



Rule Self-Certification

March 30, 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**
Off-Exchange Reporting Broker
Reference File: SR-NFX-2015-13

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”) adopts a new definition of an “Off-Exchange Reporting Broker” and amends Chapter V, Section 4, entitled “Direct Access” to describe responsibilities related to reporting off-exchange transactions for reporting and clearing only. The rule text is set forth in Exhibit A. The new rule text will be implemented on April 14, 2015.

The Exchange is adopting a new definition in Chapter I, entitled “Off-Exchange Reporting Broker,” to mean an Authorized Customer who has received authorization from the Exchange as provided in Chapter V, Section 4(m). In addition, the Exchange is adding a new section “m” to Chapter V, Section 4 to describe the manner in which an Off-Exchange Reporting Broker may submit off-exchange transactions into NFX’s Trading System for the purpose of reporting and clearing those transactions. Off-Exchange Reporting Brokers may submit either Block Trades in accordance with Chapter IV, Section 10 or Exchange for Related Position transactions in accordance with Chapter IV, Section 11 and in accordance with other procedures and rules specified by the Exchange. New section 4(m) set outs the responsibilities of the Clearing Futures Commission that authorizes an Off-Exchange Reporting Broker to submit transactions into the Trading System and also describes the responsibilities of the Off-Exchange Reporting Broker.

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. Chapter V, Section 18 describes prohibited activities with respect to the Trading System. Trading is subject to the Rules at Chapter III of the Exchange’s Rulebook, which include prohibitions against fraudulent, noncompetitive, unfair and abusive practices. Additionally, trading is subject to the trading procedures and standards in Chapter V of the Rulebook. The Exchange’s disciplinary Rules are contained in Chapter VI of the Rulebook.
- *Prevention of Market Disruption:* The Exchange’s Regulatory Department, which handles real-time surveillance, monitors 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. The Exchange’s Regulatory Department, which handles real-time surveillance in conjunction with 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.
- *Availability of Contract Information.* The Exchange has indicated within its trading Rules where specific information relates to a particular Contract. The Exchange will post the terms and conditions of Exchange Contracts in its Rulebook along with trading Rules.
- *Publication of Information.* The Exchange will publish daily information on settlement prices, volume, open interest and opening and closing ranges for actively traded Contracts on its website. The Exchange’s volume information will include information on the volume of Block Trades.
- *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 and offers within a predetermined automated trade matching and execution algorithm. Orders submitted into the Trading System will continue to be matched in either Price-Time priority or Size Pro-Rata

priority order, as specified by the Exchange. The Exchange specifies the types of Orders that will be accepted by the Trading System in recently filed Chapter IV, Section 4. The Exchange provides a competitive, open and efficient market and mechanism for executing transactions that protects the price discovery process and also authorizes for bona fide business purposes rules for Block Trades and Exchange for Related Positions at Chapter IV, Sections 10 and 11.

- *Trade Information.* As previously described, the Exchange has established audit trail processes that capture trading information to facilitate the Exchange's trade practice and market surveillance activities. The audit trail program is based on original source documents that are unalterable, sequentially identified records. The audit trail contains a history of all Orders as well as other identifying information. All data gathered as part of the audit trail is maintained in accordance with the Commission's recordkeeping requirements and in a manner that does not allow for unauthorized alteration, erasure or other potential loss.

- *Financial Integrity of Transactions.* The Exchange's Rules provide that all matched trades generated by the Trading System, after the application of pre-trade risk parameters, will be automatically submitted to the Clearing Corporation as described in Chapter V, Section 2. Furthermore, all off-exchange transactions submitted for clearing will be subject to pre-trade risk parameters. Chapter II, Section 1 of the Exchange's Rules requires that all Futures Participants must be members of the Clearing Corporation either directly or indirectly. Futures commission merchants (FCMs) must maintain an account directly with the Clearing Corporation. Clearing Futures Participants are required to guarantee all trades transacted on NFX on behalf of itself, its Customers and Non-Clearing Futures Participants. 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 that Futures Participant. The Exchange requires a similar guarantee for Authorized Customers submitting trades into the Trading System via Direct Access pursuant to Chapter V, Section 4. The Exchange's Rules governing minimum financial requirements and protection of Customer funds are set forth in Chapter III.

- *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 new definition of "Off-Exchange Reporting Broker" as well as the amendments to Chapter V, Section 4 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.

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-2015-13 in any related correspondence.

Regards,

A handwritten signature in black ink that reads "Daniel R Carrigan". The signature is written in a cursive, flowing style.

Daniel R. Carrigan
President

cc: National Futures Association

Exhibit A

New text is underlined; deleted text is stricken.

NASDAQ OMX Futures Exchange – Rules

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Chapter I Definitions and Governance of the Exchange

Section 1 Definitions

Unless otherwise specifically provided in the By-Laws or Rules of the Exchange or the context otherwise requires, the terms defined herein shall for all purposes of the By-Laws and Rules of the Exchange, have the meanings therein specified.

