Cantor Futures Exchange, L.P.
New Contract Submission 2017-6
Cantor Futures Exchange Bitcoin Swap Contract
December 1, 2017

1. The terms and conditions of the Cantor Futures Exchange, L.P. Bitcoin Swap Contract ("Contract") are attached as Attachment A.

2. The intended listing date will be within 60 days of the effective date of the terms and conditions of the Contract, but no less than one day following receipt by the Commission of this submission.

3. Attached, please find a certification that: (a) the Contract complies with the Act and Commodity Futures Trading Commission ("Commission" or "CFTC") regulations thereunder; and (b) concurrent with this submission, Cantor Futures Exchange ("Cantor Exchange" or the "Exchange") posted on its website: (i) a notice of pending certification of this Contract with the Commission; and (ii) a copy of this submission.

4. A concise explanation and analysis of the product and its compliance with the applicable provisions of the Act follows below.

5. Confidential Treatment is requested for related amendments to the Cantor Exchange Compliance Manual, which is attached as Attachment B and supporting exhibits.

EXPLANATION AND ANALYSIS OF THE CONTRACT'S COMPLIANCE WITH APPLICABLE CORE PRINCIPLES AND COMMISSION REGULATIONS

As required by Commission Rule 40.2(a), the following analysis, in the form of narrative and explanatory charts, demonstrates that the Contract is consistent with the requirements of the Act (in particular, Core Principles 2—Compliance with Rules; Core Principle 3—Contracts Not Readily Susceptible to Manipulation; Core Principle 4—Prevention of Market Disruption; Core Principle 5—Position Limits or Position Accountability; Core Principle 7—Availability of General Information; Core Principle 9—Execution of Transactions; and Core Principle 11—Financial Integrity of Transactions) and the Rules thereunder.

DESCRIPTION OF THE BITCOIN CASH MARKET AND PRICING SOURCES

Introduced as open source software in January 2009, bitcoin is a virtual currency that enables parties to transfer value over a shared public ledger called the blockchain. Virtual currencies such as bitcoin provide a digital representation of value not issued by a central bank, in contrast to "fiat" currencies, such as the coin and paper money of a sovereign nation. Bitcoin is also commonly referred to as a "cryptocurrency," because it uses cryptography to control the creation and transfer of money. The Commission has stated that bitcoin and other virtual currencies are encompassed in the definition of "commodity" under Section 1a(9) of the Commodity Exchange Act, 7 U.S.C. § 1 et seq. ("Act").

Bitcoins are created through a process called "mining," through which users verify and record payments on the blockchain in exchange for transaction fees and newly minted bitcoins. As a general matter, mining involves the use of computer power to process transactions and secure the network.

The bitcoin market is both global and highly transparent, although as discussed below, subject to significant volatility. Every single bitcoin transaction is stored on the blockchain, a distributed ledger that allows market participants to keep track of all transactions without a single centralized authority. As new transactions in bitcoin are completed, new blocks are added to the permanent blockchain. The blockchain is designed so that any market participant can view complete information about different publicly-used bitcoin addresses and their balances, although the names of the owners of those addresses are withheld. Major financial institutions and other firms are exploring distributed ledger technology for a variety of commercial applications and as a means to simplify business operations.

Over the past several years, bitcoin has grown in popularity as a form of payment for products and services. As of July 2017, there are approximately 260,000 bitcoin transactions per day and the currency's total value now exceeds $40 billion.[1] A number of major retailers now accept bitcoin as a payment option. For example, online retailer Overstock.com allows its customers to pay for thousands of items with bitcoin;[2] Microsoft allows its users to purchase games, movies, and apps in the Windows and Xbox stores with bitcoin;[3] and satellite television provider Dish Network allows its 13 million subscribers to pay their monthly bills in bitcoin.[4] Merchants have an incentive to accept bitcoin because transaction fees are lower relative to the 2 to 3 percent cost associated with processing a credit card transaction.

However, the bitcoin market has also been very volatile, particularly in recent years. As adoption of bitcoin expands, this volatility may decrease. Nevertheless, there is a critical need for derivatives that allow merchants, payment processors, and other market participants that accept or hold bitcoins to hedge their exposure to bitcoin's volatile spot rate movements. The Contract is designed to allow market participants to manage this currency exchange price risk, as well as to promote price discovery.

Bitcoin is traded bilaterally and on cash exchanges. There are dozens of bitcoin exchanges headquartered around the world; major trading platforms include Bitstamp, Gemini, GDAX, and Kraken. There are widely different exchange fees, trading fees, and deposit/withdrawal fees across the various bitcoin exchanges. In order to facilitate trading, these platforms allow market participants to deposit and withdraw bitcoin directly to and from a user's bitcoin wallet.

