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## Rule Self-Certification

March 22, 2016

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

Re: **Rule Certification for Various Rules Associated with  
Twenty-Four New ERCOT Power Futures Contracts  
Reference File: SR-NFX-2016-31**

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (“Act”), and Section 40.6 of the Commission’s regulations thereunder, NASDAQ Futures, Inc. (“NFX” or “Exchange”) hereby submits rules relating to block trade minimum quantity thresholds and reporting times, trading hours, daily settlement prices and non-reviewable ranges for twenty-four new financially settled ERCOT power futures contracts (together, the “New Contracts”).<sup>1</sup> The Exchange anticipates listing the New Contracts beginning April 6, 2016, for trade date April 7, 2016. The amendments proposed in this submission shall be effective on the listing date.

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<sup>1</sup> The Exchange is separately filing the New Contracts’ terms and conditions in SR-NFX-2016-30 pursuant to Commission Rule 40.2, to list the twenty-four New Contracts. References to new Rulebook Chapters 317 – 324B in the Introduction section of Rulebook Appendix A, as well as language appearing in new Rulebook Appendix A Chapters 317 - 324B which is not underlined in Exhibit 1 hereto, is being separately certified in SR-NFX-2016-30. Further, certain additional language separately certified in SR-NFX-2016-30 is not duplicated in Exhibit 1 hereto but is instead, for purposes of brevity, represented by asterisks.

The name of each New Contract is set forth below, followed by its symbol in parentheses:

- NFX ERCOT North 345 KV Hub Real-Time Peak Financial Futures (ERNQ)
- NFX ERCOT North 345 KV Hub Real-Time Peak Mini Financial Futures - 5MW (ENMQ)
- NFX ERCOT North 345 KV Hub Real-Time Peak Mini Financial Futures - 1MW (ENSQ)
- NFX ERCOT Houston 345 KV Hub Real-Time Peak Financial Futures (ERHQ)
- NFX ERCOT Houston 345 KV Hub Real-Time Peak Mini Financial Futures - 5MW (EHMQ)
- NFX ERCOT Houston 345 KV Hub Real-Time Peak Mini Financial Futures - 1MW (EHSQ)
- NFX ERCOT South 345 KV Hub Real-Time Peak Financial Futures (ERSQ)
- NFX ERCOT South 345 KV Hub Real-Time Peak Mini Financial Futures - 5MW (ESMQ)
- NFX ERCOT South 345 KV Hub Real-Time Peak Mini Financial Futures - 1MW (ESSQ)
- NFX ERCOT West 345 KV Hub Real-Time Peak Financial Futures (ERWQ)
- NFX ERCOT West 345 KV Hub Real-Time Peak Mini Financial Futures - 5MW (EWMQ)
- NFX ERCOT West 345 KV Hub Real-Time Peak Mini Financial Futures - 1MW (EWSQ)
- NFX ERCOT North 345 KV Hub Real-Time Off-Peak Financial Futures (NEBQ)
- NFX ERCOT North 345 KV Hub Real-Time Off-Peak Mini Financial Futures - 5MWH (NHMQ)
- NFX ERCOT North 345 KV Hub Real-Time Off-Peak Mini Financial Futures – 1MWH (NHNQ)
- NFX ERCOT Houston 345 KV Hub Real-Time Off-Peak Financial Futures (HEBQ)
- NFX ERCOT Houston 345 KV Hub Real-Time Off-Peak Mini Financial Futures - 5MWH (HHMQ)
- NFX ERCOT Houston 345 KV Hub Real-Time Off-Peak Mini Financial Futures – 1MWH (HHNQ)
- NFX ERCOT South 345 KV Hub Real-Time Off-Peak Financial Futures (SEBQ)
- NFX ERCOT South 345 KV Hub Real-Time Off-Peak Mini Financial Futures - 5MWH (SHMQ)
- NFX ERCOT South 345 KV Hub Real-Time Off-Peak Mini Financial Futures – 1MWH (SHNQ)
- NFX ERCOT West 345 KV Hub Real-Time Off-Peak Financial Futures (WEBQ)
- NFX ERCOT West 345 KV Hub Real-Time Off-Peak Mini Financial Futures - 5MWH (WHMQ)

- NFX ERCOT West 345 KV Hub Real-Time Off-Peak Mini Financial Futures – 1MWH (WHNQ)

The rule amendments proposed herein are attached to this letter in Exhibit 1 which amends Rulebook Appendix A, Listed Contracts.

