# April 1, 2019

Futures

# Exhibit A SR-NFX-2019-08

# designated market maker PROGRAM FOR Treasury futures Products

Introduction

Nasdaq Futures, Inc. (NFX or the Exchange), the designated contract market owned by Nasdaq, is establishing a new Designated Market Maker (DMM) program which will commence on trade date April 1, 2019 for NFX U.S. DV01 Treasury Futures Products (Treasury Products)[[1]](#footnote-1) and will continue until March 31, 2020.

The purpose of the program is to support liquidity in the Treasury Products by recruiting DMMs to maintain competitive bid/ask spreads across the forward Contract curves, in Intra-Commodity (Time) Spreads, and in Inter-Commodity Spreads (Yield Curve Spreads).

Program Design

The NFX Designated Market Maker program objectives are:

1. To facilitate competitive bid/ask spreads in the most liquid Contracts and expiries (front two months);
2. To provide for sufficient depth in the most liquid Contracts and expiries (front two months);
3. To provide for competitive bid/ask spreads for Intra-Commodity (Time) Spreads (Rolls) up to two months;

NFX acknowledges that DMMs might have different areas of focus along the forward curve, as well as different capabilities to manage physical deliveries in U.S. Treasuries.

1. DMM Benefits

DMMs will be able to use all functionality in the NFX Trading System. The DMM will be able to use both Orders as well as Quotes. Mass Quotes, Mass Quote Protection (MQP) and Self-Match Prevention functionality is also available. An explanatory reference guide for these key concepts and services provided by NFX may be found here: [business.nasdaq.com/futures](file:///C:/Users/ShieldsS/AppData/Local/Microsoft/Windows/Temporary%20Internet%20Files/Content.Outlook/HL8FUUUH/business.nasdaq.com/futures).

DMMs who meet the assessment metrics contained below will qualify for reduced fees as outlined in the Fee Schedule. The highest performing DMMs that are also trading participants on Nasdaq’s Fixed Income (“NFI”) platform will in addition be able to compete for trading credits towards trading activity on NFI. DMMs should contact their NFI Sales Representitive for further information.

1. DMM Assessment Metrics

DMMs must be NFX Futures Participants or an NFX Futures Participant’s Authorized Customer capable of executing transactions on the NFX Trading System. Firms will automatically qualify for the program at any time during the program term if they meet the following criteria:

Continuous Quote Market Making

* Provide liquidity in front two Contract months and the Intra-Commodity Spread (Roll) between them;
* Quote availability for 80% of the time between 7:30AM and 5:00 PM EPT each day;
* Quote availability for 90% of the time between 2:55PM and 3:05 PM EPT each day;
* Maximum size of spread between bid and ask price according to the table below;
* Minimum volume in the symmetrical bid and ask of the Quotes according to the table below;

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Contract Tenor | Front Month Maximum Bid/Ask | Back Month Maximum Bid/Ask | Front Month Minimum Quote Size | Back Month Minimum Quote Size |
| 2Y | .004 (.4bp) | .006 (.6bp) | 40 | 20 |
| 5Y | .004 (.4bp) | .006 (.6bp) | 20 | 10 |
| 10Y | .004 (.4bp) | .006 (.6bp) | 10 | 5 |
| 30Y | .004 (.4bp) | .006 (.6bp) | 3 | 1 |
| Rolls (Front vs Back) | .004 (.4bp) | N/A | Same as Front Month | N/A |

An explanatory “General Reference Guide” describing Order types may be found here: [business.nasdaq.com/futures](file://us02orgfps01/carrigad$/business.nasdaq.com/futures)

1. Supervision of Market Maker Performance

NFX shall monitor Order Book activity to ensure that DMMs selected for the program comply with thecriteria under this program. Please note the following:

* If Quote volume is asymmetrical (the volume on the bid / ask not being equal), then the lower volume will be the measured volume of the Quote.
* Time spent meeting quoting obligations will not carry over from one trading session to the next. DMM time commitments must be met on each and every trading day.

1. DMM Application Process

Eligibility

All NFX Futures Participants, as well as Authorized Customers of Futures Participants, are eligible for the program. No application is necessary. Any firm meeting the assessment metics will automatically qualify for the reduced fee outlined in the Fee Schedule.

Trader List

DMMs are required to provide a list of the Authorized Traders who will be responsible for quoting and executing trades under this DMM program.

1. Qualifying Business

Only Orders in the central limit order book made by the DMM’s Authorized Traders will qualify towards the DMM’s quoting criteria. If a bid/ask quote is asymmetrical, then the lower volume will be used by NFX in assessing the DMM’s compliance with the quoting citeria in Section 2.

If a DMM fails to meet the quoting criteria in any given trading day, the DMM will not qualify for the reduced fee outlined in the Fee Schedule for that day. However, a DMM will remain eligible to receive the reduced fee on any future day that the program is in operation.

If a DMM makes any changes to its trading or clearing arrangements, its Authorized Traders, Clearing Futures Participant, or any other aspects of its operations reasonably required by NFX to manage this DMM program, then it is the responsibility of the DMM to notify NFX of those changes in advance in order to ensure continuity of the DMM’s benefits.

1. Administration of Exchange and Clearing Fee Charges and Rebates

As stated above, execution or clearing fees will be charged by the Exchange or the Clearing Corporation for any transactions in Treasury Products during the term of the program.

NFX reserves the right in its absolute discretion to terminate this DMM program by way of a Futures Trader Alert announcing it has filed with the CFTC for termination of the program, and may announce another market maker program in the future that may include the Treasury Products that are the subject of this DMM program.

1. [See NFX Rulebook Appendix A – Listed Contracts](http://nasdaqomxphlx.cchwallstreet.com/NASDAQOMXPHLXTools/PlatformViewer.asp?selectednode=chp_1_1_1_9&manual=%2Fnasdaqomxphlx%2Fnfx%2Fphlx-brdtrade-rules%2F) [↑](#footnote-ref-1)