---

[1] Paul Vigna, *Bitcoin's New Problem: High Fees*, THE WALL ST. J, July 3, 2017.
[2] Press Release, Overstock.com, "Overstock.com First Online Retailer to Accept Bitcoin," Jan. 9, 2014, http://investors.overstock.com/phoenix.zhtml?c=131091&p=irol-newsArticle&ID=1889670.
[3] Press Release, Microsoft, "Now you can exchange bitcoins to buy apps, games and more for Windows, Windows Phone and Xbox," Dec. 11, 2014, https://blogs.microsoft.com/firehose/2014/12/11/now-you-can-exchange-bitcoins-to-buy-apps-games-and-more-for-windows-windows-phone-and-xbox/.
[4] Press Release, DISH Network, "DISH to Accept Bitcoin," May 29, 2014, http://about.dish.com/press-release/products-and-services/dish-accept-bitcoin.

Bitcoin exchanges also allow market participants to convert bitcoin to fiat currency, such as U.S. dollars. Similar to the way in which a foreign currency exchange operates, bitcoin exchanges allow market participants to purchase one currency by paying for it with another currency. Major bitcoin exchanges allow users to buy and sell bitcoin across various trading pairs, including U.S. dollars, Canadian dollars, Japanese yen, and euros, as well as into other virtual currencies. Some bitcoin wallet providers allow users to "cash out" bitcoin into local currency and have the proceeds deposited into a user's bank account. In addition, there are many companies around the world that operate bitcoin ATMs, which allow users to purchase and redeem bitcoin for cash.

As noted above, bitcoin is considered a "cryptocurrency" because it uses cryptography to control the creation and transfer of bitcoin. From time to time the bitcoin cash market participants consider changes to the cryptographic software in use. Depending on the nature of those software changes, the bitcoin market may spin out new but related coins, fragment into different coins that are no longer fungible (a so-called "hard fork"), or simply be a software upgrade that has relatively little impact on existing bitcoin owners but may improve or modify the transaction and mining capability of bitcoin.

Generally speaking these cash market changes are discussed well in advance of any actual change in the cryptography being used for bitcoins. In certain circumstances, especially in the case of hard-forks, the value of bitcoin may be impacted substantially. However, because of the advanced discussion of any cryptographic change, cash market participants can adjust their positions in anticipation of such actions. As a result, it is reasonable to assume that forward dated instruments will respond to such discussions and, in certain circumstances, the Exchange will need to interpret, modify, or create rules to provide market transparency with regard to how such changes may (or may not) impact any contract's cash settlement process.

CORE PRINCIPLE 2—COMPLIANCE WITH RULES

Core Principle 2 requires that Designated Contract Markets ("DCMs") have the capacity to detect, investigate, and apply appropriate sanctions to any person that violates any rule of the Exchange.[5] This includes, among other requirements, that the Exchange have the capacity to enforce effectively its rules, including resources to supervise its market and the capacity to analyze data to determine whether a violation has occurred, maintenance of compliance staff and resources, deployment of an automated trade surveillance system, real time market monitoring and the authority to investigate instances of possible violations.[6]

Cantor Exchange has in place a robust system of rule enforcement. This includes both its own automated systems to review trading as well as the regulatory services provided by the National Futures Association ("NFA"), Cantor Exchange's regulatory services provider. In addition, Cantor Exchange has a robust system of real-time market monitoring.

[5] *See* CFTC Rule 38.150.
[6] *See* CFTC Rules 8.153, 18.155, 38.156 38.157 and 38.156.

The new bitcoin Contract can be traded on Cantor Exchange under the Exchange's existing rule enforcement procedures. Cantor Exchange trade practice surveillance systems are not commodity or contract specific; accordingly, they can be deployed for any new contract, including the Bitcoin Swap Contract. With regard to market surveillance, Cantor Exchange will deploy the resources necessary to surveil trading on its market to address any possibility of market manipulation. As a DCM, Cantor Exchange has the ability to share information with the Commission and other self-regulatory authorities, as appropriate.

Cantor Exchange is confident of its ability to continue to meet the requirements of Core Principle 2 as it adds this new contract to those that Cantor Exchange lists for trading. Cantor Exchange has in place the systems, staff, and regulatory service provider services to meet fully the Core Principle 2 requirements with respect to the Contract.