### **Exhibit 1 - Amendments to Rulebook Appendix A, Listed Contracts**

Trading Hours. The Introduction to Rulebook Appendix A provides that unless otherwise specified by the Exchange, the regular Exchange trading days and hours for each contract, other than on the last trading day for the contract, will be Sunday - Friday, 7:00 PM EPT - 5:00 PM EPT, with a two hour break each day beginning at 5:00 PM EPT. Thus, the Monday trading session begins at 7:00 PM EPT on Sunday and ends at 5:00 PM EPT on Monday. Tuesday through Friday, each trading session begins at 7:00 PM EPT on the previous day and ends at 5:00 PM EPT. The Introduction to Rulebook Appendix A also provides that the last trading day for the contract terminates at the time specified in the rules specific to each contract. The New Contracts will have the regular Exchange trading days and hours. Each New Contract's rules set forth in Exhibit 1 hereto specify that trading ceases at 5:00 PM EPT on the last trading day.<sup>2</sup>

Block Trade Minimum Quantity Threshold and Reporting Times. Chapter IV, Section 11 of the Exchange's rulebook provides for execution of block trades and requires the Exchange to designate the contracts in which block trades shall be permitted and to determine the minimum quantity thresholds for such transactions. Section 11(F) requires Futures Participants to ensure that block trades are reported to the Exchange within the number of minutes of the time of execution (the "Reporting Window") specified in the rules for the particular contract.<sup>3</sup> The New Contracts are eligible for block trades. The block trade minimum

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<sup>2</sup> See Rules 317.04, 317A.04, 317B.04, 318.04, 318A.04, 318B.04, 319.04, 319A.04, 319B.04, 320.04, 320A.04, 320B.04, 321.04, 321A.04, 321B.04, 322.04, 322A.04, 322B.04, 323.04, 323A.04, 323B.04, 324.04, 324A.04, and 324B.04.

<sup>3</sup> See Rules Chapter IV, Section 11(F) provides: "Futures Participants must ensure that each Block Trade is reported to the Exchange within the number of minutes of the time of execution (the "Reporting Window") specified in the rules for the particular contract; except that Block Trades executed outside of Trading Hours must be reported within fifteen minutes of the commencement of the next Open Session of a Trading Session for that Contract. If the Block Trade includes certain legs subject to a 5 minute Reporting Window and other legs subject to a 15 minute Reporting Window, the reporting requirement for the transaction will be 15 minutes. The report must include the Contract, contract month, price, quantity of the transaction, the respective Clearing Futures Participants, the time of execution, and, for Options on Futures, strike price, put or call and expiration month. The Exchange shall promptly publish such information separately from the reports of transactions in the regular market. Failure to timely and accurately report Block Trades may subject the Futures Participant to disciplinary action."

quantity threshold for the New Contracts is set at 10 contracts and the Reporting Window for the New Contracts is set at 15 minutes.<sup>4</sup> These minimum quantity threshold and Reporting Window levels for the New Contracts are the same as those already established for the Exchange's existing power contracts.

Daily Settlement Price. Chapter V, Section 3 of the rulebook provides in part that the Exchange shall establish daily settlement prices at the time and using the methodology established by the Exchange as described in the contract specifications. The new rules provide that the daily settlement price shall be set by Exchange staff by 5:45 PM EPT or as soon as practicable thereafter based on third-party broker quotes and transactions as well as transactions executed on the Exchange. Further, the new rules provide that if the daily settlement price described in the rule is unavailable, the Exchange may in its sole discretion establish a daily settlement price that it deems to be a fair and reasonable reflection of the market.<sup>5</sup>

The Exchange has used this "third-party broker quotes and transactions as well as transactions executed on the Exchange" daily settlement price rule language for all its power contracts since it first began listing them in July 2015. The Exchange uses these factors to determine a price that in its judgment is representative of the market at the time the daily settlement price is to be calculated. With respect to the "third-party broker quotes and transactions" factor, NFX purchases daily power pricing data from several inter-dealer brokers ("IDBs") to use in establishing daily settlement prices. The Exchange believes that both ICE Futures US and NYMEX include this same source of data in their respective daily settlement price calculations. Power futures are almost exclusively traded via the IDBs and blocked in to the respective futures exchanges. Thus the IDB data purchased by NFX includes power transactions that are blocked in on NYMEX and ICE Futures US as well as on NFX, giving NFX pricing exposure to the entire power futures market and forward curve, not just NFX transactions. NFX obtains pricing data from multiple IDB's and blends (averages) their prices for each delivery location and contract month to determine its daily settlement prices for power for the particular futures contract associated with that delivery location and contract month.

