NASDAQ OMX | NFX

**Rule Self-Certification**

January 21, 2015

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 Rules and Reference Guide**
**Reference File: SR-NFX-2015-01**

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 Rulebook at Chapter IV, Section 4, entitled "Acceptable Orders" and Chapter V, Section 11, entitled "Pre-Negotiated and Cross Transactions" and also adopts a Reference Guide. The rule changes will be implemented on April 1, 2015 and the new Reference Guide will be implemented on May 1, 2015. The text of the rule changes to Chapter IV, Section 4 and Chapter V, Section 11 are set forth in Exhibit A.[1] The text of the Reference Guide is set forth in Exhibit B.[2]

The Exchange recently filed amendments to its Trading Rules which will be implemented on April 1, 2014.[3] Among other things, the rule change adopted revised and new trading rules in Chapter IV entitled "Trading System." The Exchange is proposing to amend Chapter IV, Section 4, entitled "Acceptable Orders" to add another acceptable Combination Order that may be transacted on the Exchange. Specifically, the Exchange is adding an Inter-Commodity Spread to the list of acceptable Combination Orders that will be accepted into the

[1] Exhibit A reflects the amendments to the Exchange's Rulebook as filed in SR-NFX-2014-02 and SR-NFX-2014-05.

[2] Exhibit B reflects the amendments to the Exchange's Rulebook as filed in SR-NFX-2014-02 and SR-NFX-2014-05.

[3] See SR-NFX-2014-02 and SR-NFX-2014-05.

Exchange's Trading System. The Exchange is also amending Chapter IV, Section 4 to remove the Time Spread Combination Order in Section 4(a)(viii)(ii)(d) and instead add an Intra-Commodity Spread (Time Spread) in new Section 4(a)(viii)(ii)(j) in its place. This Combination Strategy will be another acceptable Combination Order that may be transacted on the Exchange. The Exchange also made other technical changes to rename the remaining sections. Finally, the Exchange is amending the Stop Order definition to redefine a Buy Stop and a Sell Stop Order and make other technical amendments to the Stop Limit Order to utilize a defined term. The Exchange is amending Chapter V, Section 11 to clarify that Cross transactions defined in Section 11(d) are Limit Orders.

The Exchange is also adopting a Reference Guide to provide further guidance to market participants with respect to entering Orders into the Trading System and other procedures for transacting business on NFX. The Reference Guide will be posted on the Exchange's website to provide market participants additional information with respect to entering Orders on the Exchange.

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 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, 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. 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. The Exchange will provide detailed information 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 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. The Exchange specifies the types of Orders that will be accepted by the Trading System in recently filed Chapter IV, Section 4. The new Combination Orders will be added to that list of acceptable Orders. Finally, the Exchange separately describes its Rules for executing transactions outside of the Order Book, such as Block Trades and exchange for related positions (EFRPs), 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 (FCMs) 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 the amendments to Chapter IV, Section 4, Chapter V, Section 11 and the new Reference Guide 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-2015-01 in any related correspondence.

Regards,

Daniel R. Carrigan
President

cc: National Futures Association

**Exhibit A**

*New text is underlined; deleted text is stricken.*

**NASDAQ OMX Futures Exchange – Rules**

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**Chapter IV Trading System**

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**Section 4 Acceptable Orders**

Orders entered into the Trading System for display and/or execution, as appropriate, are executable against marketable contra-side Orders in the Trading System.

(a) Types of Orders accepted by the Trading System are as follows:

(i) – (iii) No Change.

(iv) Stop Order. A "Stop Order" is an Order which becomes a Market Order when the price designated on the Order ("Stop Price") is triggered. A "Buy Stop" order is [triggered]executable when [the best bid is at or above the] a trade occurs at or higher than the Stop Price. A "Sell Stop" order is [triggered] executable when [the best offer is at or below the] a trade occurs at or lower than the Stop Price.

(v) Stop Limit Order. A "Stop Limit Order" is an Order which has two components: (1) the [s]Stop [p]Price and (2) the limit price. When a trade has occurred at or through the [s]Stop [p]Price, the order becomes executable and enters the market as a Limit Order at the limit price. The Order will be executed at all price levels from the [s]Stop [p]Price up to and including the limit price. If the Order is not fully executed, the remaining quantity of the Order will remain active on the Order Book at the limit price. A buy Stop Limit Order becomes executable when a trade occurs at or higher than the [s]Stop [p]Price. A sell Stop Limit Order becomes executable when a trade occurs at or lower than the [s]Stop [p]Price.

(vi) and (vii) No Change.

(viii) Combination Orders.

(i) Combination Orders or "Strategies" will be traded in a separate Order Book pursuant to the Rules in Chapter IV, Section 5. Combination Orders may be originated (adding Expiries, Contracts and trading symbols), by either: (i) the Exchange; or (ii) a Futures Participant or its Authorized Traders or Authorized Customers. Combination Orders may execute

against other Combination Orders or they may execute against the respective legs of Orders within the Order Book. Combination Orders shall not update the prices of the respective legs of such Combination Orders in their respective Order Book. The Exchange will disseminate Combination Orders through ITCH and FIX protocols.

(ii) Types of Combination Orders accepted by the Trading System, which may not exceed four legs, are as follows:

(a) Buy and Write Orders, also known as Covered Call Combination Orders, are Orders to buy a Future and write a call Option.

(b) Call or Put Spread Orders are Orders to buy and sell two call (put) Options of the same underlying and Expiry but with different strikes.

(c) Calendar (Horizontal) Spreads are buying and selling two call (put) Options of the same underlying and strike, but with different Expiries.

[(d) Time Spreads are buying and selling two Futures of the same underlying, but with different expirations]

([e]d) Straddles are buying a call Option and a put Option of the same underlying, expiration and strike.

([f]e) Strangles are buying a call Option which is out of the money and a put Option which is out of the money of the same underlying and expiration, but with different strikes.

([g]f) Conversions are buying a call Option and selling a put Option of the same underlying, expiration and strike at the same time as buying the underlying, or an underlying future.

([h]g) Reversals are selling a call Option and buying a put Option of the same underlying, expiration and strike at the same time as selling the underlying short, or selling an underlying future.

([i]h) Butterfly Spreads are a Contract strategy consisting of three legs.

(a) Butterfly Option Spreads consist of three put (call) Contracts with a minimum Lot Size of: one put (call) contract of the lower Contract strike price, two put (call) contracts of the middle Contract strike price, and one put (call) contract of the higher Contract strike price.

(b) Butterfly Futures Spreads consist of three Contracts with a minimum Lot Size of: one near term Contract, two mid-term Contracts, and one further term Contract.

([j]i) Condor and Iron Condor Spreads are a Contract strategy consisting of four legs.

(a) Condor Options Spreads consist of four Contracts (all put or all call Contracts) with a minimum Lot Size of: one contract of the lower Contract strike price, one contract of a higher strike price, one contract of a higher strike, and one contract of a higher strike price.

(b) Condor Futures Spreads consist of four Contracts with a minimum Lot Size of: one near term Contract, one further term Contract, one further term contract, and one further term contract.

(c) Iron Condor Options Spreads consist of four Contracts (two put and two call Contracts) with a minimum Lot size of: one put (call) Contract of the lower strike price, one put (call) Contract of a higher strike price, one put (call) Contract of a higher strike price, and one put (call) Contract of a higher strike price.

(j) Intra-Commodity Spreads (Time Spreads) are a Contract strategy which may be formed by buying and selling two Futures of the same underlying with different expirations. Intra-Commodity Spread Combinations may be formed with two different Future Expiries. The price ratio for the underlying legs will be configured to an integer of one. There will be no change to the trading tick size.

(k) Inter-Commodity Spreads are a Contract strategy consisting of combinations which may be formed of two or three different underlying Futures Contracts. The price ratio for the underlying legs will be configured to an integer of less than one, but rounded to four decimal places to the right from an initial calculation of fourteen places. The minimum price interval for a respective leg price shall be one hundredth of a cent ($0.0001) versus its outright leg trading tick which may be 0.01.

(iii) For the purpose of this Rule, a whole integer price is a Contract price that is divisible by one tick without remainder (e.g., one tick, two ticks, three ticks, etc.). In addition, the rule in the Contract specifications which defines a given Contract's minimum fluctuation will also define that Contract's whole integer and non-integer tick prices for the purposes of this Rule.

(ix) Implied Orders.

(i) Implied Orders will be traded in the Trading System pursuant to the Rules in Chapter IV, Section 5. Implied Orders will only be generated if those Orders are at or improve the BBO of the respective legs. The Exchange will disseminate Implied Out Orders through ITCH and FIX protocols, except for Inter-Commodity Spreads. Implied In Orders will not be disseminated.

(b) No Change.

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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 Limit Order (in compliance with Section (c), if applicable), (3) wait five seconds for Futures and five seconds for Options before submitting the second Limit Order for the relevant Contract. Because both Limit Orders submitted pursuant to this Rule are exposed to the market, the Trading System may not necessarily match the two Limit 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**

# NASDAQ Futures, Inc. (NFX) Reference Guide

Version 1.00 | 2015-5-01

Nasdaq

## CONFIDENTIALITY/DISCLAIMER

This Reference Guide is being forwarded to you strictly for informational purposes and solely for the purpose of developing or operating systems for your use that interact with systems of NASDAQ Futures, Inc. (NFX℠) and its affiliates (collectively, NFX). This specification is proprietary to NFX.

NFX reserves the right to withdraw, modify, or replace this Reference Guide at any time, without prior notice. No obligation is made by NFX regarding the level, scope or timing of NFX's implementation of the functions or features discussed in this specification. The Reference Guide is provided "AS IS," "WITH ALL FAULTS". NFX makes no warranties to this Reference Guide or its accuracy, and disclaims all warranties, whether express, implied, or statutory related to the Reference Guide or its accuracy. This document is not intended to represent an offer of any terms by NFX. While reasonable care has been taken to ensure that the details contained herein are true and not misleading at the time of publication, no liability whatsoever is assumed by NFX for any incompleteness or inaccuracies. By using this Reference Guide you agree that you will not, without prior written permission from NFX, copy or reproduce the information in this Reference Guide except for the purposes noted above. You further agree that you will not, without prior written permission from NFX, store the information contained in this Reference Guide in a retrieval system, or transmit it in any form or by any means, whether electronic, mechanical, or otherwise except for the purposes noted above. In addition you agree that you will not, without prior written permission from NFX, permit access to the information contained herein except to those with a need-to-know for the purposes noted above.

