Nasdaq Futures

Rule Self-Certification

June 12, 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**
Amendments to Exchange Rules
Reference File: SR-NFX-2015-41

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 certain rules in its Rulebook. These amendments will be implemented on June 29, 2015. The text of the Rulebook is set forth in Exhibit A.

Amendments to the Rulebook:

Definitions

The Exchange is amending certain definitions in Chapter I, Section 1. Specifically, the Exchange is amending "Business Day" to remove text which is being relocated to Chapter IV, Section 5 (Execution of Orders). The rule text describes the trade date and may be easier to locate within this rule. The Exchange is also amending the definition of "Equilibrium Price" to correct the types of orders included in the calculation of this price. The Exchange is adding greater specificity to the definition of "Quote." These definitions are intended to provide clarity and context to the usage of these words throughout the Rulebook.

Disciplinary Action By Other Organizations

The Exchange is amending Chapter III (Obligations of Futures Participants and Authorized Traders) at Section 21 (Disciplinary Action By Other Organizations) to change the word "associated" to "affiliated" and to define this term for clarity. The Exchange believes that the receipt of this information is important as it relates to fitness standards of market participants.

Trading Sessions

The Exchange is amending Chapter IV (Trading System) at Section 3(a) (Trading Sessions) to amend the Pre-Open Session to correct the Time in Force conditions that will be rejected during the Pre-Open Session.

Execution of Orders

The Exchange is amending Chapter IV (Trading System) at Section 5(b)(ii) (Execution of Orders) to note the manner in which trade date is defined for purposes of the Rules.

Trading at Settlement ("TAS" Order)

The Exchange is amending Chapter IV (Trading System) at Section 6 (Trading at Settlement ("TAS" Order)) to capitalize a defined term.

Pre-Trade Risk Parameters

The Exchange is amending Chapter IV (Trading System) at Section 7(b) (Pre-Trade Risk Parameters) to further clarify the distinction between the treatment of Orders versus Quotes for purposes of meeting and exceeding the pre-trade risk parameters. The Trading System may accept a portion of new Quotes if the entire Quote would cause the pre-trade risk parameters to be met or exceeded.

Market Maker Risk Protection

The Exchange is amending Chapter IV (Trading System) at Section 9(b) (Market Maker Risk Protection) to add further clarity about the manner in which the Exposure Time Limit commences with each execution. The Exchange is also amending Chapter IV, Section 9(c) to clarify that a halt will not reset the Quotation Frozen Time Period.

Block Trades

The Exchange is amending Chapter IV (Trading System) at Section 11 (Block Trades) to revise wording in Section 11F to more specifically explain reporting time periods. The Exchange is also removing extraneous and unnecessary rule text from the Rule. Additional information concerning prices is now contained in the Off-Exchange Transaction Reference Guide.

Exchange for Related Positions

The Exchange is amending Chapter IV (Trading System) at Section 12H (Exchange for Related Positions) to remove unnecessary rule text from the Rule. Additional information concerning prices is now contained in the Off-Exchange Transaction Reference Guide.

Clearing

The Exchange is amending Chapter V (Trading Procedures and Standards) at Section 2(c) to remove unnecessary rule text from the Rule. Additional information concerning prices is now contained in the Off-Exchange Transaction Reference Guide.

Transaction Cancellations and Adjustments

The Exchange is amending Chapter V (Trading Procedures and Standards) at Section 5 (Transaction Cancellations and Adjustments) to add Authorized Customers to this rule in addition to Futures Participants and also capitalize a defined term.

Customer Margin

The Exchange is amending Chapter V (Trading Procedures and Standards) at Section 9 (Customer Margins) to capitalize a defined term.

Pre-Negotiated Business and Cross Transactions

The Exchange is amending Chapter V (Trading Procedures and Standards) at Section 11 (Pre-Negotiated Business and Cross Transactions) to make clear that Cross Orders must be properly marked.

Notice of Exercise

The Exchange is amending Chapter VIII (Options Rules) at Section H (Notice of Exercise) to capitalize a defined term.

Reference Guides

The Exchange is making corresponding amendments to the amendments described herein in the following reference guides: General Reference Guide, TradeGuard PTRM Reference Guide, Market Maker Protection & Self-Match Prevention Reference Guide, Off-Exchange Transactions Reference Guide and Error Trade Reference Guide. The Exchange is also making typographical corrections to this reference guides.

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 Chapter IV, Section 4. 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 Chapter IV, Sections 10 and 11 respectively.

• *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 Chapter I, Section 1; Chapter III, Section 21; Chapter IV, Sections 3, 5-7, 9, 11 and 12; Chapter V, Sections 2, 5, 9 and 11; Chapter VIII, Section H and the General Reference Guide, TradeGuard PTRM Reference Guide, Market Maker Protection & Self-Match Prevention Reference Guide, Off-Exchange Transactions Reference Guide and Error Trade 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 at www.nasdaqomx.com/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-2015-41 in any related correspondence.

Regards,

Daniel R Carrigan

Daniel R. Carrigan
President

cc: National Futures Association
The Options Clearing Corporation

Exhibit A

New text is underlined and deleted text is stricken.

NASDAQ Futures—Rules

DEFINITIONS

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.

