

**Cantor Futures Exchange, L.P.**  
**Rule 40.2 New Contract Submission**  
**Monthly Aggregate Rainfall Index Binary Option Contract**  
**Submission #2017-01**  
**March 20, 2017**

Cantor Futures Exchange, L.P. (“CX” or “Exchange”) hereby certifies its listing of the following new contract: Monthly Aggregate Rainfall Index Binary Option Contract (“MARI Contract”).

This submission is being made in accordance with Section 5c(c)(1) of the Commodity Exchange Act, as amended, 7 U.S.C. §1 et seq. (“Act”) and Commodity Futures Trading Commission (“Commission”) Rule 40.2 thereunder.

1. The text of the proposed contract terms and conditions are attached.
2. The proposed listing date of the contract will be within 60 days of the effective date of the terms and conditions of the contracts, but no less than one day following receipt by the Commission of this submission.
3. Attached, please find a certification that: (1) the Contract complies with the Commodity Exchange Act, and the Commission’s regulations thereunder; and (2) that CX posted on its website a notice of this pending product certification with the Commission and a copy of the submission, concurrent with the filing of this submission with the Commission.
4. A concise explanation and analysis of the product and its compliance with applicable provisions of the Act, including core principles, and the Commission’s regulations thereunder appears below.
5. Confidentiality for this submission is not requested.

---

**CONCISE EXPLANATION AND ANALYSIS OF THE PRODUCT AND ITS  
COMPLIANCE WITH APPLICABLE PROVISIONS OF THE ACT, INCLUDING  
CORE PRINCIPLES AND THE COMMISSION’S REGULATIONS THEREUNDER**

Pursuant to Commission Rule 40.2(a)(3)(v), the following is a concise explanation and analysis of the product and its compliance with the Act, including the relevant Core Principles, and the Commission’s regulations thereunder.

**Description of the Contract**

The MARI Contract is a binary option contract relating to the total liquid precipitation (including frozen equivalents melted and measured) reported by certain specified locations. It is designed to enable market participants whose businesses or operations are affected by the weather to mitigate the commercial risks associated with rainfall variability. The economic risk that the MARI Contract can be used to mitigate or hedge against includes both excessive and insufficient

rainfall. The Exchange has identified food service, real estate, energy, agricultural, and other commercial entities that have business lines that are materially affected by rainfall variability.

CX staff, in conjunction with meteorological experts at AccuWeather, developed specific features of the proposed contract to achieve this objective consistent with the Commission's Guideline 1, now found in Appendix C to Part 38 of the Commission's rules. In particular, the MARI Contract's final settlement value will utilize data published at least daily by the National Weather Service in their Climate Report ("CLI") and Preliminary Local Climatological Data ("CF-6") reports. This daily data will be aggregated into the monthly index used by the Exchange to cash-settle its contracts. That settlement value will be based on information that is commercially acceptable, publicly available and timely in its availability.

The MARI Contract operates similar to the other binary options listed for trading on the Exchange. Like all binary options, it is characterized by the payment of an absolute amount to the holder of one side of the option and no payment to the counterparty. In this case, the long position holder is paid if the monthly aggregate rainfall amount at the specified location is equal to or greater than the strike level, and the short position holder is paid if the monthly aggregate rainfall amount at the specified location is less than the strike level.

Trading of the contract is on a principals-only basis, like all other CX contracts, and all participants are self-clearing. The risk position of all participants is fully margined in accordance with the Cantor Clearinghouse Order of Registration and its rules.

The Exchange intends to list initially for trading fifty-five (55) locations in the United States that have sufficient weather reporting capabilities to calculate the Monthly Aggregate Rainfall Index, which shall be quoted to the nearest one-hundredth of an inch of reported rainfall. There are approximately five hundred (500) locations nationwide with such reporting capability and the Exchange will consider adding additional locations when demanded by market participants. There are no premiums or discounts relative to various locations; each location is a separate option contract. The complete list of contract locations is included here as Appendix B and published on the Exchange website.

