

SUBMISSION COVER SHEET

Confidential Treatment has not been requested

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Submission Description: General Reference Guide

Rule Numbers: General Reference Guide



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Rule Self-Certification

May 26, 2016

Christopher J. Kirkpatrick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Center
1155 21st Street, NW
Washington, DC 20581

Re: **Rule §40.6 Submission Certification**
General Reference Guide
Reference File: SR-NFX-2016-62

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”) is amending its General Reference Guide to conform it to recent amendments made to the Rulebook. The amended rule text is attached as Exhibit A and will be implemented as of June 13, 2016.

The Exchange amended Chapter I, Section 1 and Chapter IV, Section 4 to clarify that only a Limit Order may generate an Implied Order.¹ The term “Implied Order” means a Limit Order that is automatically generated by the Trading System from a derived price. The Exchange conforms the General Reference Guide to reflect this change to the Rules.

The Exchange recently filed to amend Chapter IV, Section 4 to permit a Trading at Settlement (“TAS”) Order to be transacted as a Combination Order.² TAS Single Order is an Order to buy or sell a stated quantity of the relevant Contract at a price expressed as a differential (which may be zero) above or below the Daily Settlement Price for the Contract on the trade date on which the TAS Single Order is executed. A TAS Combo Order is an Order to buy or sell a stated quantity of the relevant Intra-Commodity Spread (“Time Spread”) at a price expressed as a differential (which may be zero) above or below the Daily Settlement Price for the second

¹ See SR-NFX-2016-47.

² See SR-NFX-2016-54

Contract on the trading day on which the TAS Combo Order is executed. The Exchange conforms the General Reference Guide to reflect this change to the Rules.

The Exchange amended Chapter I, Section 1, Chapter IV, Section 4 and Chapter IV, Section 9 to clarify that Mass Quote Protection is not available in the Combination Order Book.³ Futures Participants may elect to enable certain risk protection mechanisms which result in the removal of Quotes from the Trading System if certain pre-set parameters have been met or exceeded. Also, the Exchange filed to permit mass Quotes to be entered as Combination Orders with certain limitations.⁴ A Quote may be entered as a single Quote or as part of a mass Quote with multiple Instruments. The Exchange conforms the General Reference Guide to reflect these change to the Rules.

The Exchange filed to amend Chapter IV, Section 4 to permit Iceberg Orders to be transacted as a Combination Order.⁵ An Iceberg Order is an Order where a portion of the Order is displayed and a portion of the Order is non-displayed. The Exchange conforms the General Reference Guide to reflect this change to the Rules.

The Exchange certifies that the amendments comply with the Act and, specifically, the following designated contract market core principles:

- **Compliance with Rules.** The Exchange specifies 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. 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.

- **Availability of Contract Information.** The Exchange has indicated within its trading Rules where specific information relates to a particular Contract. The Exchange provides detailed information within the contract specifications for that particular Contract. The Exchange also posts the terms and conditions of Exchange Contracts in its Rulebook along with trading Rules.

- **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 be matched in Price-Time priority. The Exchange specifies the types of Orders that will be accepted by the Trading System in Chapter IV, Section 4.

³ See SR-NFX-2016-47.

⁴ See SR-NFX-2016-48.

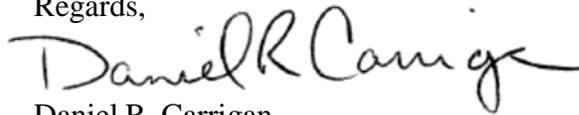
⁵ See SR-NFX-2016-54.

- 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 the General Reference Guide 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 business.nasdaq.com/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-2016-62 in any related correspondence.

Regards,

A handwritten signature in black ink that reads "Daniel R. Carrigan". The signature is written in a cursive style with a large, sweeping initial "D".

Daniel R. Carrigan
President

Exhibit A

New text is underlined; deleted text is stricken.

NASDAQ Futures, Inc. (NFX) General Reference Guide

Version 1.04 | 2016-~~056-0413~~

3.11 Implied Orders

The Exchange offers Implied Out and Implied In Order functionality. Whereas Combination Orders specify a quantity and whether they are buying or selling the combination upfront, Implied Orders are automatic Limit ~~Order~~s generated by the Trading System for the purpose of trading various combinations, except for Inter-Commodity Spreads. An Implied Order cannot be an FOK or IOC.

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3.12 Trade at Settlement

The Exchange may determine from time-to-time those Contracts and contract months for which Futures Participants may execute trades at the Daily Settlement Price (“Trade at Settlement” or “TAS”) and the trading hours of each contract during which Members may execute trades at the Daily Settlement Price (Daily Settlement Price first announced by the Exchange for the trade date on which the TAS Order is executed). There are two types of TAS Orders, a TAS Single Order and a TAS Combo Order (collectively “TAS Orders”).