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# 1EXECUTIVE SUMMARY

Nasdaq Futures, Inc. (NFX or Exchange) is a Designated Contract Market regulated by the U.S. Commodity Futures Trading Commission (CFTC). NFX is a wholly owned subsidiary of The NASDAQ OMX Group, Inc. (Nasdaq: NDAQ), a leading provider of trading, exchange technology, information and public company services across six continents.

NFX is one of Nasdaq's four U.S. derivative exchanges, which taken together with Nasdaq Nordic, one of the largest derivatives exchanges in Europe, Nasdaq Commodities, and Nasdaq NLX, a London based market for trading interest rate derivatives, represent a global Futures offering spanning a wide array of asset classes.

NFX is an all-electronic exchange utilizing Nasdaq's high-performance and proven technology, which provides market participants with advanced functionality for central limit Order Book ("CLOB") trading as well as real-time Off-Order Book trade reporting on the same Trading System (trading platform). The Exchange offers the opportunity to trade a competitive mix of new Futures and Options products on a 23 x 5 hours/days basis.

All clearing services for products listed on the exchange are provided by The Options Clearing Corporation (OCC). OCC, founded in 1973, is the world's largest equity derivatives clearing organization, and is a globally recognized entity that clears a multitude of diverse and sophisticated products. OCC operates as horizontal clearing provider servicing sixteen exchanges under the jurisdiction of both the U.S. Securities and Exchange Commission (SEC) and the CFTC. As a registered clearing agency under SEC jurisdiction, OCC clears transactions for exchange-listed options, security futures and OTC options. As a registered derivatives clearing organization under CFTC jurisdiction, OCC offers clearing and settlement services for transactions in futures and options on futures.

## 1.1 Introduction

The objective of this document is to provide an overview of the NFX market as well as act as an explanatory reference guide for the key concepts and services provided by NFX. The content is directed toward non-programming users who wish to gain a reasonable understanding of the operation of the NFX Trading System related to:

- Technology & Market Model
- Participant, User, and Account Configuration
- On-Exchange Trading including supported Order types
- Off-Exchange Trade Submission
- Risk Management Controls
- Contact Information

This document provides a set of references to other documents that provide more detailed information in specific areas. For consultation of terms used herein, please refer to the NFX Rulebook.

Please note that this document shall not supersede the NFX Rulebook. This document is intended to supplement the Rules.

### 1.2 Interfaces, API's, and Market Data

NFX is built upon the Nasdaq trading infrastructure which powers one in ten of the world's securities transactions, and leverages the expertise and knowledge of tried and trusted partners to create an efficient and robust market for the entire lifecycle of the trade.

The primary NFX trading platform is located in Chicago, IL within close proximity to other major futures exchange market centers. The disaster recovery site is co-located with other Nasdaq U.S. markets in Carteret, NJ. NFX offers market participants and Independent Software Vendors (ISV), Application Programming Interfaces (APIs) to create custom applications and services to suit specific needs, including customized algorithmic trading, risk management, data services and straight-through processing

NFX supports order management through FIX while market data can be obtained through Nasdaq ITCH:

- **Order Management** is done through a FIX 5.0 gateway. The NFX FIX implementation also includes FIX reference data as well as a FIX drop copy service.

- **Market Data** is available through an ITCH and AMD "NFX Auxiliary Market Data" feed. The ITCH feeds are taken straight from the matching engine to achieve ultra-low latency and full depth of market by order (MBO). Basic reference data, Orders, trades, and the net order imbalance indicator is distributed via the ITCH feed while reported trades, trade cancels, settlement prices, open interest, etc., is distributed via the NFX Auxiliary Market Data feed. In order to support firms to quickly recover the MBO status in the event that they experience issues in regard to their ITCH feed, GLIMPSE is offered as a point-to-point data feed connection that provides direct datafeed customers with a snapshot of the current state of the Order Book(s).


Technology source document specifications are at: www.nasdaqomx.com/nasdaq-futures.

# 2 OVERVIEW OF THE MARKET

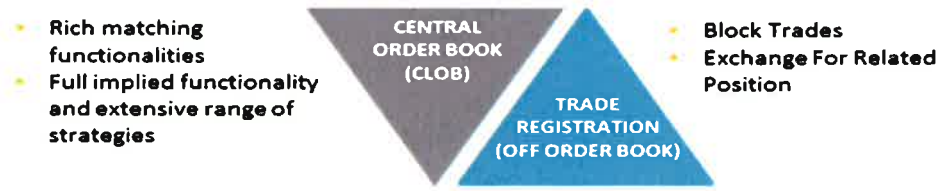
NFX facilitates trading in Energy and US Treasury Futures and Options on Futures.

The terms of the products are standardized and detailed via the NFX product specifications and published in the NFX Rulebook. New Instrument series (contract months & strikes) are automatically generated by the platform as outlined in the product specifications.

This chapter provides an overview of the market structure, the relational model in the platform including participants, users, and accounts, as well as how to connect.

## 2.1 Market Structure

NFX is utilizing Nasdaq's high-performance and proven technology, which provides market participants with advanced functionality for central limit Order Book trading as well as real-time Off-Order Book trade reporting on the same platform.




The Trading Day is comprised of a set of defined sessions. There are various ways to participate in each session.

Trading starts with a Pre-Open Session prior to automatic trade matching or continuous trading in the Open Session. During the Pre-Open Session, price information disseminated includes an indicative Equilibrium Price (price at which the most quantity will execute with the lowest imbalance) when such a price can be established based on existing Order Book information. When an Equilibrium Price can be established, this price and the cumulative volume eligible for matching at that price will be shown on the first price level on both sides of the Order Book.

The Pre-Open Session is followed by the automatic trade matching or continuous Trading Session (the "Open Session"). The Pre-Open session ends with the uncross operation for transition to continuous trading. The opening price and allocation of matched trades are determined at this time.

In the Open Session, each new incoming Order is immediately checked for execution against Order(s) on the opposite side of the Order Book. Orders can be executed in full or partially. Orders in the Order Book will be matched utilizing the Price-Time execution algorithm unless otherwise specified.

The market closes at the end of the Open Session (Close Session). During the Close Session, no matching of Orders (including Quotes) will take place. All unexecuted Orders which have expired at the end of the current Trading Day will be automatically canceled.

Following the Close Session, the Post-Close Session is available to modify and or cancel orders with attached time conditions. During the Post-Close Session, no matching of Orders (including Quotes) will take place.

Further details on the various sessions can be found in the NFX Rule Book at Chapter IV, Section 3.

### 2.1.1 Order Book ("On-Exchange Trades")

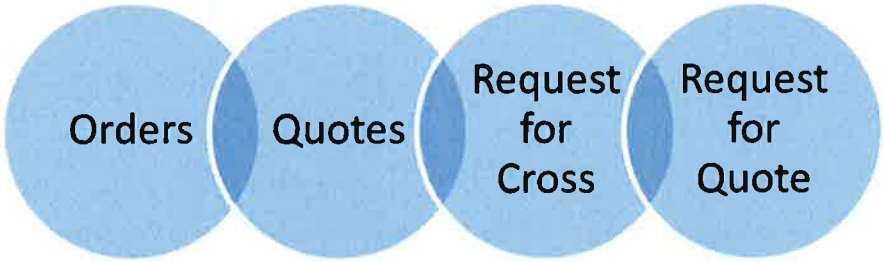
The Trading System provides sophisticated and rich trade matching functionalities including Implied Order generation with efficient execution of a broad range of hedge, strategy and contingent trades.

Market partcipants which have been configured as Users in the Trading System (Section 2.3), will be able to submit and manage Orders (including Quotes) through the FIX Order entry interface. All Orders (including Quotes) accepted by the Trading System are firm and made available for execution after going through market integrity controls to ensure fair and efficient markets. Orders (including Quotes) are maintained in Order Books and ranked and matched according to the trade match algorithm for each product.

The trading platform supports the following functionalities:

- Order—a bid or an offer which may have include time in force conditions or triggers which qualify Orders. See Chapter IV, Section 4 for Order types.
- Quote—a one or two-sided bid and offer message packet which is replaced with a new Quote. Only one active Quote packet can exist per Instrument series per trading participant (up to twenty-four bids and offers may be contained in one Quote packet).
- Request for Quote (RFQ)—an indication of intent to buy or sell a specified quantity of a Contract used to invite participants into a bidding process for specific products. Market participants who wish to trade an Instrument which may not be particularly liquid use RFQ functionality to request a price from the market and broadcast an interest in trading a particular Instrument.
- Request for Cross (RFC)—an indication of interest submitted by a single party for a two-sided Limit Order at the same price and quantity. Crossing Order functionality provides customers submitting RFC Orders the best available price with optimal market transparency.

The Order and Quote interfaces share the same FIX architecture and will not be advantaged or disadvantaged using one type or the other.




More details around CLOB trading can be found in this Reference Guide at Chapter 3.

### 2.1.2 Off-Order Book Trade Reporting ("Off-Exchange Trades")

The Trading System supports Real- Time trade reporting of privately negotiated transactions (brokered transactions) executed away from the Order Book.

- A Block Trade is a privately negotiated futures, options or combination transaction in a Futures Contract or Option that are listed on the Exchange. Block Trades are permitted in specified products and are subject to minimum transaction size requirements which vary according to the product, the type of transaction and the time of execution. Block Trades may be executed at any time at a fair and reasonable price. NFX will support Block Trades electronically submitted by voice brokers as well as principle-to-principle transactions.

- Brokered trades of any size may also be submitted to NFX as an Exchange for Related Position (EFRP). Each EFRP trade must be labeled with the appropriate EFRP type (i.e. EFP, EFR or EOO) on the trade report submission. EFRP trade eligibility will be notated on each individual product specification for products in which the Exchange will accept EFRP trades. The Exchange accepts the following:

    - Exchange for Physical (EFP) - A privately negotiated and simultaneous exchange of an Exchange futures position for a corresponding cash position.

    - Exchange for Risk (EFR) - A privately negotiated and simultaneous exchange of an Exchange futures position for a corresponding OTC swap or other OTC Instrument.

    - Exchange of Options for Options (EOO) - A privately negotiated and simultaneous exchange of an Exchange option position for a corresponding OTC option position or other OTC Instrument with similar characteristics.

