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LMX Labs, LLC Submission #2021-03E

May 5, 2021

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, (the “Exchange”) hereby submits for self-certification amendments to certain Exchange rules including definitional changes and clarification of rules related to the role of the Clearing House.

Based upon discussions with prospective market participants and the Clearing House, the Exchange has made these amendments to clarify the Exchange’s expectations of Clearing and Participant Firms, to be consistent with the operation of the Exchange and the clearing process, and to make the Exchange’s rules consistent with the rules of other designated contract markets (“DCM”).

Amendments include, among others:

- Amendments to Rule 101 to include a definition of “Lead Market Maker.”¹
- Amendments to Rule 302 to clarify the Participant Firm application process and Rule 304(b) to clarify the impact of a Clearing Firm revocation of its guarantee of a Participant Firm.
- Amendments to Rule 402 clarifying that it does not apply to firms that are CFTC registrants.
- Amendments to Rule 530(d) and 530(k) clarifying position limit rules related to the Clearing Firm.
- Amendments to Rule 534(d) clarifying the duties of the Clearing Firm in instances where the Clearing Firm has actual or constructive notice of violations by a customer.
- Amendments to rule 535 clarifying responsibility for maintaining User IDs.
- Amendments to Rule 538 to describe the Exchange’s trading system and matching algorithm.

¹ Concurrent with this filing, the Exchange is filing its first market maker program as it approaches launch of the Exchange.

- Amendments to Rule 801 to reflect that only claims against the Exchange are controlled by the Exchange arbitration rules.
- Amendments to Rules 902 and 903 to clarify the Clearing Firm application process.
- Amendments to Rules 904, 905, 906, and 910 to more accurately reflect the clearing process.

A copy of the revised rules in redline format are attached hereto as Exhibit A. The proposed amendments will become effective on May 19, 2021.

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.

Core Principle 9 -- Execution of Transactions

The Exchange trading system and matching algorithm will continue to provide a fair, transparent, and efficient market for executing transactions through its Central Limit Order Book.

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.lmxlabs.com.

If you have any questions or require any further information, please contact me at 773-832-7973 or mpiracci@lmxlabs.com.

Sincerely,

/s/

Michael A. Piracci
Chief Regulatory Officer and
Senior Counsel

Attachments: Exhibit A



EXHIBIT A

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

CHAPTER 1: DEFINITIONS

RULE 101. DEFINITIONS

When used in this Rulebook the following terms shall have the respective meanings as follows:

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“Clearing Firm” means an entity meeting the requirements of, and approved for, clearing membership at the Clearing House that is authorized pursuant to the Clearing House Rules to clear trades in any or all of the Contracts and that meets the qualification of the Exchange pursuant to Rule 902. A Clearing Firm may also be a Participant where it is authorized to access LMX to effect transactions. As a Participant, a Clearing Firm may trade for its own proprietary account or an account on behalf of its Customer (e.g., as a broker). As a Participant, a Clearing Firm may trade on behalf of a Customer with an account at a different Clearing Firm acting as a broker or performing an equivalent agency function. The different Clearing Firm is responsible for approving the Clearing Firm for such Customers pursuant to the applicable form to the LMX Clearing Firm Agreement. The term “Clearing Firm” collectively refers to all Authorized Traders of a Clearing Firm authorized to utilize LMX. A Clearing Firm that carries Customer accounts must be a CFTC-registered FCM.

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“Lead Market Maker” means a Participant Firm that has entered into a Lead Market Maker Agreement.

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CHAPTER 3: PARTICIPANTS

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RULE 302. Participant Firm Application Process

(a) Any Person who desires to become a Participant Firm shall:

- (1) enter into a Participant Firm Agreement;
 - (2) establish a clearing relationship with a Clearing Firm;
 - (3) ensure that a Clearing Firm has submitted such documentation as set forth in Rule 902;
 - ~~(4)~~ (4) enter into a User License Agreement with the Clearing House, if applicable;
 - ~~(5)~~ (4) agree to abide by the Rules and Applicable Law;
 - ~~(6)~~ (5) provide such information and documentation as may be requested by the Exchange, and follow the procedures established by the Exchange for admission;
- and,

~~(7)~~(6) any Participant Firm organized or located outside of the United States shall enter into a written agreement acceptable to the Exchange appointing a third party as its U.S. agent for service of process for purposes of CFTC Regulation 15.05, and shall provide the Exchange with a copy of the agreement.

