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**NASDAQ Futures, Inc. (NFX)
General Reference Guide**

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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~~ Instrument class level or Instrument Class Limit Group (ICLG) 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 Penultimate Financial Futures (TQ) or NFX Options on NFX Brent Crude Financial Futures (BCQ)).~~ Risk checks may be configured on an Instrument or Combination class group basis (Instrument Class Limit Groups/ICLGs). ICLGs are predefined by the Exchange and will represent groups of similar instruments which, if Participants elect for, will have risk checks applied to the group collectively. Product blend of each ICLG is viewable in the TradeGuard GUI by right clicking the ICLG and choosing “Show ICLG Details”. See Section 2.2 of this Reference Guide on Instrument Structure for additional information on Instrument hierarchy.

The PTRM service provides the following risk checks:

1. Maximum Order Volume or Quantity per PTLG, Product, Combination and ICLG;
2. Daily Total Net Buy Checks (Traded Net + Open Buy Orders) per PTLG, Product and ICLG; and
3. Daily Total Net Sell Checks (Traded Net + Open Sell Orders) per PTLG, Product and ICLG.

In addition, the following Order controls may be applied:

1. Order Rate Risk Checks per PTLG;
2. PTLG defined Trading Restrictions (per symbol);
3. Manual blocking of Order flow per PTLG;
4. Mass Cancellation of open Orders per PTLG;
5. Automatic blocking of Order flow at drop copy disconnect safeguard;
6. TradeGuard provides an easy to use and comprehensive GUI for configuration, monitoring, and management of the risk limits and controls;
7. Notifications via e-mail for risk limit notification and warning levels; and
8. User Interface (UI) for administering risk limits, Users and e-mail alerts, view risk checks consumption, mass cancel Orders and block Order flow.

A PTRM Reference Guide is posted on the Exchange’s website.

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3.14 Order Price Limit Protection

In order to prevent erroneous transactions that might occur due to fat finger pricing or manifest errors, NFX will implement the price limit structure described below.

There are no price limits during the Pre-Open Session and the Uncross. However, throughout the Open Session, Price Limits for all products will be calculated from a Reference Price within the same margin allowed above and below the Reference Price. The Exchange will set the applicable price margin above and below the Reference Price for each Contract.

During the Pre-Open Session, Price Limits will not be activated. The Reference Price is based on the logic detailed below:

At the commencement of the Open Session, the reference price shall be:

(1) the prior Daily Settlement Price for the Contract, or

(2) in the event there is no prior Daily Settlement Price for the Contract, if the Contract is cash settled by reference to the price of a contract traded on another venue (the “Reference Contract”), the most recent Daily Settlement Price of the Reference Contract, or

(3) in the event the prior Daily Settlement Price is not reflective of the current market for either the Contract or the Reference Contract, a price determined by the Exchange to be a fair and reasonable reflection of the current market (“Reference Price”).

Thereafter, the Reference Price shall be the most recent bid or offer (other than a FOK or IOC bid or offer) in the Contract, provided that the bid (offer) is higher (lower) than the current Reference Price, unless such bid (offer) resulted in an execution, in which case the new Reference Price shall be the last execution price. If the order that caused the price limit to move is subsequently canceled, the price limit change imposed by the order will be reverted and price limits will be updated accordingly. Implied Out Orders do not impact derivation of the Order Price Limit Protection reference price.

Both outright and Implied Orders will be disclosed to the market if they are at or within the current price limits. However, if Implied Out Orders are entered outside the price limit, they will be displayed at the price limit. Thus, the price of an Implied bid Order shall be constrained to the upper price limit, while an Implied Offer shall be constrained to the lower price limit.

Buy Orders with prices lower than the lower price limit and sell Orders with prices above the upper Price Limit are allowed to enter the Trading System. Conversely, buy Orders with prices above the upper price limit and sell Orders with prices below the lower price limit will be rejected.

Attempts to enter Orders and Quotes during the Open Session outside the prevailing price limits for the relevant product will be rejected by the Trading System. Combination Limit Orders, Market-to-Limit Orders, and both single and strategy Market Orders are not validated against price limits. The Trading System will send a message notifying the Participant’s relevant Authorized Trader of the rejection. The permitted margins above and below the Reference Price for price limit determination for each product will be set from time-to-time by the Exchange. The margins may be adjusted to reflect market conditions with the objective of preventing the execution of any Orders submitted to the Trading System with manifest pricing errors and/or at unrepresentative price levels.

Although a series of Options on a particular Future may trade frequently, any single specific Option and strike price may not trade or even be quoted regularly. Additionally, the underlying Futures contract may move significantly since the last Option transaction making the last trade and previous day’s Daily Settlement Price irrelevant from a Reference Price perspective. Because of this NFX will not support Price Limits for NFX Option products. Any Option pricing inquiries, including potential erroneous transactions, should be brought to the attention of Exchange Staff immediately.

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