**Rule Self-Certification**

January 14, 2016

Christopher J. Kirkpatrick

Office of the Secretariat

Commodity Futures Trading Commission

Three Lafayette Center

1155 21st Street, NW

Washington, DC 20581

Re: **Product Certification and Rule Certification for**

 **Nine New Crude Oil and Refined Products Futures Contracts**

 **Reference File: SR-NFX-2016-02**

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (“Act”), and Sections 40.2 and 40.6 of the Commission’s regulations thereunder, NASDAQ Futures, Inc. (“NFX” or “Exchange”) hereby submits rules, terms and conditions for nine new financially settled energy futures contracts (together, the “New Contracts”). The Exchange anticipates listing the New Contracts beginning February 1, 2016, for trade date February 2, 2016. The amendments proposed in this submission shall be effective on the listing date.

The nine New Contracts include seven “1st Line” financial futures based upon the arithmetic average of front month daily settlement prices during the contract month in established reference contracts listed on NYMEX or ICE Futures Europe, as well as two crack financial futures based on the new NFX 1st Line products. Each new NFX contract’s symbol is set forth in parentheses following the official name of the new contract below:

* NFX Brent 1st Line Financial Futures (IBQ)
* NFX Brent 1st Line Mini Financial Futures (IMMQ)
* NFX WTI 1st Line Financial Futures (RTIQ)
* NFX WTI 1st Line Mini Financial Futures (RMMQ)
* NFX Low Sulphur Gasoil 1st Line Financial Futures (ULAQ)
* NFX Heating Oil 1st Line Financial Futures (HOFQ)
* NFX RBOB Gasoline 1st Line Financial Futures (RBSQ)
* NFX Gasoil Crack Financial Futures (in BBLS)- Low Sulphur Gasoil 1st Line vs Brent 1st Line (GZQ)
* NFX Gasoline Crack Financial Futures (in BBLS) - RBOB Gasoline 1st Line vs Brent 1st Line (RBRQ)

The new rules and terms and conditions describing the New Contracts are attached to this letter as Exhibits 1 and 2, which together amend (1) Rulebook Appendix A, Listed Contracts, by adding chapters 101A, 101B, 103B, 103C, 105A, 105B, 106B, 107B and 107C, and (2) Rulebook Appendix B, Table of Position Limits, Position Accountability Levels and Large Trader Reporting Levels (attached under separate cover).[[1]](#footnote-1) A cash market description and deliverable supply analysis for Brent crude oil, WTI crude oil, heating oil, RBOB gasoline and low sulphur gasoil is included as Exhibit 3 under separate cover, together with a request for confidential treatment of that exhibit under FOIA.

**Concise Description of the New Contracts**

NFX Brent 1st Line Financial Futures (IBQ). The final settlement price for IBQ will be the arithmetic average of the ICE Brent Futures (B) front month daily settlement prices during the contract month. In calculating the arithmetic average the settlement price of the 1st nearby contract will be used except on the last day of trading for the expiring ICE Brent Futures (B) contract when the daily settlement price of the 2nd nearby contract will be used. The unit of trading for one contract is 1000 barrels. For purposes of calculating compliance with position limits, IBQ contracts will aggregate into NFX Brent Crude Financial Futures (BFQ). Finally, for purposes of position limits and position accountability levels, contracts shall diminish ratably as the contract month progresses toward month end. Contract specifications and rules for IBQ are set forth in new Chapter 101A of Rulebook Appendix A.

NFX Brent 1st Line Mini Financial Futures (IMMQ)*.*  The IMMQ contract is the same as IBQ, except for a reduced contract size of 100 barrels. For purposes of calculating compliance with position limits, IMMQ contracts will aggregate into NFX Brent Crude Financial Futures (BFQ). Finally, for purposes of position limits and position accountability levels, contracts shall diminish ratably as the contract month progresses toward month end. Contract specifications and rules for IMMQ are set forth in new Chapter 101B of Rulebook Appendix A.

NFX WTI 1st Line Financial Futures (RTIQ). The final settlement price for RTIQ will be the arithmetic average of the NYMEX WTI Futures contract (CL) front month daily settlement prices during the contract month. The unit of trading for one contract is 1000 barrels. For purposes of calculating compliance with position limits, RTIQ contracts will aggregate into

NFX WTI Crude Oil Financial Futures (CLQ). Finally, for purposes of position limits and position accountability levels, contracts shall diminish ratably as the contract month progresses toward month end. Contract specifications and rules for RTIQ are set forth in new Chapter 103B of Rulebook Appendix A.