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RULE 304. Limitations on Access to the LMX Trading System

- (a) The Exchange may at any time revoke, suspend, limit, condition, restrict or qualify a Participant's Trading Privileges and/or ability to access the LMX Trading System, if in the sole discretion of the Exchange, such action is in the best interests of the Exchange. Specifically, the Exchange may revoke, suspend, limit, condition, restrict or qualify a Participant's Trading Privileges and/or ability to access the LMX Trading System, if the Participant fails to meet the criteria set forth in Rule 301.
- (b) A Clearing Firm may at any time revoke the authorization of any Participant guaranteed by it with or without prior notice to such Participant. Provided, however, that the Clearing Firm's guarantee will remain in effect until the Participant has liquidated its positions or transferred its positions and funds to another Clearing Member. For purposes of the relationship between the relevant Clearing Firm and the Exchange, and the obligations of such Clearing Firm to the Exchange, any such revocation shall become effective upon the receipt of written notice thereof by the Exchange. Upon such receipt, the Trading Privileges of the Participant subject thereto shall be automatically terminated, and such Participant must obtain another guarantee from a Clearing Firm before its Trading Privileges will be reinstated.

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CHAPTER 4: OBLIGATIONS OF PARTICIPANTS

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RULE 401. Duties and Responsibilities of Participants

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- (c) The Exchange will conduct annual reviews of compliance with the Exchange's audit trail and recordkeeping requirements set forth in the Rules by all Participants that are responsible for, or in control of, the creation of audit trail records.
 - (1) Such Participants will be subject to investigation for possible disciplinary action pursuant to the Rules, including sanctions for audit trail violations.

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RULE 402. Required Disclosures to the Exchange

- (a) Each Participant that is not registered with the CFTC as an FCM or IB that have obligations pursuant to Rule 404 shall immediately notify the Market Regulation Department upon becoming aware of any of the following events:

- (1) any material change to the contact information provided to the Exchange;
- (2) any damage to, or failure or inadequacy of, the systems, facilities or equipment of the Participant to effect transactions pursuant to the LMX Rules or to timely perform the Participant's financial obligations under or in connection with Contracts;
- (3) any refusal of admission to, or withdrawal by the Participant of any application for membership in, any Self-Regulatory Organization, Contract Market or Derivatives Clearing Organization;
- (4) any expulsion, suspension or fine in excess of \$5,000 (whether through an adverse determination, voluntary settlement or otherwise) imposed on the Participant by any Self-Regulatory Organization;
- (5) any denial or withdrawal of any application for any registration or license by or from any Governmental Agency, and any revocation, suspension or conditioning of any registration or license granted by any Governmental Agency;
- (6) the commencement of any judicial or administrative proceeding against the Participant or the imposition of any fine, cease and desist order, denial of trading privileges, censure or other sanction or remedy (whether through an adverse determination, voluntary settlement or otherwise) imposed by any Governmental Agency;
- (7) any indictment or conviction of, or any confession of guilt or plea of guilty or nolo contendere by, the Participant or (or, if the Participant is an entity, by any of its principals or senior officers) for any felony or misdemeanor involving, arising from, or related to, the purchase or sale of any commodity, Futures contract, Option, security, securities futures product or other financial instrument, or involving or arising from fraud or moral turpitude;
- (8) the Participant becoming the subject of a petition for bankruptcy;
- (9) the appointment of a receiver, trustee or administrator for the Participant;
- (10) the presentment of a petition, or the passing of a resolution, for the winding-up of Participant;
- (11) the commencement of proceedings for the dissolution of Participant; or
- (12) the occurrence of an event of insolvency with respect to the Participant.

