



Rule Self-Certification

April 15, 2015

VIA ELECTRONIC PORTAL

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

Re: **Regulation §40.6 Submission Certification**
Amending trading rules and adopting guidance related to Pre-Arranged Orders
Reference File: SR-NFX-2015-21

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (“Act”), and Section 40.6 of the regulations promulgated by the Commodity Futures Trading Commission under the Act, NASDAQ Futures, Inc. (“NFX” or “Exchange”) revises and adopts new trading rules. Specifically, the Exchange is amending the definition of a Request for Cross in Chapter I, Section 1 and adopting a new type of Order, a Cross Order, in Chapter IV, Section 4 entitled “Cross Order.” The Exchange is also amending Chapter V, Section 11 to amend the manner in which Cross Orders will be submitted into the Trading System. Corresponding amendments are also contained in the Reference Guide. These amendments will be implemented on May 1, 2015. The text of the amendments to the Exchange’s Rules and Reference Guide is set forth in Exhibit A. Also, the Exchange is adopting guidance related to pre-arranged trading and pre-execution communication. This guidance will be issued in the form of Futures Regulatory Alerts on May 1, 2015, the date of implementation. The text of the guidance is set forth in Exhibit B.

The Exchange is amending Chapter I, Section 1 to make clear that a Request for Cross is a type of Request for Quote. The Exchange is adopting a new order type known as a “Cross Order” and revising its Rules at Chapter IV, Section 4 to define this order type. A Cross Order is a two-

sided Order to buy or sell an equal number of Contracts at a specified price which will first, trade with any preexisting interest in Order Book. A Cross Order must be submitted in accordance with the procedures specified Chapter V, Section 11. The Exchange is amending Chapter V, Section 11 to specify that before submitting Cross Orders in the relevant Contract that have been pre-negotiated, an Authorized Trader must submit a Request for Cross into the Trading System and then wait five seconds for Futures and five seconds for Options Orders, before manually submitting a Cross Order into the Trading System or the relevant Contract. Cross Orders may interact with resting Orders on the Order Book at the time the Cross Order is submitted into the Trading System. Cross Orders may be subject to partial fills as a result of executing against preexisting interest in the Order Book. The remaining unfilled portion of the Cross Order will be cancelled.

The Exchange will issue Futures Regulatory Alerts providing participants with guidance on NFX Rules relating to pre-arranged trades and pre-execution communication. The Exchange's alerts contain information related to pre-arranged trading and regulatory requirements surrounding such trading. Also, the Exchange will provide guidance on the type of prohibited pre-execution communications associated with pre-arranged trading. The Exchange desires to provide guidance to Futures Participants and Clearing Futures Participants with respect to pre-arranged trading.

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

- *Compliance with Rules:* The Exchange has in place Rules which describe the manner in which Futures Participants may access and trade on NFX. Chapter II, Section I provides for the qualifications and rules of participation applicable to Futures Participants as well as Authorized Traders. Chapter V, Section 18 describes prohibited activities with respect to the Trading System. Trading is subject to the Rules at Chapter III of the Exchange's Rulebook, which include prohibitions against fraudulent, noncompetitive, unfair and abusive practices. Additionally, trading is subject to the trading procedures and standards in Chapter V of the Rulebook. The Exchange's disciplinary Rules are contained in Chapter VI of the Rulebook.
- *Prevention of Market Disruption:* The Exchange's Regulatory Department, which handles real-time surveillance, monitors trading activity on the Exchange with a SMARTS Surveillance Application through which the Exchange can track activity of specific Authorized Traders, monitor price and volume information and receive alerts regarding market messages. The Exchange's Regulatory Department, which handles real-time surveillance in conjunction with staff that handles T+1 surveillance, utilizes data collected by the SMARTS Surveillance Application to monitor price movements, as well as market conditions and volumes to detect suspicious activity such as manipulation, disruptive trading and other abnormal market activity.


