



Rule Self-Certification

December 29, 2014

VIA ELECTRONIC PORTAL

Christopher J. Kirkpatrick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Center
1155 21st Street, N.W.

Re: **Regulation §40.6 Submission Certification
Amendment to Trading Rules
Reference File: SR-NFX-2014-05**

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (“Act”), and Section 40.6(a) of the regulations promulgated by the Commodity Futures Trading Commission under the Act, NASDAQ Futures, Inc. (“NFX” or “Exchange”) amends Chapter V, Section 11, entitled “Pre-Negotiated Business and Cross Transactions” to modify the waiting period for pre-negotiated Crossing Order Options transactions. The amendment to the Trading Rules will be implemented on April 1, 2015. The text of the amendment to the Exchange’s Rules is set forth in Exhibit A.¹ Additionally, the Exchange’s Financial Information Exchange Interface or “FIX” specifications will be posted on the Exchange’s website. The FIX specifications will be implemented as of January 14, 2015. The FIX specifications are attached as Exhibit B.

The Exchange recently filed amendments to its Trading Rules which will be implemented on April 1, 2015.² Among other changes, the rule change adopted revised and new trading rules in Chapter V. At this time, the Exchange amends Chapter V, Section 11, entitled “Pre-Negotiated Business and Cross Transactions” to modify the waiting period for pre-negotiated Crossing Order *Options* transactions from eight to five seconds. With respect to a Request for Cross (“RFC”), there is a timed waiting period during which other market participants may enter orders in response to the RFC prior to entering the second Order. Today, there is a five second waiting

¹ Exhibit A reflects the amendments to Chapter V, Section 11 as filed in SR-NFX-2014-02.

² See SR-NFX-2014-02 (Filed on December 5, 2014).

time for crossing Futures on the Exchange, which is not being amended. The amended five second wait time for crossing Options is similar to rules that exist today for the Intercontinental Exchange, Inc. and the New York Mercantile Exchange.

The Exchange will also post FIX specifications on its website as an additional resource for market participants with respect to entering Orders into the Trading System.

With respect to the designated contract market core principles (“Core Principles”) as set forth in the Act:

- *Compliance with Rules:* Today the Exchange has in place Rules which describe the manner in which Futures Participants may access and trade on NFX. Chapter II, Section I provides for the qualifications and rules of participation applicable to Futures Participants as well as Authorized Traders. This Rule states that Futures Participants must utilize the Exchange’s services in a responsible manner, comply with Rules, cooperate with Exchange investigations and inquiries and observe high standards of integrity. In addition the Rule provides clear and transparent access criteria and requirements for Futures Participants and Authorized Traders. Chapter V, Section 18 describes prohibited activities with respect to the Trading System.

Trading will continue to be subject to the Rules at Chapter III of the Exchange’s Rulebook, which include prohibitions against fraudulent, noncompetitive, unfair and abusive practices. Additionally, trading is subject to the trading procedures and standards in Chapter V of the Rulebook. Trading activity is subject to extensive monitoring and surveillance by NFX’s regulatory group in conjunction with the National Futures Association pursuant to the provisions of a Regulatory Services Agreement. Additionally, the Exchange has the authority to exercise its investigatory and enforcement power where potential rule violations are identified. The Exchange’s disciplinary Rules are contained in Chapter VI of the Rulebook, which permit the Exchange to discipline, suspend or expel Futures Participants or market participants that violate the Rules. Pursuant to Chapter V, Section 5, the Exchange may cancel or adjust trades when necessary to mitigate market disrupting events caused by the improper or erroneous use of the Trading System or system defects or malfunctions. The Exchange may review a trade based on its independent analysis of market conditions or upon request from a Futures Participant.

- *Prevention of Market Disruption:* The Exchange’s Regulatory Department which handles real-time surveillance views trading activity on the Exchange using SMARTS Surveillance Application through which the Exchange can track activity of specific Authorized Traders, monitor price and volume information and receive alerts regarding market messages. The Exchange’s Regulatory Department which handles real-time surveillance in conjunction with staff that handles T+1 surveillance uses data collected by SMARTS Surveillance Application to monitor price movements as well as market conditions, volumes and detect suspicious activity such as manipulation, disruptive trading and other

abnormal market activity. The Exchange has established comprehensive audit trail processes that capture trading information to facilitate the surveillance activities described herein. Futures Participants that access the Exchange electronically are responsible for maintaining audit trail information for all electronic orders pursuant to Chapter V, Section 1. The Exchange has in place risk controls, including the imposition of trading pauses or halts, to address risks posed by potential market disruptions pursuant to Chapter V, Section 16. The Exchange has the ability to reconstruct all Orders transacted on the Trading System.

- *Availability of Contract Information.* The Exchange has indicated within its trading Rules where specific information relates to a particular Contract where detailed information will be provided within the contract specifications for that particular Contract. The Exchange will post the terms and conditions of Exchange Contracts in its Rulebook along with trading Rules. The specifications for its Trading System will appear on the Exchange's website.