There is not a "cash market" underlying this binary option contract. However, CX MARI Contracts are not the first rainfall index option contracts to be offered by a U.S. designated contract market. The Exchange expects that the CX MARI Contract market will provide additional price discovery and hedging capabilities for this market.

The terms of the Contracts meet the standards set forth in Appendix C to Part 38 as follows:

*Contract size:* There is no established cash-market delivery pack or contract size. The Exchange takes the view that maximizing the commercial usefulness of any product dictates that the contract size should conform to commercial norms and, furthermore, legacy front- and back-office technological limitations should not dictate contract sizing. Therefore, as with other CX binary option contracts, the MARI Contracts are sized with a one-dollar notional value to enable contract users to best match the size of the contracts purchased to their economic risks.

*Strike price listing provisions:* In discussion with market participants, the Exchange will initially list strike price increments of one-inch of rainfall. Due to the high seasonal variability of rainfall

amounts in various locations, the Exchange may modify the strike price intervals in response to suggestions by market users to reflect areas of relatively low or high precipitation. All available strike prices by location will be published on the Exchange's website.

*Listing cycle:* There is no established cash market listing cycle. Expiration months will be listed monthly, which best will correspond to the risk management needs of contract users. The initial set of contract months for listing will be April 2017 through December 2017. The Exchange will add additional contracts months on a rolling basis and will publish all available contract months on its website.

*Tick size:* The minimum price fluctuation is one cent. Price bands will apply so that options may only be listed at values of at least one cent and at most 99 cents. There is no current minimum price fluctuation in the cash market. A minimum price fluctuation of one cent is the standard tick size on CX.

*Position accountability:* The Exchange has provided for a position accountability level of 10,000 contracts net short or net long for each MARI location.

*Reporting level:* The reporting level will be 125,000 contracts, which is equivalent to the reporting level for other binary options.

### **Core Principle 3—Swaps Not Readily Susceptible to Manipulation**

Core Principle 3 and Rule 38.200 provides that a DCM shall not list for trading contracts that are readily susceptible to manipulation. Appendix C(c) to Part 38 sets forth the considerations for determining that a cash-settled contract is not readily susceptible to manipulation.

The MARI Contract is a cash-settled contract based upon objective data regarding the amount of rainfall at a certain specified location, which is not readily susceptible to manipulation. Deliverable supplies are not a relevant consideration for this contract, nor does the contract depend on an index of pricing information to determine whether the binary option is in or out of the money. Rather, the MARI Contract relies on the Monthly Aggregate Rainfall Index, which is based on objective, scientific data published in the CLI and CF-6 reports by the National Weather Service. This information is publicly available and timely published.

The National Weather Service is an agency of the United States government tasked with providing official meteorological and climatological data. Data published in the CLI and CF-6 reports are public and based on objective, observable information and will be a reliable indicator of the index value. No individual can manipulate or distort this data, nor is any individual able to affect prices on the Exchange by manipulating these reports. Accordingly, the cash settlement determination is based upon publicly available, objective data that is reliable and widely-accepted as authoritative.

Nevertheless, the Exchange in its discretion may use other public and private weather reporting sources to determine the Monthly Aggregate Rainfall Index when doing so is in the best interest of the marketplace. This authority would be used only in the unforeseen event that National Weather Service data was unavailable. Any such alternative source would also be objective and verifiable, and the Exchange would document any such decision.

## **Core Principle 11—Financial Integrity of Transactions**

Core Principle 11 and Rule 38.601 require that a contract be subject to mandatory clearing.

The MARI Contract is subject to mandatory clearing on the same terms as all other binary options cleared by Cantor Clearinghouse. These requirements are designed to enhance the financial integrity of all products traded on the Exchange.

### **All Remaining Requirements**

All remaining Core Principles are satisfied through operation of the Exchange and its Clearinghouse under the rules, processes, and policies applicable to the other binary options traded thereon. Nothing in the MARI Contract requires any change from current rules, processes, or policies.