CORE PRINCIPLE 3—CONTRACTS NOT READILY SUSCEPTIBLE TO MANIPULATION

Compliance with Core Principle 3 is evidenced by a demonstration of the factors included in Appendix C to Part 38. Appendix B to Part 38 refers to futures contracts; however, Appendix B to Part 37 provides that "[t]he importance of the reference price's suitability for a given swap is similar to that of the final settlement price for a cash settled futures contract." It continues that, "[f]or swaps that are settled by . . . cash settlement refer to the guidance in Appendix C to part 38—Demonstration That a Contract is not Readily Susceptible to Manipulation, . . . section c(4), respectively." The relevant sections of Appendix C are discussed below.

> **Appendix C to Part 38 - Demonstration of Compliance That a Contract Is Not Readily Susceptible to Manipulation**
>
> **(c) Futures Contracts Settled by Cash Settlement. (1) Cash settlement is a method of settling certain futures or option contracts whereby, at contract expiration, the contract is settled by cash payment in lieu of physical delivery of the commodity or instrument underlying the contract. An acceptable specification of the cash settlement price for commodity futures and option contracts would include rules that fully describe the essential economic characteristics of the underlying commodity (e.g., grade, quality, weight, class, growth, issuer, maturity, source, rating, description of the underlying index and index's calculation methodology, etc.), as well as how the final settlement price is calculated. In addition, the rules should clearly specify the trading months and hours of trading, the last trading day, contract size, minimum price change (tick size) and any limitations on price movements (e.g., price limits or trading halts).**
>
> ***Calculation of Cash Settlement Price***

The cash bitcoin market is highly fragmented. There are more than one dozen bitcoin exchanges that are recognized by bitcoin market participants as having sufficient volume and liquidity to be viable cash marketplaces. These exchanges are located in various jurisdictions around the globe and vary considerably in the degree of regulatory oversight that applies to each such marketplace. Notwithstanding the variety of regulatory oversight, bitcoin market participants in the United States and elsewhere utilize these marketplaces to conduct their bitcoin acquisition and disposition strategies.

Unlike many other markets, there is limited bitcoin arbitrage occurring between the various cash exchanges. This is primarily because cash market bitcoin exchanges (1) charge relatively high fees when buying and selling bitcoins; (2) do not provide seamless universal settlement of bitcoins; and (3) generally do not facilitate short sales. As a result, transaction prices between cash bitcoin exchanges can vary substantially.

Given these realities, Cantor Exchange was especially sensitive to mitigate any characteristics of the bitcoin market that could result in distorted settlement prices when constructing the Bitcoin Swap Contract and its cash settlement procedures.

Specifically, Cantor Exchange notes that bitcoin's Internet roots make its real-time pricing one of the most transparent market prices of any asset. There are multiple websites that display (1) the most recent bitcoin prices from various sources; (2) provide tables of price discrepancies and theoretical arbitrage pricing possibilities between exchanges; and (3) aggregate full depth of book bids and offers among exchanges to provide a comprehensive view of bitcoin's global valuation.

This universally available aggregation of exchange-based prices was a prime determinant in developing the Contract's final settlement procedure, which provides that the Exchange will establish a Cash Market Reference Price ("Reference Price") during the last 10 minutes of trading in an expiring contract that includes publicly available bitcoin price sources, market analytics such as bitcoin price arbitrage matrices and the Exchange's own bids, offers and traded prices. In reviewing price inputs, Cantor Exchange:

- must act fairly in determining which markets or reporting services to survey;
- must weigh the prices and other factors based on market conditions and not on factors unrelated to market conditions;
- shall not divulge any information regarding its pricing determination to any participant prior to making it known to all participants;
- shall use its best efforts, acting in good faith, to disregard any prices that are outliers from the consensus view of prices.

Cantor Exchange will document its determination of the Reference Price as prescribed by an amendment to its Compliance Manual that incorporates explicit procedures. These amendments are attached as Attachment B.

The Exchange notes that this settlement price determination methodology intentionally differs from the survey procedures it currently uses to settle its foreign exchange based contracts, which aggregate market bids and offers, then overlay an Olympic scoring methodology to eliminate outlier values. Although the Bitcoin Swap Contract could be constructed using a similar Olympic survey methodology, the Exchange believes the proposed bitcoin methodology is superior because (1) potential manipulators do not explicitly know and therefore cannot target any one cash exchange or pre-identified list of exchanges to impact the Reference Price; (2) the

Reference Price cannot be directly impacted by placing a large volume trade on any one exchange; (3) the Reference Price can reflect other, aggregate metrics that are not easily incorporated from completed transactions; and (4) the Reference Price can be centered on the midpoint price that reflects the combined trading from a large number of cash markets.

