

FairX (LMX Labs, LLC)  
20 N. Wacker Drive  
Suite 3000  
Chicago, IL 60606

***FairX Submission #2021-11E***

June 24, 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: Amendments Re: Electronic Trading Risk Principles**

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 amendments to Exchange Rule 401 in order to assure compliance with CFTC rule 38.251(e)-(g) by the July 12, 2021, compliance date.<sup>1</sup> Additionally, the Exchange is making clarifying changes to Exchange Rule 535 along with related definitional changes in Rule 101 and conforming changes throughout the Rulebook.

Exchange Rule 401, sets forth the duties and responsibilities of Exchange Participants. In order to assure continued compliance with CFTC rules and the DCM Core Principles, the revised rule specifically provides that Participants have a duty and responsibility to operate any electronic trading on the Exchange in a manner that is reasonably intended to prevent, detect, and mitigate market disruptions or system anomalies.

Exchange Rule 535 requires that every order submitted to the Exchange uniquely identify the trader submitting such order. Currently the rule refers to this as a “User ID.” Under the Rules “User ID” is not defined, but in connection with getting Participant and Clearing firms connected to the Exchange User ID refers to the access credentials established for the relevant firm, but not a unique trader ID. Accordingly, revised Exchange Rule 101 will include a definition of User ID as access credentials provided to a Participant Firm or Clearing Firm for accessing the Exchange. Exchange Rule 535 is being revised to remove reference to “User ID” and to more clearly provide that each trader submitting orders must be uniquely identified. These revisions do not change the obligations of Participant Firms or Clearing Firms.

A copy of revisions in redline format is attached hereto as Exhibit A. The proposed amendments will become effective on July 12, 2021.

---

<sup>1</sup> See Electronic Trading Risk Principles, 86 Fed. Reg. 2048 (Jan. 11, 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 4 -- Prevention of Market Disruption*

Revisions to Exchange Rule 401 are in direct response to the CFTC’s rulemaking related to Core Principle 4 and the provision of guidance on complying with the same. Additionally, one of the ways that the Exchange monitors for disruptive trade practices is through the review of orders submitted to the Exchange. In order to do this, the Exchange must be able to identify when orders are being submitted by the same person. Exchange Rule 535 supports the Exchange’s surveillance program..

### *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 amendments will enable the Exchange to continue to provide a fair, transparent, and efficient market for executing transactions.

## 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](http://www.fairx.com).

If you have any questions or require any further information, please contact me at 773-832-7973 or [mpiracci@fairx.com](mailto:mpiracci@fairx.com).

Sincerely,

/s/

Michael A. Piracci  
Chief Regulatory Officer and  
Senior Counsel

Attachments: Exhibit A

## EXHIBIT A

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

### CHAPTER 1: DEFINITIONS

#### RULE 101. DEFINITIONS

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

\* \* \* \* \*

“User ID” means the credentials assigned to a Participant Firm or Clearing Firm, through the User ID Request Form, for accessing and utilizing the Exchange.

\* \* \* \* \*

### CHAPTER 4: OBLIGATIONS OF PARTICIPANTS

#### RULE 401. Duties and Responsibilities of Participants

(a) Each Participant (i.e., Participant Firm and Clearing Firm) shall (and shall cause all of its Authorized Traders, Authorized Brokers, and Supervised Persons):

\* \* \* \* \*

- (13) be responsible for promptly informing the Exchange of any material changes to the information provided to the Exchange by the Participant pursuant to Rule 301; ~~and~~
- (14) keep, or cause to be kept, complete and accurate books and records, including, without limitation, trading records in underlying commodity and derivatives markets related to the Exchange Contract, records of and documents related to data submitted by the Market Participant or Affiliate to an instrument or index to which an Exchange contract settles, all books and records required to be maintained pursuant to the CEA, the CFTC Regulations or the Exchange Rules, for at least five (5) years, and make such books and records readily accessible for inspection by a representative of the Exchange, the CFTC or the United States Department of Justice during the first two (2) years of such five-year period; and
- (15) operate any electronic trading system and conduct any activity on the Exchange through an electronic trading system in a manner that is reasonably intended to prevent, detect, and mitigate market disruptions or system anomalies associated with such electronic trading.

\* \* \* \* \*

### CHAPTER 5: TRADING PRACTICES AND BUSINESS CONDUCT

\* \* \* \* \*

#### RULE 535. Identification of Authorized Traders and Authorized Brokers

Each Authorized Trader, 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 identifier ~~User ID~~, in the manner prescribed by the Exchange, and shall be subject to Exchange Rules. It is the duty of the Clearing Firm and Participant Firm to ensure that each Authorized Trader, Authorized Boker, or Customer of the firm has been assigned and uses a unique identifier ~~user ID~~ to access the Exchange Trading System. In no event may a Person enter an Order or permit the entry of an Order by an

individual using a unique identifier user ID other than the individual's own unique identifier user ID.

\* \* \* \* \*