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

I hereby certify that:

(1) the Monthly Aggregate Rainfall Index Binary Option Contract complies with the Commodity Exchange Act, and the Commodity Futures Trading Commission's regulations thereunder; and

(2) concurrent with this submission, Cantor Futures Exchange, L.P. posted on its website: a notice of this pending product certification with the Commission and a copy of this submission, concurrent with the filing of this submission with the Commission.

 \_\_\_\_\_

By: Nolan Glantz

Title: COO

Date: 3/20/2017

**ATTACHMENT A—CONTRACT TERMS AND CONDITIONS**

**CANTOR FUTURES EXCHANGE, L.P.  
CHAPTER IX  
CONTRACTS**

...

**IX-3100. MONTHLY AGGREGATE RAINFALL INDEX BINARY OPTIONS**

**(a) Scope and Underlying**

(i) These Contract Rules will govern the trading on the Cantor Futures Exchange, L.P. (the “Exchange”) of the MONTHLY AGGREGATE RAINFALL INDEX BINARY OPTION CONTRACT (“MARI Contract”). In general, the Contract is a binary option that will settle at the end of each calendar month and will pay \$1.00 per contract to any long position holder if the rainfall index amount at the specified location is equal to or greater than the strike level; \$1.00 per contract to any short position holder if the rainfall index amount at the specified location is less than the strike level; and nothing at all to other holders of that contract.

(ii) Clearing of the MARI Contract will be governed by the rules of the Cantor Clearinghouse, L.P. (the “Clearinghouse”). These Contract Rules are established pursuant to and constitute “Contract Rules” under Rule IX-4(e) of the Rules of the Exchange and constitute “Contract Rules” Under Rule IX-4(g) of the Rules of the Clearinghouse. Capitalized terms used, but not defined herein, have the meanings ascribed to them in the Rules of the Exchange or the Rules of the Clearinghouse, as applicable.

**(b) Calculation and Quotation of the Index**

(i) The Monthly Aggregate Rainfall Index represents the total liquid precipitation (including frozen equivalents melted and measured) reported by specific measuring stations during each calendar month and measured in hundredths of inches.

(ii) Each index point shall be quoted to the nearest one-hundredth of a point and each point represents one inch of reported rainfall at the specified location (e.g. an index value of 5.53 indicates that the specified location has reported 5.53 inches of rainfall).

(iii) The Exchange may publish intra-month values of the Monthly Aggregate Rainfall Index value during the current calendar month. These values, when published, will be available on the Exchange website.

(iv) The Monthly Aggregate Rainfall Index will be calculated by the Exchange relying primarily on data published in the Climate Report (“CLI”) and Preliminary Local Climatological Data (“CF-6”) reports by the National Weather Service (“NWS”). The Exchange makes no warranties with respect to the accuracy of the data published by the NWS and in its discretion may use other public and private weather reporting sources to determine the Monthly

Aggregate Rainfall Index when doing so is in the best interest of the marketplace. The Exchange shall document the information on which it bases its calculation of the Monthly Aggregate Rainfall Index.

Amounts reported in the CLI and CF6 reports may be subject to revision and may not accurately reflect the actual rainfall occurring during a calendar month at a given reporting station. Any such revision in the reported amount may be taken into consideration by the Exchange for inclusion into its Monthly Aggregate Rainfall Index calculation except that no such revision will cause the Monthly Aggregate Rainfall Index to be less than a previously published Monthly Aggregate Rainfall Index value for the specified location in any given month.

**(c) Contract Months**

The Exchange may make available for trading contracts in any months that it sees fit, including the current calendar month. The complete list of such months may be found on the Exchange website.

**(d) Contract Locations**

The Exchange may list contracts for any location that has sufficient weather reporting capabilities to calculate the Monthly Aggregate Rainfall Index. The complete list of such locations may be found on the Exchange website.

**(e) Strike Price Intervals**

Strike prices shall be stated in terms of the respective Monthly Aggregate Rainfall Index quotation levels. At least five (5) such strikes shall be available for each tradable location and each tradable calendar month. The complete list of strike prices for each location may be found on the Exchange website.

**(f) Trading Days and Trading Hours**

(i) Regular trading of MARI Contracts will be Sunday 6:30 PM ET through Friday 4:00 PM ET, continuously.