* * * * *

Business Day. The term "Business Day" means any day, other than Sunday, the Exchange shall be regularly open for business in any Contract. ~~The "trade date" in respect of any confirmed trade will be the day on which the transaction occurred, except that the trade date in respect of confirmed trades that are effected in Trading Sessions beginning on one calendar day and ending on the next calendar day shall be deemed to be the calendar day on which such Trading Session ends.~~

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Equilibrium Price. The term "Equilibrium Price" means, with respect to the uncross, the price at which the lowest imbalance will execute with the most quantity, at a price closest to: (i) the last price; (ii) the prior day's Daily Settlement Price; or (iii) a price determined by NFX Market Operations. The Equilibrium Price ~~will~~may include Limit Orders,~~ and~~ Market-to-Limit Orders, and Quotes and will exclude Market Order, ~~Market-to-Limit Order~~ Stop, Stop Limit Orders, Implied Orders~~,Immediate or Cancel Orders~~, and Fill or Kill Orders.

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Quote. The term "Quote" means a bid and/or offer. Quotes will be not accepted in the Combination Order Book. A Quote may be entered as a single Quote or as part of a mass Quote. If Quotes are entered as a mass Quote, the number of one-sided or two-sided Quotes is limited to twenty-nine (29) Instruments. The Trading System will replace a Quote submitted by an Authorized Trader with any new Quote that is subsequently submitted by that same Authorized Trader.

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Chapter III Obligations of Futures Participants and Authorized Traders

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Business Conduct

Section 21 Disciplinary Action By Other Organizations
A Futures Participant shall immediately notify the Exchange in writing of any disciplinary action, including the basis therefor, taken against the Futures Participant, or any person ~~associated~~ affiliated with such Futures Participant, by the Commission or by another self-regulatory organization. For purposes of this rule, the term "person affiliated with" when applied to any person shall mean, as applicable, any general partner, officer, or director of such person, any holder or beneficial owner of ten percent or more of the outstanding shares of any class of stock of such person, any person who has contributed ten percent or more of the capital of such person or any person directly or indirectly controlling such person.

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Chapter IV Trading System

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Section 3 Trading Sessions
(a) Pre-Open Session. Prior to the opening of a Trading Session for an Exchange Contract there will be a Pre-Open Session which concludes with a two sided auction (uncross) prior to the Open Session. During the Pre-Open Session a Futures Participant may enter Orders (which includes 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, pre-existing GTC and GTD Orders may be modified or canceled. Market Orders and Cross Orders will not be accepted during the Pre-Open Session. Any Order with a Time in Force Condition of FOK ~~or IOC~~ would ~~also~~ be rejected during the Pre-Open Session.

(b) – (d) No change.

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Section 5 Execution of Orders
(a) – (e) No change.

(f) The trade date in respect of any confirmed trade will be the day on which the transaction occurred, except that the trade date in respect of confirmed trades that are effected in Trading Sessions beginning on one calendar day and ending on the next calendar day shall be deemed to be the calendar day on which such Trading Session ends.

Section 6 Trading at Settlement ("TAS") Order
A Trading at Settlement ("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 trade date on which the TAS Order is executed~~. For purposes of this Rule, t~~The term trade date means the day on which the TAS transaction occurred, except that the trade date in respect of trades effected in a ~~t~~Trading ~~s~~Session beginning on one calendar day and ending on the next calendar day shall be deemed to be the calendar day on which the ~~t~~Trading ~~s~~Session ends. 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.

(a) – (d) No change.

Section 7 Pre-Trade Risk Parameters
(a) No change.

(b) When pre-trade risk parameters have been met or exceeded, the Exchange's Trading System will: (i) reject all new Orders in their entirety, and (ii) accept the portion of new Quotes that permit the pre-trade risk parameters to not be met or exceeded. ~~(including Quotes).~~ The Trading System will not accept an Order if that Order, in its entirety, would cause the pre-trade risk parameters to be met or exceeded. The Trading System may accept a portion of new Quotes if the entire Quote would cause the pre-trade risk parameters to be met or exceeded. The Trading System could accept new Orders if the Futures Participant canceled existing Orders, but only to the extent that the pre-trade risk parameter was not met or exceeded.

(c) No change.

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Section 9 Market Maker Risk Protection

(a) No change.

(b) Once the Market Maker commences submitting Quotes in a specified Contract, the Trading System will count the number of contracts executed during a period of time specified in seconds per Contract by the Market Maker ("Exposure Limit Time Interval"). After the expiration of an Exposure Time Limit Interval, ~~A~~a new Exposure Limit Time Interval commences with ~~each~~an execution in a Contract. A setting of zero will disable the Market Maker Risk Protection.

(1) No change.

(2) No change.

(c) If the Market Maker's pre-set parameters have been met or exceeded in either the Quantity Protection or the Delta Protection, the Trading System will prevent new Quotes from being entered by the Group for the period of time specified in seconds per Contract by the Market Maker ("Quotation Frozen Time"). If an execution would cause the volume threshold or the net delta value to be met or exceeded, the Trading System completes the transaction prior to the removal of all Group Quotes in a Contract. A setting of zero will result in the Quotation Frozen Time Period setting to prevent Quotes from being entered for the remainder of that Open Session, unless the setting is modified; notwithstanding a reopening due to a Trading Halt.