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RULE 408. Treatment of Customer Funds

Each Participant that is required to be registered with any Government Agency, including the CFTC and the U.S. Securities and Exchange Commission, or Self-Regulatory Organization shall comply with the provisions of Applicable Law, including but not limited to the rules and regulations such Government Agency imposes on a Participant relating to the treatment of Customer funds and the maintenance of books and records with respect thereto. Specifically, each Clearing Firm must comply with the regulations of the applicable Government Agency and the rules of the Clearing House, including, but not limited to rules related to the protection of customer funds, including the segregation of customer and proprietary funds, the custody of customer funds, the investment standards for customer funds, intermediary default procedures and related recordkeeping. This includes, but is not limited to CFTC Regulations 1.20 through 1.32. This Rule 408 shall apply to non-carrying or non-clearing ~~member-firm~~ FCMs to the extent that such FCMs hold Customer funds related to products traded on LMX. The Exchange conducts surveillance related to this Rule 408, including through its membership in the Joint Audit Committee. Any Participant that violates any of the aforementioned CFTC Regulations, Clearing House Rules, and other Applicable Law shall be deemed to have violated this Rule 408.

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CHAPTER 5: TRADING PRACTICES AND BUSINESS CONDUCT

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RULE 517. Liquidity Provider and Market Maker Programs

- (a) The Exchange may from time to time establish programs that provide Participants with financial incentives for meeting trading volume or liquidity thresholds as may be established by the Exchange.
- (b) All Participants are eligible to become Liquidity Providers or Market Makers, provided the Participant can meet the program ~~Liquidity Provider~~ obligations.

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RULE 530. Position Limits and Exemptions

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- (d) In the event the positions in excess of the limits are not deemed to be exemption-eligible, the applicant ~~and Clearing Firm~~ will be in violation of speculative limits for the period of time in which the excess positions remained open.

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- (k) Violations.

- (1) No Person shall exceed the position limits set forth in the Rules, unless an exemption is granted by the Market Regulation Department.
- (2) The Market Regulation Department and the Exchange Practices Committee shall have the authority to enforce the LMX Rules regarding position limits
- ~~(3)~~ Any Person making a bid or offer that would, if accepted, cause such Person to exceed the applicable position limits shall be in violation of this Rule 530.
- ~~(4)~~(3) If a position exceeds position limits as a result of an Option assignment, the Person who owns or controls such position shall be allowed one Business Day to liquidate the excess position without being considered in violation of the limits. Additionally, if, at the close of trading, a position that includes Options exceeds position limits when evaluated using the delta factors as of that day's close of trading, but does not exceed the limits when evaluated using the previous day's delta factors, then the position shall not constitute a position limit violation.
- ~~(5)~~(4) A Clearing Firm shall not be in violation of this Rule if it carries positions for a Customer in excess of the applicable position limits for such reasonable period of time, generally not exceed one Business Day, as the Clearing Firm may require to investigate and liquidate the excess Customer positions.
- ~~(6)~~(5) A Customer who exceeds the position limits as a result of maintaining positions at more than one Clearing Firm shall be deemed to have waived confidentiality regarding his positions and the identity of the Clearing Firms at which they are maintained. A Clearing Firm carrying such positions shall not be in violation of

this Rule if, upon notification by the Market Regulation Department, it liquidates its pro-rata share of the position in excess of the limits or otherwise ensures the Customer is in compliance with the limits within a reasonable period of time, generally not exceed one Business Day.

