

**Cantor Futures Exchange, L.P.**  
**Rule 40.2 New Contract Submission—Atlantic Named Storm Landfall Binary Option Contract**  
**Submission #2016-5**  
June 13, 2016

Cantor Futures Exchange, L.P. (“CX” or “Exchange”) hereby certifies its listing of the following new contract: Atlantic Named Storm Landfall Binary Option 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 is attached.
2. The proposed listing date of the contract will be within 45 days of the effective date of the terms and conditions of the contract, but no less than two days 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.

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**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 and Commission rules.

**Introduction**

This is a binary option contract relating to the location of landfall of named tropical cyclones in the eastern half of the continental U.S. A tropical cyclone is a rotating, organized system of clouds and thunderstorms that originates over tropical or subtropical waters and has a closed low-level circulation. Tropical cyclones are classified by the more commonly used terms of

tropical depression, tropical storm, hurricane and major hurricane, and anytime such a tropical cyclone achieves sustained winds of at least 39 miles per hour then the National Hurricane Center will assign a name to that storm according to a pre-published list of names maintained by the World Meteorological Organization.

The Atlantic Named Storm Landfall Binary Option Contracts (“ANSL Contracts” or “Contract”) operate 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 holder of the option is paid based upon landfall of a named storm in a designated area of the country. Each particular option provides for a number of designated landfall zones, identified by U.S. ZIP Codes and termed a “Strike Code.” Unlike some other contracts, there are no premiums or discounts relative to various locations; each location is a separate option contract.

Like all other CX contracts, trading of the contract is on a principles-only basis, 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.

CX ANSL Contracts are not the first option contracts on named storms to be offered by a U.S. designated contract market. However, the CX contracts differ in the granularity of the Strike Codes, enabling Participants to more precisely hedge risks that they may face arising from a named storm’s landfall.

With that as background, in accordance with the requirements of Commission Rule 40.2, CX notes that:

### **Core Principle 3**

Core Principle 3 and Rule 38.200 provides that a DCM shall not list for trading contracts that are readily susceptible to manipulation. The ANSL Contract is a cash settled contract based upon the objective determination of where a tropical cyclone makes landfall.

Although each Strike Code is analogous to a specific “delivery point,” deliverable supplies are not a relevant consideration for this contract. Nor does the contract depend upon an index of pricing information to determine whether the binary option is in or out of the money. Rather, the contract relies upon public advisories published by the National Hurricane Center, a division of the National Weather Service, a government agency. The nature of these advisories is objective. The term of each contract is until a named storm makes landfall or contract expiration which will generally be November 30 of the calendar year in which it is listed, whichever is sooner.

The National Weather Service is an agency of the U.S. government and the advisories that the National Hurricane Center publish are public, based on objective information. No individual is able to manipulate or distort this information. Nor is any individual able to affect prices on the exchange by manipulating these reports. Thus the cash settlement determination is based upon publicly available, timely information that is reliable and widely accepted as an authoritative source for this information. Nevertheless, the Exchange has retained authority to use other sources of information for determining landfall in its discretion if the best interest of the market

so requires. This authority would only be used in the unforeseen event that National Hurricane Center advisories were unavailable. Such a secondary source would also be objective and verifiable. The Exchange would document any such decision.

The minimum price fluctuation is one cent. Price bands will apply so that options may only be traded at values of one cent (\$0.01) or more and ninety-nine cents (\$0.99) or less.

The Contract does not have specified delivery months. Rather, a number of sequential contracts may be listed denoting the sequence of named storms that make qualified landfalls. Qualified landfalls are generally those which occur within 75 statute miles of a continental U.S. ZIP Code's geographic center and are at least 12 hours after any other qualified landfall.

At least one ANSL Contract will be listed for trading every day prior to November 30 of each calendar year and will always correspond to the next occurring landfall. A number of additional contracts representing subsequent sequential landfalls may be listed simultaneously depending upon market demand. If landfall does not occur prior to any ANSL binary option's expiration, then that binary option will expire on the last trading day.

The Exchange has provided for a position accountability level of 10,000 contracts net long or short.

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

Core Principle 11 and Rule 38.601 require that a contract be subject to mandatory clearing. The ANSL Contracts are subject to mandatory clearing on the same terms as all other binary options cleared by Cantor Clearinghouse.

### **All Remaining Requirements**

All remaining Core Principles are satisfied through operation of CX and its clearinghouse under the Rules, processes and policies applicable to the other binary options traded thereon. Nothing in this contract requires any change from current rules, policies or operational processes.

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 Atlantic Named Storm Landfall 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: CEO

Date: 6/10/2016

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

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**IX-3000. ATLANTIC NAMED STORM LANDFALL 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 ATLANTIC NAMED STORM LANDFALL BINARY OPTION CONTRACT (“ANSL Contract”). In general, the Contract is a binary option that will settle upon a Qualifying Atlantic Landfall and will pay \$1.00 per contract to any long position holder within the Impacted Zip Code Area, and nothing to all other contract holders for that ANSL Contract.