(d) No change.

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Section 11 Block Trades

The Exchange shall designate the Contract in which Block Trades shall be permitted and determine the minimum quantity thresholds for such transactions. The following shall govern Block Trades:

A. – E. No change.

F. 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~~of Trading Hours on the next Business Day~~ for that Contract~~, or in the case of a Trading Halt, reported within fifteen minutes of the commencement of the Open Session following the Trading Halt~~. If the Block Trade involves a Combination Order that 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.

~~time of execution, and, for Options on Futures, strike price, put or call and expiration month. Failure to timely and accurately report Block Trades may subject the Futures Participant to disciplinary action.~~

G. Block Trades must be reported to the Clearing Corporation in accordance with an approved reporting method. ~~The acceptance by the Clearing Corporation of a Block Trade is subject to Article XII, Section VII of the Clearing Corporation's By-laws (Acceptance of Non-Competitively Executed Trades).~~

H. – K. No change.

Section 12 Exchange for Related Positions

An Exchange for Related Position ("EFRP") transaction involves a privately negotiated off-exchange execution of an Exchange Futures or Options Contract and, on the opposite side of the market, the simultaneous execution of an equivalent quantity of the cash product, by-product, related product, or OTC derivative instrument corresponding to the asset underlying the Exchange Contract.

The following types of EFRP transactions are permitted to be executed outside of the Exchange's centralized market in accordance with the requirements of this rule:

> 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 Option for Option ("EOO") - the simultaneous execution of an Exchange option contract and a corresponding transaction in an OTC option or other OTC instrument with similar characteristics.

For purposes of this rule, EFPs, EFRs and EOOs shall collectively be referred to as EFRP transactions.

A. – **G.** No change.

H. Submission to the Clearing Corporation

Each EFRP transaction shall be submitted to the Clearing Corporation within the time period and in the manner specified by the Exchange and the Clearing Corporation in Appendix B of the Rulebook. In all cases, the record submitted to the Clearing Corporation must reflect the correct EFRP transaction type and must reflect the accurate date and time at which the relevant terms of the transaction were agreed upon by the parties to the trade.

~~The acceptance by the Clearing Corporation of any futures transaction that is identified as an EFRP is subject to Article XII, Section VII of the Clearing Corporation's By-laws (Acceptance of Non-Competitively Executed Trades).~~ An

EFRP transaction submitted to the Clearing Corporation shall not be considered accepted by the Clearing Corporation until the transaction has cleared and the first payment of settlement variation and performance bond has been confirmed.

I. – **J.** No change.

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Chapter V Trading Procedures and Standards

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Section 2 Clearing
(a) and (b) No change.

(c) It is the responsibility of each Clearing Futures Participant that acts as a Clearing Futures Participant for an overnight trading session on the Exchange as defined by the Clearing Corporation ("OCC Overnight Trading Session") to comply with any requirements of the Clearing Corporation to act in that manner ("OCC Overnight Trading Session Requirements"). If a transaction is executed or reported to the Exchange during an OCC Overnight Trading Session, including Block Trades and Exchange For Related Positions, and a Clearing Member for the execution of the transaction is not in compliance with OCC Overnight Trading Session Requirements: (i) the transaction will be processed and given effect by the Exchange, subject to the Exchange's Error Trade Policy; and (ii) the Clearing Futures Participant will be subject to appropriate disciplinary action ~~by the Clearing Futures Participant~~ in accordance with the rules of the Clearing Corporation. ~~The acceptance by the Clearing Corporation of any futures transaction that is identified as a Block Trade, EFRP or any other non-competitively executed trade is subject to Article XII, Section VII of the Clearing Corporation's By-laws (Acceptance of Non-Competitively Executed Trades).~~

(d) No change.

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Section 5 Transaction Cancellations and Adjustments
(a) The Exchange, in its sole discretion, may unilaterally, regardless of whether a request has been made, either cancel a transaction or adjust the execution price of a transaction in a contract (1) that has taken place outside the non-reviewable range designated for a Contract; and (2) which the Exchange determines has taken place at an unrepresentative price or when necessary to mitigate market disrupting events caused by malfunctions in its Trading System or errors in Orders submitted by Futures Participants <u>or Authorized Customers</u>.

(b) When determining whether to cancel or adjust a transaction the Exchange may consider one or more of the following factors:

(1) the price movements in other Contract months of the same Contract;

(2) the current market conditions, including levels of activity and volatility;

(3) the last trade price for the Contract;

(4) information regarding price movements in related markets, the release of economic data, or other relevant news immediately before or during the ~~t~~Trading ~~s~~Session;

(5) an obvious error;

(6) the proximity of the trade to the close of the market;

(7) the impact of the error transaction on other transactions; and

(8) any other factor which the Exchange, in its sole discretion, may deem relevant.

