contract rounded to the nearest tradable tick
- ii. 1-min TWAP of futures contract midpoint of the Bid/Ask rounded to the nearest tradable tick
- iii. Cash index value¹ + (difference between previous day's cash index value and previous day's futures settlement)

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

a. Midday: 10:00 CT

- i. 1-min VWAP of futures contract rounded to the nearest tradable tick
- ii. If the spread trades between 09:59:00-10:00:00 CT, then the spread VWAP is calculated, rounded to the spread's

¹ Should option 3 be used, FairX will use the index value provided by Index Provider at the time closest to 10:00 CT and/or 15:00 CT, respectively.

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

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RULE 1102. Nano Bloomberg US Large Cap Index Futures

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- (1) Daily Settlement Price shall be determined as follows:
- ~~(e) Volume-weighted average price of all trades occurring in the sixty (60) seconds prior to 3pm CT on the relevant Business Day;~~
 - ~~(f) If no trades occur during the sixty (60) seconds prior to 3pm CT, then the Settlement Price will be the time-weighted average midpoint between the bid and ask during the sixty (60) seconds prior to 3pm CT; or~~
 - ~~(g) If a two-sided market is not available during the sixty (60) seconds prior to 3pm CT, then the Settlement Price will be determined using the following calculation: Cash index value + (Previous Day's Back-Front Spread / Days-Between-Front and Back-Month-Contracts) x Days-to-Expiration.~~
- (i) Lead Month: primary contract for settlements with the expectation of having the most activity.
 - a. Midday: 10:00 CT
 - i. 1-min VWAP of futures contract rounded to the nearest tradable tick
 - ii. 1-min TWAP of futures contract midpoint of the Bid/Ask rounded to the nearest tradable tick

- iii. Cash index value² + (difference between previous day's cash index value and previous day's futures settlement)
- b. EOD: 15:00 CT
 - i. 1-min VWAP of futures contract rounded to the nearest tradable tick
 - ii. 1-min TWAP of futures contract midpoint of the Bid/Ask rounded to the nearest tradable tick
 - iii. Cash index value¹ + (difference between previous day's cash index value and previous day's futures settlement)
- (ii) Non- Lead Months: all other contracts not the lead month
 - a. Midday: 10:00 CT
 - i. 1-min VWAP of futures contract rounded to the nearest tradable tick
 - ii. If the spread trades between 09:59:00-10:00:00 CT, then the spread VWAP is calculated, rounded to the spread's nearest tradable tick and then applied to the lead month settlement to derive the back month settlement.
 - iii. 1-min TWAP of futures contract midpoint of the Bid/Ask rounded to the nearest tradable tick
 - iv. Last spread trade price is applied to the lead month settlement to derive the settlement.
 - v. Front month settlement value + (previous day's calendar spread).
 - b. EOD: 15:00 CT
 - i. 1-min VWAP of futures contract rounded to the nearest tradable tick
 - ii. If the spread trades between 14:59:00-15:00:00 CT, then the spread VWAP is calculated, rounded to the spread's nearest tradable tick and then applied to the lead month settlement to derive the back month settlement.
 - iii. 1-min TWAP of futures contract midpoint of the Bid/Ask rounded to the nearest tradable tick
 - iv. Last spread trade price is applied to the lead month settlement to derive the settlement.
 - v. Front month settlement value + (previous day's calendar spread).

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

RULE 1103. Nano Super Tech Index Futures

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

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

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

a. Midday: 10:00 CT

- i. 1-min VWAP of futures contract rounded to the nearest tradable tick
- ii. 1-min TWAP of futures contract midpoint of the Bid/Ask rounded to the nearest tradable tick
- iii. Cash index value³ + (difference between previous day's cash index value and previous day's futures settlement)

b. EOD: 15:00 CT

- i. 1-min VWAP of futures contract rounded to the nearest tradable tick
- ii. 1-min TWAP of futures contract midpoint of the Bid/Ask rounded to the nearest tradable tick
- iii. Cash index value¹ + (difference between previous day's cash index value and previous day's futures settlement)

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

a. Midday: 10:00 CT

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

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

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

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RULE 1104. Micro SuperTech Index Futures

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

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

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

- a. Midday: 10:00 CT
 - i. 1-min VWAP of futures contract rounded to the nearest tradable tick
 - ii. 1-min TWAP of futures contract midpoint of the Bid/Ask rounded to the nearest tradable tick
 - iii. Cash index value⁴ + (difference between previous day's cash index value and previous day's futures settlement)
- b. EOD: 15:00 CT

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

- i. 1-min VWAP of futures contract rounded to the nearest tradable tick
- ii. 1-min TWAP of futures contract midpoint of the Bid/Ask rounded to the nearest tradable tick
- iii. Cash index value¹ + (difference between previous day's cash index value and previous day's futures settlement)

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

a. Midday: 10:00 CT

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

b. EOD: 15:00 CT

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

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