In summary, Cantor Exchange believes that the structural realities of the bitcoin cash market do not inhibit the creation of a viable cash settlement market process and that the cash settlement procedures developed by Cantor Exchange are quite robust and are tailored to the specific structural features of the cash market, which includes a multiplicity of centralized cash markets with very transparent pricing, but which may lack liquidity and which may not be readily arbitraged. Cantor Exchange believes that this cash settlement methodology will result in a price that is an accurate and reliable indicator of prices in the underlying cash market, and which will be acceptable to commercial users of the commodity contract.

Finally, as discussed with respect to Core Principle 2, Cantor Exchange has a robust market surveillance program that is effectively able to surveil this market, detect unusual activity, and investigate any such activity for signs of manipulation.

> **(2) Cash settled contracts may be susceptible to manipulation or price distortion. In evaluating the susceptibility of a cash-settled contract to manipulation, a designated contract market should consider the size and liquidity of the cash market that underlies the listed contract in a manner that follows the determination of deliverable supply as noted above in (b)(1). In particular, situations susceptible to manipulation include those in which the volume of cash market transactions and/or the number of participants contacted in determining the cash-settlement price are very low. Cash-settled contracts may create an incentive to manipulate or artificially influence the data from which the cash-settlement price is derived or to exert undue influence on the cash-settlement price's computation in order to profit on a futures position in that commodity.**
>
> **The utility of a cash-settled contract for risk management and price discovery would be significantly impaired if the cash settlement price is not a reliable or robust indicator of the value of the underlying commodity or instrument. Accordingly, careful consideration should be given to the potential for manipulation or distortion of the cash settlement price, as well as the reliability of that price as an indicator of cash market values. Appropriate consideration also should be given to the commercial acceptability, public availability, and timeliness of the price series that is used to calculate the cash settlement price. Documentation demonstrating that the settlement price index is a reliable indicator of market values and conditions and is commonly used as a reference index by industry/market agents should be provided. Such documentation may take on various forms, including carefully documented interview results with knowledgeable agents.**

As described in Attachment B, the cash settlement price methodology will be rigorous and, because the Reference Price is determined by the Exchange, in its discretion, using a number of different price information sources, market participants have the reassurance that the Reference

Price is being formulated by a neutral self-regulatory organization and not a market participant. Moreover, Cantor Exchange includes several mechanisms that can correct for apparently non-bona fide activity. As stated above, market participants should be able to take comfort from the Cantor Exchange cash settlement procedures because (1) potential manipulators do not explicitly know and therefore cannot target any one cash exchange or pre-identified list of exchanges to impact the Reference Price; (2) the Reference Price cannot be directly impacted by placing a large volume trade on any one exchange; (3) the Reference Price can reflect other, aggregate metrics that are not easily incorporated from completed transactions; and (4) the Reference Price can be centered on the midpoint price that reflects the combined trading from a large number of cash markets.

Cantor Exchange believes that commercial participants will accept its Bitcoin Swap Contract as a non-biased, fair, acceptable, and reliable indicator of market value, and that it will be relied upon in short order. Cantor Exchange believes that a cash settlement price determined in this manner, by a regulated DCM, with active trade practice and market surveillance programs, will be more readily accepted by market participants than prices that are provided by often unregulated or less-regulated trading venues.

> **(3)(i) . . . .**
>
> **(ii) Where a designated contract market itself generates the cash settlement price series, the designated contract market should establish calculation procedures that safeguard against potential attempts to artificially influence the price. For example, if the cash settlement price is derived by the designated contract market based on a survey of cash market sources, the designated contract market should maintain a list of such entities which all should be reputable sources with knowledge of the cash market. In addition, the sample of sources polled should be representative of the cash market, and the poll should be conducted at a time when trading in the cash market is active.**

Please see explanation of the method of calculation of the cash settlement above and the discussion of computational procedures below.

> **(iii) The cash-settlement calculation should involve computational procedures that eliminate or reduce the impact of potentially unrepresentative data.**

As discussed above, Cantor Exchange will also consult with a variety of publicly- and widely-available cash price sources. As discussed above, cash prices for bitcoin are widely published on the Internet and by widely-followed and reputable data providers, such as Reuters and Bloomberg. The Exchange will use these publicly available sources, in addition to data from Cantor Exchange itself, in determining the Reference Price. In this way, the Exchange will consider a variety of sources to understand that the price represents one that is generally accepted.

The cash-settlement calculation methodology includes mechanisms that will reduce the impact of potentially unrepresentative data. This is achieved by sampling a minimum number of cash markets over a 10-minute period, determining those prices that fall within a common range of prices that were observed on those markets, and taking the midpoint of that range. This process has the effect of diminishing (1) extreme price movements, (2) price impacts from above average market size trades, and (3) the concentration effect of any one cash market.