(c) A Futures Participant or Authorized Customer, which includes an Off-Exchange Reporting Broker, that executes a transaction in a Contract in error, at an unrepresentative price which is outside the non-reviewable range designated by a Contract, may, within 10 minutes of the Order execution, contact the Exchange to seek to cancellation or an adjustment pursuant to section (a). Trades executed within the non-reviewable range will not be cancelled or adjusted. Any trade where the only error is the number of contracts traded and not the price at which they traded will not be subject to cancellation. The Exchange has the authority, but not the obligation, to review a trade after its execution if it determines that the trade price was egregiously out of line with fair value. The Exchange will make the final decision on whether a trade price is cancelled or adjusted. The Exchange will notify all Futures Participants as soon as practicable (through means deemed appropriate by the Exchange) of (1) trades that the Exchange is investigating pursuant to this Rule and (2) trades that the Exchange has cancelled or adjusted pursuant to this Rule.

(d) No change.

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Section 9 Customer Margin

(a) – (d) No change.

(f) Margin Calls and Liquidation:

(1) Once additional margin deposits are required pursuant to this Rule or a Rule of the Clearing Corporation, as applicable, a Futures Participant must call for the additional margin as promptly as possible and in any event not more than one ~~b~~Business ~~d~~Day after the event giving rise to the call. Once the Futures Participant calls for the additional margin, the Futures Participant must collect the full amount of the required additional

margin from a Customer as promptly as possible and in any event within a reasonable time. In a margin call, a Futures Participant must require that a Customer deposit additional margin so that the Customer's account at least meets the minimum initial margin requirement (i) when the margin equity in the account initially falls below the minimum maintenance margin requirements and (ii) subsequently when the margin equity plus existing margin calls on the account are less than the minimum maintenance margin requirements.

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Section 11 Pre-Negotiated Business and Cross Transactions
(a) and (b) No change.

(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 must be properly marked as specified by the Exchange. 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.

(d) No change.

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Chapter VIII Options Rules

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H. Notice of Exercise

(1) No change.

(2) Unless otherwise specified in Rules applicable to a particular Option, a notice of exercise will only be effective if the Clearing Corporation receives it from the purchaser no later than the deadline established by the Clearing Corporation (i) in the case of an American Option, on any ~~b~~Business ~~d~~Day on which the Option Contract month is trading, up to and including the expiration date for such American Option, and (ii) in the case of a European Option, on the expiration date for such European Option.

(3) – (7) No change.

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NASDAQ Futures, Inc. (NFX) General Reference Guide

Version 1.0~~1~~2 | 2015-06-~~17~~26

2 Overview of the Market

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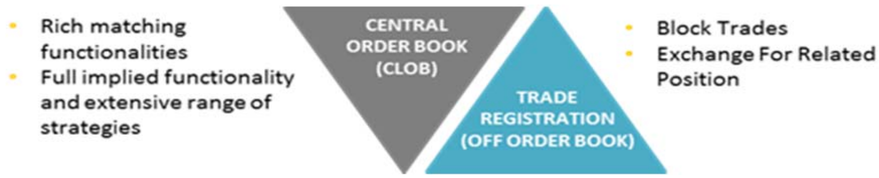
2.1 Market Structure

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-Exchange transaction ~~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. During the Pre-Open Trade Session, pre-existing GTC and GTD Orders may be modified or canceled. Market Orders and Cross Orders will not be accepted during the Pre-Open Session. Any Order with a Time in Force Condition of FOK ~~or IOC~~ would ~~also~~ be rejected during the Pre-Open Session.

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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 Single Order Books and ranked and matched according to the trade match algorithm for each product. Quotes are not permitted in Combination Order Books.
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 NFX Rules at 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~~nine 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 Cross Orders the best available price with optimal market transparency.

* * * * *

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 as an Off-Exchange transaction ~~from the Order Book~~.

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2.3.4 Authorized Trader

The Exchange requires that each trader that physically submits an Order to the Trading System through the FIX interface 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 FIX 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.

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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 Options 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.

3 Trading on the Exchange

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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 conclusion of the Pre-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 may include~~s~~ the following Order Types:

- Market-to-Limit Orders;
- Limit Orders; and
- Quotes.

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

- Market Orders;
- ~~Market-to-Limit Orders;~~
- Stop Orders;
- Stop Limit Orders;
- Implied Orders; and
- ~~Immediate or Cancel Orders; and~~
- Fill or Kill Orders.

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3.1 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~~nine ~~bids and offers~~ Instruments may be contained in one Quote packet).
- Quotes may only be submitted into Single Order Books.
- Quotes may not be submitted into Combination Order Books.

- The Trading System will replace a Quote submitted by an Authorized Trader with any new Quote that is subsequently submitted by that same Authorized Trader.

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.

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3.2 Pre-Negotiated / Cross Transactions

The execution of pre-negotiated cross transactions is supported for all NFX Products. 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) which is an RFQ 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 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 will 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 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, 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.
- Prior to a Cross Order being entered into the Trading System, an RFQ must have FIX tag field 54 populated with the number "8."
- RFQs must be sent in advance of a Cross Order by at least five seconds for Futures and Options pursuant to NFX Rules.

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. Cross Orders will not be accepted during the Pre-Open Session. See NFX Rulebook at Chapter V, Section 11.