- *Availability of Contract Information.* The Exchange has indicated within its trading Rules where specific information relates to a particular Contract. The Exchange will post the terms and conditions of Exchange Contracts in its Rulebook along with trading Rules.
- *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 Exchange provides a competitive, open and efficient market and mechanism for executing transactions that protects the price discovery process and also authorizes for bona fide business purposes rules for Block Trades and Exchange for Related Positions at Chapter IV, Sections 10 and 11.
- *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.
- *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 I, Section 1, Chapter IV, Section 4, Chapter V, Section 11, the Reference Guide as well as the guidance in the form of Futures Regulatory Alerts comply with the Act and regulations thereunder. The Exchange also certifies that a notice of pending certification with the Commission and a copy of this submission have been concurrently posted on the Exchange's website at <http://www.nasdaqomx.com/transactions/markets/nasdaq-futures>.

If you require any additional information regarding the submission, please contact Angela S. Dunn at +1 215 496 5692 or via e-mail at angela.dunn@nasdaq.com. Please reference SR-NFX-2015-21 in any related correspondence.

Commodity Futures Trading Commission
April 14, 2015
SR-NFX-2015-22
Page 4

Regards,

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

Daniel R. Carrigan
President

cc: National Futures Association
The Options Clearing Corporation

Exhibit A

New text is underlined; deleted text is stricken.

NASDAQ OMX Futures Exchange – Rules

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Chapter I Definitions and Governance of the Exchange

Section 1 Definitions

Unless otherwise specifically provided in the By-Laws or Rules of the Exchange or the context otherwise requires, the terms defined herein shall for all purposes of the By-Laws and Rules of the Exchange, have the meanings therein specified.

* * * * *

Request for Cross. The term “Request for Cross” or “RFC” means an indication of interest submitted by a single party for a two-sided Order at the same price and quantity. A Request for Cross is not an Order. A Request for Cross is a type of a Request for Quote.

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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) – (ix) No Change.

(x) Cross Order. A “Cross Order” is a two-sided Order to buy or sell an equal number of Contracts at a specified price which will first, trade with any preexisting interest in Order Book, next, the remaining interest of the Cross Order will cross, resulting in an execution,. Any unexecuted remaining volume will be cancelled. A Cross Order must be submitted in accordance with the procedures specified Chapter V, Section 11. A Cross Order is not a Limit Order and no time conditions shall apply. A Cross Order may not be a Combination Order.

(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) Before submitting Cross Orders in the relevant Contract that have been pre-negotiated, an Authorized Trader must (1) submit a Request for Cross into the Trading System; and (2) wait five seconds for Futures and five seconds for Options Orders, before manually submitting a Cross Order into the Trading System. Cross Orders may interact with resting Orders on the Order Book at the time the Cross Order is submitted into the Trading System. Cross Orders may be subject to partial fills as a result of executing against preexisting interest in the Order Book. The remaining unfilled portion of the Cross Order will be cancelled. When submitting a Request for Cross (RFC) to the Trading System through this Rule, if only one side of the transaction is a Customer Order, then the Futures Participant must submit the Customer Order first to the Trading System.

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

(ed) 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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NASDAQ Futures, Inc. (NFX) Reference Guide

Version 1.00 | 2015-5-01

2.1.1. Order Book (“On-Exchange Trades”)

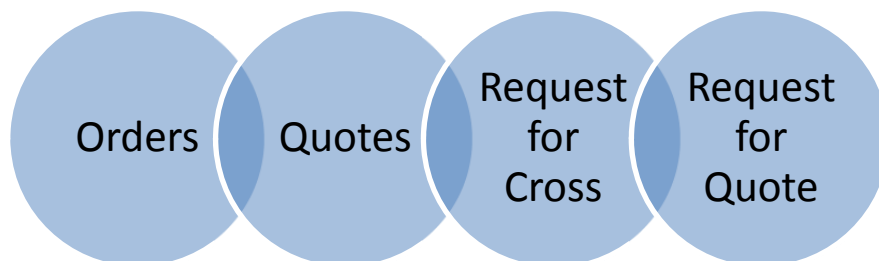
The Trading System provides sophisticated and rich trade matching functionalities including Implied Order generation with efficient execution of a broad range of hedge, strategy and contingent trades.