More information concerning trade reporting are located in the NFX Rule Book at Chapter IV, Sections 10 and 11 as well as in Appendix D.

## 2.2 Instrument Structure

Instruments available for trading consist of standardized Futures and Options on Futures Contracts. Each Instrument can be traded and as an outright Instrument for purchase or sale, or as part of a combination (strategy), namely the simultaneous purchase or sale of two, but no more than four, Instruments (respective legs). The Exchange may list Futures and or Options combinations for trading, and users may create custom Combinations ("Tailor-Made Combination" or "TMC") for Futures and/or Options combinations not already defined in the Order Book. Market participants can place working GTD combination Orders that, if matched, simultaneously trade the referenced single leg Instruments according to the specified strategy without execution risk. Once created intra-day, a TMC Order Book is visible to the entire market for the remainder of the trading day.

Standard Combinations which will be predefined in the system for Futures and/ or Options will be comprised of the most liquid Intra-Commodity (e.g., NFX WTI Crude Oil Financial Futures: March versus June contract) and Inter-Commodity combinations (e.g., NFX WTI Crude Oil Financial Futures versus NFX RBOB Gasoline Financial Futures versus NFX Heating Oil Financial Futures "Crack Spread"). See Section 3.10 of this Reference Guide for further discussion on combinations (strategies). Implied Out and Implied In Order functionality are also supported on the Exchange. Whereas Combination Orders specify a quantity and indicate whether those Orders are buying or selling the combination upfront, Implied orders are automatic Orders generated by the Trading System for the purpose of trading various combinations. A Combination/Implied Order reference guide is posted on the Exchange website at Appendix XX

Each Futures Contract will reference detail in its contract specifications description the underlying asset or Instrument, contract size, ticker symbol, monthly contract listings, trading hours, minimum trading price intervals, daily settlement price, last trading day, final settlement date and the final settlement price.

Each Options Contract will reference detail in its contract specifications description the underlying asset or Instrument, strike price, contract size, ticker symbol, monthly contract listings, trading hours, minimum trading price intervals, daily settlement price and last trading day. Call and Put Options will be offered for trading.

- **Call Options**: Purchaser has the right (but not the obligation) to buy the underlying Futures Contract at the strike price (receive a long Futures Contract). Seller has the obligation to sell the underlying Futures Contract at the strike price (deliver a short Futures Contract). The purchaser and seller may, at any time prior to the exercise or expiration of the Option, enter into a closing transaction.

- **Put Options**: Purchaser has the right (but not the obligation) to sell the underlying Futures Contract at the strike price (receive a short Futures Contract). Seller has the obligation to buy the underlying Futures Contract at the strike price (deliver a long Futures Contract). The purchaser and seller may, at any time prior to the exercise or expiration of the Option, enter into a closing transaction.

  Options Exercise Styles offered for trading are as follows:

  - **American-style exercise** means the right but not the obligation to exercise and take delivery of a Futures contract on any day the underlying Futures contract is available for trading.

- **European-style exercise** means right but not the obligation to exercise and take delivery of a Futures contract on one day per contract month (Expiry) the underlying Futures contract is available for trading.

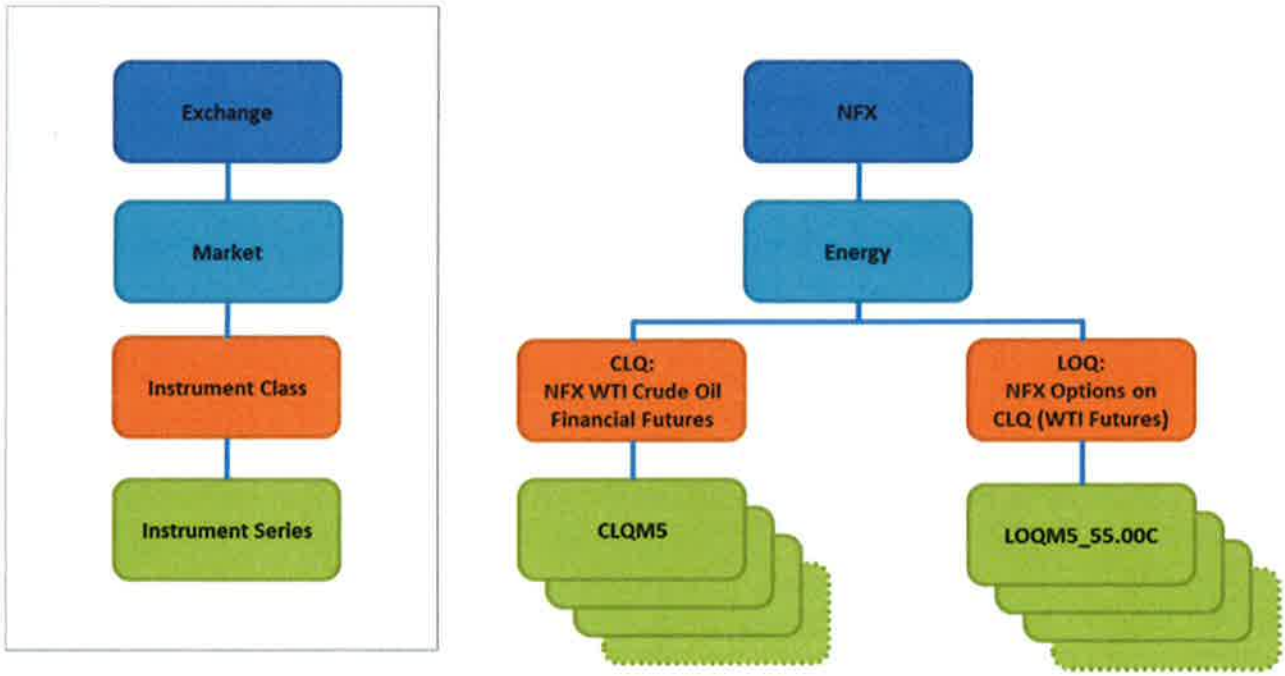
The NFX Instrument structure illustrates the Trading System hierarchy which defines the Instrument series traded on the Exchange and is described in detail below:

- **Exchange** – Nasdaq Futures, Inc. (NFX)

- **Market** – Asset class consisting of a group of products belonging to a given economic sector or market segment.

- **Instrument Class** – A Futures or Option product is an Instrument class. For example, the NFX Crude Oil futures product (NFX WTI Crude Oil Financial Futures (CLQ)) includes each outright contract representing a different expiration month and combination Instruments representing the buying and selling of combinations of expiration months. The Crude Oil options product (NFX Options on NFX WTI Crude Oil Financial Futures (LOQ)) includes all outright contracts representing different expiration months and different strike prices and combination Instruments representing the buying and selling of combinations of expiration months and different strike prices.

- **Instrument Series** – represents the individual monthly Expiry contracts on which Orders and Quote are submitted and filled.



## 2.3 Relational Model

The Relational Model reflects the manner in which market participants are identified in the trading platform as well as the organization of their identifiers and characteristics. The core components in the trading platform are Clearing Futures Participant, Futures Participant, Account, Authorized Traders and Authorized Customer.


### 2.3.1 Clearing Futures Participant

An Exchange Participant that is also a member of OCC and guarantees such trades, assuming financial responsibility for trades executed on the Exchange. A Clearing Futures Participant can elect to sponsor a Participant or non-Participant for direct access to the Trading System. All Futures Clearing Merchants or FCMs must be members of OCC.

### 2.3.2 Trading Participant

A Trading Participant submitting Orders into the Trading System shall be an entity. Orders may be submitted for itself or on behalf of a customer.

Each Participant will be assigned, by the Exchange, one or several unique identification codes, known as Participant IDs. Authorized Traders of Participants will be assigned Trader IDs.

The following categories of Trading Participants may trade on NFX:

- **Clearing Futures Participant**—an Exchange Participant that clears trades at OCC and may elect to sponsor other Futures Participants, non-Futures Participants and/or Authorized Customers for direct access to the Trading.

- **Futures Participant**—an Exchange Participant that clears trades through a Clearing Futures Participant and may elect to sponsor other Futures Participants, non-Futures Participants and/or Authorized Customers for direct access to the Trading System.

- **Authorized Customer**—an individual person or entity that may directly access the Trading System upon approval by the Exchange.

All Trading Participants trading on the Exchange are subject to Pre-Trade Risk controls. See the NFX Rulebook at Chapter IV, Section 7, Chapter V, Section 4 and Appendix C.

### 2.3.3 Account

Each Trading Participant must maintain at least one account with the Exchange. Account is a mandatory information field for all orders, and each account will need to be registered in the trading system, and the information will be verified at order entry.

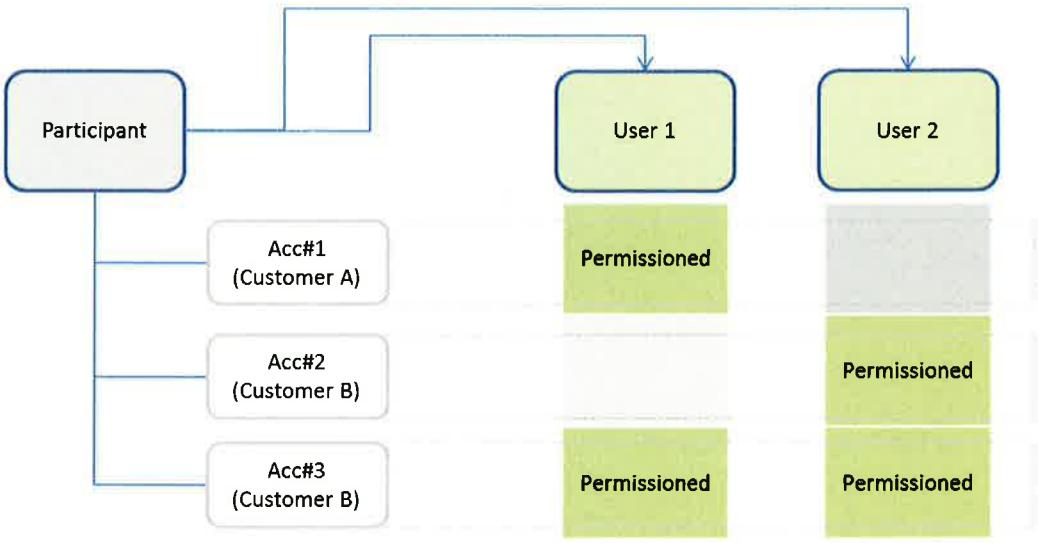
### 2.3.4 Authorized Trader

The Exchange requires that each trader that physically submitting an order to the trading system through the FIX interface can be identified by a unique ID -an Authorized Trader ID (using Party Role 12= Executing Trader as outlined in the Exchange FIX specification) .