(ii) Clearing of the ANSL 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) Determination of Qualifying Atlantic Landfall**

(i) The Exchange is solely responsible for determining the occurrence and location of a Qualifying Atlantic Landfall (“QAL”) relying primarily on Public Advisories published on the website [www.nhc.noaa.gov](http://www.nhc.noaa.gov) and issued by NOAA's National Hurricane Center (NHC). The Exchange makes no warranties with respect to the accuracy of the NHC's advisory and in its discretion may use other public and private weather reporting sources to determine the location of a QAL when doing so is in the best interest of the marketplace. The Exchange shall document the information on which it declares a QAL.

(ii) Anytime an Atlantic named storm has made landfall, the Exchange will designate such landfall as a QAL provided that (A) the storm was named prior to the time of landfall and retains that name at the time of landfall; (B) the latitude and longitude of such landfall is listed on the “Landfall” column of Table 1; (C) the landfall is at least 12 hours after any previous QAL; (D) the landfall is not a revision or amendment to a prior landfall or inactive storm; and (E) the landfall occurs when there is an ANSL Contract listed for trading.

(iii) All QALs will be published on the Exchange website and include named storm, date and time of landfall, latitude and longitude of landfall.

(iv) For the avoidance of doubt, multiple landfalls by the same named storm may qualify as separate QALs; provided however, that each successive landfall more than 12

hours apart from the prior landfall of the same named storm will be for the next contract in the series. Certain landfall latitude and longitude points that qualify as QALs may lie in territories that are not part of the continental United States.

**(c) Determination of the Impacted Zip Code Area and Final Settlement**

(i) Immediately after a QAL has occurred the Exchange will determine the Impacted ZIP Code Area by looking up the latitude and longitude of the QAL in Table 1 and identify the corresponding Impacted ZIP Code Area.

(ii) Each open position that has a Strike Code within the Impacted ZIP Code Area will be Cash Settled at a value of one dollar; all other open positions will be settled at a value of zero dollars.

(iii) If no QAL has occurred by the close of Trading on the Last Trading Day, then all Strike Codes for that contract will be settled at a value of zero dollars.

(iv) Final Settlement of all open positions in each ANSL Contract will occur after each QAL not later than the end of the first Business Day following the QAL or if no QAL has occurred, the Last Trading Day. If a QAL occurs prior to the Last Trading Day, a new Contract in the series shall be listed as provided in Paragraph (e).

**(d) Ticker Symbols**

Each ANSL Contract will be identified as WXASLEDyyee where “yy” shall correspond to the two-digit year and “ee” shall be the ANSL Contract’s sequential order. That is, the first ANSL Contract for the 2016 season shall be listed as WXASLED1601, the second ANSL Contract for the season shall be listed as WXASLED1602, etc. Individual contracts within such a series may be listed simultaneously or sequentially at the discretion of the Exchange.

**(e) First Day of Trading, Termination of Trading**

(i) The First Trading Day for the initial ANSL Contract in each calendar year will be listed on the first Monday of January of that calendar year.

(ii) The First Trading Day for each subsequent ANSL Contract in the series will be listed either (A) by notice as posted on the Exchange website or (B) on the next Business Day after an QAL occurred, if the sequential contract has not already been listed. No new ANSL Contracts will be listed after November 30 of each calendar year.

(iii) The Termination of Trading for each ANSL Contract in the series will be (A) upon a QAL that corresponds with the ANSL Contract; or (B) November 30 of that calendar year unless there is an active Atlantic basin named storm on November 30, in which case the Last Trading Day will be the earlier of the last Business Day of the calendar year or the first date on which there is no active Atlantic basin named storm.

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

(i) Except as otherwise posted on the Exchange website, regular trading of ANSL Contracts will be Sunday 6:30 PM ET through Friday 4:00 PM ET. Except as noted in Rule IX-3000(f)(ii), no trading in these contracts shall occur between the hours of 4:00 PM ET and 6:30 PM ET on any Exchange Trading Day. Abbreviated holiday trading schedules may apply and will be posted on the Exchange website.

(ii) Notwithstanding Rule IX-3000(f)(i), the Exchange will provide for continuous trading, including Saturdays and Sundays, of ANSL Contracts whenever (A) any named storm is forecast to make landfall on the continental United States between Friday 4:00 PM ET and Sunday 6:30 PM ET; or (B) a Category 1 or Category 2 Hurricane is within 1,000 miles of the United States coastline or is expected to make United States Landfall within the next 7 calendar days; or (C) a Category 3 or stronger named storm is present in the Atlantic basin. The Exchange will post on its website when it is open for continuous trading. Any trades that occur after 4:00 PM ET on any calendar day will be reported with trades of the following Business Day.

**(g) Valid Strike Codes**

The valid Strike Codes for ANSL Contracts are all those listed as part of any Impact ZIP Code Area in Table 1. Revisions to Table 1 will be posted as necessary on the Exchange website.

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

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

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

**(i) Position Accountability Levels**

The position accountability level shall be 10,000 contracts net short or net long each ANSL Strike Code.

**(j) Original Margin Requirements**

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