~~(7)~~(6) Violations, Sanctions and Appeals

- i. First Violation. The first position limit violation by a Participant will result in a warning letter issued by the Market Regulation Department, with a copy provided to the carrying Clearing Firm(s). In circumstances where the carrying Clearing Firm has also committed a position limit violation as set forth in this Rule 530 by carrying such positions, a warning letter will be issued to the Clearing Firm(s).
- ii. Second Violation, Sanctions and Appeals.
 - (a) A second position limit violation by a Participant within 24 months of the issuance of a warning letter will result in the imposition of an automatic fine by the Market Regulation Department to the Participant as set forth below and the issuance of a cease and desist order.
 - (b) The automatic fine for a position exceeding the applicable limit by up to 25% shall be \$5,000.
 - (c) The automatic fine for a position exceeding the applicable limit by more than 25% shall be \$15,000.
- iii. Referral to the Chief Regulatory Officer.
 - (a) Any third or subsequent position limit violation within 24 months of the issuance of a warning letter shall be referred by the Market Regulation Department to the Chief Regulatory Officer for consideration of the issuance of charges.
 - (b) Notwithstanding Rule 532(k)(5)(iv)(a), the Market Regulation Department, in its sole discretion, may refer any position limit violation it deems egregious to the Chief Regulatory Officer for consideration of the issuance of charges.
- iv. Appeal. Parties may, within 10 Business Days of being provided notice of sanctions issued pursuant to this section, request an appeal to the Exchange Practices Committee.
 - (a) Upon receiving a written request for appeal, the Chair of the Exchange Practices Committee shall determine solely upon the written request for appeal and any written response of the Market Regulation Department, whether there is a reasonable basis to conclude that the appellant might be able to meet one of the standards identified in subsection b below that would permit the Exchange Practices Committee to set aside, modify or amend the appealed decision. If the Chair determines that such a reasonable basis exists, a hearing will be held. The Exchange Practices Committee Chair's determination of whether to hold a hearing on an appeal shall be final. If a hearing is held the Chair shall allow the filing of briefs in connection with the appeal.
 - (b) The Exchange Practices Committee shall not set aside, modify or amend the appealed decision unless it determines by a majority vote that the decision was:
 - (i) Arbitrary, capricious, or an abuse of the Market Regulation Department's discretion;
 - (ii) In excess of the Market Regulation Department's authority

- or jurisdiction; or,
- (iii) Based on a clearly erroneous application or interpretation of LMX Rules.
- (c) If a hearing is held, the Exchange Practices Committee shall issue a written decision which shall include a statement of findings with respect to the decision from which the appeal was taken and the Exchange Practices Committee's determination that such initial decision is affirmed, set aside, modified or amended in whole or in part and, with respect to any initial decision that is not affirmed in whole, the Exchange Practices Committee's determination of the order or penalty to be imposed, if any, and the effective date. The decision of the Exchange Practices Committee shall be final and may not be appealed.

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RULE 534. The LMX Trading System Access Restrictions

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- (d) If a Clearing Firm has actual or constructive notice of a violation of LMX Rules in connection with the use of the LMX Trading System by a Participant or Customer for which it has authorized a direct connection and the Clearing Firm fails to take appropriate action within a reasonable length of time, ~~terminate the connection~~, the Clearing Firm may be found to have committed an act detrimental the Exchange.

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RULE 535. Identification of Authorized Traders and Authorized Brokers

Each Authorized Trader, ~~or Authorized Broker, and Customer~~ (including, if the customer is an entity the individual who is authorized to utilize the Exchange on behalf of the Customer) shall be identified to the Exchange by a unique User ID, in the manner prescribed by the Exchange, and shall be subject to LMX Rules. ~~If user IDs are required to be registered with the Exchange, it is the duty of the Clearing Firm and Participant Firm to ensure that registration is current and accurate at all times.~~ Each Authorized Trader, Authorized Broker, or Customer of the firm has been assigned and uses individual must use a unique user ID to access the LMX Trading System. In no event may a Person enter an Order or permit the entry of an Order by an individual using a user ID other than the individual's own unique user ID.

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RULE 536. LIMITATION OF LIABILITY, NO WARRANTIES

- (a) EXCEPT AS PROVIDED BELOW, AND EXCEPT IN INSTANCES WHERE A PARTY HAS BEEN FINALLY ADJUDICATED TO HAVE ENGAGED IN WILLFUL OR WANTON MISCONDUCT, IN WHICH CASE THE PARTY FOUND TO HAVE ENGAGED IN SUCH CONDUCT CANNOT AVAIL ITSELF OF THE PROTECTIONS IN THIS RULE 536, NEITHER THE EXCHANGE (INCLUDING ITS SUBSIDIARIES AND AFFILIATES, ~~CLEARING HOUSE~~, AND ANY TECHNOLOGY SERVICES PROVIDER AND