A Participant accessing the Trading System will be assigned one or many unique User IDs as basis for login to the trading system. The User ID issued by the Exchange will also be used for populating Tag 50 (SenderSubID) of the Exchange FIX specification.

There can be multiple traders accessing the trading system via one individual User ID as long as the necessary tags identifying the Authorized Trader IDs are included.

The Trading System supports verification of specific access to one or multiple Accounts. Each User ID will be assigned access rights to a specific set of accounts registered in the Trading System.




## 2.4 Trading System Access

Participants and Users may participate in Direct Access ("DMA") in the following ways:

- **Direct Connectivity** – The Authorized Customer may connect directly to NFX for trading and / or market data.
- **Indirect Connectivity** – The Authorized Customer may connect through aClearing Futures Participant's (Futures Commission Merchant or FCM) infrastructure or a third party Independent Software Vendor (ISV).

All Authorized Customers and their traders accessing the Trading System through DMA will be assigned Trader IDs.

Participants shall establish trading arrangements such that each Authorized Customer or Authorized Trader is able to meet the requirements set out in the Exchange Rulebook and that all other relevant obligations contained in the Regulations and Exchange Rules.

## 2.5 Designated Representatives

Each Clearing Futures Participant or Futures Participant (the Exchange Member) shall provide instructions to the Exchange for adding Authorized Traders and/or Authorized Customers. Each Clearing Futures Participant and Participant shall designate representatives, including an Executive Representative (a designated executive representative of a Futures Participant who shall represent and act for the Futures Participant in all the affairs of the Exchange) and an Authorized Risk Officer (an authorized employee or agent of a Clearing Futures Participant who is authorized to set or change Pre-Trade risk management parameters).

Clearing Futures Participants and Futures Participants must immediately notify the Exchange of any change to its Executive Representative or Authorized Risk Officer(s) by contacting Nasdaq Futures Membership at + 1 215 495 5322 or emailing at membership@nasdaq.com.

## 2.6 Risk Management Services

The Exchange provides the following Risk Management services:

- TradeGuard – pre-execution control limits on Futures and Options;
- Kill Switch - Mass Cancellation of Orders at the Account level;
- Drop Copy - application messages on a separate session for risk management purposes; and
- Cancel on Disconnect - functionality that cancels all resting orders in the event of a disconnect.

These services are further described below.

### 2.6.1 Trade Guard - Pre-Trade Risk Management (PTRM)

The Exchange provides Participants with the ability to facilitate volumetric Pre-Trade protection on the Trading System via TradeGuard as a complementary service. Pre-Trade risk services encompass On-Exchange Orders and Off-Exchange trades submitted via FIX. It provides an overview of the PTRM system's functionality as well as detailed descriptions of each risk check, including the manner in which it is configured, maintained and monitored.

TradeGuard is centered on the establishment of a Pre-Trade Limits Group (PTLG), which is comprised of a single account or a group of accounts connected to the same Participant ID. A PTLG can therefore encompass the entire Order flow of a Participant or simply Orders submitted by a single Account or a group of Accounts. A PTLG may only be connected to one Participant ID and an Account may only be associated with one PTLG. PTLGs may consist of either Accounts or User IDs, but not both.

Active risk checks and their limits are configured per PTLG, as described below. It is not possible to create and activate a PTLG intra-day nor is it possible to add or remove accounts from a PTLG intra-day (any intra-day change request will be held for overnight processing).

All risk checks, except the maximum order/second rate, are configurable per Instrument Type or class level referred to by a Futures or Options product. Each Futures and Option product will have its own set of risk limits (e.g., NFX WTI Crude Oil Financial Futures (CLQ) or NFX Options on NFX Brent Crude Financial Futures (BCQ)). See Section 2.2 of this Reference Guide on Instrument Structure for additional information on Instrument hierarchy.

The PTRM service provides the following risk checks:

1. Maximum Order Volume or Quantity per PTLG, Product, and Combination
2. Daily Total Net Buy Checks (Traded Net + Open Buy Orders) per PTLG and Product
3. Daily Total Net Sell Checks (Traded Net + Open Sell Orders) per PTLG and Product

In addition, the following order controls may be applied:

1. Order Rate Checks per PTLG
2. PTLG defined Trading Restrictions (per symbol)
3. Manual blocking of order flow per PTLG
4. Mass Cancellation of open orders per PTLG
5. Automatic blocking of order flow at drop copy disconnect safeguard
6. TradeGuard provides an easy to use and comprehensive GUI for configuration, monitoring, and management of the risk limits and controls.
7. Notifications via e-mail for risk limit notification and warning levels
8. User Interface (UI) for administering risk limits, users and e-mail alerts, view risk checks consumption, mass cancel orders and block order flow.

A PTRM reference guide is posted on the Exchange.

### 2.6.2 Kill Switch

TradeGuard provides the ability for Participants to quickly and easily cancel all active, open Orders for a PTLG. This can be done using the Mass Cancel functionality via the TradeGuard user interface (UI) or API. Once a Mass Cancellation has been executed, previously active Orders for the effected PTLG will need to be re-entered.

### 2.6.3 Drop Copy

The Drop Copy service allows Participants to receive real-time copies of execution report and acknowledgement messages as they are sent from the Trading System on a separate, dedicated path.

TradeGuard offers a drop copy disconnect safeguard for DMA Participants called Automatic Block at Drop Copy Disconnect Safeguard. This safeguard monitors for lost drop copy connections, which if detected, generates an event to block all PTLGs associated with the effected User as if they were blocked manually. New Orders may not be entered if blocked. NFX Market Operations must manually unblock affected to reactivate the monitored User.

# 3TRADING ON THE EXCHANGE

This section provides an introduction to the Exchange trading day. The trading day is comprised of standard Trading System session states, various ways to participate in each session, and risk management and limits during those sessions. When all sessions have terminated, no Orders or Quotes will be accepted by the Trading System.

The following outlines components of a trading day. Please consult product specifications for trading hours per product.

A trading day is divided into four sessions (times are EPT):


- Pre-Open Session Commences – 18:45 (Closes at 19:00)
- Open Session Commences – 19:00 (Closes at 17:00 the next trading day)
- Close Session Commences – 17:00 (Closes at 17:00)
- Post-Close Session Commences – 17:00 (Closes at 17:30)

### 3.1 Pre-Open Session

To commence the Pre-Open Session, a market message is sent out to all Participants subscribed to Market Data indicating the start of the Pre-Open Session.

During the Pre-Open Session, Authorized Traders may enter Orders (including Quotes) which may be modified and canceled during the session. Orders will be time-stamped and queued until the end of the Pre-Open Session. During the Pre-Open Session, Good-till-Cancelled (GTC) and Good-for-Day (DAY) Orders may be modified or canceled. See Chapter IV, Section 3 of the Rulebook for Order types and time conditions.

Orders submitted during the Pre-Open Session shall remain in the Order Book unmatched until the Uncross occurs at the beginning of the Open Session. During the Pre-Open Session, the market is transparent; all submitted and /or modified Orders with associated volume are disseminated to subscribers of market data. Implied Orders are not calculated or disseminated during the Pre-Open Session.

An Equilibrium Price, the price at which the most quantity will execute with the lowest imbalance, is calculated and disseminated after every Order Book update throughout the Pre-Open Session. The Equilibrium Price includes Limit Orders, Market-to-Limit Orders and Quotes, but will exclude Stop, Stop Limit Orders, Implied Orders, Immediate or Cancel Orders, and Fill or Kill Orders.

See Section 5 of this Reference Guide for further discussion of Order types and time conditions.

All Orders will be disclosed to Participants with their actual price during the Pre-Open Session and a crossed Order Book will be disseminated. Order information will be available as Market-by-Order (MBO) information via the Nasdaq ITCH Market Data feed (see technical specifications on the Exchange website). MBO information enables Participants to see individual Orders in the Order Book. The Exchange will disclose the full market depth at Order price level over ITCH. MBO information enables Participants to see aggregated volume and price for each price level.

**Table 2 Example: Schedule for a Futures Contract Pre-Open Session with Open at 19:00 Eastern US Prevailing Time**

| Attribute | Pre-Open Session | Uncross |
|---|---|---|
| | 18:45-19:00 | 19:00 |
| Order Management | Order Management<br>Order Entry: Limit, Market-to-Limit, and Stop Orders with associated valid time-in-force conditions DAY, GTC, GTD, and IOC. Quotes with valid time-in-force GFD.<br>Volume and Limit Price displayed | |
| Auto Matching | No | Uncross Algorithm |
| Equilibrium Price | Equilibrium Price (EP) calculated and disseminated at every update. Crossed orders matched on Order Book at Uncross. EP at Uncross disseminated as Opening Price. | No |
| ITCH Market Data | Anonymous Market-by-Order; quantity and price of all added, updated and removed Orders/Quotes.<br>EP and associated quantities. | Anonymous Market-by-Order; quantity and price of all added, updated, removed, and executed Orders/Quotes. |

### 3.2 The Uncross

During the Pre-Open Session, a two sided auction is organized where Orders entered during the Pre-Open Session on both sides of the Order Book are uncrossed automatically at the Equilibrium Price at the start of the Open Session. Before the Uncross is performed, a check is made for whether or not it is needed (i.e. if there are any crossed prices). If the Uncross is not required, the Open Session will commence and establish the Best Bid and Offer (BBO). The Trading System will automatically match all crossed Orders at the Equilibrium Price. The Open Session will commence and the opening price will be either: (i) the Equilibrium Price; or (ii) the first match in the Trading Session. During the Open Session, the Trading System will match Orders (which includes Quotes).

The Equilibrium Price is the price at which the most quantity will execute with the lowest imbalance. Accordingly, following the Uncross, there are no crossed prices left in the Order Book. Executions at the Uncross are labelled as such in the ITCH Market Data protocols.