(ii) The Exchange will provide for trading, including Saturdays, Sundays and holidays, of MARI Contracts during the period that begins on the fifth day prior to the Last Trading Day of each contract.

(iii) Notwithstanding Rule IX-3100(f)(i) and IX-3100(f)(ii) above, the Exchange may permit modifications to these Trading Days and Trading Hours for the purposes of (A) scheduled technology maintenance, (B) abbreviated holiday trading schedules, and (C) as required by market or environmental considerations. All such changes shall be published on the Exchange website.

**(g) First Day of Trading, Last Day of Trading, Early Termination of Trading**

(i) The First Trading Day for each MARI Contract will be published on the Exchange website.

(ii) The Last Trading Day shall be the day after the last calendar day of the month corresponding to each MARI Contract. Trading shall terminate at noon on such day.

(iii) Early Termination of Trading for each MARI Contract will occur any time the Exchange publishes a Monthly Aggregate Rain Index value that exceeds the strike level for a given location in a given contract month. For example, if the Exchange publishes a MARI value of 1.5 on December 5, 2017 for the KJFK location, then the Exchange will provide for a final settlement of any December MARI contracts for the KJFK location with any strike price that is at or below 1.5 and trading in such contract(s) will terminate upon such final settlement.

**(h) Price Limits and Minimum Increment**

(i) There shall be no trading in MARI Contracts at more than ninety-nine cents (\$0.99) or less than one cent (\$0.01).

(ii) The minimum trading increment of each MARI Contract is one cent (\$0.01).

**(i) Position Accountability Levels**

The position accountability level shall be 10,000 contracts net short or net long for each MARI location.

**(j) Original Margin Requirements**

Original Margin shall be 100% of the at-risk amount for all Participants of each MARI Contract as required by the Clearinghouse.

## ATTACHMENT B—MARI CONTRACT LOCATIONS

The following are the MARI Contract Locations:

- KABQ: Albuquerque, NM
- KATL: Atlanta, GA
- KAUS: Austin, TX
- KBDL: Windsor Locks, CT
- KBHM: Birmingham, AL
- KBNA: Nashville, TN
- KBOI: Boise, ID
- KBOS: Boston, MA
- KBUF: Buffalo, NY
- KBWI: Baltimore, MD
- KCLE: Cleveland, OH
- KCLT: Charlotte, NC
- KCMH: Columbus, OH
- KCVG: Northern Kentucky (Cincinnati), KY
- KDCA: Washington (National), DC
- KDEN: Denver, CO
- KDFW: Dallas Ft. Worth, TX
- KDSM: Des Moines, IA
- KDTW: Detroit, MI
- KFAR: Fargo, ND
- KGEG: Spokane, WA
- KGRB: Green Bay, WI
- KGRR: Grand Rapids, MI
- KHLN: Helena, MT
- KHOU: Houston (Hobby), TX
- KICT: Wichita, KS
- KIND: Indianapolis, IN
- KLAS: Las Vegas, NV
- KLAX: Los Angeles, CA
- KMCI: Kansas City, MO
- KMCO: Orlando, FL
- KMEM: Memphis, TN
- KMIA: Miami, FL
- KMKE: Milwaukee, WI
- KMSP: Minneapolis, MN
- KMSY: New Orleans, LA
- KNYC: New York (Central Park), NY
- KOKC: Oklahoma City, OK

- KOMA: Omaha, NE
- KORD: Chicago (O'Hare), IL
- KPDX: Portland, OR
- KPHL: Philadelphia, PA
- KPHX: Phoenix, AZ
- KPIT: Pittsburgh, PA
- KPWM: Portland, ME
- KRAP: Rapid City, SD
- KRDU: Raleigh-Durham, NC
- KRIC: Richmond, VA
- KRNO: Reno, NV
- KSAT: San Antonio, TX
- KSEA: Seattle, WA
- KSFO: San Francisco, CA
- KSLC: Salt Lake City, UT
- KSTL: St. Louis, MO
- KTUS: Tucson, AZ