For TAS Single Orders, ~~the~~ Exchange may also designate Contracts and contract months where Futures Participants may execute trades at a premium or discount to the Daily Settlement Price. When designating such Contracts and contract months the Exchange may limit the permissible trading range around the Daily Settlement Price within which trades may be executed. The Exchange may vary this trading range at any time with immediate effect. TAS trades are executed on the NFX Platform at a price of zero representing the Daily Settlement Price.

For those Contracts and contract months where it is permitted to trade at a premium or discount to the Daily Settlement Price, the price of such settlement trades will be prefixed by a plus or minus sign as appropriate. For example, settlement trades executed at +1 cent will be at a premium of one cent to the settlement price while those executed at -1 cent will be at a discount of one cent to the settlement price.

For those TAS Combos, only Intra-Commodity spreads are permitted. TAS Combo Orders may be priced in increments (plus or minus) of up to 10 minimum trading increments from the Daily Settlement Price

for the second Contract. A TAS Combo Order executed at a zero differential will be filled and cleared at the Daily Settlement Price for the trading day for both legs of the Time Spread. The first leg of the Time Spread is priced at the Daily Settlement Price, as applicable, for that contract month. The second leg of the Time Spread is priced at the Daily Settlement Price, as applicable, for that contract minus the allowable TAS price increment traded, except in circumstances where the traded TAS price is the actual settlement or market price of the contract. Implied Orders from TAS Combo Orders (Implied Out and Implied In) will not be generated in the Trading System. Mass Quotes are permitted in a TAS Combination Order Book as long as the number of one-sided or two-sided Quotes is limited to one (1) Instrument. However, Mass Quote Protection is not available for Quotes entered into TAS Combo Order Books.

After the Exchange has determined the Daily Settlement Prices of the associated underlying Futures contracts; the Exchange shall enter a reversing trade (to offset the exact initial trade at settlement transaction) and then an overtaking trade that is equal to the sum of the initial trade at settlement trade and the Daily Settlement Price for the relevant underlying Futures contract. Only the overtaking trade will be sent to OCC for clearing.

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3.15.1 Mass Quote Function

Mass Quote functionality allows traders to create and maintain a one or two-sided market on a large number of Instruments more efficiently by enabling Authorized Traders and Authorized Customers to:

- Create and update their action to buy and sell up to 29 Instruments utilizing a single message, not including Combination Orders which will only accept 1 instrument;
- Modify only one side (bid or sell) of a resting Quote by using the appropriate bid or offer quantity and price values in a new Mass Quote entry message;
- Quote cancel is accomplished by modifying the price and quantity of a Quote to zero;
- Cancel one side of a resting quote and leave the opposite side unchanged;
- Cancel one side of a resting Quote and modify the opposite side;
- Cancel both sides of a resting Quote; and
- Cancel all Quotes entered by Authorized Traders and Authorized Customers.

3.15.2 ~~Market Maker~~ Mass Quote Protection

The Exchange offers functionality to protect ~~Market Makers~~ Participants from large scale rapid-fire Quote executions that can occur in a short amount of time during periods due to extreme market volatility. This functionality is designed to enable ~~Market Makers~~ Participants to quote in Contracts while determining acceptable risk levels.

~~Market Maker~~ Mass Quote Protection parameters are configurable by the ~~Market Maker~~ Participant. The ~~Market Maker~~ Participant can update (change or disable) the parameters intra-day. The parameters required to be set by a ~~Market Maker~~ Participant are:

1. Exposure Limit Time Interval—the number of contracts executed during a period of time specified in seconds per Contract.
2. Quotation Frozen Time— cannot enter Quotes for a period of time specified in seconds per Contract.
3. Quantity Protection—a volume threshold value which, if the number of contracts executed, equals or exceeds such value during the Exposure Limit Time Interval, the Trading System will remove all Group Quotes in a Contract.
4. Delta Protection—a net delta value per Contract based on absolute value of the sum with (or without) Futures.

If the ~~Market Maker's~~ Participant's pre-set parameters have been met or exceeded in either the Quantity Protection or the Delta Protection, the Trading System will prevent new Quotes from being entered by the Group for the Quotation Frozen Time. If an execution would cause the volume threshold or the net delta value to be met or exceeded, the Trading System completes the transaction prior to the removal of all Group Quotes in a Contract. A setting of zero will result in the Quotation Frozen Time Period setting to prevent Quotes from being entered for the remainder of that Open Session, unless the setting is modified; notwithstanding a reopening due to a Trading Halt. The Quantity Protection and Delta Protection risk mechanisms operate independently of each other. The Trading System will send a notification message to the ~~Market Maker~~ Participant when Quotes are removed as a result of either the Quantity Protection or Delta Protection mechanisms for a Contract.

See the ~~Market Maker~~ Mass Quote Protection & Self-Match Prevention Reference Guide.