CONTRACTORS PROVIDING SERVICES TO THE EXCHANGE), NOR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, CONSULTANTS, AND LICENSORS (THE “DISCLAIMING PARTY” OR “DISCLAIMING PARTIES”) SHALL BE LIABLE TO ANY PERSON FOR ANY LOSSES, DAMAGES, COSTS OR EXPENSES (INCLUDING, BUT NOT LIMITED TO, LOSS OF PROFITS, LOSS OF USE, AND DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES), ARISING FROM:

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RULE 537. The LMX Exchange Control Center

(a) Customer Support

(1) The LMX Exchange Control Center (“ECC”) Provides the LMX Trading System customers support and problem management only to CLeaing Firms, Participants and Authorized Traders.

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RULE 538. The LMX Trading System Algorithms

The LMX trading system and matching algorithm is designed to provide a fair, transparent, and efficient market for Participants. The Exchange will use a price-time priority matching algorithm for its Central Limit Order Book “CLOB” providing a fully inclusive, real-time, and accurate market data to all Participants. ~~Information concerning the matching algorithm~~ The Exchange trading system will allocate an incoming aggressor order among Lead Market Maker resting orders at the best price using the price-time priority matching algorithm with any remaining quantity allocated to all other orders at the best price using the price-time priority matching algorithm. ~~is made available on the LMX Labs website~~ <https://www.lmxlabs.com>

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CHAPTER 6: PRIVATELY NEGOTIATED TRANSACTIONS

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RULE 602. Exchange of Derivatives for Related Positions

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(i) Identification and Submission to the Exchange~~Clearing House~~

Each EDRP transaction shall be designated as such and shall be cleared through the Clearing House. Each such transaction shall be submitted to the Exchange ~~Clearing House~~ within the time period and in the manner specified by the Exchange. Participant ~~Clearing Members~~ Firms are responsible for exercising due diligence as to the bona fide nature of EDRP transactions submitted on behalf of Customers.

(j) Documentation

Parties to any EDRP transaction must maintain all documents relevant to the Exchange Contract and the cash, OTC swap, OTC option, or other OTC derivative, including all documents customarily generated in accordance with relevant market practices and any documents reflecting payment and transfer of title. Any such documents must be provided to the Exchange upon request, and it shall be the responsibility of the submitting Participant ~~carrying Clearing Member Firm~~ to provide such requested documentation on a timely basis.

(k) Account Requirements

The accounts involved in the execution of an EDRP transaction must be:

- (1) independently controlled accounts with different beneficial ownership; or
- (2) independently controlled accounts of separate legal entities with the same beneficial ownership, provided that the account controllers operate in separate business units; or
- (3) independently controlled accounts within the same legal entity, provided that the account controllers operate in separate business units; or
- (4) commonly controlled accounts of separate legal entities, provided that the separate legal entities have different beneficial ownership.

(l) Large Trader Requirements for EDRP Transactions

Each Clearing ~~Member Firm~~, omnibus account and foreign broker submitting large trader positions in accordance with Rule 532 must submit for each reportable account the EDRP volume bought and sold in the reportable instrument, by contract month, and additionally for EOOs, by put and call strike. The information must be included in the daily Large Trader report to the Exchange.

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CHAPTER 7: DISCIPLINARY RULES

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Rule 717. Summary Imposition of Fines

- (a) The Chief Regulatory Officer may summarily impose a fine against a Participant (on behalf of itself or any of its Authorized Traders, other Supervised Persons or other Persons using any of its User IDs) or Authorized Trader for failing:
- (i) to make timely payments of original or variation margin, Options premiums, fees, costs, charges or fines to the Exchange or the Clearing House;
 - (ii) to make timely and accurate submissions to the Exchange of notices, reports or other information required by the LMX Rules; and
 - (iii) to keep any books and records required by the LMX Rules.

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CHAPTER 8: ARBITRATION RULES

RULE 801. Disputes Subject to Arbitration

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(b) ~~Claims Against the Exchange or Clearing House.~~

~~(1) Claims Against the Exchange~~ Claims against the Exchange pursuant to the provisions of Rules 537 and/or Rule 539 can be submitted to arbitration through the National Futures Association Arbitration Program or another arbitration program permitted by the CFTC Regulations. Such arbitration shall be conducted pursuant to the Rules and the rules of the arbitration Program.