Non-Reviewable Range. Chapter V, Section 5 of the rulebook provides that the Exchange, in its sole discretion, may in certain circumstances either cancel a transaction or adjust the execution price of a transaction in a contract that has taken place outside the non-reviewable range designated for the contract. The new rules set forth the amount above and below the "true market price" for the contract as set forth in the Exchange's Error Trade Policy that will constitute the non-reviewable range for the contract for purposes of Chapter V, Section

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<sup>4</sup> See Rules 317.08, 317A.08, 317B.08, 318.08, 318A.08, 318B.08, 319.08, 319A.08, 319B.08, 320.08, 320A.08, 320B.08, 321.08, 321A.08, 321B.08, 322.08, 322A.08, 322B.08, 323.08, 323A.08, 323B.08, 324.08, 324A.08, and 324B.08.

<sup>5</sup> See Rules 317.06(b) and (d), 317A.06(b) and (d), 317B.06(b) and (d), 318.06(b) and (d), 318A.06(b) and (d), 318B.06(b) and (d), 319.06(b) and (d), 319A.06(b) and (d), 319B.06(b) and (d), 320.06(b) and (d), 320A.06(b) and (d), 320B.06(b) and (d), 321.06(b) and (d), 321A.06(b) and (d), 321B.06(b) and (d), 322.06(b) and (d), 322A.06(b) and (d), 322B.06(b) and (d), 323.06(b) and (d), 323A.06(b) and (d), 323B.06(b) and (d), 324.06(b) and (d), 324A.06(b) and (d), and 324B.06(b) and (d).

5.<sup>6</sup> According to the Exchange's Error Trade Reference Guide, NASDAQ MarketWatch determines what the "true market price" for the relevant contract was immediately before the potential error trade occurred. In making such determination, NASDAQ MarketWatch may consider all relevant factors, including the last trade price for such contract, a better bid or offer price, a more recent price in a different contract month or series and the prices of related contracts trading on the Exchange or on other markets.

NFX has had in place a \$2.00 per MWh no-bust range for all its power contracts since it first began listing them in July 2015. The Exchange believes that the \$2.00 per MWh no-bust range strikes an appropriate balance between trade certainty and erroneous price discovery.

### **DCM Core Principles**

The Exchange has reviewed the designated contract market core principles ("Core Principles") as set forth in the Act in connection with the amendments presented herein. Consistent with Core Principle 7 - Availability of General Information, the Exchange will post general information, including the NFX Rulebook as amended herein, on its website: [business.nasdaq.com/futures](http://business.nasdaq.com/futures).

With respect to the block trade amendments set forth in Exhibit 1 and Core Principle 9 - Execution of Transactions, the New Contracts will be listed for trading on the Exchange's electronic trading system as well as by submission as block trades and Exchange for Related Position transactions pursuant to Exchange rules. The Exchange's trading system provides a transparent, open and efficient mechanism to electronically execute trades in the New Contracts. The minimum quantity thresholds and Reporting Windows are the same as those for existing energy futures contract listed by the Exchange.

The new rules governing the trading hours and non-reviewable range of the New Contracts are the same as those governing existing energy futures contracts listed by the Exchange.

### **Certifications**

There were no opposing views among NFX's Board of Directors, members or market participants. The Exchange hereby certifies that the rule amendments set forth herein comply with the Act and the Commission's regulations thereunder. The Exchange also certifies that notice of pending certification and a copy of this submission have been concurrently posted on the Exchange's website at [business.nasdaq.com/futures](http://business.nasdaq.com/futures).

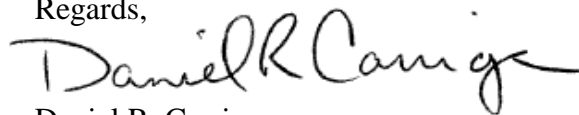
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<sup>6</sup> See Rules 317.10, 317A.10, 317B.10, 318.10, 318A.10, 318B.10, 319.10, 319A.10, 319B.10, 320.10, 320A.10, 320B.10, 321.10, 321A.10, 321B.10, 322.10, 322A.10, 322B.10, 323.10, 323A.10, 323B.10, 324.10, 324A.10, and 324B.10.

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If you require any additional information regarding this submission, please contact Carla Behnfeldt at (215) 496-5208 or [carla.behnfeldt@nasdaq.com](mailto:carla.behnfeldt@nasdaq.com). Please refer to SR-NFX-2016-31 in any related correspondence.

Regards,

A handwritten signature in black ink that reads "Daniel R. Carrigan". The signature is written in a cursive style with a large, sweeping initial "D".

Daniel R. Carrigan  
President

Attachment:

Exhibit 1: Amendments to Rulebook Appendix A – Listed Contracts