



## **Rule Self-Certification**

January 19, 2016

### VIA ELECTRONIC PORTAL

Christopher J. Kirkpatrick  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Center  
1155 21<sup>st</sup> Street, N.W.  
Washington, DC 20581

Re: **Regulation §40.6 Submission Certification**  
**Sanctioned Party**  
**Reference File: SR-NFX-2016-06**

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 its rules at Chapter II, Section 1 and Chapter V, Sections 1 and 4 to prohibit a Sanctioned Party or Sanctioned Parties from accessing the Exchange, directly or indirectly. The Exchange defines a Sanctioned Party or Sanctioned Parties at Chapter II, Section 1 and requires Clearing Futures Participants to deny access to and immediately take steps to ensure all direct and indirect access is denied or removed from these parties. The amended rule text is set forth in Exhibit A. These amendments will become effective on March 1, 2016.

The Exchange amends its membership rules at Chapter II, Section I, entitled “Qualification and Participation of Futures Participants” to restrict Sanctioned Party or Parties located in a sanctioned jurisdiction from transacting business on the Exchange, either directly or indirectly. The Exchange defines a Sanctioned Party or Sanctioned Parties as a person identified on the Specially Designated Nationals and Blocked Persons List of the U.S. Department of the Treasury’s Office of Foreign Assets Control (“OFAC”) and terms those individuals as (“Restricted Persons”); 50% or more owned by Restricted Persons; located in a country or territory subject to comprehensive economic sanctions administered by OFAC termed (“Restricted Country or Territory ” or “Restricted Countries or Territories”); owned or controlled by the governments of Restricted

Countries or Territories, subject to OFAC restrictions where such restriction prohibits a specific activity which would in turn prohibit the party from trading on the Exchange or settling a transaction at the Exchange, or subject to restrictions administered or imposed by a state or government authority authorized to issue economic sanctions and blocking measures that has jurisdiction over a Clearing Futures Participant termed (“Sanctioning Body”) or acting on behalf of any of the foregoing.

The Exchange also proposes to amend Chapter V, at Section 1, entitled “Authorized Traders and Trader IDs,” and Section 4, entitled “Direct Access,” to conform the rule text to make clear that a Sanctioned Party or Sanctioned Parties will be denied access.

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. Chapter V, Section 18 describes prohibited activities with respect to the Trading System. Trading is 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. The Exchange’s disciplinary Rules are contained in Chapter VI of the Rulebook.
- *Prevention of Market Disruption:* The Exchange’s Regulatory Department, which handles real-time surveillance, monitors trading activity on the Exchange with a 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, utilizes data collected by the SMARTS Surveillance Application to monitor price movements, as well as market conditions and volumes to detect suspicious activity such as manipulation, disruptive trading and other abnormal market activity.
- *Availability of Contract Information.* The Exchange has indicated within its trading Rules where specific information relates to a particular Contract. The Exchange will post the terms and conditions of Exchange Contracts in its Rulebook along with trading Rules.

- *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 the amendments to Chapter II, Section 1 and Chapter V, Sections 1 and 4 to prohibit a Sanctioned Party or Sanctioned Parties from accessing the Exchange 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 at <http://www.nasdaqomx.com/transactions/markets/nasdaq-futures>.

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](mailto:angela.dunn@nasdaq.com). Please reference SR-NFX-2016-06 in any related correspondence.

Regards,



Daniel R. Carrigan  
President

cc: National Futures Association  
The Options Clearing Corporation

## Exhibit A

*New text is underlined.*

### NASDAQ Futures—Rules

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#### Chapter II Membership Rules

##### Section 1 Qualification and Participation of Futures Participants

(a) and (b) No change.

(c) A “Sanctioned Party” and collectively “Sanctioned Parties” are not permitted to access the Exchange, whether directly or indirectly.

(i) A Sanctioned Party or Sanctioned Parties are (i) identified on the Specially Designated Nationals and Blocked Persons List of the U.S. Department of the Treasury’s Office of Foreign Assets Control (“OFAC”) (“Restricted Persons”), (ii) 50% or more owned by Restricted Persons, (iii) located in a country or territory subject to comprehensive economic sanctions administered by OFAC (“Restricted Country or Territory” or “Restricted Countries or Territories”), (iv) owned or controlled by the governments of Restricted Countries or Territories, (v) subject to OFAC restrictions where such restriction prohibits a specific activity which would in turn prohibit the party from trading on the Exchange or settling a transaction at the Exchange, (vi) subject to restrictions administered or imposed by a state or government authority authorized to issue economic sanctions and blocking measures that has jurisdiction over a Clearing Futures Participant (each a “Sanctioning Body”) or (vii) acting on behalf of any of the foregoing.

(ii) Unless permitted (either not restricted or specifically authorized) by OFAC and/or any Sanctioning Body, as applicable, (a) any Clearing Futures Participant that maintains positions or carries an account actively trading on the Exchange for a Person that is or becomes a Sanctioned Party or (b) any Clearing Futures Participant that becomes aware, or has documentary information, that it maintains positions or carries an account actively trading on the Exchange on behalf of a Sanctioned Party, shall immediately take steps to (i) cancel all direct and indirect access and authorizations issued to such Sanctioned Party and provide written notice to the Exchange of such cancellations; or (ii) provide written instructions to the Exchange directing the Exchange to assist and coordinate in the cancellation of all access and authorizations for the Sanctioned Party at the Exchange as may be applicable.

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## **Chapter V Trading Procedures and Standards**

### **Section 1 Authorized Traders and Trader IDs**

(a) Each Futures Participant shall from time to time permit one or more individuals to act as its Authorized Traders. Each Authorized Trader shall satisfy such requirements as may be prescribed by the Exchange from time to time. Without limiting the generality of the foregoing, each Futures Participant shall ensure that (i) none of its Authorized Traders shall be subject to any statutory disqualification (unless an appropriate exemption has been obtained with respect thereto) and (ii) each of its Authorized Traders shall be technically proficient and shall conduct its business in a fair and equitable manner. Access to the Exchange is subject to NFX Rules at Chapter II, Section 1(c).

(b) – (f) No change.

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### **Section 4 Direct Access**

Authorized Customers of any Clearing Futures Participant may access the Trading System as specified in this Rule. Access to the Exchange is subject to NFX Rules at Chapter II, Section 1(c).

“Direct Access” shall mean connecting directly to the Exchange, whereby Orders do not pass through the order management system (“OMS”) of a Futures Participant.

“Indirect Access” shall mean utilizing an approved and authorized Independent Software Vendor (“ISV”) and/or utilizing an OMS owned and/or controlled by a Futures Participant to access the Exchange's Trading System. A Futures Participant or Authorized Customer that accesses the Trading System by such Indirect Access is subject to all of the Rules of the Exchange, including, without limitation, use of a Trader ID, audit trail requirements and the requirement that any such Futures Participant or Authorized Customer be guaranteed by a Clearing Futures Participant. Connectivity to the Trading System established by an ISV may not be used by the ISV itself for its own trading activities. Futures Participants or Authorized Customers utilizing Indirect Access shall be required to provide information of such relationships to the Exchange in a form as prescribed by the Exchange.

(a) – (m) No change.

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