~~(2) Claims Against the Clearing House~~

~~Claims against the Clearing House must be pursued pursuant to the rules of the Clearing House.~~

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CHAPTER 9: CLEARING

RULE 901. Clearing of Contracts

All Contracts shall be cleared through the Clearing House in accordance with the Clearing House Rules ~~and in conformity with the Exchange rules specifically provided in this Chapter 9.~~

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RULE 902. Criteria for Becoming a Clearing Firm

- (a) Any entity meeting the requirements of, and approved for, clearing membership at the Clearing House may be approved ~~apply~~ as a Clearing Firm.
- (b) Applicants to become a Clearing Firm to be approved as a Clearing Firm must satisfy the following criteria:
 - (1) be an entity meeting the requirements of, and approved for, clearing membership at the Clearing House and in good standing,
 - (2) meet the minimum capital requirement as determined by the Clearing House, and
 - (3) satisfy the Clearing Firm provisions set forth in Rule 903.
- (c) A Clearing Firm that seeks to effect transactions on the LMX Trading System for its own account or the account of its Customer as a Participant, must satisfy the provisions set forth in Rule 903, in addition to those set forth in Chapter 4 and Rule 902(b).
- (d) The Exchange evaluates and monitors a Clearing Firm's compliance with the criteria set forth in this Rule 902. The Exchange, through its membership in the Joint Audit Committee evaluates and monitors a Clearing Firm's compliance with the criteria set forth in this Rule 902.
- (e) ~~The Clearing House may assist the Exchange in evaluating and monitoring a Clearing Firm's compliance with these criteria.~~ By becoming a Clearing Firm, a Clearing Firm and its Supervised Persons agree to cooperate with the Exchange in any such monitoring.
- (f) Clearing Firms shall have the right to clear Contracts subject to ~~in accordance with the Clearing House Rules and the LMX Rules, as applicable.~~

RULE 903. Clearing Firm Application Process and Obligations

- (a) A Clearing Firm applicant shall apply using the Exchange application form, providing the information, and following the procedures established by the Exchange.
- (b) Clearing Firm that clears Contracts on behalf of a Participant(s) and that effects transactions for the Clearing Firm account and/or the Customer(s) of the Clearing Firm

must:

- (1) Register with the Exchange by submitting a Clearing Firm Agreement;
- (2) Be approved as a clearing member of ~~Enter into a User License Agreement with~~ the Clearing House, if applicable;

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- (h) In the event of a default that occurs or has occurred in relation to a Clearing Firm with open positions in any Contract in a proprietary or customer account, each other Clearing Firm shall cooperate with the Clearing House, ~~on a best efforts basis,~~ to accept the transfer of positions in such Contracts.

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RULE 904. Clearing House Rules

- (a) The clearing services provided by the Clearing House with respect to any Contract, and the rights and obligations of purchasers and sellers under cleared Contracts (including without limitation rights and obligations in respect of clearing and settlement, variation payments and performance at maturity), shall be governed by the Clearing House Rules, ~~as applicable.~~
- (b) The Clearing House provides clearing and ~~settlement~~ services for the Contracts, ~~including the risk management infrastructure.~~ The Exchange conducts surveillance related to this Rule 904.
- ~~(c) The Exchange will establish performance bond requirements from time to time as published by the Exchange in a Notice to Participants. Participants must call for Performance Bond from their Customers and post a performance bond with the Clearing House as set forth in the Clearing House Rules. All performance bond collateral must be in a form acceptable to the Clearing House pursuant to Clearing House Rules.~~
- ~~(d)~~(c) The Clearing House Rules shall prevail in the event of any conflict or inconsistency between the Rules and the Clearing House Rules with respect to any Clearing Firm responsibilities or obligations under the Clearing House Rules. All Clearing ~~Members~~Firms are bound by the Clearing House Rules.