The Equilibrium Price includes the following Order Types:

- Limit Orders
- Market-to-Limit Orders
- Quotes

The following are excluded from the calculation of the Equilibrium Price:

- Stop Orders
- Stop Limit Orders
- Implied Orders
- Immediate or Cancel Orders
- Fill or Kill Orders

The following methodology is used to calculate Equilibrium Price:

- **Maximize Executed Quantity** – subject to the following, the Equilibrium Price shall be the price at which the execution of most quantity will occur.
- **Minimize Surplus Quantity** – if there is more than one price at which the most Orders will be executed, then, subject to the following, the Equilibrium Price will be the price which would generate the lowest imbalance.
- **Let Market Pressure Decide** – if there is more than one price at which the same lowest imbalance is possible, subject to the following, the Equilibrium Price shall be determined by market pressure.
- **Choose Price Closest to Reference Price** – if there is more than one price which would be determined by market pressure, the Equilibrium Price shall be the price closest to the Reference Price (a Reference Price can be: (i) the last price; (ii) previous day's settlement price; or (iii) price set manually by NFX Market Operations).

**Note:** It is possible to calculate the Equilibrium Prices in Combination Order Books, based on Combination Orders entered directly into the Combination Order Book. This is determined in the same way as equilibrium calculations for the Single Order Book with one exception; instead of the price closest to a Reference Price being selected for the Equilibrium Price, the average of the highest and lowest eligible price is chosen as Equilibrium Price.

Any crossed Order matched at the Equilibrium Price sets the Open Price in the Open Session. The Order Book then moves from no-matching during the Pre-Open Session to automated matching during the Open Session.

At the end of the Pre-Open Session, the System will remove unmatched or partially matched orders placed during the Pre-Open Session with Time-In-Force set to Immediate or Cancel. Partially matched Market-to-Limit Orders with Time-In-Force set to DAY, GTD or GTC are converted to Limit Orders with price equal to the Equilibrium Price. If trigger conditions are met by the Uncross, Stop Orders are triggered and executed.

Stop Orders can be triggered by the Equilibrium Price, but do not contribute to the calculation of the Equilibrium Price.

Once the Uncross is complete in the respective leg markets, the Combination Strategy Order Books are Uncrossed at their respective Equilibrium Price. Immediately following the Uncross of Combination Orders, Implied Orders are activated for the Open Session derived from the best bid and/or best offer of its respective legs. However, the Trading System will not generate Implied Orders for Inter-Commodity Combination Orders in the Open or any other session.

### 3.3 Open Trading Session – Automatic (Continuous) Matching

Ranking for all Orders entered prior to the Uncross and during automatic matching are based on a Price-Time execution algorithm. Matches are allocated based on price and then time, for Price- Time Priority. Orders (with time conditions GTC and GTD) entered prior to the current trading day will retain priority. Orders in the Order Book will be matched according utilizing the Price-Time execution algorithm unless otherwise specified in the product specifications.

**Table 3 Example Schedule for Exchange Open and Close for Futures**

| | Open Session | Post Close Session |
|---|---|---|
| | 19:00-17:00 | 17:00-17:30 |
| Order Management | Unexecuted Limit and Stop Orders with Time-in-Force DAY, GTC and GTD following the Uncross enter continuous market, IOC Orders are cancelled. Unexecuted Quotes with Time-in-Force Day enter continuous market.<br>Order Entry, Quoting, Cancel and Cancel/Replace allowed.<br>Orders are disseminated.<br>Off Order Book Trade Reporting. | Unexecuted Limit Order, GTC, GTD, can be amended or deleted. GTC, GTD Orders are entered back into the market at Pre Open of next Trade Day.<br>Order Cancel messages. |
| Auto Matching | Yes | No |
| Equilibrium Data | No | No |
| ITCH Market Data | Anonymous Market-by-Order; quantity and price of all added, updated, executed and removed Orders/Quotes. | No, Market-by-Order. |
| Auxiliary Multicast Market Data | Off Order Book trades, cancel trades, RFQs, and Settlement Prices. | |

#### 3.3.1 Automatic Order Matching

Resting buy or sell Orders entered into the Order Book are matched against a corresponding incoming buy or sell Order in the Order Book, to create a matched trade. Each incoming Order is immediately checked for execution against resting Orders on the opposite side of the Order Book. Orders can be executed in full or in part in one or more steps. Buy Orders submitted into the Order Book with a buy price higher or equal to the sell Order with the lowest price (crossing prices), will be matched into one or more trades depending on the volume of the incoming Order and the volume and the price of the resting sell Order(s). The match price is determined by the price of the resting Order in the Order Book. The matching process will attempt to fill as much as possible of the volume of the incoming sell or buy Order until the limit of the

crossing prices is passed.

### 3.3.2 Matching Priority for Products

Orders entered in the Order Book will be matched according to the Futures product rules.

#### 3.3.2.1 Price, Time /Pro Rata Priority Algorithm Definition

NFX will support Price-Time and Pro -Rata allocations based on the product (contained in product specifications). The Price-Time algorithms utilized will not prioritize by Participant.

All Orders and/or Quotes are publicly disseminated during the Open Session. Order information will be available as Market-by-Order (MBO) information via ITCH. MBO information enables Participants to see each individual Order in an Order Book. The Exchange will disseminate full depth of Orders via ITCH. All Orders and matched Trades are disseminated as real-time market data. All matches are anonymous and therefore counterparty information is not published.

It is important to note that an Order loses priority when modified in any of the following ways:

- Increase in quantity; or
- Change in price.

## 3.4 Close Session

At the end of the Open Session the Trading System will no longer accept Orders and no matching will occur. GTC and GTD Orders will remain in the Order Book.

## 3.5 Post Close Session

At the end of the Close Session, a Post Close Session will commence. During the Post Close Session, Futures Participants may modify and cancel Orders. New Orders cannot be submitted during the Post-Close Session. At the end of the Post-Close Session, Order management ceases and the Trading System will close. No new Orders will be accepted at this time. During the Post Close Session all Order updates are disseminated only to the respective Authorized Trader (Order information is not available via ITCH or FIX).

**Table 4 Example Schedule for Futures Post Close**

| | Exchange Close | Post Close Session |
|---|---|---|
| | 17:00 | 17:00-17:30 |
| Order Management | Auto-matching ceases.<br>DAY Orders and Quotes automatically cleared from the Order Book. | GTC and GTD Orders in the Order Book can be modified and cancelled. |
| Auto Matching | No | No |
| Equilibrium Data | No | No |

### 3.6 Trading Halts and Restoration of Trading

Trading may be suspended by NFX Exchange Operations either for technical, regulatory, or emergency reasons, pursuant to Exchange Rules. The Exchange shall provide Participants with information on trading halts and the subsequent restoration of trading will be disseminated via an Exchange notice or any other method that the Exchange deems appropriate.

## 3.7 Quotes

Quotes are similar to Orders, but with the following additional characteristics:

- A special FIX message is used for entering and replacing Quotes (streaming Quotes).
- Quotes can be single-sided or two-sided, i.e. both the bid and ask side can be provided in one message packet.
- A Quote can be replaced by a new Quote in the same Order Book (although it is possible to replace only one side with the other side retaining its priority). This is done in an atomic manner to enable market makers to provide continuous quotes.
- All Quotes are assumed to be valid until end of day (or until canceled or replaced).
- Only one active Quote packet can exist per Instrument series per trading participant (up to twenty-four bids and offers may be contained in one Quote packet).

Quotes are firm, and will automatically be matched when executable against other Orders and Quotes.

In order to keep the Quote message as small as possible, it does not include any account information (FIX Tag 1 of the Order specification). Each User will have a pre-defined account as the Quote account and all trades will be associated to that account after execution for transmission to OCC for clearing.

## 3.8 Request for Quote (RFQ)

The execution of a RFQ is supported for all NFX Products. An RFQ is a Trading System broadcast message initiated by an Authorized Trader requesting an indication to buy or sell a specified quantity of a Contract. An RFQ must specify whether it is a buy or sell Order and the quantity interest in a Contract. The initiator of an RFQ can specify an Expiry (Delivery Month) or Combination Order (Strategy that is pre-defined or customized (TMC)). An RFQ is sent to all Participants anonymously. A RFQ is not an Order. When an RFQ is published, responding Participants may enter or update their Quotes or Orders in the Order Book in response to the RFQ.

## 3.9 Pre-Negotiated / Request For Cross Transactions (RFC)

The execution of pre-negotiated cross transactions is supported for all NFX Products. Participants and Users can submit pre-negotiated, two-sided Limit Orders to the Exchange for execution. However, prior to execution, the RFC transaction must interact with any available liquidity in the Order Book prior to any volume being crossed. An RFQ must be entered before the RFC can be submitted.

All RFC transactions must follow the following rules and procedures prior to execution:

- RFC Orders can contain only one buy Order and one sell Order. Multi-legged transactions will be rejected (i.e. buy 50, buy 50 and sell 100).
- The RFC transactions will interact will all existing Order types at the RFC Order price (i.e. crossing price) prior to any volume being crossed (including Implied and Iceberg Orders). If the crossing price is at or outside the best bid and/or offer (BBO) in the Order Book, it shall trade against existing Orders in the Order Book.
- If the quantity in the crossing transaction is larger than the aggregated Order quantity in the Order Book at the crossing price, then the crossing transaction will trade partially with the Order Book, and the residual crossing quantity will trade against itself (remaining volume that was crossed will be cancelled from the Order Book).
- If no Order exist in the Order Book (i.e. there is no BBO), then the crossing transaction will trade fully against itself.
- The crossing transaction will interact with all Order types in their entirety prior to any volume being crossed according to the execution alogorithm (e.g., price then time). If the crossing transaction interacts with hidden or non-displayed volume, such as an Iceberg Berg,the non-displayed portion of the Order which becomes displayed after the original portion is executed will be equal to the original non-displayed quantity. Only if the volume is reduced for an Iceberg Order will it retain its position in the time-priority queue.

RFC transactions that are submitted by Participants and/or Users that are not properly configured for RFC functionality will be rejected. See NFX Rulebook at Chapter V, Section 11.

## 3.10 Strategies – Combination Orders

The Trading System supports the trading of Strategies also referred to as Combination Orders, which will trade in a separate Order Book. The Exchange may list Futures and/or Options combinations for trading, and users may create their own tailor made combination (TMC) for Futures and/or Options combinations not already defined in the Trading System. Market participants may submit GFD Combination Orders that, if matched, will simultaneously trade the referenced single leg Instruments according to the specified strategy without execution risk. Once created intraday, a TMC Order Book is visible to the entire market and lives throughout the trading day.