By not publicly specifying the list of sources used in its calculations, Cantor Exchange will not signal any potential manipulator in which cash market to concentrate his or her non-bona fide trading. Thus, the Exchange may simply choose not to consider prices that appear to be affected by non-bona fide activity or which are otherwise outliers.

These procedures establish a robust means of determining the cash settlement value of the contract. The Exchange is required to create and retain a written record of its determination and the basis therefore. This written record would be available to the Commission for review upon request.

> **(iv) The cash settlement price should be an accurate and reliable indicator of prices in the underlying cash market. The cash settlement price also should be acceptable to commercial users of the commodity contract. The registered entity should fully document that the settlement price is accurate, reliable, highly regarded by industry/market agents, and fully reflects the economic and commercial conditions of the relevant designated contract market.**

The cash settlement price is derived through a robust determination methodology. In light of the many sources of pricing information relating to bitcoin prices, including many of them unregulated, or less-regulated venues, the Exchange expects that its price will become highly regarded by commercial users of the contract.

> **(v) To the extent possible, the cash settlement price should be based on cash price series that are publicly available and available on a timely basis for purposes of calculating the cash settlement price at the expiration of a commodity contract. A designated contract market should make the final cash settlement price and any other supporting information that is appropriate for release to the public, available to the public when cash settlement is accomplished by the derivatives clearing organization. If the cash settlement price is based on cash prices that are obtained from non-public sources (e.g., cash market surveys conducted by the designated contract market or by third parties on behalf of the designated contract market), a designated contract market should make available to the public as soon as possible after a contract month's expiration the final cash settlement price as well as any other supporting information that is appropriate or feasible to make available to the public.**

The cash settlement price will be made publicly available on Cantor Exchange's website on a timely basis. Notice of the Reference Price and Final Settlement Value(s) for all Contracts will be made available to all market participants.

(4) Contract terms and conditions requirements for futures contracts settled by cash settlement.

(i) An acceptable specification of the terms and conditions of a cash-settled commodity contract will also set forth the trading months, last trading day, contract size, minimum price change (tick size) and daily price limits, if any.

Please see Attachment A. A summary of these terms is as follows:

Contract Terms

Contract Overview	The Bitcoin Swap Contract is a cash-settled swap priced with reference to the value in U.S. dollars of one bitcoin.
Reference Price	Cantor Exchange Cash Market Reference Price
Quoting Convention and Minimum Increment	The minimum price increment for each binary option bundle is one point, which is equivalent to one cent ($0.01) per contract.
Minimum Size	Contracts will consist of up to 10,000 bundled binary options, with each individual binary option having a value of $0.01. Contracts may be traded with their component binary options set at a single strike price (e.g. $5,000) or over a range of strike prices (e.g. $0 to $10,000; $5,000 to $6,000; et al).
Expiration Date	The Last Trading Day shall be the last Friday of the respective contract month.
Settlement	Cash
Trading Hours	Except as otherwise posted on the Exchange website, Contracts will be open for trading 24 hours per day, 7 days per week. On the Last Day of Trading for any Contract month, regular trading shall cease at 12:00 PM (Noon), New York Time.
Clearing	The Contract will be cleared by Cantor Clearinghouse, L.P. ("Cantor Clearinghouse" or the "Clearinghouse") and will be governed by the rules of the Clearinghouse. The Contract, as are all contracts cleared by the Clearinghouse, is margined for both buyers and sellers at 100% of the at-risk amount.
Block Size	No block trades are permitted.
Reportable Levels	As set forth in the Commission's Regulation § 15.03.

(A) Commodity Characteristics: The terms and conditions of a commodity contract should describe the commodity underlying the contract.

The Contract is based on the value of bitcoin in U.S. dollars rounded to the nearest whole dollar as determined by the Exchange in its discretion at contract expiration. Bitcoin has widely-accepted and standardized characteristics. This is necessary for it to be used as a medium of commerce. As discussed in the Cash Market Overview, bitcoin is accepted by many major retailers and merchants, including Overstock.com, Microsoft, and the Dish Network, among others. The Bitcoin Swap Contract prices the standardized bitcoin, which is generally accepted in commerce as a form of payment for services by merchants. There is no variation in commodity characteristics underlying the contract and therefore no premiums or discounts apply.

(B) Contract Size and Trading Unit: An acceptable specification of the trading unit would be a contract size that is consistent with customary transactions in the cash market. A designated contract market may opt to set the contract size smaller than that of standard cash market transactions.