NFX WTI 1st Line Mini Financial Futures (RMMQ). The RMMQ contract is the same as RTIQ, except for a reduced contract size of 100 barrels. For purposes of calculating compliance with position limits, RMMQ contracts will aggregate into NFX WTI Crude Oil Financial Futures (CLQ). Finally, for purposes of position limits and position accountability levels, contracts shall diminish ratably as the contract month progresses toward month end. Contract specifications and rules for RMMQ are set forth in new Chapter 103C of Rulebook Appendix A.

NFX Low Sulphur Gasoil 1st Line Financial Futures (ULAQ). The final settlement price for ULAQ will be equal to the arithmetic average of the ICE Low Sulphur Gasoil Futures Contract (G) front month daily settlement prices during the contract month. In calculating the arithmetic average the settlement price of the 1st nearby contract will be used except on the last day of trading for the expiring ICE Low Sulphur Gasoil Futures Contract (G) front month contract when the daily settlement price of the 2nd nearby contract will be used. The unit of trading for one contract is 100 metric tonnes. For purposes of calculating compliance with position limits, ULAQ contracts will aggregate into NFX Low Sulphur Gasoil Financial Futures (GOQ). Finally, for purposes of position limits and position accountability levels, contracts shall diminish ratably as the contract month progresses toward month end. Contract specifications and rules for ULAQ are set forth in new Chapter 105A of Rulebook Appendix A.

NFX Heating Oil 1st Line Financial Futures (HOFQ). The final settlement price of HOFQ will be equal to the arithmetic average of the NYMEX Heating Oil Futures front month daily settlement prices during the contract month. The unit of trading for one contract will be 42,000 gallons. For purposes of calculating compliance with position limits, HOFQ contracts will aggregate into NFX Heating Oil Financial Futures (HOQ). Finally, for purposes of position limits and position accountability levels, contracts shall diminish ratably as the contract month progresses toward month end. Contract specifications and rules for HOFQ are set forth in new Chapter 106B of Rulebook Appendix A.

NFX RBOB Gasoline 1st Line Financial Futures (RBSQ). The final settlement price of RBSQ will be equal to the arithmetic average of the NYMEX RBOB Gasoline Futures contract (RB) front month daily settlement prices during the contract month. For purposes of calculating compliance with position limits, RBSQ contracts will aggregate into NFX RBOB Gasoline Financial Futures (RBQ). Finally, for purposes of position limits and position accountability levels, contracts shall diminish ratably as the contract month progresses toward month end. The unit of trading for one contract will be 42,000 gallons. Contract specifications and rules for RBSQ are set forth in new Chapter 107B of Rulebook Appendix A.

NFX Gasoil Crack Financial Futures (in BBLS) - Low Sulphur Gasoil 1st Line vs. Brent 1st Line (GZQ). GZQ contracts will be based on the difference between the daily settlement prices for the NFX Low Sulphur Gasoil 1st Line Financial Futures (ULAQ) and the daily settlement price for the NFX Brent 1st Line Financial Futures (IBQ) in barrels. The unit of trading for one contract will be 1,000 barrels. The final settlement price for each contract month will be equal to the arithmetic average of the ICE Low Sulphur Gasoil Futures Contract (G) first nearby contract month daily settlement price minus the ICE Brent Crude Oil futures contract (B) first nearby contract month daily settlement price for each business day during the contract month. For purposes of determining the final settlement price, the ICE Low Sulphur Gasoil Futures Contract (G) price will be converted each day to U.S. dollars and cents per barrel, rounded to the nearest tenth of a cent. The conversion factor will be 7.45 barrels per metric tonne. The settlement prices of the 1st nearby contract month will be used except on the last day of trading for the expiring ICE Brent Crude Oil Futures contract (B) and ICE Low Sulphur Gasoil Futures Contract (G) when the settlement prices of the 2nd nearby contracts will be used. For purposes of calculating compliance with position limits, the NFX Gasoil Crack Financial Futures (in BBLS) - Low Sulphur Gasoil 1st Line vs. Brent 1st Line (GZQ) aggregates into the two underlying outright contracts: the NFX Low Sulphur Gasoil Financial Futures (GOQ) and the NFX Brent Crude Financial Futures (BFQ). Contract specifications and rules for GZQ are set forth in new Chapter 105B of Rulebook Appendix A.