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4 ORDER TYPES AND TIME CONDITIONS

6. Iceberg Order

An "Iceberg Order" is an Order where a portion of the Order is displayed and a portion of the Order is non-displayed. When the displayed quantity of the Iceberg Order is executed, a non-displayed portion of the remaining balance of the Order will be displayed in the Order Book as a new Order and will not retain its time priority. The non-displayed portion of the Order which becomes displayed after the original portion is executed will be equal to the original non-displayed quantity. Only if the volume is reduced for an Iceberg Order will it retain its position in the time-priority queue. An Iceberg Order may be transacted for either an outright Contract or a Combination Strategy (limited to an Intra-Commodity spread).

7. Trading at Settlement Order

There are two types of TAS Order, a TAS Single Order and a TAS Combo Order (collectively "TAS Orders"). The Exchange will designate the Contracts in which TAS transactions are permitted in accordance with this Rule. TAS trades are not permitted on the Last Trading Day in any Contract Expiry, or for any trade date which is a U.S. federal holiday even if the Exchange is open for trading. TAS transactions are not permitted in any Options, Combination Order or EFRP transactions.

A TAS Single Order is an Order to buy or sell a stated quantity of the relevant Contract at a price expressed as a differential (which may be zero) above or below the Daily Settlement Price for the Contract on the trade date on which the TAS Single Order is executed. The term trade date means the day on which the TAS transaction occurred, except that the trade date in respect of trades effected in a Trading Session beginning on one calendar day and ending on the next calendar day shall be deemed to be the calendar day on which the Trading Session ends. TAS Single Orders may be priced in increments (plus or minus) of up to 10 minimum trading increments from the Daily Settlement Price. A TAS Single Order executed at a zero differential will be filled and cleared at the Daily Settlement Price for the trading day. TAS Single Orders do not trade in the Combination Order Book.

A TAS Combo Order is an Order to buy or sell a stated quantity of the relevant Intra-Commodity Spread ("Time Spread") at a price expressed as a differential (which may be zero) above or below the Daily Settlement Price for the second Contract on the trading day on which the TAS Combo Order is executed. TAS Combo Orders may not trade as Inter-Commodity Spreads. TAS Combo Orders may be priced in increments (plus or minus) of up to 10 minimum trading increments from the Daily Settlement Price for the second Contract. A TAS Combo Order executed at a zero differential will be filled and cleared at the Daily Settlement Price for the trading day for both legs of the Time Spread.

The first leg of the Time Spread is priced at the Daily Settlement Price, as applicable, for that contract month. The second leg of the Time Spread is priced at the Daily Settlement Price, as applicable, for that contract minus the allowable TAS price increment traded, except in circumstances where the traded TAS price is the actual settlement or market price of the contract. Implied Orders from TAS Combo Orders (Implied Out and Implied In) will not be generated in the Trading System. Mass Quotes are permitted in TAS Combo Order Books as long as the number of one-sided or two-sided Quotes is limited to one (1) Instrument. However, Mass Quotes Protection is not available for Quotes entered into TAS Combo Order Books.

A "Trading at Settlement" or "TAS" Order is an Order to buy or sell a stated quantity of the relevant Contract and Trading at Settlement Combinations ("TAS Combo") at a price expressed as a differential (which may be zero) above or below the Daily Settlement Price for the Contract on the trading day on which the TAS Order is executed. TAS Orders may be priced in increments (plus or minus) of up to 10 minimum trading increments from the Daily Settlement Price. A TAS transaction executed at a zero differential will be filled and cleared at the Daily Settlement Price for the trading day.

The Exchange will designate the Contracts in which TAS transactions are permitted in accordance with this Rule. TAS trades are not permitted on the Last Trading Day in any Contract Expiry, or for any trade

~~date which is a U.S. federal holiday even if the Exchange is open for trading. TAS transactions are not permitted in any Options, Combination Order or EFRP transactions.~~

8. Combination Order

A "Combination Order" means an Order to simultaneously buy and/or sell at least two contracts in one or more Contracts in a form accommodated by the Trading System (except for TAS Combos which are limited to Intra-Commodity Spreads). All legs of a Combination Order are acquired simultaneously and must be for the same account or accounts with the same beneficial ownership. The Exchange will accept a Combination Order of up to four legs into the Trading System (except for TAS Combos). Combination Orders may execute against other Combination Orders or they may execute against the respective legs of Orders within the Order Book. Combination Orders shall not update the prices of the respective legs of such Combination Orders in their respective Order Book. The Exchange will disseminate Combination Orders through ITCH and FIX protocols. These types of Orders may also be referred to as "Strategies." Quotes and Orders are not permitted in Combination Order Books, only Orders are permitted. The following order types may be Combination Orders: Market Orders, Limit Orders and Market-to-Limit Orders, Iceberg Orders, and TAS Orders.

9. Implied Orders

The term "Implied Orders" means Limit Orders that are automatically generated by the Trading System from a derived price. An "Implied Out Order" derives its price and quantity from resting Combination Strategy Orders and the aggregate of the respective legs which are at the best price for a Contract. An "Implied In Order" derives its price and quantity from the net differential from the best prices as between two contract months for a Contract. The Exchange will not disseminate Implied In Orders through the ITCH Market Data Feed; it will disseminate through FIX.

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