Representative types of Combination Orders accepted by the Trading System, which may be comprised of a minimum of two, but not exceed four, legs are as follows:

- **Buy and Write (a.k.a. Covered Call)** – Buy a Futures Contract, and write call Options.
- **Call (Put) Spreads** – Buy and sell two call (put) Options of the same underlying and expiration but with different strikes.
- **Calendar (Horizontal) Spreads** – Buy and sell two call (put) Options of the same underlying and strike, but with different expirations.
- **Straddles** – Buy a call Option and a put Option of the same underlying, expiration and strike.
- **Strangles** – Buy a call Option and a put Option of the same underlying and expiration, but with different strikes.

- **Conversion** – Buy a call Option and sell a put Option of the same underlying, expiration and strike at the same time as buying the underlying, or an underlying Future.
- **Reversal** - Sell a call Option and buy a put Option of the same underlying, expiration and strike at the same time as selling the underlying short, or selling an underlying Future.
- **Butterfly Spread** – A Contract strategy consisting of three legs either for Futures or Options. Butterfly Option Spreads consist of three put and/or call Contracts. Butterfly Futures Spreads consist of three Contracts.
- **Condor and Iron Condor Spreads** – A Contract strategy consisting of four legs. Condor Options Spreads consist of four Options Contracts (all put or all callContracts). Condor Futures Spreads consist of four Futures Contracts. Iron Condor Options Spreads consist of four Options Contracts (two put and two call Contracts).
- **Intra-Commodity (Time) Spread** – Combinations may be formed by buying and selling two Futures of the same underlying, but with different expirations. Combinations may be formed by two different Future Expiries (NFX WTI Crude Oil Financial Futures, March versus June contract).
    - The price ratio for the underlying legs will be configured to an integer of one. There will be no change to the trading tick size.
- **Inter-Commodity Spread** – Combinations may be formed of two or three different underlying Futures Contracts (NFX WTI Crude Oil Financial Futures versus NFX RBOB Gasoline Financial Futures versus NFX Heating Oil Financial Futures "Crack Spread").
    - The price ratio for the underlying legs will be configured to an integer of less than one, but rounded to four decimal places to the right from an initial calculation of fourteen places. Accordingly, the minimum price interval for a respective leg price is one hundredth of a cent ($0.0001) versus its outright leg trading tick which may be 0.01.

## 3.11 Implied Orders

The Exchange offers Implied Out and Implied In Order functionality. Whereas Combination Orders specify a quantity and whether they are buying or selling the combination upfront, Implied Orders are automatic orders generated by the Trading System for the purpose of trading various combinations, except for Inter-Commodity Spreads.

Implied Out Orders are calculated and inserted into the single Order Book legs. Implied Out Orders advertise the liquidity available in the marketplace due to the Combination Orders, and increase the possibility of executing Combination (Strategy) Orders. Implied Out Orders are generated only during automatic matching (the Open Session). Implied Out Order dissemination is via ITCH Market Data, except for Inter-Commodity Spreads.

The Exchange offers Implied In Order functionality, which derives it price and quantity from the net differential from the best prices as between two contract months for a Contract). The Exchange will not disseminate these Orders via ITCH Market Data. Consequently the Participants and Users will need to calculate their own (deterministic) set of Implied In Orders locally (e.g. via ISV or proprietary graphical user interface). Implied In Orders are generated only during automatic matching (the Open Session).

A Combination/Implied Order overview guide is posted on the Exchange website.

## 3.12 Trade at Settlement

The Exchange may determine from time to time those Contracts and contract months for which Members may execute trades at the Daily Settlement Price ("Trade at Settlement" or "TAS") and the trading hours of each contract during which Members may execute trades at the Daily Settlement Price.

The Exchange may also designate Contracts and contract months where Members may execute trades at a premium or discount to the Daily Settlement Price. When designating such Contracts and contract months the Exchange may limit the permissible trading range around the Daily Settlement Price within which trades may be executed. The Exchange may vary this trading range at any time with immediate effect. TAS trades are executed on the NFX Platform at a price of zero representing the Daily Settlement Price.

For those Contracts and contract months where it is permitted to trade at a premium or discount to the Daily Settlement Price, the price of such settlement trades will be prefixed by a plus or minus sign as appropriate. For example, settlement trades executed at +1 cent will be at a premium of one cent to the settlement price while those executed at -1 cent will be at a discount of one cent to the settlement price.

After the Exchange has determined the Daily Settlement Prices of the associated underlying Futures contracts; the Exchange shall enter a reversing trade (to offset the exact initial trade at settlement transaction) and then an overtaking trade that is equal to the sum of the initial trade at settlement trade and the Daily Settlement Price for the relevant underlying Futures contract. Only the overtaking trade will be sent to OCC for clearing.

## 3.13 Trade Cancellations

The Exchange Price Limit system is designed to prevent the submission of Orders with significant pricing errors, and eliminate the need for manual intervention by an NFX Official to invalidate a particular trade. However, in some circumstances an NFX Official may conclude that a trade has been executed at an errant price and will cancel the trade pursuant to Exchange Rules.

Fair value may be determined by observing bids, offers, and trades that were entered into the relevant product, in either the same or neighboring Expiries, before and after the trade in question. When a trade is cancelled the counterparties to the trade will be informed as soon as possible by telephone and by a broadcast message from the Trading System. Also see additional guidance about trade cancellations in Appendix E.

## 3.14 Order Price Limit Protection

In order to prevent erroneous transactions that might occur due to fat finger pricing or manifest errors, NFX will implement the price limit structure described below.

There are no price limits during the Pre-Open Session and the Uncross. However, throughout the Open Session, Price Limits for all products will be calculated from a Reference Price within the same margin allowed above and below the Reference Price. The Exchange will set the applicable price margin above and below the reference price for each contract.

The Reference Price is based on the logic detailed below:
During the Pre-Open Session, Price Limits will not be activated.
During the Open Session, the Reference Price for a product is defined as:

1. If the bid is greater than the last updated Reference Price then the bid shall be the Reference Price. If the ask is less than the last updated Reference Price then the ask shall be the Reference Price. Finally, if there exists a Reference Price then the last updated Reference Price (not the bid or ask) shall be the Reference Price.
2. If a Trade has not matched and there is no available bid/ask for the relevant contract:
    - The last traded price from the previous Trading Session following the previous Business Day's Daily Settlement Price calculation; or
    - If no such trade is available from the previous Trading Session, the Daily Settlement Price from the previous Business Day.

Both outright and Implied Orders will be disclosed to the market if they are at or within the current price limits. However, if Implied Out Orders are entered outside the price limit, they will be displayed at the price limit. Thus, the price of an Implied bid Order shall be constrained to the upper price limit, while an Implied Offer shall be constrained to the lower price limit.

Buy Orders with prices lower than the lower price limit and sell Orders with prices above the upper Price Limit are allowed to enter the Trading System. Conversely, buy Orders with prices above the upper price limit and sell Orders with prices below the lower price limit will be rejected.

Attempts to enter Orders and Quotes during the Open Session outside the prevailing price limits for the relevant product will be rejected by the Trading System. Combination Limit Orders, Market-to-Limit Orders, and both single and strategy Market Orders are not validated against price limits. The Trading System will send a message notifying the Participant's relevant Authorized Trader of the rejection. The permitted margins above and below the reference price for price limit determination for each product will be set from time-to-time by the Exchange. The margins may be adjusted to reflect market conditions with the objective of preventing the execution of any Orders submitted to the Trading System with manifest pricing errors and/or at unrepresentative price levels.

Although a series of Options on a particular Future may trade frequently, any single specific Option and strike price may not trade or even be quoted regularly. Additionally, the underlying Futures contract may move significantly since the last Option transaction making the last trade and previous day's Daily Settlement Price irrelevant from a reference price perspective. Because of this NFX will not support Price Limits for NFX Option products. Any Option pricing inquiries, including potential erroneous transactions, should be brought to the attention of Exchange Staff immediately.

## 3.15 Market Makers

A market maker is a Participant that quotes both the buy and sell side in a given market. The main function of the market maker is to provide liquidity to the marketplace.

Authorized Customers and Authorized Traders may use the Mass Quote functionality to submit bid/ask pairs and generate two-sided markets for multiple Instruments during the Open Session.

Marker Maker designation is via application to the NFX membership department.

### 3.15.1 Mass Quote Function

Mass Quote functionality allows traders to create and maintain a one or two-sided market on a large number of Instruments more efficiently by enabling Authorized Traders and Authorized Customers to:

- Create and update their action to buy and sell up to 24 Instruments utilizing a single message;
- Modify only one side (bid or sell) of a resting Quote by using the appropriate bid or offer quantity and price values in a new Mass Quote entry message;
- Quote cancel is accomplished by modifying the price and quantity of a Quote to zero;
- Cancel one side of a resting quote and leave the opposite side unchanged;
- Cancel one side of a resting Quote and modify the opposite side;
- Cancel both sides of a resting Quote; and
- Cancel all Quotes entered by Authorized Traders and Authorized Customers.

### 3.15.2 Market Maker Protection

The Exchange offers functionality to protect market makers from large scale rapid-fire Quote executions that can occur in a short amount of time during periods due to extreme market volatility. This functionality is designed to enable market makers to quote in Contracts while determining acceptable risk levels. The Trading System will automatically withdraw all Quotes and Orders if certain thresholds are achieved.

Market Maker Protection parameters are configurable by the market maker. The market maker can update (change or disable) the parameters intra-day. The parameters possible for a market maker to set for an underlying are:

1. **Exposure Limit Time Interval**—rolling time interval for market maker protection re-calculation and shall be set in number of seconds.
2. **Quotation Frozen Time**— cannot enter Quotes for a period of time.
3. **Quantity Protection**— a threshold value, i.e. a value that if equal or exceeded will trigger the system to delete Quotes.
4. **Delta Protection**—a value that if equal or exceeded will trigger the Trading System to delete Quotes based on absolute value of the sum with (or without) Futures.

# 4ORDER TYPES AND TIME CONDITIONS

## 4.1 Order Types

The following Order types, time-in-force and time conditions are available for all Products:

| Order Types | DAY (Good-for-Day) | GTC (Good-till-Cancel) | GTD (Good-till-Date) | FOK (Fill-or-Kill) | IOC (Immediate-or-Cancel) |
|---|---|---|---|---|---|
| Market Order | | | | X | X |
| Limit Order | X | X | X | X | X |
| Market-to-Limit Order | X | X | X | X | X |
| Stop Order | X | X | X | X | X |
| Stop Limit Order | X | X | X | X | X |
| Iceberg Order | X | X | X | X | X |
| Trading at Settlement | X | | | | |
| Combination Order | X | X | X | | |
| Implied Orders | X | | | | |

### 1. Market Orders

Market Orders are accepted only during the Open Session. Market Orders are executed at the best available price and are therefore entered without a price. Note that an IOC Market Order will trade through the Order Book until the entire quantity is filled or partially filled (an FOK will only trade if the entire volume in the Order can be filled).

