

**ELX Futures, L.P.**

**40.6 Rule Certification and Implementation**

**ELX 2017-01**

**June 8, 2017**

1. The text of a new rule, III-15 providing that ELX may establish incentive and market making programs and the implementation of the first such incentive program adopted pursuant to ELX Rule III-15, is appended as Attachment A and Attachment B, respectively.
2. The effective date of new ELX Rule III-15 and of the first incentive program implemented thereunder is ten business days following the filing of this submission.
3. Attached, please find a certification that: (1) these rules comply with the Commodity Exchange Act (“Act”), and the Commission’s regulations thereunder; and (2) concurrent with this submission, ELX posted on its website: (i) a notice of pending certification of the rule submissions with the Commission; and (ii) a copy of this submission.
4. A concise explanation and analysis of the operation, purpose, and effect of the amended rules appear below.
5. There were no opposing views expressed regarding these amended rules.
6. Confidential treatment is nor requested.

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CONCISE EXPLANATION AND ANALYSIS OF THE OPERATION, PURPOSE, AND EFFECT OF THE CERTIFIED RULE AND ITS COMPLIANCE WITH APPLICABLE PROVISIONS OF THE ACT, INCLUDING CORE PRINCIPLES AND THE COMMISSION’S REGULATIONS THEREUNDER

Pursuant to Commission Rule 40.6(a)(7)(vi), the following is a concise explanation and analysis of the operation, purpose, and effect of the amended rules. ELX is adopting a new rule that formalizes its authority to establish incentive and/or market making programs and at the same time, establishing the first such incentive program implemented under the rule. ELX has implemented various incentive programs in the past under its general fee-setting authority. See, ELX Self-Certification 110411 (November 4, 2011). ELX is adopting Rule III-15 to formalize that authority.

ELX Rule III-15 provides in part that, “the Exchange, in order to encourage liquidity and orderliness in a market, may adopt a program for such period and on such terms as the Exchange shall determine in its discretion, reducing or rebating trading or other fees to Participants or otherwise making incentive payments to such Participants as provided under the terms determined by the Exchange.” The rule also provides that the Exchange may establish market making programs granting one or more Participants, designated as Liquidity Providers, benefits

in return for assuming and adequately performing obligations. Both types of arrangements are intended to encourage liquidity and orderly trading in the market.

Pursuant to the authority of Rule III-15, ELX is adopting such an incentive program. The terms of this temporary program are described in Attachment B. The Incentive Program is intended to encourage trading on ELX in the Exchange's Eurodollar futures contract as it implements a program to reenergize trading on the Exchange. The incentive program will make payments of \$25 per contract traded per Participant up to a maximum of \$2,500 per trader. The program will terminate September 30, 2017 or when ELX has paid a total of \$25,000 in incentive payments, whichever is sooner.

ELX reviewed the Core Principles for Designated Contract Markets under section 5 of the Commodity Exchange Act, 7 U.S.C. §1 et seq. ("Act"). Core Principle (1)—Compliance with Core Principles; Core Principle 2—Compliance with Rules; Core Principle (18) Recordkeeping and Reporting are potentially applicable to this rule.

The program does not impact ELX's ability to perform trade practice and market surveillance of its market as required by Core Principle 2. The program does not affect order execution on ELX. The incentive payments under the first program are available to any Participant up to the limits specified by the terms of the program. Cross trades or trades between affiliates will not be counted toward the payments, thereby encouraging trading through the Exchange's Central Limit Order Book. Market Participants will automatically qualify for the incentive payments by trading on ELX during this phase of its plan to reenergize trading. Records relating to the incentive program and payments thereunder will be maintained by ELX in accordance with the requirements of CFTC Rule 1.31.

CERTIFICATIONS PURSUANT TO SECTION 5c OF THE COMMODITY EXCHANGE ACT, 7 U.S.C. §7A-2 AND COMMODITY FUTURES TRADING COMMISSION RULE 40.6, 17 C.F.R. §40.6

I hereby certify that:

- (1) the amended Rule complies with the Commodity Exchange Act, and the Commodity Futures Trading Commission's regulations thereunder; and
- (2) concurrent with this submission, ELX Derivative Markets, L.P. posted on its website:
  - (a) a notice of pending certification of the above Rules with the Commission; and
  - (b) a copy of this submission



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By: Richard Jaycobs  
Title: Chief Executive Officer  
Date: June 13, 2017

## Attachment A

Rule III-15 is added to read as follows. Additions are underscored.

### **III-15. Incentive and Market Making Programs**

(a) ELX, in order to provide liquidity and orderliness in a market, may adopt one or more programs for such period and on such terms as ELX shall determine in its discretion, reducing or rebating trading or other fees to Participants or otherwise making incentive payments to Participants for trading as provided under the terms determined by the Exchange.

(b) ELX, in order to provide liquidity and orderliness in a market, may adopt one or more programs for such period and on such terms as ELX shall determine in its discretion, for one or more Participants designated as Liquidity Providers, providing benefits in return for assuming and adequately performing obligations. Any such Liquidity Provider program may contain: (a) The qualifications to become a Liquidity Provider, including without limitation any minimum net capital requirements; (b) The procedure by which a Participant may seek and receive designation as a Liquidity Provider; (c) The obligations of a Liquidity Provider, including without limitation, maximum Bid/Offer spread and minimum quote size; and/or (d) The benefits accruing to a Liquidity Provider, including without limitation, reduced transaction fees and or the receipt of compensatory payments from the Facility.

## **ELX Futures, L.P.; Temporary Incentive Program**

### **Program's Purpose**

The purpose of this program is intended to enhance market liquidity on ELX during its initial period to reenergize trading activity in its Eurodollar Futures Contract and to encourage the use of ELX's electronic trading system. Greater liquidity benefits all participants in the market.

### **Scope**

The program applies to Eurodollar Futures Contracts traded on ELX.

### **Eligible Program Participants**

Any ELX Participant trading on ELX during the period of the incentive program qualifies to receive an incentive payment. There are no other eligibility requirements.

### **Incentive**

Any market Participant trading in ELX Eurodollar Futures Contracts will receive a payment of \$25 per contract traded up to a maximum of \$2,500 per participant. ELX will not credit cross trades or trades against affiliates for the payment.

### **Program's Term**

The start date of the program is ten business days following this submission and ELX will calculate payments due for all contracts traded from June 1, 2017 until the program terminates. The program will terminate on September 30, 2017, or when ELX makes total payments under the program of \$25,000, whichever is sooner.