

SUBMISSION COVER SHEET

IMPORTANT – Confidential Treatment is requested

Organization Name: NASDAQ Futures, Inc.

Organization Type: DCM

Registered Entity Identifier: SR-NFX-2017-03

Submission Number: 1702-2117-2447-03

Submission Date: 02/21/17 05:24:47 PM

Submission Type: Product - 40.2(a) Product Certification

Submission Description:

SUBMISSION COVER SHEET

IMPORTANT – Confidential Treatment is requested

Organization Name: NASDAQ Futures, Inc.

Organization Type: DCM

Registered Entity Identifier: SR-NFX-2017-03

Submission Number: 1702-2117-3336-99

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Submission Type: Product - 40.2(a) Product Certification

Submission Description:



Nasdaq Futures, Inc.
1900 Market Street
Philadelphia, PA 19103 / USA
business.nasdaq.com/futures

Rule Self-Certification

February 21, 2017

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
NFX Options on Heating Oil and RBOB Gasoline Futures**
Reference File: SR-NFX-2017-03

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 NFX Options on Heating Oil Penultimate Financial Futures and NFX Options on NFX RBOB Gasoline Penultimate Financial Futures (“NFX Options”). The Exchange anticipates listing the NFX Options beginning March 14, 2017 for trade date March 15, 2017. The amendments proposed in this submission shall be effective on the listing date.

The name of each NFX Option is listed below, followed by its symbol in parentheses:

- **NFX Options on NFX Heating Oil Penultimate Financial Futures (OOQ)**
- **NFX Options on NFX RBOB Gasoline Penultimate Financial Futures (ROQ)**

The new rules and terms and conditions describing the NFX Options are attached to this letter as Exhibits A and B, which together amend (1) Rulebook Appendix A, Listed Contracts, by adding chapters 106C and 107D to the NFX Rulebook, and (2) Rulebook Appendix B, Table of Position Limits, Position Accountability Levels and Large Trader

Reporting Levels (attached under separate cover).¹ A cash market description and deliverable supply analysis for the NFX Options is included as Exhibit C under separate cover, together with a request for confidential treatment of that exhibit under FOIA.

Concise Description of the NFX Options Contracts

NFX Options on NFX Heating Oil Penultimate Financial Futures (NFX Heating Oil Options)

A put or call option traded on the Exchange will be an American-style option to assume a short or long position in one NFX Heating Oil Penultimate Financial Futures (OQ) contract of a specified contract month. The unit of trading for one NFX Heating Oil Options contract will be 42,000 gallons. Prices will be quoted in UD dollars and cents per gallon, or \$4.20 per contract.

Subject to Clearing Corporation rules, upon exercise the holder has the right, in the case of a call, to have such call replaced by a long position in the underlying futures contract equal to the unit of trading for such option contract and in the case of a put, to have such put replaced by a short position in the underlying futures contract equal to the unit of trading for such option contract.

Subject to Clearing Corporation rules, a writer has the obligation, upon assignment by the Clearing Corporation of an exercise in respect of such contract, in the case of a call, to have such call replaced by a short position in the underlying futures contract equal to the unit of trading for such option contract and in the case of a put, to have such put replaced by a long position in the underlying futures contract equal to the unit of trading for such option contract.

Underlying futures contracts that are opened in settlement of exercises and assignments of futures option contracts shall be deemed to have been opened on the day of exercise and shall be deemed to be opened at the exercise price for such futures option, which shall be deemed the contract price for such futures contract.

NFX Option on NFX RBOB Gasoline Financial Futures (NFX RBOB Options)

A put or call option traded on the Exchange will be an American-style option to assume a short or long position in one NFX RBOB Gasoline Penultimate Financial Futures (RQ) contract of a specified contract month. The unit of trading for one NFX RBOB Options contract

¹ The Exchange is separately filing SR-NFX-2017-04, also to be effective upon listing of the NFX Options, which adopts provisions for the NFX Options relating to block trading minimum quantities and reporting times, non-reviewable ranges, trading hours and daily settlement prices in the new Appendix A chapter governing the NFX Options. Language appearing in the new Appendix A chapter which is not underlined in Exhibit A hereto is being separately proposed in SR-NFX-2017-04 pursuant to Commission Rule 40.6

will be 42,000 gallons. Prices will be quoted in UD dollars and cents per gallon, or \$4.20 per contract.