Given the following Order Book:

| Order book A | | | | | | | |
|---|---|---|---|---|---|---|---|
| Buy Side | | | | Sell Side | | | |
| AON | Order Id | QTY | Price | Price | QTY | Order Id | AON |
| -- | 11 | 10 | 10.50 | 11.00 | 10 | 14 | - |
| - | 12 | 10 | 10.40 | 11.10 | 10 | 15 | - |
| - | 13 | 10 | 10.40 | | | | - |

*An aggressive Market Order to Sell 20 @ MKT would execute 10 @ 10.50 with Order #11 and another 10 @ 10.40 with Order #12.*

Market Orders cannot be stored in the Order Book during automatic matching, and will be canceled if they are not immediately executed.

### 2. Limit Order

A Limit Order must specify a price that is valid according to its minimum trading price increment and will only execute at prices equal to or greater than its specified limit price.

Given the following Order Book:

| Order Book A | | | | | | | |
|---|---|---|---|---|---|---|---|
| Buy Side | | | | Sell Side | | | |
| AON | Order Id | QTY | Price | Price | QTY | Order Id | AON |
| -- | 11 | 10 | 10.50 | 11.00 | 10 | 14 | - |
| - | 12 | 10 | 10.40 | 11.10 | 10 | 15 | - |
| - | 13 | 10 | 10.40 | | | | - |

*An aggressive Limit Order to Sell 20 @ 10.50 would execute 10 @ 10.50 with Order #11 and then would then be handled as per its specified Time-in-Force.*

Limit Orders can have additional quantity and reserve conditions, which are described below in "Time Conditions."

### 3. Market-to-Limit Order

Market-to-Limit Orders will execute at the best possible price. If the Order is partly matched, the remainder is converted to a Limit Order priced at match price. In comparison with a normal Market Order, the Market-to-Limit Order only executes at the best price level and therefore does not trade through the Order Book.

Given the following Order Book and a tick size equal to 0.10:

| Order Book A | | | | | | | |
|---|---|---|---|---|---|---|---|
| Buy Side | | | | Sell Side | | | |
| AON | Order Id | QTY | Price | Price | QTY | Order Id | AON |
| -- | 11 | 10 | 10.50 | 11.00 | 10 | 14 | - |
| - | 12 | 10 | 10.40 | 11.10 | 10 | 15 | - |
| - | 13 | 10 | 10.20 | | | | - |

*An aggressive Market-to-Limit Order to sell 30 @ MKT would execute 10 @ 10.50 with Order #11 and the remaining balance would be stored in the Order Book at 10.50, and the resulting Order Book would reflect the following:*

| Order Book A | | | | | | | |
|---|---|---|---|---|---|---|---|
| Buy Side | | | | Sell Side | | | |
| AON | Order Id | QTY | Price | Price | QTY | Order Id | AON |
| - | 12 | 10 | 10.40 | 10.50 | 20 | 16 | - |
| -- | 13 | 10 | 10.20 | 11.00 | 10 | 14 | - |
| | | | | 11.10 | 10 | 15 | - |

All Time Conditions are accepted for Market-to-Limit Orders in the Open Session. In all no-matching sessions (Pre-Open, Close and Post-Close Sessions) or auction (Uncross) (Pre-Open Session) all time conditions are in force except for FOK Orders..

For Market-to-Limit Orders the following would apply in automatic matching:
By defining time conditions to either be Fill-or-Kill (FOK) or Immediate or Cancel (IOC), the Market-to-Limit Order type will behave as a Market Order that only matches at one price level.

During an automatic matching session, a Market-to-Limit Order is immediately canceled if no match can be executed, e.g. if no Order exists on the opposite side of the market. Market-to-Limit Orders for a Combination Order Book will not match with the respective leg Order Books. Therefore if no Orders exist on the opposite side of the market in the Combination Order Book, the Market-to-Limit Order in the Combination Order Book is immediately canceled, since no match can be executed.

For Market-to-Limit Orders the following applies in no-matching sessions (Pre-Open, Close and Post-Close Sessions) or auction (Uncross) (Pre-Open Session):

Market-to-Limit Orders entered in a no-matching sessions (Pre-Open, Close and Post-Close Sessions) or auction (Uncross) (Pre-Open Session) are treated as Market Orders, participate in the Uncross at an Equilibrium Price and if any quantity remains after the Uncross the Order will be posted in the Order Book at the Equilibrium Price.

### 4. Stop Order

A Stop Order becomes a Market Order when the Price designated on the Order is triggered by a trigger condition.

Stop Orders are only active in the Order Book once the trigger condition has been met.

Consider the following Stop Order:

Order 1 Buy 10 @ MKT, Trigger last trade >= 10.50

And the following Order Book:

| Order Book A | | | | | | | |
|---|---|---|---|---|---|---|---|
| Buy Side | | | | Sell Side | | | |
| AON | Order Id | QTY | Price | Price | QTY | Order Id | AON |
| -- | 11 | 10 | 10.50 | 11.00 | 10 | 14 | - |
| - | 12 | 10 | 10.40 | 11.10 | 10 | 15 | - |
| - | 13 | 10 | 10.40 | | | | - |

*A new, "normal" Order coming into to Sell 5 @ 10.50 would result in a trade at 10.50, and the triggering of the Stop Order. The Stop Order would then execute with Order # 14 at the market price of 11.00.*

Stop Orders are also supported by time conditions.

### 5. Stop Limit Order

When a trade has occurred at or through the stop price, the Order becomes executable and enters the market as a Limit Order at the limit price. The Order will be executed at all price levels from the stop price up to and including the limit price. If the Order is not fully executed, the remaining quantity of the Order will remain active on the Order Book at the limit price. A buy Stop Limit Order becomes executable when a trade occurs at or higher than the stop price. A sell Stop Limit Order becomes executable when a trade occurs at or lower than the stop price.

Consider the following Stop Limit Order:

Order 2: Buy 10 @ 10.90 Trigger last trade >= 10.60

And the following Order Book:

| Order Book A | | | | | | | |
|---|---|---|---|---|---|---|---|
| Buy Side | | | | Sell Side | | | |
| AON | Order Id | QTY | Price | Price | QTY | Order Id | AON |
| -- | 11 | 10 | 10.50 | 11.00 | 10 | 14 | - |
| - | 12 | 10 | 10.40 | 11.10 | 10 | 15 | - |
| | | | | | | | - |

*A new, "normal" Order coming into to Sell 5 @ 10.60 matches with a new Order to Buy 5 @ 10.60 resulting in a trade at 10.60, and the triggering of the Stop Limit Order. The Stop Limit Order would be placed in the Order Book as the new best bid (it is not executable).*

| Order Book A | | | | | | | |
|---|---|---|---|---|---|---|---|
| Buy Side | | | | Sell Side | | | |
| AON | Order Id | QTY | Price | Price | QTY | Order Id | AON |
| -- | 1 | 10 | 10.90 | 11.00 | 10 | 14 | - |
| - | 16 | 10 | 10.60 | 11.10 | 10 | 15 | - |
| - | 11 | 10 | 10.50 | | | | - |
| | 12 | 10 | 10.40 | | | | |

### 6. Iceberg Order

An "Iceberg Order" is an Order where a portion of the Order is displayed and a portion of the Order is non-displayed. When the displayed quantity of the Iceberg Order is executed, a non-displayed portion of the remaining balance of the Order will be displayed in the Order Book as a new Order and will not retain its time priority. The non-displayed portion of the Order which becomes displayed after the original portion is executed will be equal to the original non-displayed quantity. Only if the volume is reduced for an Iceberg Order will it retain its position in the time-priority queue.

### 7. Trading at Settlement Order

A "Trading at Settlement" or "TAS" Order is an Order to buy or sell a stated quantity of the relevant Contract at a price expressed as a differential (which may be zero) above or below the Daily Settlement Price for the Contract on the trading day on which the TAS Order is executed. TAS Orders may be priced in increments (plus or minus) of up to 10 minimum trading increments from the Daily Settlement Price. A TAS transaction executed at a zero differential will be filled and cleared at the Daily Settlement Price for the trading day.

### 8. Combination Order

A "Combination Order" means an Order to simultaneously buy and/or sell at least two contracts in one or more Contracts in a form accommodated by the Trading System. All legs of a Combination Order are acquired simultaneously and must be for the same account or accounts with the same beneficial ownership. The Exchange will accept a Combination Order of up to four legs. Combination Orders may execute against other Combination Orders or they may execute against the respective legs of Orders within the Order Book. Combination Orders shall not update the prices of the respective legs of such Combination Orders in their respective Order Book. The Exchange will disseminate Combination Orders through ITCH and FIX protocols. These types of Orders may also be referred to as "Strategies."

### 9. Implied Orders

The term "Implied Orders" means Orders that are automatically generated by the Trading System from a derived price. An "Implied Out Order" derives its price and quantity from resting Combination Strategy Orders and the aggregate of the respective legs which are at the best price for a Contract. An "Implied In Order" derives it price and quantity from the net differential from the best prices as between two contract months for a Contract. The Exchange will not disseminate Implied In Orders through the ITCH Market Data Feed; it will disseminate through FIX.

## 4.2 Time Conditions

### 1. DAY "Good For Day" (DAY)

A DAY Order is valid until the Open Session closes. A Day Order is active for the Business Day and any non-executed portion will be cancelled upon the transition to the Post Close, i.e. when the Exchange closes at the end of the Open Session.

### 2. Good Till Cancelled (GTC)

The system supports GTC Orders in markets that have no specified limit to the maximum number of days an Order is allowed to stay in the book. A GTC Order will retain its original chronological order based on original entry time into the Trading System.

**3. Good Till Date (GTD)**

A GTD Order is valid until a specified date in the future, up to a maximum of 255 days. If the Order is not matched during the Business Day it will entered into the Order Book the following Open Session. A GTD Order will retain its original chronological order based on original entry time into the Trading System.