- *Publication of Information.* The Exchange will publish daily information on settlement prices, volume, open interest and opening and closing ranges for actively traded Contracts on its website. The Exchange's volume information will include information on the volume of Block Trades.

- *Execution of Transactions.* The Exchange operates an electronic trading facility that provides Futures Participants with the ability to execute Orders within the Exchange's Order Book and Combination Order Book from the interaction of multiple bids and offers within a predetermined automated trade matching and execution algorithm. Orders submitted into the Trading System will continue to be matched in either Price-Time priority or Size Pro-Rata priority order as specified by the Exchange in recently filed Chapter IV, Section 5. The Exchange specifies the types of Orders that will be accepted by the Trading System in recently filed Chapter IV, Section 4. Finally, the Exchange separately describes its Rules for executing transactions outside of the Order Book, such as Block Trades and exchange for related positions, in recently filed Chapter IV, Sections 10 and 11 respectively. The Exchange recently added new Options Rules at Chapter VIII in order that both futures and options on futures may be traded on NFX.


- *Trade Information.* As previously described, the Exchange has established audit trail processes that capture trading information to facilitate the Exchange's trade practice and market surveillance activities. The audit trail program is based on original source documents that are unalterable, sequentially identified records. The audit trail contains a history of all orders as well as other identifying information. All data gathered as part of the audit trail is maintained in accordance with the Commission's recordkeeping requirements and in a manner that does not allow for unauthorized alteration, erasure or other potential loss.

- *Financial Integrity of Transactions.* The Exchange's Rules provide that all matched trades generated by the Trading System, after the application of pre-trade risk parameters, will be automatically submitted to the Clearing Corporation as described in Chapter V, Section 2. Chapter II, Section 1 of the Exchange's Rules requires that all Futures Participants must be members of the Clearing Corporation either directly or indirectly. Futures commission merchants must maintain an account directly with the Clearing Corporation. Clearing Futures Participants are required to guarantee all trades transacted on NFX on behalf of itself, its Customers and Non-Clearing Futures Participants. Clearing Futures Participants must guarantee and assume financial responsibility for all Exchange Contracts of each Futures Participant guaranteed by it, and will be liable for all trades made by that Futures Participant. The Exchange requires a similar guarantee for Authorized Customers submitting trades into the Trading System via Direct Access pursuant to Chapter V, Section 4. The Exchange's Rules governing minimum financial requirements and protection of Customer funds are set forth in Chapter III.
- *Protection of market participants.* Chapter III of the Exchange's Rulebook contains prohibitions precluding intermediaries from disadvantaging their customers. These rules apply to trading in all Contracts.

There were no opposing views among the Exchange's Board of Directors, members or market participants. The Exchange hereby certifies that revised Chapter V, Section 11 and the FIX specifications comply with the Commodity Exchange Act and regulations thereunder. The Exchange also certifies that a notice of pending certification with the Commission and a copy of this submission have been concurrently posted on the Exchange's website.

If you require any additional information regarding the submission, please contact Angela S. Dunn at +1 215 496 5692 or via e-mail at angela.dunn@nasdaq.com. Please reference SR-NFX-2014-05 in any related correspondence.

Regards,



Daniel R. Carrigan
President

cc: Mr. J. Goodwin
National Futures Association

Exhibit A

New text is underlined; deleted text is stricken.

NASDAQ OMX Futures Exchange – Rules

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Chapter V Trading Procedures and Standards

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Section 11 Pre-Negotiated Business and Cross Transactions

(a) Except as otherwise provided for in Chapter IV, Section 10, a Futures Participant may only execute cross transactions or seek to match an Order through pre-negotiation with itself or with its other Customers in accordance with this Rule.

(b) When pre-negotiating and executing a cross transaction for a Customer, a Futures Participant must (1) obtain a prior written consent from the Customer which is either a generic or transaction specific consent and (2) act with due skill, care, and diligence, and ensure that the Customer's interests are not prejudiced.

(c) When submitting a Request for Cross (RFC) to the Trading System through this Rule, if only one side of the transaction is a Customer Order, then the Futures Participant must submit the Customer Order first to the Trading System.

(d) If a bid and an offer for a Contract does not exist in the Trading System, then before submitting Orders in the relevant Contract that have been pre-negotiated, a Futures Participant must (1) submit a Request for Cross (in compliance with Section (c), if applicable); (2) submit one Order (in compliance with Section (c), if applicable), (3) wait five seconds for Futures and ~~eight~~five seconds for Options before submitting the second Order for the relevant Contract. Because both Orders submitted pursuant to this Rule are exposed to the market, the Trading System may not necessarily match the two Orders.

(e) A Person must not enter a bid and/or offer into the Trading System in an attempt to circumvent the requirements of this Section.

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Exhibit B

FIX Specifications