



Rule Self-Certification

November 20, 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
Membership Rules
Reference File: SR-NFX-2015-84**

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 Chapter II, “Membership Rules,” at Section 1, “Qualification and Participation of Futures Participants,” to amend the guarantee for Contracts traded on the Exchange. The Exchange amends Chapter II, Section 8, “Limitation of Exchange Liability and Reimbursement of Certain Expenses,” to make clear that the Exchange may compensate Futures Participants and Authorized Customers for claims submitted by those participants. The amended rule text is attached at Exhibit A. The rule text will be implemented on December 8, 2015.

The Chapter II, Section 1 amendments specifically require Clearing Futures Participants to guarantee all Contracts transacted on NFX and require the Clearing Futures Participants to accept financial responsibility for all transactions entered for itself, its Customers and Non-Clearing Futures Participants. This guarantee would include Contracts executed in the System and off-exchange transactions reported to The Options Clearing Corporation. Today, Clearing Futures Participants guarantee transactions for Contracts listed on the Exchange. This amendment would not require Clearing Futures Participants to specifically

guarantee future Contracts that may be listed on the Exchange, as the guarantee would cover all Contracts available on NFX.

The Chapter II, Section 8 amendments further clarify the term “users” to apply to Futures Participants and Authorized Customers. The amendment seeks to clarify the types of participants that may be compensated by submitting a written claim to the Exchange.

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.

- *Prevention of Market Disruption:* The Exchange surveils and monitors trading activity on the Exchange. 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.

- *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. 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.

- *Financial Integrity of Transactions.* The Exchange’s Rules permit Direct Access and Indirect Access to its market as provided in Chapter V, Section 4. 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 Authorized Customers submitting trades into the Trading System via Direct Access. The Exchange’s Rules governing minimum financial requirements and protection of Customer funds are set forth in Chapter III. Pursuant to Chapter IV, Section 7, the Exchange requires that Authorized Risk Officers

of the Clearing Futures Participant initially set and adjust pre-trade risk parameters for Futures Participants, Authorized Traders and Authorized Customers. Authorized Customers are required to execute the Services Agreement as are all Futures Participants.

- *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 II, Sections 1 and 8 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 <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-2015-84 in any related correspondence.

Regards,



Daniel R. Carrigan
President

cc: National Futures Association
The Options Clearing Corporation

Exhibit A

New text is double underlined and deleted text is stricken.

NASDAQ Futures—Rules

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Chapter II Membership Rules

Section 1 Qualification and Participation of Futures Participants

(a) No change.

i. – iii. No change.

(b) No change.

(i) – (iii) No change.

(1) and (2) No change.

(a) and (b) No change.

(c) A Clearing Futures Participant is authorized by the Exchange to clear, carry, and guarantee ~~specified~~ Contracts for itself, its Customers, and Non-Clearing Futures Participants, and accepts financial responsibility for all transactions entered for itself, its Customers, and Non-Clearing Futures Participants. To become a Clearing Futures Participant, a Futures Participant must (1) apply to the Clearing Corporation and the Exchange, (2) satisfy the criteria established by the Clearing Corporation and the Exchange for Clearing Futures Participants, and (3) submit to the Exchange confirmation from the Clearing Corporation that the Futures Participant is a member of the Clearing Corporation.

(d) No change.

(e) A Clearing Futures Participant must provide the Exchange with a copy of each written agreement guaranteeing the performance of the Non-Clearing Futures Participant with respect to ~~a~~ Contracts (referred to as a “Guarantee”). For purposes of this Rule, a Guarantee (1) guarantees and indemnifies the performance of ~~the all~~ Contracts executed on the Exchange or transactions reported to OCC into by the Non-Clearing Futures Participant governed by the Guarantee; (2) remains in effect until terminated pursuant to paragraph (f) notwithstanding any change to the Rules, the terms of any Contract, or the composition of any partnership (including, but not limited to, the death, retirement, admission or withdrawal of a partner); (3) applies to defaults by the Non-Clearing Futures Participant on any obligation related to a Contract or other claims governed by the Guarantee; and (4) supplements, but does not substitute, any other

agreement whereby the Clearing Futures Participant guarantees or indemnifies the Non-Clearing Futures Participant.

(f) To terminate a Guarantee, either party to the Guarantee (the Clearing Futures Participant or Non-Clearing Futures Participant) must immediately notify the Exchange of the termination of the Guarantee using the form, providing the information, and following the procedures established by the Exchange. A Guarantee remains in effect until the Exchange authorizes its termination and notifies both parties. The Clearing Futures Participant remains bound by the Guarantee for all Contracts executed on the Exchange or transactions reported to OCC ~~governed by the Guarantee entered into~~ by the Non-Clearing Futures Participant before termination of the Guarantee, but is not bound for any Contract made by, or transferred to, the Non-Clearing Futures Participant after termination of the Guarantee.

(g) No change.

(3) – (6) No change.

(iv) - (ix) No change.

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Section 8 Limitation of Exchange Liability and Reimbursement of Certain Expenses

(a) No change.

(b) The Exchange, subject to the express limits set forth below, may compensate ~~users~~ Futures Participants or Authorized Customers of the Trading System Complex for losses directly resulting from the actual failure of the Trading System Complex to correctly process an order, Quote/Order, message, or other data, provided the Trading System Complex has acknowledged receipt of the order, Quote/Order, message, or data.

(1) For the aggregate of all claims made by all Futures Participants or Authorized Customers related to the use of the Trading System Complex during a single calendar month, the Exchange's payment shall not exceed the larger of \$200,000 or the amount of the recovery obtained by the Exchange under any applicable insurance policy.

(2) In no event shall the Exchange's total payment during a single calendar month pursuant to this ~~Rule~~ exceed the amount determined pursuant to this rule.

(3) No change.

(4) All claims for compensation pursuant to this Rule shall be submitted in writing by (i) a Futures Participant, including on behalf of its Authorized

Customers that have Indirect Access, or (ii) an Authorized Customer that has Direct Access, and must be submitted no later than 12:00 P.M. ET on the next business day following the day on which the use of the Trading System Complex gave rise to such claims. Nothing in this rule shall obligate the Exchange to seek recovery under any applicable insurance policy. Nothing in this ~~Rule~~ shall waive the Exchange's limitations on, or immunities from, liability or suit as set forth in its Rules or agreements (including but not limited to the Services Agreement), or that otherwise apply as a matter of law.

(c) – (f) No change.

(1) No change.

(g) No change.

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