



Nasdaq Futures, Inc.  
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## Rule Self-Certification

July 17, 2017

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

Re: **Rule Certification for a  
New Quote Liquidity Provisioning Program  
Reference File: SR-NFX-2017-30**

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (“Act”), and Section 40.6 of the Commission’s regulations thereunder, NASDAQ Futures, Inc. (“NFX” or “Exchange”) submits this self-certification to launch a new quote liquidity provisioning program (the “QLP Program”) for energy contracts that the Exchange has listed pursuant to Appendix A of the Exchange Rulebook (the “Energy Contracts”), as may be amended from time to time.<sup>1</sup> This QLP Program is set to replace the program that will terminate on July 31, 2017.<sup>2</sup> The QLP Program attached hereto will become effective on August 1, 2017.

Participants in the QLP Program are recognized using the process described in the Quote Liquidity Provisioning Program Notice (the “Notice”) attached hereto as Exhibit A. NFX anticipates having up to 30 Recognized Quote Liquidity Providers (“RQLPs”) participating at any particular time, but the program is open to all NFX Futures Participants or NFX Futures Participant’s Authorized Customers, and there is no cap on numbers participating.

The QLP Program is intended to be a complement to the Exchange’s Energy DMM Program, but differs in its sourcing of liquidity provisioning. The purpose of the QLP Program

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<sup>1</sup> See NFX Rulebook Appendix A – Listed Contracts

<sup>2</sup> See SR-NFX-2016-78 as amended

is to support liquidity in the Energy Contracts by recruiting RQLPs to respond to Request for Quotes (“RFQ”) either in the Exchange’s Order Book or via off-Exchange brokered markets. A RFQ means an indication of intent to buy or sell a specified quantity of an Energy Contract. A RFQ in the Order Book must specify whether it is a buy or sell and the quantity interest in the Energy Contract. A RFQ is not an Order. A RFQ in the off-Exchange market (Block Trade) does not have the requirement to specify whether it is a buy or sell and the quantity interest in the Energy Contract. RQLPs may respond at will to RFQs.

The Exchange believes that the Program complies with Core Principle 4 (Monitoring of Trading), Core Principle 9 (Execution of Transactions) and Core Principle 12 (Protection of Market Participants). The QLP Program will not impact order execution priority or otherwise give participants any execution preference or advantage. The QLP Program will not impact the Exchange’s ability to perform its trade practice and market surveillance obligations under the Act and Exchange staff will monitor trading in the Program’s products to prevent manipulative trading and market abuse. Additionally, the Exchange has systems to monitor RQLPs performance. Finally, NFX rules include prohibitions against fraudulent, non-competitive, unfair or abusive practices.

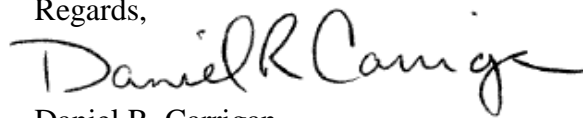
The Exchange has reviewed the designated contract market core principles as set forth in the Act in connection with the amendments presented herein. Consistent with Core Principle 7 - Availability of General Information, the Exchange will post general information, including the NFX Rulebook as amended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

### Certifications

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

If you require any additional information regarding this submission, please contact Stephen Matthews at (301) 978-8458 or [steve.matthews@nasdaq.com](mailto:steve.matthews@nasdaq.com). Please refer to SR-NFX-2017-30 in any related correspondence.

Regards,



Daniel R. Carrigan  
President

Attachment:

Exhibit A: Quote Liquidity Provisioning Program Notice

## **Exhibit A**



August 1, 2017

# NEW NFX QUOTE LIQUIDITY PROVISIONING PROGRAM

## **Introduction**

Nasdaq Futures, Inc. (NFX or the Exchange), the designated contract market owned and operated by Nasdaq, is establishing a new Quote Liquidity Provisioning (QLP) program which will commence on August 1, 2017 for NFX Energy Futures and Options Products (Energy Products)<sup>3</sup> and will continue until January 31, 2018.

The purpose of the program is to support liquidity in the Energy Products by recruiting market participants to respond to Request for Quotes either in the Exchange Order Book or via off-Exchange brokered markets during market hours. A "Request for Quote" or "RFQ" means an indication of intent to buy or sell a specified quantity of a Contract. An RFQ in the Order Book must specify whether it is a buy or sell and the quantity interest in a Contract. A Request for Quote is not an Order. An RFQ in the off-Exchange market (Block Trade) does not have the requirement to specify whether it is a buy or sell and the quantity interest in a Contract. Market participants may respond at will to RFQs during market hours.