Subject to Clearing Corporation rules, upon exercise the holder has the right, in the case of a call, to have such call replaced by a long position in the underlying futures contract equal to the unit of trading for such option contract and in the case of a put, to have such put replaced by a short position in the underlying futures contract equal to the unit of trading for such option contract.

Subject to Clearing Corporation rules, a writer has the obligation, upon assignment by the Clearing Corporation of an exercise in respect of such contract, in the case of a call, to have such call replaced by a short position in the underlying futures contract equal to the unit of trading for such option contract and in the case of a put, to have such put replaced by a long position in the underlying futures contract equal to the unit of trading for such option contract.

Underlying futures contracts that are opened in settlement of exercises and assignments of futures option contracts shall be deemed to have been opened on the day of exercise and shall be deemed to be opened at the exercise price for such futures option, which shall be deemed the contract price for such futures contract.

The listing cycle for each contract is up to 120 consecutive, and non-consecutive, monthly contracts, beginning with the nearest available contract month. The block trade minimum quantity threshold and reporting window are set at 25 contracts and fifteen minutes, respectively, for each NFX Options. Spot month position limits for the NFX Options set forth on Exhibit B are consistent with those for comparable contracts listed by NYMEX.

Certifications

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

Core Principle 2 - Compliance with Rules:

The terms and conditions of the NFX Options will be set forth in Rulebook Appendix A. In addition, trading of the NFX Options 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 NFX Options will be financially settled, do not involve the physical delivery of commodities, and will settle to prices published on well-established reference sources. As with all contracts listed for trading on the Exchange, activity in the NFX Options 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 NFX Options settle to the daily settlement price for the corresponding American-style exercise Options on NYMEX NY Harbor ULSD Futures (OH) and NYMEX RBOB Gasoline Futures (OB), respectively and are not readily subject to manipulation due to oversight of NYMEX.

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 NFX Options 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 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 NFX Options 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 NFX Options' reporting levels, accountability levels and position limits are set forth in Rulebook Appendix B – Table of Reporting Levels, Position Accountability Levels and Position Limits. As noted above, these levels are commensurate with the levels set by NYMEX for comparable existing 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: business.nasdaq.com/futures.

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 NFX Options 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 NFX Options 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 NFX Options 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 NFX Options 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 the NFX Options 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 the 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 NFX Options.

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 NFX Options 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 business.nasdaq.com/futures.

If you require any additional information regarding the submission, please contact Aravind Menon at (301) 978-8416 or aravind.menon@nasdaq.com. Please refer to SR-NFX-2017-03 in any related correspondence.

Regards,



Daniel R. Carrigan
President

Attachments:

Exhibit A: Amendments to Rulebook Appendix A – Listed Contracts

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

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

Exhibit A to SR-NFX-2017-03

New language is underlined.

Rulebook Appendix A - Listed Contracts

* * * * *

CHAPTER	PRODUCT NAME AND SYMBOL
	OIL AND REFINED PRODUCTS
106C	<u>NFX Options on NFX Heating Oil Penultimate Financial Futures (OOQ)</u>
107D	<u>NFX Options on NFX RBOB Gasoline Penultimate Financial Futures (ROQ)</u>
	NATURAL GAS PRODUCTS – No Change
	POWER CONTRACTS – No Change

NFX Options on NFX Heating Oil Penultimate Financial Futures (OOQ)

106C.01 Unit of Trading

The unit of trading for one contract shall be 42,000 gallons.

106C.02 Nature of NFX Options on NFX Heating Oil Penultimate Financial Futures

A put or call option traded on the Exchange represents an option to assume a short or long position in one NFX Heating Oil Penultimate Financial Futures (OQ) contract of a specified contract month.