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Market Maker. The term “Market Maker” means a Futures Participant approved by the Exchange to undertake obligations to facilitate an orderly and liquid market for one or more Contracts.

Off-Exchange Reporting Broker. The term “Off-Exchange Reporting Broker” shall mean an Authorized Customer who has received authorization from the Exchange as provided in Chapter V, Section 4(m).

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Chapter V Trading Procedures and Standards

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Section 4 Direct Access

Authorized Customers of any Clearing Futures Participant may access the Trading System directly, provided that the following provisions of this Rule are satisfied.

(a) The Clearing Futures Participant must be a futures commission merchant and the Customer Account must be held by the Clearing Futures Participant or a carrying futures broker maintaining an account for its Customers on a fully disclosed or omnibus basis with the Clearing Futures Participant.

(b) Except where the Authorized Customer is an Off-Exchange Reporting Broker, [T]the Clearing Futures Participant shall complete an application in the form supplied by the Exchange which requests, among other things, information pertaining to the Authorized Customer for which direct access to the Trading System is sought, a guarantee as to the performance of the Authorized Customer with respect to a Contract, as specified in Chapter II, Section 1, specifically guaranteeing the transactions of the Authorized Customer, information concerning Authorized Traders and an agreement executed by the Authorized Customer

regarding usage of the Trading System in a form as prescribed by the Exchange.
In the case where the Authorized Customer is an Off-Exchange Reporting Broker, Section 4(m) below applies.

- (i) The Authorized Customer must not be presently enjoined by order, judgment or decree of any court of competent jurisdiction or of the Commission or the Securities and Exchange Commission or of any state securities authority or agency from engaging in or continuing any conduct or practice in connection with the purchase or sale of any commodity, security, Option or similar instrument.

- (c) The Clearing Futures Participant will be required to designate at least two Authorized Risk Officers. Clearing Futures Participants must immediately notify the Exchange if an Authorized Risk Officer is no longer with the firm or if another individual should be designated.
 - (i) Clearing Futures Participants must keep Authorized Risk Officer, Authorized Customer and Authorized Customer's Authorized Trader information updated at all times.

- (d) The Authorized Risk Officer will be required to designate pre-trade risk parameters as required by Chapter IV, Section 5.

- (e) The Exchange shall provide an Authorized Customer's Authorized Traders a Trader ID to directly access the Trading System if all the qualifications and requirements in (a) through (d) of this Rule have been met.

- (f) The Clearing Futures Participant shall remain responsible, in accordance with these Rules, for the acts and omissions of any of its Authorized Customers, regardless of the level of risk controls set by the Clearing Futures Participant and the approval of such risk controls by the Exchange.

- (g) The Clearing Futures Participant is responsible for the financial obligations of each Authorized Customer for which it authorizes direct access with respect to all Orders entered and transacted as well as for compliance by the Authorized Customer with the Rules of the Exchange and compliance with Exchange procedures.

- (h) With respect to each Authorized Customer for which a Clearing Futures Participant has authorized direct access, the Clearing Futures Participant shall: (i) take any and all actions requested or required by the Exchange with respect to such Authorized Customer, including, but not limited to, assisting the Exchange in any investigation into potential violations of Exchange Rules or of the Act, and requiring such Authorized Customer to produce documents, provide information, answer questions and/or to appear in connection with any investigation; (ii) suspend or terminate the Authorized Customer's access to the Exchange's Trading System if the Exchange determines that the actions of the Authorized Customer threaten the integrity or liquidity of any Exchange Contract, violate Exchange Rules or the Act, or if the Authorized Customer fails to cooperate in any

investigation; (iii) suspend or terminate the Authorized Customer if the Clearing Futures Participant has reason to believe that the actions of the Authorized Customer threaten the integrity or liquidity of any Exchange Contract, violate the Rules or the Act, or if the Authorized Customer fails to cooperate in any investigation; and (iv) utilize such controls designed to facilitate the Clearing Futures Participant's management of financial risk as may be provided by the Exchange from time to time.

(i) A Clearing Futures Participant may revoke access to the Authorized Customer by notifying the Exchange in writing and receiving acknowledgment from the Exchange.

(j) The Clearing Futures Participant authorizing a connection to the Trading System is responsible for maintaining or causing to be maintained the audit trail for all Orders submitted to the Exchange; and producing, upon request of the Exchange or its Regulatory Services Provider, the audit trail for all Orders submitted to the Exchange by an Authorized Customer. Each Authorized Customer connecting to the Trading System is responsible for maintaining or causing to be maintained the audit trail for all Orders submitted to the Exchange. A Clearing Futures Participant that has arrangements for a third party to maintain audit trail information on its behalf shall remain responsible for compliance with this Rule.

(i) The audit trail shall be submitted in a format prescribed by the Exchange.