RULE 905. Other Clearing Organizations

Should ~~Whenever~~ the Exchange designates a different clearing organization other than the current Clearing House for the clearance of Contracts with respect to which there are open positions due to the termination of the agreement between the Exchange and the current Clearing House, each Clearing Firm shall, as of the close of business on the second Business Day prior to the effective date of such designation (notice of such effective date to be provided at least 60 days in advance of the effective date), either become a Clearing Firm of such successor clearing organization, or cause any such open Contracts carried by it either to be transferred to a Clearing Firm of such successor clearing organization or to be liquidated.

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RULE 906. Settlement Prices

The Exchange, ~~in conjunction with the Clearing House,~~ will determine the Settlement Price for Contracts. For each Contract, the Exchange shall publish a daily settlement price and information

regarding volume, open interest and opening and closing ranges. Any settlement price shall be determined by the Exchange in accordance with its procedure ~~except where or shall be the price determined by the Clearing House believes that such settlement price does not reasonably reflect the value or price of the Contract, in which case the Clearing House will determine the settlement price~~ in accordance with the Clearing House Rules. ~~Notwithstanding the foregoing, the Clearing House may modify Settlement Prices in its discretion in accordance with Clearing House Rules.~~

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RULE 908. Transfer of Trades

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- (e) All transfers shall be reported to the Exchange Clearing House in a form acceptable to the Exchange for the type of transactions involved. The proper indicator must be included in the transfer such that the transactions, including the transaction(s) to reverse an error, clear as transfers. The Clearing Firms involved shall maintain a full and complete record of all transactions together with all pertinent memoranda. For submission to the Clearing House, all transfers of Contract shall be subject to the Clearing House Rule.

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RULE 910. Substitution

For a Transaction that is both executed and submitted to the Clearing House in accordance with the rules governing such Transaction, the Clearing House will ~~shall~~, through the process of novation, be substituted as, and assume the position of, seller to the buyer and buyer to the seller of the relevant number of Contracts once the Transaction is accepted at the Clearing House pursuant to the Clearing House Rules, ~~and the Clearing House Manual of Operations; provided, however, that the timing of the clearing guarantee for Transactions pursuant to Rule 601 (Block Trades), Rule 602 (Exchange of Derivatives for Related Positions), and Rule 908 (Transfers of Trades) shall be subject to terms for privately negotiated trades pursuant to the Clearing House rules, specifically the Clearing House shall be substituted at the time payment of the first settlement variation and performance bond due for such trades pursuant to the applicable Clearing House Rule regarding settlement variation is confirmed by the appropriate settlement bank for both members. Upon such substitution, each Clearing Firm shall be deemed to have bought the contracts from or sold the contracts to the Clearing House, as the case may be, and the Clearing House shall have all the rights and be subject to all the liabilities of such Clearing Firm with respect to such transaction. Such substitution shall be effective in law for all purposes. The Clearing House must maintain all documents relevant to this Rule 910 and in accordance with Applicable Law . Any such documents related to this Rule 910 must be provided to the Exchange upon request.~~

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LMX, LLC – Legal Notice

~~Certain elements of the contract design and pricing construct are patent pending.~~

Futures trading is not suitable for all investors, and involves the risk of loss. Futures are a leveraged investment, and because only a percentage of a contract's value is required to trade, it is possible to lose more than the amount of money deposited for a futures position. Therefore, traders should only use funds that they can afford to lose without affecting their lifestyles. And

only a portion of those funds should be devoted to any one trade because they cannot expect to profit on every trade. All references to options refer to options on futures.

Notice to individuals located in the United Kingdom. The materials contained in this communication are directed only at persons with investment experience (i.e., "investment professionals"). Persons who do not have professional experience in matters relating to investments should not rely on any of the information herein. The investment activities to which these materials relate are only available to persons with investment experience. Any request to engage in the investment activities to which these materials relate, by persons other than those with investment experience, shall be denied.

The information within this document has been compiled by LMX for general purposes only. LMX assumes no responsibility for any errors or omissions. Additionally, all examples in this document are hypothetical situations, used for explanation purposes only, and should not be considered investment advice, legal advice, or the results of actual market experience. The information contained within this document does not constitute legal or investment advice.

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