Subject to Clearing Corporation rules, upon exercise the holder has the right, in the case of a call, to have such call replaced by a long position in the underlying futures contract equal to the unit of trading for such option contract and in the case of a put, to have such put replaced by a short position in the underlying futures contract equal to the unit of trading for such option contract.

Subject to Clearing Corporation rules, a writer has the obligation, upon assignment by the Clearing Corporation of an exercise in respect of such contract, in the case of a call, to have such call replaced by a short position in the underlying futures contract equal to the unit of trading for

such option contract and in the case of a put, to have such put replaced by a long position in the underlying futures contract equal to the unit of trading for such option contract.

Underlying futures contracts that are opened in settlement of exercises and assignments of futures option contracts shall be deemed to have been opened on the day of exercise and shall be deemed to be opened at the exercise price for such futures option, which shall be deemed the contract price for such futures contract.

106C.03 Contract Months and Expiration Date

The Exchange may list for trading up to 120 consecutive or non-consecutive monthly contracts, beginning with the nearest available contract month. A contract shall expire at 11:59 PM EPT on the last trading day.

106C.04 Exercise Prices

On the first business day of trading in an option contract month, the Exchange will list a minimum of five exercise prices in increments of \$0.01 per gallon above and below the at-the-money exercise price per contract month. The at-the-money exercise price shall be the previous day's settlement price for the NFX Heating Oil Penultimate Financial Futures (OO) contract in the corresponding contract month rounded to the nearest \$0.01 increment strike price. Thereafter, on any business day prior to the expiration of the option: (i) new consecutive one-cent increment strike prices for both puts and calls will be added such that at all times there will be at least five one-cent increment strike prices above and below the at-the-money strike price available for trading in all options contract months.

106C.05 Exercise Style

The options contracts are American-style exercise. The buyer of the option may exercise the option on any business day prior to expiration by giving notice of exercise to the Clearing Corporation by the deadline established by the Clearing Corporation. At such time as the Clearing Corporation establishes for automatic exercise on the last trading day, the Clearing Corporation will automatically exercise all options that are in-the-money on behalf of the holder unless instructed otherwise by the holder. Unexercised options which are out-of-the-money expire automatically.

106C.06 Last Trading Day

Trading for a particular contract month terminates two business days before the last day of trading for the underlying NFX Heating Oil Penultimate Financial Futures (OO) contract. Trading ceases at 2:30 PM EPT on the last trading day.

106C.07 Prices and Minimum Increments

Prices are quoted in U.S. dollars and cents per gallon. The minimum trading increment is one hundredth of a cent (\$0.0001) per gallon, which is equal to \$4.20 per contract.

106C.08 Daily Settlement Prices

Pursuant to Chapter V, Section III, the daily settlement price shall be equal to the daily settlement price for the corresponding American-style exercise Options on NYMEX NY Harbor ULSD Futures (OH). If the daily settlement price described in the previous sentence is

unavailable the Exchange may in its sole discretion establish a daily settlement price that it deems to be a fair and reasonable reflection of the market.

106C.09 Trading Algorithm and Reporting Window

Pursuant to Chapter IV, Section 5, the trading system shall execute orders within the trading system pursuant to the price time priority order execution algorithm.

106C.10 Block Trade Minimum Quantity Threshold

Pursuant to Chapter IV, Section 10, block trades shall be permitted with a minimum quantity threshold of 25 contracts and the Reporting Window shall be fifteen minutes.

106C.11 Order Price Limit Protection

Order Price Limit Protection under Chapter IV, Section 8, shall not apply.

106C.12 Non-Reviewable Range

For purposes of Chapter V, Section 5, there shall be no non-reviewable range.

Chapter 107D NFX Options on NFX RBOB Gasoline Penultimate Financial Futures (ROQ)

107D.01 Unit of Trading

The unit of trading for one contract shall be 42,000 gallons.

107D.02 Nature of NFX Options on NFX RBOB Gasoline Penultimate Financial Futures

A put or call option traded on the Exchange represents an option to assume a short or long position in one NFX RBOB Gasoline Penultimate Financial Futures (RO) contract of a specified contract month.