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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. Market Maker Protection parameters are configurable by the Market Maker. The Market Maker can update (change or disable) the parameters intra-day. The parameters required to be set by a Market Maker are:

1. **Exposure Limit Time Interval**—the number of contracts executed during a period of time specified in seconds per Contract.
2. **Quotation Frozen Time**— cannot enter Quotes for a period of time specified in seconds per Contract.
3. **Quantity Protection**—a volume threshold value which, if the number of contracts executed, equals or exceeds such value during the Exposure Limit Time Interval, the Trading System will remove all Group Quotes in a Contract.
4. **Delta Protection**—a net delta value per ~~Contarct~~Contract based on absolute value of the sum with (or without) Futures.

If the Market Maker's pre-set parameters have been met or exceeded in either the Quantity Protection or the Delta Protection, the Trading System will prevent new Quotes from being entered by the Group for the Quotation Frozen Time. If an execution would cause the volume threshold or the net delta value to be met or exceeded, the Trading System completes the transaction prior to the removal of all Group Quotes in a Contract. A setting of zero will result in the Quotation Frozen Time Period setting to prevent Quotes from being entered for the remainder of that Open Session, unless the setting is modified; notwithstanding a reopening due to a Trading Halt. The Quantity Protection and Delta Protection risk mechanisms operate independently of each other. The Trading System will send a notification message to the Market Maker when Quotes are removed as a result of either the Quantity Protection or Delta Protection mechanisms for a Contract.

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NASDAQ Futures, Inc. (NFX) TradeGuard PTRM Reference Guide

Version 1.0~~1~~2|2015-6-~~17~~26

1.1 Introduction

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 Trading User ID. Trading Participants can monitor customer exposures and adjust risk limits in real-time via the TradeGuard User Interface (UI).
The following categories of Trading Participants may trade on NFX:

- **Clearing Futures Participant**—an Exchange Participant that clears trades at The Options Clearing Corporation (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 entity that may ~~directly~~ access the Trading System upon approval by the Exchange.

TradeGuard is intended to provide backstop risk functionality, addressing the risks associated with:

- **Automated Trading Systems** (Automated Order Generators or AOG)
  - High frequency and algorithmic systems
  - ”Runaway” AOG risk
- **~~Direct~~ Access ~~(DMA)~~** to the Trading System ~~customers~~ sponsored by a Clearing Futures Participant
  - Customers using their own direct connectivity
  - Customers indirectly access the Trading System using proprietary applications via API access to the NFX trading platform through another Futures Participant
- **Catastrophic Risk**
  - Provide protections against any type of adverse execution activity
  - Mitigate the infinity risk associated with operations

* * * * *

3.3 Clearing Futures Participant

Clearing Futures Participants (CFPs) will use TradeGuard to set Pre-Trade risk limits for their ~~c~~Customers.

The NFX Rulebook at Chapter IV, Section 7 requires that the Clearing Futures Participant’s Authorized Risk Officer to initially set and thereafter adjust, as appropriate, Pre-Trade risk parameters to a level that is appropriate for the trading activity of a Futures Participant, Authorized Trader or Authorized Customer for which the Clearing Futures Participant is the designated Clearing Futures Participant. The Pre-Trade risk controls must be appropriate for the level of trading engaged in by the Futures Participant, Authorized Trader or Authorized Customer.

An Authorized Risk Officer must initially set and thereafter adjust the following Pre-Trade risk parameters:

- Maximum Order/Quote Size
- Total Net Buy/Sell
- Restricted Contract

» Maximum Order/Quote Size – Maximum Order/Quote Size – Maximum allowable ~~o~~Order or Q~~q~~uote size, based on volume, which may be sent to the Exchange for a given Group, Firm or Trader ID. Each bid and offer of a Q~~q~~uote is considered independent of one another.

» Total Net Buy/Sell – Traded Net plus open buy/sell per Instrument

» Restricted Contract – List of Contracts that cannot be traded.

Each Clearing Futures Participant will be required to provide two Authorized Risk Officer contacts to the Exchange's Membership Department in a form prescribed by the Exchange. The Exchange will not authorize a Trader ID if an Authorized Risk Officer has not set Pre-Trade risk parameters for a specific Futures Participant, Authorized Trader or Authorized Customer.

Futures Participants are encouraged to also employ all other necessary Pre-Trade risk controls in their order management systems to secure the financial integrity of the markets and the clearing system, to avoid systemic risk, and to protect ~~c~~Customer funds. Futures Participants and Authorized Traders are reminded that they remain ultimately responsible for the appropriate execution of Orders on the Exchange in accordance with Commission Regulations and Exchange Rules. The Exchange makes no warranty that the Pre-Trade risk parameters required by the Exchange alone will place a Futures Participant or Authorized Trader in compliance with CFTC Rule 1.73. Clearing Futures Participants should consult with their compliance, regulatory, and legal departments or advisers to ensure their policies and procedures are compliant with CFTC Rule 1.73

As noted above, Authorized Risk Officers will be required to adjust any Pre-Trade risk parameters. Such parameters may be set at the Futures Participant level, per Authorized Trader or per Authorized Customer. If the Pre-Trade risk parameters have been met or exceeded, the parameters must be adjusted prior to the commencement of trading.