(ii) The Exchange or its Regulatory Services Provider may request additional details concerning the audit trail for certain Order types, such as Bunched Orders where the detail is not apparent.

(iii) The electronic audit trail must be maintained for a minimum of five (5) years. Upon the request of the Exchange, each Clearing Futures Participant and Authorized Customer must have the ability to produce to the Exchange the audit trail data in a format prescribed by the Exchange.

(k) A Clearing Futures Participant that has actual or constructive notice of a violation or potential violation of the Rules or the Act in connection with the use of the Trading System by an Authorized Customer for which it provides access and fails to take appropriate action may be subject to disciplinary action under the Rules.

(l) If a Clearing Futures Participant's permit is terminated by the Exchange or its trading privileges are suspended by the Exchange, all access to the Exchange's Trading System which is authorized by such Clearing Futures Participant shall automatically terminate on the effective date of the termination or suspension.

(m) An Off-Exchange Reporting Broker may access the Trading System directly for the purpose of submitting transactions for reporting and clearing if the Off-Exchange Reporting Broker has received authorization from the Exchange and from a Clearing Futures Participant in a form prescribed by the Exchange. Off-

Exchange Reporting Brokers may submit either Block Trades in accordance with Chapter IV, Section 10 or Exchange for Related Position transactions in accordance with Chapter IV, Section 11 and in accordance with other procedures and rules specified by the Exchange.

(i) A Clearing Futures Participant that approves an Off-Exchange Reporting Broker to submit either Block Trades or Exchange for Related Positions shall:

(1) be a futures commission merchant and the Customer Account must be held by the Clearing Futures Participant or a carrying futures broker maintaining an account for its Customers on a fully disclosed or omnibus basis with the Clearing Futures Participant;

(2) designate at least two Authorized Risk Officers;

(3) designate pre-trade risk parameters as required by Chapter IV, Section 5;

(4) provide an Authorized Customer's Authorized Traders a Trader ID;

(5) remain responsible, in accordance with these Rules, for the acts and omissions of any of its Authorized Customers, regardless of the level of risk controls set by the Clearing Futures Participant and the approval of such risk controls by the Exchange;

(6) be responsible for the financial obligations of each Authorized Customer for which it authorizes to enter transactions for reporting and clearing as well as for compliance by the Authorized Customer with the Rules of the Exchange and compliance with Exchange procedures;

(7) authorizes the Exchange to debit any transaction fees, permit fees, regulatory fees or other charges referenced on the Fee Schedule due and owing to the Exchange incurred by Authorized Customer;

(8) take any and all actions requested or required by the Exchange with respect to such Off-Exchange Reporting Broker, including, but not limited to, assisting the Exchange in any investigation into potential violations of Exchange Rules or of the Act, and requiring such Authorized Customer to produce documents, provide information, answer questions and/or to appear in connection with any investigation;

(9) suspend or terminate the Off-Exchange Reporting Broker's access to the Trading System if the Exchange determines that the actions of the Authorized Customer threaten the integrity or

liquidity of any Exchange Contract, violate Exchange Rules or the Act, or if the Authorized Customer fails to cooperate in any investigation;

(10) maintain or cause to be maintained the audit trail for all transactions submitted to the Exchange for reporting and clearing and produce, upon request of the Exchange or its Regulatory Services Provider, the audit trail for all transactions submitted to the Exchange by an Authorized Customer in accordance with (j) above; and

(11) provide information of actual or constructive notice of a violation or potential violation of the Rules or the Act in connection with the use of the Trading System by an Authorized Customer for which it provides access.

(ii) An Authorized Customer granted access as an Off-Exchange Reporting Broker by a Clearing Futures Participant shall:

(1) complete a form and provide such other information as specified as by the Exchange;

(2) submit privately-negotiated transactions which are in accordance with the Exchange Rules governing Block Trades in accordance with Chapter IV, Section 10 or Exchange for Related Position transactions in accordance with Chapter IV, Section 11;

(3) input accurate information into the Trading System;

(4) agree to agreement to abide by the Exchange's Certificate, By-Laws and Rules of the Exchange, as they may be amended from time to time;

(5) consent to the jurisdiction of the Exchange and agree to be bound by and comply with the Rules of the Exchange in relation to such transactions, including, but not limited to, rules requiring cooperation and participation in investigatory and disciplinary processes;

(6) not be presently enjoined by order, judgment or decree of any court of competent jurisdiction or of the Commission or the Securities and Exchange Commission or of any state securities authority or agency from engaging in or continuing any conduct or practice in connection with the purchase or sale of any commodity, security, Option or similar instrument;

(7) maintain or cause to be maintained the audit trail for all transactions submitted to the Exchange; and

(8) maintain a current list of all Authorized Traders (including Trader ID's assigned to an Automated Trading System) of the Futures Participant as well as Authorized Risk Officers, and provide such information upon request.

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