### 4.3 Time-in-Force

1. Fill-or-Kill (FOK)

A FOK Order is not stored in the CLOB at any time. If a FOK Order is not executed in its entirety, the Order will be cancelled. FOK Orders may only be entered during the Open Session.

2. Immediate or Cancel (IOC)

An IOC Limit or IOC Market-to-Limit Order will match with all the resting volume on the opposite side of the Order Book, up to the limit price, and the remaining volume will be canceled. An IOC Market Order will match all available resting volume on the opposite side of the Order Book irrespective of the price, and any remaining unmatched volume of the IOC Order will be canceled.

### 4.4 Order Modification

With respect to Order modifications, time priority will be retained if only the volume is reduced. If the Order modification results in an increase in volume, or price modification, time priority will not be retained for that Order.

### 4.5 Tick Sizes

Tick size is the smallest allowed price increment for a specific product and thereby, is the smallest allowable differential between the buy and sell price in the Order Book for that product. If the price specified by a limit price is not valid according to the allowed tick sizes specified in the Rulebook for the product, the Order is rejected by the Trading System.

See NFX Rulebook Chapter IV, Section 4.

# 5REPORTING OF OFF-ORDER BOOK (OFF-EXCHANGE) TRADES

The Trading System supports real time trade reporting of privately negotiated transactions executed outside of the Order Book.

- A Block Trade is a privately negotiated Futures, Options or combination transaction in a Futures Contract and/or Option that is listed on the Exchange. Block trades are permitted in specified products and are subject to minimum transaction size requirements which vary according to the product, the type of transaction and the time of execution. Block trades may be executed at any time at a fair and reasonable price. Participation in block trades is restricted to Eligible Contract Participants as defined in the Commodity Exchange Act.

- Brokered trades of any size may also be submitted to NFX as an Exchange for Related Position (EFRP). Each EFRP trade must be labeled with the appropriate EFRP type (i.e. EFP, EFR or EOO) on the trade report submission. EFRP trade elibility will be specified for each product in which the Exchange will accept EFRP trades

    - Exchange for Physical (EFP) - A privately negotiated and simultaneous exchange of an Exchange Futures position for a corresponding cash position.

    - Exchange for Risk (EFR) - A privately negotiated and simultaneous exchange of an Exchange Futures position for a corresponding OTC swap or other OTC Instrument.

    - Exchange of Options for Options (EOO) - A privately negotiated and simultaneous exchange of an Exchange Option position for a corresponding OTC Option position or other OTC Instrument with similar characteristics.

## 5.1 NFX Trade Reporting Overview

The main parties in the trade reporting process are:

- Customer that is the beneficial owner of one or more trading accounts (Account) held with a Clearing Futures Participant;
- Clearing Futures Participant; and
- Brokerage firm that facilitates the execution of the trade between the clients, and is responsible for registration of the trade report.

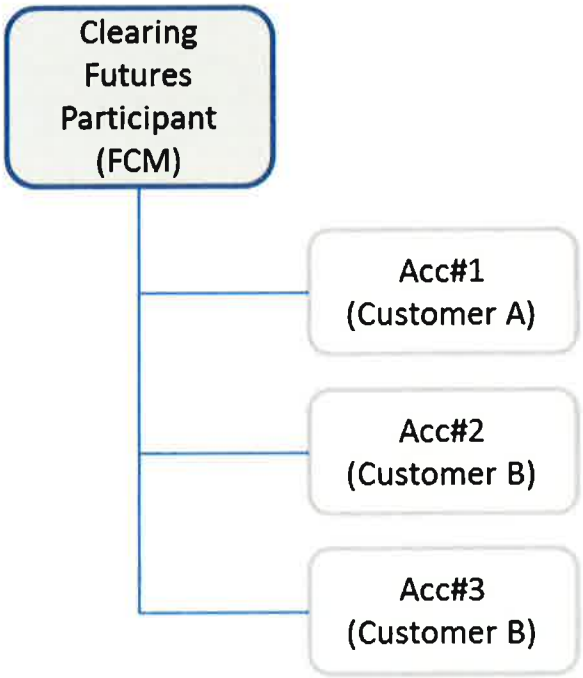
The broker will be required to obtain permission to do trade registration by a Clearing Futures Participant and obtain trade registration permission for a specific Account(s). Most clients (Trading Firms) who use Brokers rely on a variety of Broker Firms and permissions on a given account can be granted to multiple Brokerage Firms.

## 5.2 Client & Account Management

In order to submit a Block Trade to NFX, the party entering the transaction must have access to the reporting interfaces and must have been granted permission to enter the trades for the Account(s) involved in the Block Trade from the Futures Participant(s) carrying those accounts.

The following 3 steps need to be performed to submit Block Trades to the Exchange:

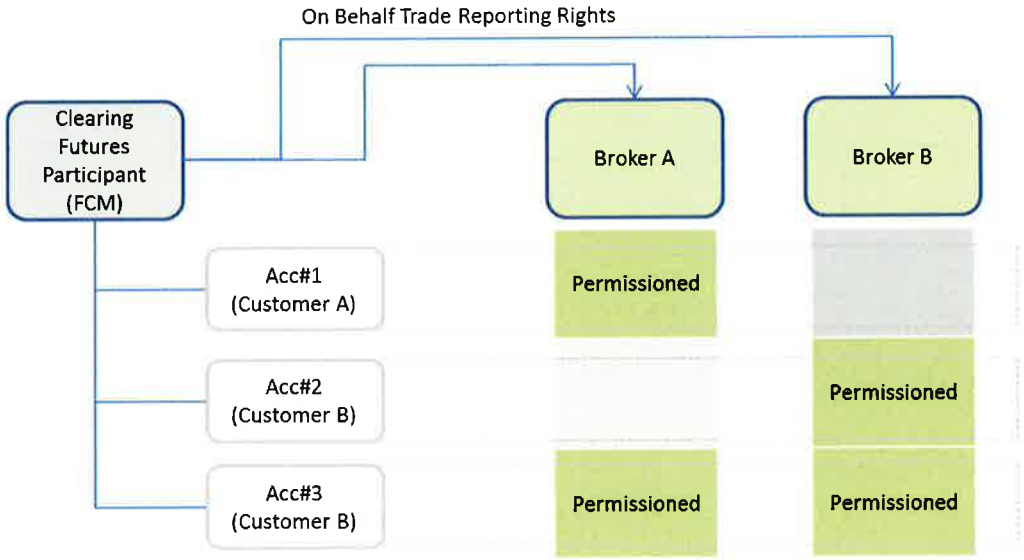
1. All customer Accounts must be registered in the NFX trading platform as accounts of a Clearing Futures Participant. This is required for all customer accounts, regardless if the customer is going to engage in Order Book trading or Block Trading. The account registration is electronically submitted via a request to the NFX Market Operations team.




2. A Participant (e.g. a broker) is granted the generic right to register Block trades on behalf of a Clearing Futures Participant.


3. The final step in the process of the Exchange permissioning a party to submit a Block Trade report is complete when the Clearing Futures Participant provides instructions for the assignment of a Participant with trade reporting rights for a specific Account (representing the Customer). The assignment is

electronically submitted via the NFX Block trade reporting GUI, and any necessary modifications may be submitted and applied intra-day. Please note that no Block Trade reports can be submitted by a trade reporting Participant until the respective Accounts have been approved by the Exchange.




## 5.3 Trade Reporting Procedures

When a privately negotiated Futures, Options, or Combination Order transaction have been executed, the transaction must be reported to NFX within the specified time limits in the Exchange's Rulebook.

NFX supports submission of both principal-to-principal Block Trades, where each party reports its respective side of the trade; as well as third party Block Trades, where the broker has the obligation to register on behalf of the two principals.

When reporting a Block Trade, the following information will be required:

- Contract (including contract month and contract year for Futures, and, additionally for Options, strike price and put or call designation);
- Quantity of the trade or, for spreads and combinations, the quantity of each leg;
- Price of the trade or, for spreads and combinations, the price of each leg;
- Buyer's Clearing Futures Participant and seller's Clearing Futures Participant;
- Buyer's Customer Account and seller's Customer Account; and
- Execution time of the Order (i.e. the time at which the trade was consummated)

As described in the previous section, the accounts involved in the Block Trade must have been approved by the Exchange. In the event that a Block Trade is executed for an Account(s) for which the appropriate permissions has not been completed by the Clearing Futures Participant, the Block Trade will be rejected. However, the Futures Clearing Participant could make an intra-day modification to receive approval from the Exchange to submit Block Trades.

## 5.4 Reporting Interfaces

Block trades can be submitted the following ways:

1. Electronically via the NFX workstation; or
2. Electronically via FIX API.

**NFX Workstation**

NFX provides Participants with a web-enabled user interface for submission of Block Trades. The interface allows users to enter complex Combination Orders up to twelve legs quickly.

All trades entered via the user interface will be qualified by the Pre-Trade Risk Management system, Genium INET TradeGuard PTRM (TradeGuard), before submission if such trades are part of a Pre-Trade Limit Group or PTLG created by the Participant.

Nasdaq adheres to high information security standards and the access to the NFX Workstation is thus protected by two factor authentication using client certificates. Please contact NFX market operations to request a client certificate.

**API Interface**

The NFX trading platform provides full trade reporting functionality via FIX for integration of ISVs and proprietary interfaces. The API supports reporting of both single trades as well as completes strategies with up to 12 legs. Please reference the NFX FIX API specification for complete details. All trades entered via API will be qualified by the Pre-Trade Risk Management system TradeGuard before submission if such trades are part of a Pre-Trade Limit Group or PTLG created by the Participant.

## 5.5 Risk Management

All Block Trades submitted to the Trading System will pass through Nasdaq's Pre-Trade Risk Management System, TradeGuard, before being accepted by the Exchange for clearing by OCC if such trades are part of a Pre-Trade Limit Group or PTLG created by the Participant. TradeGuard checks the initiated (pending) position with all respective positions and risk metrics (as defined by the Clearing Futures Participant) before accepting Orders into the Trading System for clearing. If the proposed trade is rejected, the User (Authorized Trader or Authorized Customer) and responsible parties will be notified and provided a reason for the rejection. A Combination strategy and its respective legs must be qualified in its entirety by the Pre-Trade Risk Management System to avoid partial acceptance of this Strategy. For more detailed information on TradeGuard please see Section 2.6.1 in this Reference Guide.

# 6 CONTACT INFORMATION

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