Market participants 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~~ Cross 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.

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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 Cross~~ Orders to the Exchange for execution. However, prior to execution, the ~~RFC Cross Order~~ transaction must interact with any available liquidity in the Order Book prior to any volume being crossed. An Request for Cross (RFC) which is an RFQ must be entered before the ~~RFC Cross Order~~ can be submitted.

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

- ~~RFC Cross~~ Orders can contain only a two-sided ~~one~~ buy Order and ~~one~~ sell Order at the same price and quantity. Multi-legged transactions will be rejected (i.e. buy 50, buy 50 and sell 100).
- The ~~RFC transactions~~ Cross Order will interact will all existing Order types at the ~~RFC Cross~~ 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 not 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 algorithm (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 Cross Order~~ transactions that are submitted by Participants and/or Users that are not properly configured for both the RFC and Cross Order functionality will be rejected. See NFX Rulebook at Chapter V, Section 11.

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Exhibit B

Futures Trader Alert #2015 - XX Pre-Execution Communication

Category:

Regulatory

Markets Impacted:

[Nasdaq Futures, Inc.](#)

Contact Information:

[John Pickford](#)

Resources:

SR-NFX-2015-XX

Effective Wednesday, April 29, 2015, the below provides some guidance with respect to executing Cross Orders on NFX.

- No NASDAQ Futures, Inc. ("NFX") Futures Participant shall disclose the existence or terms of an Order not yet disseminated by the Exchange, except to representatives of the Exchange or Commodity Futures Trading Commission or otherwise for the sole, necessary, and appropriate purpose of executing the Order, it is precluded pursuant to NFX Rules at Chapter III, Section 24(b).
- No Futures Participant shall engage in pre-arranged transactions other than transactions executed in compliance with NFX Rules at Chapter IV, Sections 10 (Block Trades), 11 (Exchange for Related Positions) and Chapter V, Section 11 (Pre- Negotiated Business and Cross Transactions).

Futures Participants are in some cases permitted to engage in pre-execution communication.

If a person is acting on behalf of another, i.e. a customer, such person must obtain the customer's consent prior to engaging in pre-execution communications. Records evidencing that such consent was obtained should be available for production upon request of the Exchange.

The details of a pre-execution communication are confidential.

Parties to pre-execution communications shall not (i) disclose to a non-party the details of such communications or (ii) enter an Order to take advantage of information conveyed during such communications.

Futures Participants may execute pre-negotiated business with itself or with its customers.

When pre-negotiating and executing a Cross Order for a customer, a Futures Participant must (1) obtain 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. Participants must also ensure the trade does not constitute a wash transaction.

Orders executed as a result of pre-negotiation must be submitted into the Trading System.

The Orders are submitted into the Trading System as a Cross Order. The Cross Order must specify an equal number of Contracts at a specified price.

Cross Orders will not automatically execute against each other in the Trading System.

Prior to submitting Cross Orders in the relevant Contract that have been pre-negotiated, a Futures Participant must (1) submit a Request for Cross and (2) manually wait five seconds for Futures and five seconds for Options, before submitting the Cross Order. Simply because Cross Orders are submitted into the Trading System, and are exposed to the market, the Trading System may not necessarily match the buy and sell components.

The submitters of a Cross Order are restricted against taking certain actions during the period the Cross Order is active.

The parties to the Cross Order may not enter bids or offers that would improve the bids or offers in the corresponding market during the 5 second crossing window. The parties to the Cross Order (including the submitter of the Cross Order in the case of a broker) may not submit a new Request For Cross until the Cross Order has transacted. And, the submitter of the Cross Order may not amend the originally submitted Cross Order or submit another Cross Order until the original Cross Order is executed or cancelled by the Trading System.

Where can I find more information?