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4 Tradeguard Risk Checks

TradeGuard provides Clearing Futures Participants with the following risk checks and support tools:

Trading Activity

- Daily Total Net Buy Checks (Traded Net + Open Buy Orders) per PTLG and Contract
- Daily Total Net Sell Checks (Traded Net + Open Sell Orders) per PTLG and Contract

Order Management

- Maximum Order Volume or Quantity per PTLG, Contract, and Combination Class
- Maximum Trade Report (Block and EFRP) Size per PTLG, Contract, and Combination Instrument Class
- Mass Cancellation of open Orders (including Quotes) per PTLG

Order Rates

- Order Rate Checks per PTLG

Trading Restrictions

- PTLG defined Trading Restrictions (per symbol)
- Manual blocking of Order flow per PTLG

Connectivity Issues

- Automatic blocking of Order flow at drop copy disconnect safeguard

Risk Manager Support Tools

- Notifications via e-mail for risk limit notification and warning levels.
- TradeGuard User Interface for administering risk limits, accounts and e-mail alerts, view risk checks consumtion, mass cancel Orders (including Quotes) and block Order flow.

All configured risk checks are active during all ~~t~~Trading ~~s~~Sessions. NFX will operate 22x5 hours/days basis, which, for example, may be 7PM EPT to 5PM EPT Sunday through Friday. All risk checks will be reset for the Pre-Open ~~s~~Session prior to Open ~~s~~Session that starts at 7PM EPT Sunday, and each night through and including Thursday and will remain in force until the completion of the Open ~~s~~Session at 5PM EPT the following business day.

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4.1.1 Reaching an Accumulated Volume or Quantity Limit

Since all accumulated volume or quantity Order (excluding Quotes) limits are Pre-Trade limits, they can never ~~be~~ equal to or exceed the limits, except for Quotes. The Trading System may accept a portion of new Quotes if the entire Quote would cause the Pre-Trade risk parameters to be met or exceeded. A pre-trade accumulated volume or quantity Order (excluding Quotes) limit can be breached if a Clearing Futures Participant were to lower a limit below the existing consumption for a Contract. Thus when an Order (excluding Quotes) is entered that will equal or exceed an accumulated volume or quantity limit for a Contract, the Order would be ejected. The Trading System would reject all new Orders in their entirety, and accept the portion of new Quotes that permit the Pre-Trade risk parameters to not be met or exceeded. Likewise, if a Participant were to enter an ~~o~~Off-Exchange ~~Order Book~~ (i.e. Block or EFRP) transaction on behalf of a PTLG that will equal or exceed an accumulated volume or quantity limit for a Contract, the entire trade report would be rejected. The PTLG could re-enter a new Order or trade reported transaction in the same Contract up to the amount of any unused consumption, but any Order/trade equal to or larger (excluding Quotes) than the unused consumption will always lead to a rejection. Any non-cancelling, open Order modifications for the affected Contract that would equal or exceed the same accumulated volume or quantity limit would also be rejected. The PTLG can increase capacity (unused consumption) under a rejected limit by entering offsetting trades and/or canceling open Orders ~~(including Quotes)~~ for the specific Contract. Regardless, Authorized Traders connected to the ~~concerned~~ PTLG will still be allowed to enter Orders on Order Books traded on other Contract until their respective accumulated volume or quantity limits are reached.
For more information on how the accumulated volume or quantity checks work, please refer to Appendix A of this Reference Guide– Examples on Daily Accumulated Quantity Checks.

Please note that if no action is taken by the Clearing Futures Participant when a limit is reached, on the next trading day, the PTLG will be able to enter Orders (including Quotes) in the concerned Contract up to the full amount of the existing limit as the limits reset to zero for each trading day.

Please be advised that PTRM is NOT designed to automatically cancel open Orders (including Quotes) ~~(~~and thereby prevent future executions of Orders ~~(including Quotes)~~ already residing on the Order ~~b~~Book) once a limit is reached. PTRM will only prevent new Orders ~~(including Quotes)~~ from being accepted; previous Orders in the matching engine before the limit was reached may still be executed or cancelled.

* * * * *

4.2.2 Maximum Trade Report Size

Maximum Trade Report (Block and EFRP) Size is a ~~p~~Pre-~~t~~Trade risk tool that permits Participant to place an upper limit on the volume or quantity for trade reporting of Off-Exchange transactions. If the trade report volume or quantity is equal to or greater than the pre-set limit, the off-exchange trade report will be rejected. Similar to other risk tools, the Maximum Trade Report Size can be set at the Product, and PTLG, or Combination level.
For multi-leg trade report transactions, each leg will be validated individually against the Maximum Trade Report Size limit. If at least one leg exceeds the pre-set limit, the entire transaction will be rejected.

The Max Trade Report Size limit, along with the Max Order Quantity Check (for CLOB Orders), will allow Participants to manage both Orders within the CLOB and Block Trades transactions using a combined volumetric position limit. Participants will be able to manage max order/trade sizes in both CLOB and trade reported transactions independently at significantly different levels.

The Max Trade Report Size will also allow Participants to restrict accounts from transacting certain trade reported transactions, which meet or exceed the limit, by instrument class. Participants may set the Max Trade Report Size below the specific product Block Trade threshold (note that minimum threshold allowable for EFRPs is 1 contract). Setting the Max Trade Report Size limit to zero will allow for an "unlimited" trade report size.