NFX Gasoline Crack Financial Futures (in BBLS) - RBOB Gasoline 1st Line vs Brent 1st Line (RBRQ). RBRQ contracts will be based on the difference between the daily settlement prices for the NFX RBOB Gasoline 1st Line Financial Futures contract (RBSQ) and the daily settlement prices for the NFX Brent 1st Line Financial Futures contract (IBQ) in barrels. The unit of trading for one contract will be 1,000 barrels. The final settlement price for each contract month will be equal to the arithmetic average of the NYMEX RBOB Gasoline Futures contract (RB) first nearby contract month daily settlement price minus the ICE Brent Crude Oil Futures contract (B) first nearby contract month daily settlement price for each business day during the contract month. For purposes of determining the Final Settlement Price, the NYMEX RBOB Gasoline Futures contract (RB) price will be converted each day to U.S. dollars and cents per barrel, rounded to the nearest tenth of a cent. The conversion factor will be 1 barrel per 42 gallons. The settlement prices of the 1st nearby contract month will be used except on the for the expiring ICE Brent Crude Oil Futures contract (B), when the daily settlement prices of the 2nd nearby contracts will be used. For purposes of calculating compliance with position limits, the NFX Gasoline Crack Financial Futures (in BBLS) - RBOB Gasoline 1st Line vs Brent 1st Line (RBRQ) aggregates into the two underlying outright contracts: the NFX RBOB Gasoline Financial Futures (RBQ) and the NFX Brent Crude Financial Futures (BFQ). Contract specifications and rules for RBRQ are set forth in new Chapter 107C of Rulebook Appendix A.

 The Exchange is also adding a “Table of Listed Contracts” to the Introduction section of Rulebook Appendix A, as a navigational aid for Appendix A setting forth the official name of each contract, its symbol and the chapter containing rules specific to that contract.

**Certifications**

The Exchange has reviewed the designated contract market core principles (“Core Principles”) as set forth in the Act. Regulatory compliance of the New Contracts is principally addressed in the NFX Rulebook, concisely explained as follows:

Core Principle 2 - Compliance with Rules:

The terms and conditions of the New Contracts will be set forth in new Rulebook Appendix A. In addition, trading of these contracts will be subject to all relevant Exchange rules which are enforced by Exchange regulatory staff.

Core Principle 3 -Contracts not Readily Subject to Manipulation:

The New Contracts will be financially settled, do not involve the physical delivery of commodities, and will settle on prices derived from prices published on well-established reference sources. As with all contracts listed for trading on the Exchange, activity in the New Contracts will be subject to extensive monitoring and surveillance by the Exchange's regulatory staff in conjunction with the National Futures Association (“NFA”) pursuant to the provisions of a Regulatory Services Agreement. Additionally, the Exchange has the authority to exercise its investigative and enforcement power where potential rule violations are identified. The Exchange's disciplinary rules are contained in Chapter V of the Rulebook, which permits the Exchange to discipline, suspend or expel Futures Participants or market participants that violate the rules.

The New Contracts are financially settled contracts whose settlement prices are based on prices for long-established and highly liquid reference contracts that, in the case of the NYMEX contracts, are traded under the Commission’s jurisdiction. The reference contracts themselves are based on established and liquid underlying cash markets. Because they are based on highly liquid third-party contracts, the Exchange’s New Contracts are not readily susceptible to manipulation. The Exchange has consulted with market users to obtain their views and opinions during the contract design process.

Core Principle 4 - Prevention of Market Disruption:

Trading in the New Contracts will be subject to Chapter III, Section 24 of the Exchange Rulebook which prohibits manipulative or disruptive trading practices prohibited by the Act. Section 1(c) of Chapter III requires Authorized Traders to make available to the Exchange, upon request, information and their books and records regarding their activities in another market if the Exchange’s contracts, such as the New Contracts, are settled by reference to the price of a contract or commodity traded in that reference market. The Exchange will monitor reference prices in venues that its contracts settle against.

Trading in the new contracts will be subject to monitoring and surveillance by Exchange staff. NFX Regulation, which will handle real-time surveillance, will monitor 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. NFX Regulation, in conjunction with NFA 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 the ability to reconstruct all orders transacted on the trading system.

Core Principle 5 - Position Limitations or Accountability:

The Exchange's rules at Chapter V, Section 13 set forth the Exchange's policies for monitoring of positions that are owned, controlled or held by any person. The New Contracts’ reporting levels, accountability levels and position limits are set forth in amendments to Rulebook Appendix B – Table of Reporting Levels, Position Accountability Levels and Position Limits. The levels are commensurate with the levels set by NYMEX and ICE Futures Europe in the reference contracts. And, the spot month position limits for the nine New Contracts are set at a conservative level that is less than 25% of the monthly deliverable supply in each respective underlying cash market in accordance with CFTC guidelines. Further, the nine New Contracts will aggregate into existing position limits of parent contracts.

Core Principle 7 - Availability of General Information:

The Exchange will post general information, including its contract specifications, Exchange fees, and the NFX Rulebook, on its website: <http://business.nasdaq.com/nasdaq-futures/nfx-market>.

