Rule Self-Certification

August 15, 2013

Office of the Secretary
Commodity Futures Trading Commission
Three Lafayette Center
1155 21st Street, NW
Washington, DC 20581

Re: Regulation §40.6 Submission Certification
Risk Monitor Mechanism and contract specifications for the 10 ounce gold futures
Reference File: SR-NFX-2013-15

Ladies and Gentlemen:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended ("Act"), and §40.6 of the regulations promulgated by the Commodity Futures Trading Commission ("Commission") under the Act, the NASDAQ OMX Futures Exchange, Inc. ("Exchange") submits this self-certification to amend Chapter IV, Sections 6 and 10 and Chapter VIII, Sections 13-18 and add a new Section 19. This rule filing will be effective on August 30, 2013.

The Exchange proposes to amend Chapter IV, Section 10 entitled "Risk Monitor Mechanism" to further clarify the Risk Monitor Mechanism. The Exchange desires to clarify that the Specified Engagement Size is determined for each contract, by the percentage that the number of executed contracts relative to the Futures Participant's total size at all price levels *on a given side* for that contract *throughout* the Specified Time Period. The Exchange believes by that stating that the total size is per side adds more clarity. Additionally, the Exchange believes that changing the word "during" to "throughout" makes clear that other contracts would also be considered during the Specified Time Period. The Exchange also proposes to amend paragraph b(C) to strike the word equals and instead add the words "has met" to better indicate that the Specified Engagement Size has been traded and therefore triggered the Risk Monitor Mechanism. The amended text for Chapter IV, Section 10 is reflected in Exhibit A.

The Exchange proposes to amend Chapter VIII, entitled "Metals" which list the terms and conditions of a 10 ounce gold futures contract. Specifically, a new Section 14 entitled "Order Spread Protection" and a new Section 19 entitled "Reporting," will be added to Chapter VIII. New Section 14 will state that for 10 Troy ounce gold futures the Order Spread Protection BBO width threshold will be set to $1.00 or greater. New Section 19 will reference a current requirement to report certain position information. Chapter III, at Section 19 entitled "Exchange Access to Position Information" requires any Futures Participant which owns, controls or carries for any Customer a 'reportable position,' as such term is used in Chapter III, Section 16, in any

Contract that is cash settled by reference to the price of a contract or commodity traded in another venue, including another designated contract market, to submit to the Exchange or its Regulatory Service Provider positions which such Futures Participant or its Customer owns or controls in the reference contract or commodity on such other venue. The 10 Troy ounce gold futures is a cash settled gold futures contract for which the Final Settlement Price is based on the final settlement price for gold futures listed on the Commodity Exchange, Inc. (”COMEX”). The Exchange proposes to specifically reference this requirement in the contract specifications. Sections 14 through 17 of Chapter VII will be renumbered to reflect the addition of the new Rule. Additionally, the Exchange proposes to correct an incorrect reference in Section 14 to a Chapter within the contract specifications. The text of Chapter VIII is reflected in Exhibit A.

Finally, the Exchange proposes to amend Chapter IV, Section 6 entitled “Order Price Protection” to correct an error in capitalizing the word “limit.” The word limit should not be a defined terms in that sentence. The text of Chapter IV, Section 6 is reflected in Exhibit A.

With respect to the designated contract market core principles (“Core Principles”) as set forth in the Act:

• Financial Integrity of Contracts: In addition to certain pre-trade risk parameters that are required by the Exchange of all Futures Participants as well as Authorized Customers with direct access as per Chapter IV, Section 5 (Pre-Trade Risk Parameters) and Chapter V, Section 4 (Direct Access) with respect to Core Principle 11 (Financial Integrity of Transactions), the Exchange has other risk controls which seek to provide additional protection to Futures Participants transacting orders on the Exchange. The Order Spread Protection Rule seeks to provide additional risk controls to Futures Participants with respect to market risk at the time an order is entered. The Order Spread Protection feature will reject Market Orders that exceed a certain spread. The feature is also available for Limit Orders. The Risk Monitor Mechanism is an optional feature available to Futures Participants to count the number of trades transacted by a market participant identifier per contract, within a specified time period, for each Futures Participant. Once the threshold has been met, the Trading System will automatically remove Orders in that contract until the Futures Participant indicates that they are ready to re-enter the market.

• Contracts not readily subject to manipulation: With respect to Core Principle 4 (Prevention of Market Disruption) Chapter III, Section 19, entitled “Exchange Access to Position Information” requires reporting of certain positions in any Contract that is cash settled by reference to the price of a contract or commodity traded in another venue, including another designated contract market the Customer owns or controls in the reference contract or commodity on such other venue. This is in addition to the Rule at Chapter III, Section 1 entitled “Books and Records” which requires a Futures Participant to prepare and keep, among other things, records of the activity, positions and transactions of each Futures Participant and Clearing Futures Participant in the underlying commodity or reference market and related derivatives markets in relation to a Contract.