4.3 Order Rate Risk Check

The maximum Order rate/sec limit is defined as new Orders/second and is set per PTLG and is measured as the combined Order flow for all Users connected to that PTLG.

The Order rate is based on information received after Order insertion (post Order validation). Thus, it is possible that Orders that are above the configured limit will be accepted and inserted to the Order Book.

The limit shall be expressed as an Order per 1 second rate and TradeGuard will check the Order rate every 1/10 of a second. If the Order rate for the last 1/10 of a second equals or exceeds 1/10 of the configured Order rate limit when the TradeGuard check is done, a breach will occur and the group is blocked on all Contracts.

The goal with this control is to capture abnormal aggregated Order/sec rates resulting from Orders submitted via a PTLG.

It is not possible to set different max Order/sec limit per Contract.

Should the limit be breached, the following actions will be taken:

- The affected PTLG will be blocked and all new Orders ~~(including Quotes)~~ will be rejected; and
- It will still be possible to cancel open Orders (including Quotes), which remain in the Order Book and are not canceled.

NASDAQ Futures, Inc. (NFX) Market Maker Protection & Self-Match Prevention Reference Guide

Version 1.0~~1~~2 **|** 2015-6-~~17~~26

2.2 Exposure Limit Time Interval

The Exposure Limit Timer Interval is the number of contracts executed during a period of time specified in seconds per Contract by the Market Maker
Once the Market Maker commences submitting Quotes in a specified Contract, the Trading System will count the Exposure Limit Time Interval. After the expiration of an Exposure Time Limit, ~~A~~a new Exposure Limit Time Interval commences with ~~each~~an execution in a Contract.
The rolling time interval is used to determine if the Quantity or Delta Protection thresholds have been breached. Note that the Exposure Limit Time Interval can occasionally extend to 110% of the parameter due to Trading System constraints following excessive message activity.

* * * * *

2.5 Quotation Frozen Time interval

When MMP is triggered due to a Delta and/or Quantity Protection threshold breach, the Market Maker will be prevented from entering new Quotes for a period of time defined by this parameter. The Quotation Frozen Time interval parameter shall be specified in number of seconds. The “frozen” time period exists to prevent Market Makers from entering additional Quotes before the threshold counters can be reset, which would lead to additional rejections.
Once the Quotation Frozen Time interval has expired, the thresholds counter(s) for the specified Contract underlying(s) will be reset and the Market Maker can enter additional Quotes into the Trading System.
If the Quotation Frozen Time interval is set to 0 (zero), the quotes are considered frozen and the quotation ability can only be activated by updating the parameter for the remainder of the Open Session, unless the setting is modified; notwithstanding a reopening due to a Trading Halt.

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NASDAQ Futures, Inc. (NFX) Off-Exchange Transactions Reference Guide

Version 1.0~~0~~1 | 2015-~~05-12~~06-26

5Are there any price restrictions for block trades?

The price at which a Block Trade is executed must be fair and reasonable in light of (i) the size of the Block Trade, (ii) the prices and sizes of other transactions in the same Contract at the relevant time, (iii) the prices and sizes of transactions in other relevant markets, including without limitation the underlying cash market or related futures markets, at the relevant time, and (iv) the circumstances of the markets or the parties to the Block Trade. The price must be in accordance with the minimum tick increment for a particular Contract as specified in the contract specifications. Each leg of a Combination Order must be executed at a single price. Block Trades shall not trigger Orders with Time in Force Conditions or otherwise affect Orders in the Order Book.
Block Trades between the accounts of affiliated parties are permitted provided that (i) the Block Trade is executed at a fair and reasonable price; (ii) each party has a legal and independent bona fide business purpose for engaging in the Block Trade; (iii) each party's decision to enter into the Block Trade is made by an independent decision-maker. If the above requirements are not satisfied, the Block Trade transaction may constitute an illegal wash sale prohibited by NFX Rule, Chapter III, Section 24(g).

~~The acceptance by the Clearing Corporation of any futures transaction that is identified as a Block Trade is subject to Article XII, Section VII of the Clearing Corporation's By-Laws (Acceptance of Non-Competitively Executed Trades).~~ The Exchange will cancel a Block Trade transaction, pursuant to NFX Rules at Chapter V, Section 5, in a Contract if the execution price of a transaction in a contract: (1) that has taken place outside the non-reviewable range designated for a Contract; and (2) which the Exchange determines has taken place at an unrepresentative price or when necessary to mitigate market disrupting events caused by malfunctions in its Trading System or errors in Orders submitted by Futures Participants or Authorized Customers. Exchange staff may cancel any transaction if it believes that allowing the transaction(s) to stand, as executed, could have a material, adverse effect on the integrity of the market or result in a price distortion.

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10 What are the reporting requirements for block trades?

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 ~~of Trading Hours on the next Business Day~~ for that Contract~~, or in the case of a Trading Halt, reported within fifteen minutes of the commencement of the Open Session following the Trading Halt~~. If the Block Trade involves a Combination Order that 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 Block Trade report made to the Exchange must include the following information: 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. Failure to timely and accurately report Block Trades may subject the Futures Participant to disciplinary action.