There is no standard size of futures contracts for bitcoin. One bitcoin is the standard size of the underlying commodity. Because the contract is cash-settled, any size of contract can be used. The use of individual binary options or a bundle of such options is a common means of trading futures contracts (and swaps) and enables hedgers to minimize basis risk by adjusting the number of contracts traded both to fractionalize their exposure and to trade in multiples of the value of a single binary option on bitcoin.

(C) Cash Settlement Procedure: The cash settlement price should be reliable, acceptable, publicly available, and reported in a timely manner as described in paragraphs (c)(3)(iv) and (c)(3)(v) of this appendix C.

The cash settlement procedure and an explanation of how it is reliable, acceptable, publicly available, and reported in a timely manner appears above.

(D) Pricing Basis and Minimum Price Fluctuation (Minimum Tick): The minimum price increment (tick) should be set a level that is equal to, or less than, the minimum price increment commonly observed in cash market transactions for the underlying commodity. Specifying a futures' minimum tick that is greater than the minimum price increment in the cash market can undermine the risk management utility of the futures contract by preventing hedgers from efficiently establishing and liquidating futures positions that are used to hedge anticipated cash market transactions or cash market positions.

The minimum price increment for each binary option bundle is one cent ($0.01). There is no generally accepted minimum price fluctuation basis for a swap on bitcoin. However, making the minimum tick size one cent is readily acceptable by market participants as an easily used method. Moreover, the minimum tick size is not so large as to undermine the risk management uses of the Contract. To the contrary, insofar as bitcoin is used in commerce, it must be readily and easily translatable into fiat currency. The tick size of the contract should enable merchants to translate the contract into dollars, which also operates on a base of 10. Accordingly, the utility of the contract should be optimal in enabling market participants efficiently to establish and exit their hedges.

(E) Maximum Price Fluctuation Limits: Designated contract markets may adopt price limits to: (1) Reduce or constrain price movements in a trading day that may not be reflective of true market conditions but might be caused by traders overreacting to news; (2) Allow additional time for the collection of margins in times of large price movements; and (3) Provide a "cooling-off" period for futures market

participants to respond to bona fide changes in market supply and demand fundamentals that would lead to large cash and futures price changes. If price-limit provisions are adopted, the limits should be set at levels that are not overly restrictive in relation to price movements in the cash market for the commodity underlying the futures contract. For broad-based stock index futures contracts, rules should be adopted that coordinate with New York Stock Exchange ("NYSE") declared Circuit Breaker Trading Halts (or other market coordinated Circuit Breaker mechanism) and would recommence trading in the futures contract only after trading in the majority of the stocks underlying the index has recommenced.

There are no price fluctuation limits proposed.

(F) Last Trading Day: Specification of the last trading day for expiring contracts should be established such that it occurs before publication of the underlying third-party price index or determination of the final settlement price. If the designated contract market chooses to allow trading to occur through the determination of the final settlement price, then the designated contract market should show that futures trading would not distort the final settlement price calculation.

The Last Trading Day is the maturity date of the Contract, which is the last Friday of the respective contract month. The Contract expires with the establishment of the Cash Market Reference Price which is then converted to each expiring contract's Final Settlement Value based on that contract's cap and floor characteristics.

(G) Trading Months: Trading months should be established based on the risk management needs of commercial entities as well as the availability of price and other data needed to calculate the cash settlement price in the specified months. Specification of the last trading day should take into consideration whether the volume of transactions underlying the cash settlement price would be unduly limited by occurrence of holidays or traditional holiday periods in the cash market. Moreover, a contract should not be listed past the date for which the designated contract market has access to use a proprietary price index for cash settlement.

Contracts shall be listed for trading for successive calendar months. The First Trading Day shall be the first Business Day that is not more than 91 calendar days prior to the Last Trading Day for the respective contract month. As noted above, the Last Trading Day shall be the last Friday of the respective contract month. At this time, the Exchange has determined to list not more than 91 calendar days in advance based upon its belief that there is little commercial interest in hedging beyond that time horizon. Insofar as hedging use of the contracts is likely to be by those engaged in merchandizing, a 90-day time horizon will be useful in hedging accounts receivable. Listing contracts in more deferred months is unlikely to attract much liquidity, at least initially.

There is no seasonality or other cyclical basis for listing contracts. Rather, the Exchange believes that the need for hedging bitcoin will be continual and therefore listing successive months will be most useful to potential hedgers.

The last day of trading will not coincide with a non-trading day.

(H) Speculative Limits: Specific rules and policies for speculative position limits are set forth in part 150 and/or part 151, as applicable, of the Commission's regulations.

The Exchange has set a Position Accountability level that is any position that has an aggregate value of $10,000 net long or net short.