There were no opposing views among NFX's Board of Directors, members or market participants. NFX hereby certifies that amended text of Chapter IV, Section 10 and the amended and new terms of the 10 ounce gold futures contract in Chapter VIII 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.nasdaqtrader.com/Micro.aspx?id=NFX.

Regards,

Daniel R Carrigan

Daniel R. Carrigan
President

cc: Nancy Markowitz
Mr. J. Goodwin
National Futures Association
The Options Clearing Corporation

Exhibit A

New text is underlined; deleted text is in brackets.

NASDAQ OMX Futures Exchange (NFX)—Rules

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Chapter IV Trading System

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Section 6 Order Price Protection

Order Price Protection ("OPP") is a feature of the Trading System that prevents certain Orders at prices outside of pre-set standard limits from being accepted by the Trading System. OPP applies to all Limit Orders but does not apply to Market Orders.

(a) OPP is operational each Trading Day after the opening until the close of trading, except during trading halts. The Exchange may also temporarily deactivate OPP from time to time on an intraday basis at its discretion if it determines that volatility warrants deactivation. Futures Participants will be notified of intraday OPP deactivation due to volatility and any subsequent intraday reactivation by the Exchange through the issuance of Trading System status messages.

(b) The Exchange shall <u>l</u>[L]imit Orders that are accepted as follows:

(i) If the BBO on the contra-side of an incoming Order is greater than $1.00, Orders with a limit more than 50% through such contra-side BBO will be rejected.

(ii) If the BBO on contra-side of an incoming Order is less than or equal to $1.00, Orders with a limit more than 100% through such contra-side BBO will be rejected.

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Section 10 Risk Monitor Mechanism

The Trading System will maintain a counting program for each Futures Participant. When engaged, the counting program will count the number of contracts traded by market participant identifier designated for each Futures Participant, per contract, within a specified time period, not to exceed 15 seconds, established by each Futures Participant (the "Specified Time Period"). The specified time period will commence when a transaction occurs in a particular contract. This feature is optional.

(a) No Change

(b) Specified Engagement Size. The Specified Engagement Size is determined by the following:
(A) For each contract, the counting program will determine the percentage that the number of

executed contracts relative to the Futures Participant's total size at all price levels on a given side for that contract ("contract percentage") [during]throughout the Specified Time Period; (B) The counting program will determine the sum of the contract percentages for the Contract ("Contract Percentage"); (C) Once the counting program determines that the Contract Percentage in B equals or exceeds a percentage established by the Futures Participant ("Specified Percentage"), the number of executed contracts in the Contract [equals]has met the Specified Engagement Size.

The Specified Engagement Size will be automatically offset by a number of contracts that are executed on the opposite side of the market in the same Contract during the Specified Time Period (the "Net Offset Specified Engagement Size"). Buy future executions will only be offset by sell future executions; buy put executions will only be offset by sell put executions; and buy call executions will only be offset by sell call executions.

The Net Offset Specified Engagement Size for each Contract is determined by offsetting the number of contracts executed on the opposite side of the market for each Contract during the Specified Time Period. The Risk Monitor Mechanism shall be engaged once the Net Offset Specified Engagement Size is for a net number of contracts executed among all contracts during the Specified Time Period that represents a Contract's percentage equal to or greater than the Specified Percentage, excluding Immediate or Cancel Orders submitted by the Futures Participant.

(c) - (d) No Change

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Chapter VII Metals
10 ounce gold futures contract

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Section 13 Acceptable Trade Range

Pursuant to Chapter IV, Section 9, the Exchange will set the Acceptable Trade Range for the 10 Troy ounce gold futures contract at $0.20.

Section 14 Order Spread Protection

Pursuant to Chapter IV, Section 8, the Order Spread Protection BBO width threshold will be set to $1.00 or greater.

Section 1[4]5 Execution Algorithm

Pursuant to Chapter IV, Section 4, the execution algorithm for 10 Troy ounce gold futures shall be Price-Time Priority Order.

Section 1[5]<u>6</u> Block Trades

Pursuant to Chapter IV, Section 11, the 10 Troy ounce gold futures contract shall be eligible for Block Trades and the threshold level shall be one hundred (100) contracts.

Section 1[6]<u>7</u> Exchange For Related Positions

Pursuant to Chapter IV, Section 12, the 10 Troy ounce gold futures contract shall be eligible for Exchange for Related Positions transactions.

Section 1[7]<u>8</u> Market Makers

Pursuant to Chapter V, Section 6, Market Makers shall have no obligation to submit bids and offers. However, when and if they are submitting bids and offers for which they are approved as a Market Maker, they are required to submit a two-sided market (bid and offer).

<u>**Section 19 Reporting**</u>

<u>Pursuant to Chapter III, Section 16, Futures Participants that own, control or carry a reportable position in the 10 Troy ounce gold futures contract during the month of maturity must report their positions and those of their Customers in the corresponding COMEX contract ("Reference Contract") by submitting account statements containing such Reference Contract position information for the contract maturity month no later than 30 days following the settlement of the 10 Troy ounce gold futures contract. Account statements should be sent to FuturesReg@nasdaqomx.com.</u>

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