Energy Futures and Options Contracts must be reported as 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 ~~of Trading Hours on the next Business Day~~ for that Contract.

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25Are there any price restrictions for an EFRP?

An EFRP transaction may be entered into in accordance with the applicable price increments or option premium increments set forth in Contract, at such prices as are mutually agreed upon by the two parties to the transaction. The quantity covered by the related position must be approximately equivalent to the quantity covered by the Exchange Contracts.

EFRPs may not be priced to facilitate the transfer of funds between parties for any purpose other than as a consequence of legitimate commercial activity. Market participants may be required to demonstrate that EFRPs executed at prices away from prevailing market prices were executed at such prices for legitimate purposes.

~~The acceptance by the Clearing Corporation of any futures transaction that is identified as an EFRP is subject to Article XII, Section VII of the Clearing Corporation's By-Laws (Acceptance of Non-Competitively Executed Trades).~~ The Exchange will cancel an EFRP transaction, pursuant to NFX Rules at Chapter V, Section 5, in a Contract if the execution price of a transaction in a contract: (1) that has taken place outside the non-reviewable range designated for a Contract; and (2) which the Exchange determines has taken place at an unrepresentative price or when necessary to mitigate market disrupting events caused by malfunctions in its Trading System or errors in Orders submitted by Futures Participants or Authorized Customers. Exchange staff may cancel any transaction if it believes that allowing the transaction(s) to stand, as executed, could have a material, adverse effect on the integrity of the market or result in a price distortion.

NASDAQ Futures, Inc. (NFX) ERROR TRADE REFERENCE GUIDE

Version 1.0~~0~~1 | 2015-06-~~17~~26

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4Notification of Error

Any request by a Futures Participant, Authorized Customer or Authorized Trader to invoke the error trade policy with respect to any trade must be made to NASDAQ MarketWatch as soon as possible after execution. The Exchange considers ten (10) minutes to be the amount of time after execution within which such requests should be submitted. ~~Additionally, the Exchange may bring a potential error trade to NASDAQ MarketWatch's attention.~~ <u>Additionally, the Exchange may review for potential error trades.</u> NASDAQ MarketWatch may provide assistance only to a Futures Participant, Authorized Customer or Authorized Trader. In all cases, if a potential error trade is not brought to NASDAQ MarketWatch's attention within ten (10) minutes after the relevant trade occurred, such trade will stand. The Exchange has the authority, but not the obligation, to review a trade after its execution if it determines that the trade price was egregiously out of line with fair value. See also Chapter VI, Section 5 of the NFX Rules.

5Exchange Action

When a potential error trade is brought to NASDAQ MarketWatch's attention, NASDAQ MarketWatch will determine whether the trade price is in the "non-reviewable range" for the relevant contract, as set forth in the Rules governing such Contract. In determining whether the trade price is within the "non-reviewable range," NASDAQ MarketWatch will determine 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 other markets.
The Exchange will make the final decision on whether a trade price is cancelled. The Exchange will notify the participants to the transaction and ~~will~~may notify all Futures Participants, Authorized Customers or Authorized Traders as soon as practicable (through means deemed appropriate by the Exchange) of (1) trades that the Exchange is investigating pursuant to this Rule and (2) trades that the Exchange has cancelled pursuant to this Rule. Parties to transactions are permitted to make cash adjustments to settle losses that occur as a result of an asserted error trade or an actual error trade. Should parties to a disputed transaction be unable to mutually resolve financial disputes arising from such transactions, arbitration is available as provides in Chapter VII (Arbitration) of the NFX Rules.

5

6Cancelled Trade Procedure

If a trade is cancelled, either by agreement of the parties thereto or by Exchange staff, NASDAQ MarketWatch will cancel such trade. The error trade price ~~and any invalid price quotes~~ due to an error trade which are cancelled will be removed from the Exchange's official record of time and sales. Further, in the event a trade is cancelled, the parties to the transaction must reverse the transaction through applicable Clearing Futures Participant procedures. Such failure may be deemed an act detrimental to the interest or welfare of the Exchange. Under no circumstances shall the parties to an asserted error trade be permitted to reverse the error by entering into a pre-arranged offsetting transaction; provided that the parties may engage in pre-execution discussions with each other in accordance with procedures established by the Exchange from time to time. If the asserted error trade is determined not to be an actual error trade, the parties to the trade are permitted to mutually agree upon a cash adjustment or to arbitrate the matter. Any cash adjustment at the time of clearing must be reported to Market Operations.

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11Adjusting and Cancelling trades

The Exchange will not adjust any trades. Adjustments must be handled through a cancellation and resubmission of a new Order. The Exchange will cancel a transaction, pursuant to NFX Rules at Chapter V, Section 5, in a Contract if the execution price of a transaction in a contract: (1) that has taken place outside the non-reviewable range designated for a Contract; and (2) which the Exchange determines has taken place at an unrepresentative price or when necessary to mitigate market disrupting events caused by malfunctions in its Trading System or errors in Orders submitted by Futures Participants or Authorized Customers. Exchange staff may cancel any transaction if it believes that allowing the transaction(s) to stand, as executed, could have a material, adverse effect on the integrity of the market or result in a price distortion.