(I) Reportable Levels: Refer to § 15.03 of the Commission's regulations.

The reportable level is as provided under Rule 15.03. Cantor Exchange separately is requesting no-action relief from rule 15.03 in order to apply a higher reportable threshold which is in line with the threshold for other contracts with a very small overall notional value.

(J) Trading Hours: Should be set by the designated contract market to delineate each trading day.

The Contract is traded 24 hours per day, 7 days per week.

CORE PRINCIPLE 4—PREVENTION OF MARKET DISRUPTION

Core Principle 4 is implemented through Commission Rules 38.250 through 38.258. Cantor Exchange meets Core Principle 4 though its systems for market surveillance discussed with respect to Core Principle 2. As discussed above, Cantor Exchange has a robust program of trade practice surveillance in furtherance of which it conducts real-time monitoring and maintains an automated system to reconstruct trades. As also discussed above, Cantor Exchange is assisted in this effort by its Regulatory Services Provider, the NFA.

Cantor Exchange also conducts market surveillance and surveils the market activity of individual market participants for potential non-bona fide or manipulative trading. Cantor Exchange will monitor the settlement price process of the Contract and will take steps to address any conditions, including the terms and conditions, when there is a threat to orderly market conditions.

In addition to the current market surveillance activities, Cantor Exchange will share information with both the NFA and the Commission specific to Bitcoin Swaps trading. This information will include but is not limited to participant complaints and/or other relevant market commentary, large or aggressive orders relative to market conditions more routinely observed, and activity noted during periods around the Final Settlement time of each contract.

As part of this enhanced surveillance practice, Cantor Exchange will endeavor to enter into information sharing agreements with each cash market that it includes in its Approved Price Sources list in order to share information regarding trading on the underlying venues that may raise mutual concerns regarding manipulation of the price in either the cash or futures market, or other similar arrangements as may be acceptable to the Commission. Cantor Exchange notes that not every cash exchange may be amenable to these arrangements, however, it will work with the Commission and the other futures exchanges listing similar contracts to commonly share information and address our common interest of listing contracts that are not readily susceptible to manipulation.

CORE PRINCIPLE 5—POSITION LIMITS OR POSITION ACCOUNTABILITY

Cantor Exchange has proposed Position Accountability at the same threshold level that applies to the other contracts that it lists for trading.

CORE PRINCIPLE 7—AVAILABILITY OF GENERAL INFORMATION

The terms and conditions of the Contract will be available on the Cantor Exchange website. Cantor Exchange will also make available to participants and will make publicly available on its website the Final Settlement Value.

Cantor Exchange believes that because it fully margins the amount at risk, the Contracts are subject to CFTC No-action Letter 17-32, and would not be required to be reported to a Swap Data Repository.

CORE PRINCIPLE 9—EXECUTION OF TRANSACTIONS

Core Principle 9, as implemented by Commission Rule 38.500, provides that a DCM shall provide a competitive, open, and efficient market and mechanism for executing transactions that protect the price discovery process. Cantor Exchange provides that the Contract will be traded on the Exchange’s central limit order book, using price/time priority. Block trades and EFPs are not currently permitted.

CORE PRINCIPLE 11—FINANCIAL INTEGRITY OF TRANSACTIONS

The Contract will be cleared by Cantor Clearinghouse. Cantor Exchange Rule IX-4000(f) provides that buyers and sellers will be paid either zero or $0.01 per binary option. Accordingly, buyers and sellers have a limit on the amount that they can lose on each bitcoin Contract, which amount is posted in advance with Cantor Clearinghouse.

In accordance with the requirements of Cantor Clearinghouse’s Order of Registration, Cantor Exchange Rule IX-4000(j) provides that buyers and sellers of Contracts shall post an amount that fully collateralizes their maximum at-risk amount.

This aspect of the Contract’s pricing may be particularly appealing to commercial participants because of the current volatility associated with bitcoin. The Contract will enable participants to hedge their exposures, but at the same time be able to know that they will not be exposed to potential losses beyond the amount that they have deposited as original margin or the possible need to make variation margin payments. These provisions provide for the financial integrity of the transactions and meet the requirements of Core Principle 11.

CONCLUSION

The foregoing demonstrates that the Cantor Exchange Bitcoin Swap Contract is in accordance with the applicable Core Principles of the Act relating to designated contract markets and regulations thereunder and may appropriately be certified under Commission Rule 40.2.

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 Bitcoin Swap Contract complies with the Commodity Exchange Act, 7 U.S.C. §1 *et seq*. and regulations thereunder; and 2) concurrent with this submission, Cantor Exchange L.P. posted on its website: (a) a notice of pending certification of this Contract with the Commission; and (b) a copy of this submission.