Core Principle 8 - Daily Publication of Trading Information:

The Exchange will publish daily information on settlement prices, volume, open interest and opening and closing ranges for actively traded New Contracts on its website as required by Commission regulations. The Exchange will also publish the total quantity of block trades that are included in trading volume for each trading day.

Core Principle 9 - Execution of Transactions:

The New Contracts will be listed for trading on the Exchange’s electronic trading system as well as by submission as block trades and Exchange for Related Position transactions pursuant to Exchange rules. The Exchange’s trading system provides a transparent, open and efficient mechanism to electronically execute trades.

Core Principle 10 - Trade Information:

The Exchange's trading system will capture and maintain all information with respect to orders placed into the trading system. The information will include orders that were executed and those that were not executed as well as all other information relating to the trade environment that determines the matching and clearing of trades such as information related to clearing and number and types of contracts. Orders entered into the trading system can be tracked from the time they are entered into the trading system until the time they are matched, canceled or otherwise removed.

Core Principle 11 - Financial Integrity of Contracts:

All contracts traded on the Exchange’s trading system will be cleared by The Options Clearing Corporation, which is a derivatives clearing organization registered with the Commission and subject to Part 39 of the Commission’s regulations. Transactions in the New Contracts will be subject to the Exchange’s Rulebook provisions for submission to clearing. Pursuant to Commission regulations OCC will set the speculative customer initial margin requirement on the nine New Contracts as it does on existing NFX contracts. CFTC regulations require OCC to set the customer initial margin requirement at an amount that is higher than OCC’s clearing member margin requirement. OCC has advised NFX that the customer initial margin requirement for NFX contracts will be set to a dollar amount that equals 110% of the greater of Value-at-Risk (VaR) level calculated using a 99% confidence interval for the daily price returns using a 2-year and 5-year look-back period (on a per contract basis). In addition, for products having an economically equivalent contract listed on another market center, OCC will not allow its rates to fall below that of the primary listing exchange. OCC has advised NFX that customer initial margin requirements are reset approximately every 90 calendar days and monitored daily, with rates being re-set should a one-day change in settlement price exceed the prevailing rate at the time. In addition, OCC has authority to update customer initial margin requirements at any time, if deemed warranted, and as dictated by market conditions. NFX has determined to adopt the result of OCC’s VaR calculation as described above as the customer maintenance margin requirement. NFX is also adopting the result of OCC’s VaR calculation as described above as the initial and maintenance margin requirement for hedge customers and Futures Participants. NFX margin rates will be available on the OCC website.

Core Principle 12 - Protection of Market Participants:

Chapter III of the Exchange’s rules protect the market and market participants from abusive, disruptive, fraudulent, noncompetitive and unfair conduct and trade practices. These rules will apply to all transactions in the Exchange’s listed contracts, including the New Contracts.

Core Principle 13 - Disciplinary Procedures:

The Exchange's rules at Chapter VI describe disciplinary procedures and authorize the Exchange to discipline, suspend, expel or otherwise sanction market participants for violations of the Exchange's rules.

Core Principle 14 - Dispute Resolution:

Chapter V of the Exchange Rulebook establishes rules concerning alternative dispute resolution, which provide for the resolution of disputes through the NFA arbitration program.

There were no opposing views among the NFX’s Board of Directors, members or market participants. The Exchange hereby certifies that the New Contracts and rule amendments 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 <http://business.nasdaq.com/nasdaq-futures/nfx-market>.

If you require any additional information regarding the submission, please contact Carla Behnfeldt at (215) 496-5208 or carla.behnfeldt@nasdaq.com. Please refer to SR-NFX-2016-02 in in any related correspondence.



Regards,

Daniel R. Carrigan

President

Attachments:

 Exhibit 1: Amendments to Rulebook Appendix A – Listed Contracts

 Exhibit 2: Amendments to Rulebook Appendix B - Table of Position Limits, Position Accountability Levels and Large Trader Reporting Levels (under separate cover).

 Exhibit 3: Cash Market Description and Deliverable Supply Analyses (under separate cover with FOIA confidentiality request)

1. The Exchange is separately filing SR-NFX-2016-03, also to be effective upon listing of the New Contracts, which adopts provisions for each New Contract relating to block trading minimum quantities and reporting times, nonreviewable ranges, trading hours and daily settlement prices in the new Appendix A chapters governing the New Contracts. Language appearing in the new Appendix A chapters which is not underlined in Exhibit 1 hereto is being separately proposed in SR-NFX-2016-03 pursuant to Commission Rule 40.6 [↑](#footnote-ref-1)