The Exchange seeks to maintain competitive bid/ask spreads across all forward Contract curves, in Intra-Commodity (Time) Spreads, and in Inter-Commodity Spreads. The QLP program will enhance price discovery in the less liquid Energy Products by permitting traditional (Proprietary Trading) and non-traditional liquidity providers (Institutional Customers) to actively participate in initiating the price discovery process in a Request for Quotes process for either on or off-Exchange transactions.

During the QLP program term, the Exchange will assess Base Transaction Fees for the QLP Program based upon Section 2 below. The Block Trade/EFRP surcharge will not be waived.

**NFX invites Futures Participants, Authorized Customers, and Customers to apply for recognition under the QLP program (Recognized Quote Liquidity Providers, or RQLPs).**

## **1. RQLP Requirements**

RQLPs must be NFX Futures Participants, NFX Futures Participant's Authorized Customer, or an NFX Futures Participant's Customer capable of responding to RFQs on the commencement date of the program.

RQLPs will be able to use all functionality in the NFX Trading System, including Quotes, Orders Mass Quotes, Mass Quote Protection (MQP) and Self-Match Prevention functionality. An explanatory reference guide for these key concepts and services provided by NFX may be found here: [business.nasdaq.com/futures](http://business.nasdaq.com/futures).

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<sup>3</sup> See NFX Rulebook Appendix A – Listed Contracts

When transacting via the voice broker market, RQLPs must make their voice broker aware of their preferred clearing exchange. RQLPs are required to make ALL voice brokers aware that they are either “**Nasdaq Preferred**” or “**Nasdaq Only**” which are defined below:

- **Nasdaq Only** – RQLPs will only clear via NFX and will not match with non-NFX counterparties.
- **Nasdaq Preferred** – RQLPs will make every possible effort to clear NFX, but if the contra-counterparties are not NFX users the RQLP can clear via a competing exchange.

## 2. RQLP Benefits

The Exchange will assess Base Transaction Fees for the QLP Program via the schedules below. However, the Block Trade/EFRP surcharge will not be waived. The fee schedules are based on monthly Average Daily Volumes (ADVs) for each calendar month and will be calculated by dividing each RQLP’s total volume for the calendar month by the number trading days in the calendar month.

### **Nasdaq Preferred** QLP Fee Schedule

Tier 1*:	10,000<	= \$0.05
Tier 2:	7,500 – 9,999	= \$0.10
Tier 3:	5,000 – 7,499	= \$0.15
Tier 4:	3,500 – 4,999	= \$0.20
Tier 5:	2,000 – 3,499	= \$0.25
Tier 6:	500 – 1,999	= \$0.30

### **Nasdaq Only** QLP Fee Schedule

Tier 1*:	7,500<	= \$0.05
Tier 2:	5,000 – 7,499	= \$0.10
Tier 3:	3,500 – 4,999	= \$0.15
Tier 4:	2,000 – 3,499	= \$0.20
Tier 5:	1,000 – 1,999	= \$0.25
Tier 6:	500 – 999	= \$0.30

ADV below Tier 6 will be charged at normal rates according to the Fee Schedule.

\*Power trading RQLPs that do not trade enough contracts to be charged via Tier 1 rates, will be charged the standard NFX power fees for the respective month.

## 3. Supervision of RQLP Performance

NFX shall monitor RQLP activity during market hours and will verify with voice brokers that the clearing preference that each QLP is articulating in the voice broker market matches their commitment.

NFX reserves the right to suspend or terminate the benefits under this QLP Program with immediate effect if the RQLP is not operating with a Nasdaq Only or Nasdaq Preferred clearing preference or if the RQLP fails to respond regularly to RFQs.

## 4. RQLP Selection Process and Appointment

### Invitation

Futures Participants, Authorized Customers, and Customers are invited to contact Steve Sladoje at [steve.sladoje@nasdaq.com](mailto:steve.sladoje@nasdaq.com) to register their interest in participating in the QLP Program. The communication should include whether they wish to be recognized as a Nasdaq Only or Nasdaq Preferred counterparty and all relevant accounts that the QLP will use to transact from.

**Recognition**

RQLPs shall be notified of their recognition around one week after the application deadline. RQLPs will be engaged by NFX subject to its Rules and this notification. RQLP benefits and requirements will commence on August 1, 2017.

**5. Qualifying Business**

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

**6. Administration of Exchange Transaction Fee Charges**

As stated above, during the QLP program term, the Exchange will assess Base Transaction Fees for the QLP program according to Section 2. However, the Block Trade/EFRP surcharge will not be waived.

NFX reserves the right in its absolute discretion to terminate this QLP program by way of a Futures Trader Alert announcing it has filed with the CFTC for termination of the program.