Nolan Glantz

By: Nolan Glantz
Title: COO
Date: December 1, 2017

ATTACHMENT A

CANTOR FUTURES EXCHANGE, L.P.
CHAPTER IX
CONTRACTS

IX-4000 BITCOIN SWAP CONTRACT

(a) Scope and Underlying

These Contract Rules will govern the trading on the Cantor Futures Exchange, L.P. (the "Exchange") of the Bitcoin Swap Contract (the "Contract"). Clearing of the 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 I-5 of the Rules of the Exchange and constitute "Contract Rules" Under Rule I-7 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) Contract Description; Contract Size; Minimum Price Increment

(i) All Contracts will be cash-settled to the Cantor Exchange Cash Market Reference Price, which represents the value of bitcoin in U.S. dollars rounded to the nearest whole dollar at expiration.

(ii) Contracts will consist of up to 10,000 bundled binary options, with each individual binary option having a value of $0.01.

(iii) Contracts may be traded with their component binary options set at a single strike price (e.g. $5,000) or over a range of strike prices (e.g. $0 to $10,000; $5,000 to $6,000; et al).

(iv) Contract size is $0.01 times the number of binary options in each bundle, and is paid at Final Settlement as described in IX-4000(f) below.

(v) The minimum price increment for each binary option bundle is $0.01.

(c) Contract Months, First and Last Trading Day

(i) At least one Contract bundle shall be listed for Trading for each successive contract month.

(ii) For any listed bundle, the First Trading Day shall be the first Business Day that is not more than ninety-one (91) calendar days prior to the Last Trading Day for the respective contract month.

(iii) For each contract, the Last Trading Day shall be the last Friday of the respective contract month.

(d) Trading Hours for the Contract

(i) Except as otherwise posted on the Exchange website, Contracts will be open for trading 24 hours per day, 7 days per week.

(ii) On the Last Trading Day for any Contract month, regular trading shall cease at 12:00 PM, New York Time.

(iv) Abbreviated holiday trading schedules may apply and will be posted on the Exchange website.

(e) Final Settlement

(i) The Exchange shall determine the Cantor Exchange Cash Market Reference Price ("Reference Price") for bitcoin on the Last Trading Day during the period from 11:50 AM until 12:00 PM (noon) on such day as established by the Exchange under the procedures of IX-4000 (f) below.

(ii) Each long open position in the expiring Contract shall be cash settled such that each long contract holder shall receive (1) nothing for each underlying binary option whose strike price is below the Reference Price and (2) $0.01 for each underlying binary optionwhose strike price is at or above the Reference Price.

(iii) Each short open position in the expiring Contract shall be cash settled such that each short contract holder shall receive (1) $0.01 for each underlying binary option whose strike price is below the Reference Price and (2) nothing for each underlying binary optionwhose strike price is at or above the Reference Price.

(f) Cantor Exchange Cash Market Reference Price

(i) The Reference Price will be determined by the Exchange on the Last Trading Day of the expiring contract month in its sole and absolute discretion, using publicly available bitcoin prices from sources that may include but are not limited to:

(A) cryptocurrency cash exchanges that are widely followed and publicly available;

(B) aggregates, composites or indexes of bitcoin cash prices that are widely followed and publicly available.

(C) bids, offers and transactions in the expiring contract month traded on the Exchange;

(D) bids, offers and transactions in the non-expiring contract months traded on the Exchange;

For the avoidance of doubt, notwithstanding this section (g)(i), the Exchange may exercise its authority under Chapter IV-19 (Emergencies) to determine the Reference Price by any alternative bona fide method.

(ii) In reviewing price inputs, the Exchange

(A) must act fairly in determining which markets, reporting services or market participants to consider;

(B) must weigh prices and other factors based on market conditions and not on factors unrelated to market conditions;

(C) shall not divulge any information regarding its pricing determination to any Participant prior to making it known to all Participants; and

(D) shall use its best efforts, acting in good faith, to disregard any prices that are outliers from the most often shared view of prices.

(iii) The Exchange shall create and retain a written summary of its determination of the Final Settlement Value, including specifying each input upon which it relied and the reasons therefore.

(iv) The Reference Price shall be used in calculating the Final Settlement Value of the expiring Contract(s) in IX-4000 (f).

(g) Position Accountability Levels for the Contract

The position accountability level shall be any position that has an aggregate value of $10,000 net short or net long.

(h) Original Margin for the Contract

Original Margin shall be 100% of the at-risk amount as determined by the net underlying binary option position held in the Participant's Clearing Account.