Contact: John Pickford at FuturesReg@nasdaq.com

Futures Regulatory Alert #2015 - XX
Pre-Arranged Transactions

Markets Impacted:

[NASDAQ Futures, Inc.](#)

Contact Information:

- John Pickford at + 1 215 496 5273

What you need to know:

- In furtherance of CFTC Core Principles 2, 7 and 9, NASDAQ Futures, Inc. (NFX) reminds market participants that all transactions, must be conducted in the NFX Trading System and are subject to market exposure, unless such transactions are otherwise exempt.
- NFX Rules at Chapter III, Section 24(g)(2), set forth below, describes the prohibition related to pre-arranged transactions, as well as, the three types of transactions that lawfully consist of a pre-trade negotiation and or communication between trade participants or agents for the trade participants.
- NFX Rules at Chapter IV, Sections 10 and 11 contain rules related to acceptable off-exchange transactions.
- NFX Rules at Chapter V, Section 11 set forth requirements for submitting a Cross Order.

NFX provides a competitive, open market for the execution of transactions designed to protect the price discovery process of trading in its centralized market. NFX Rules authorize, for bona fide business. The Exchange also permits a Futures Participant, acting as principal or agent, to enter into or confirm the execution of a Futures Contract if the Contract is reported, recorded, or cleared in accordance with NFX Rules. NFX Rules permit the submission of Block Trades, Exchange for Related Positions and Cross Orders. NFX Rules at Chapter III, Section 24(g), entitled "General Trading Standards and Prohibited Practices," states: "Futures Participants and Authorized Traders shall not:(2) Engage in pre-arranged transactions other than transactions executed in compliance with Chapter IV, Sections 11 (Block Trades) and 12 (Exchange for Related Positions) and Chapter V, Section 11 (Pre- Negotiated Business and Cross Transactions)..."

Block Trades are permissible, noncompetitive, privately negotiated transactions at or in excess of a minimum threshold quantity of contracts, which are executed apart and away from the public auction market. The minimum quantity threshold is designated in the contract specifications for each Contract that is eligible for Block Trades. Only Orders of a commodity trading advisor ("CTA") or foreign Person performing a role or function to a CTA may be aggregated in order to achieve the minimum transaction size, otherwise Orders may not be aggregated.

Exchange for Related Positions (“EFRPs”) are permissible, noncompetitive, privately negotiated transactions executed apart and away from the public auction market which are permitted by arrangement between only two parties in accordance with Exchange Rule located at Chapter IV, Section 12. The Exchange currently permits the following types of EFRP transactions:

Exchange of Futures for Physical (“EFP”) – the simultaneous execution of an Exchange futures contract and a corresponding physical transaction or a forward contract on a physical transaction.

Exchange of Futures for Risk (“EFR”) – the simultaneous execution of an Exchange futures contract and a corresponding OTC swap or other OTC derivative transaction.

Exchange of Options for Options (“EOO”) – the simultaneous execution of an Exchange option contract and a corresponding transaction in an OTC option or other OTC instrument with similar characteristics.

The related position component of an EFRP may not be a futures contract or an options on a futures contract. See Chapter IV, Section 11.

Cross Orders are supported for all NFX Products provided they meet the requirements of NFX Rules at Chapter V, Section 11. Participants and Users can submit pre-negotiated, two-sided Cross Orders to the Exchange for execution. However, prior to execution, the Cross Order transaction must interact with any available liquidity in the Order Book prior to any volume being crossed. A Request for Cross (RFC)) must be entered before the Cross Order can be submitted.

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

- Cross Orders can contain only a two-sided buy Order and sell Order at the same price and quantity. Multi-legged transactions will be rejected (i.e. buy 50, buy 50 and sell 100).
- The Cross Order will interact with all existing Order types at the Cross 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 not crossed will be cancelled from the Order Book).
- If no Orders exist in the Order Book (i.e. there is no BBO), then the crossing transaction will trade fully against itself.
- All remaining unexecuted volume will be cancelled.

Cross Order transactions that are submitted by Participants and/or Users that are not properly configured for both the RFC and Cross Order functionality will be rejected.

Where can I find more information?

Contact: John Pickford at FuturesReg@nasdaq.com