Subject to Clearing Corporation rules, upon exercise the holder has the right, in the case of a call, to have such call replaced by a long position in the underlying futures contract equal to the unit of trading for such option contract and in the case of a put, to have such put replaced by a short position in the underlying futures contract equal to the unit of trading for such option contract.

Subject to Clearing Corporation rules, a writer has the obligation, upon assignment by the Clearing Corporation of an exercise in respect of such contract, in the case of a call, to have such call replaced by a short position in the underlying futures contract equal to the unit of trading for such option contract and in the case of a put, to have such put replaced by a long position in the underlying futures contract equal to the unit of trading for such option contract.

Underlying futures contracts that are opened in settlement of exercises and assignments of futures option contracts shall be deemed to have been opened on the day of exercise and shall be deemed to be opened at the exercise price for such futures option, which shall be deemed the contract price for such futures contract.

107D.03 Contract Months and Expiration Date

The Exchange may list for trading up to 120 consecutive or non-consecutive monthly contracts, beginning with the nearest available contract month. A contract shall expire at 11:59 PM EPT on the last trading day.

107D.04 Exercise Prices

On the first business day of trading in an option contract month, the Exchange will list a minimum of five exercise prices in increments of \$0.01 per gallon above and below the at-the-money exercise price per contract month. The at-the-money exercise price shall be the previous day's settlement price for the NFX RBOB Gasoline Penultimate Financial Futures (RQ) contract in the corresponding contract month rounded to the nearest \$0.01 increment strike price. Thereafter, on any business day prior to the expiration of the option: (i) new consecutive one-cent increment strike prices for both puts and calls will be added such that at all times there will be at least five one-cent increment strike prices above and below the at-the-money strike price available for trading in all options contract months.

107D.05 Exercise Style

The options contracts are American-style exercise. The buyer of the option may exercise the option on any business day prior to expiration by giving notice of exercise to the Clearing Corporation by the deadline established by the Clearing Corporation. At such time as the Clearing Corporation establishes for automatic exercise on the last trading day, the Clearing Corporation will automatically exercise all options that are in-the-money on behalf of the holder unless instructed otherwise by the holder. Unexercised options which are out-of-the-money expire automatically.

107D.06 Last Trading Day

Trading for a particular contract month terminates two business days before the last day of trading for the underlying NFX Heating Oil Penultimate Financial Futures contract. Trading ceases at 2:30 PM EPT on the last trading day.

107D.07 Prices and Minimum Increments

Prices are quoted in U.S. dollars and cents per gallon. The minimum trading increment is one hundredth of a cent (\$0.0001) per gallon, which is equal to \$4.20 per contract.

107D.08 Daily Settlement Prices

Pursuant to Chapter V, Section III, the daily settlement price shall be equal to the daily settlement price for the corresponding American-style exercise Options on NYMEX RBOB Gasoline Futures (OB). If the daily settlement price described in the previous sentence is unavailable the Exchange may in its sole discretion establish a daily settlement price that it deems to be a fair and reasonable reflection of the market.

107D.09 Trading Algorithm and Reporting Window

Pursuant to Chapter IV, Section 5, the trading system shall execute orders within the trading system pursuant to the price time priority order execution algorithm.

107D.10 Block Trade Minimum Quantity Threshold

Pursuant to Chapter IV, Section 10, block trades shall be permitted with a minimum quantity threshold of 25 contracts and the Reporting Window shall be fifteen minutes.

107D.11 Order Price Limit Protection

Order Price Limit Protection under Chapter IV, Section 8, shall not apply.

107D.12 Non-Reviewable Range

For purposes of Chapter V, Section 5, there shall be no non-reviewable range.

Exhibit B to SR-NFX-2017-03

RULEBOOK APPENDIX B

NFX Rulebook Appendix A Chapter #	Contract Name	Ticker Symbol	Contract Size	Unit of Trading	Type	Settlement	Group	Diminishing Balance Contract	Exchange Reporting Level	SPOT-MONTH					Initial Spot-Month Limit Effective Date
										Spot-Month Aggregate Into Futures Equivalent Leg (1)	Spot-Month Aggregate Into Futures Equivalent Leg (2)	Spot-Month Aggregate Into Ratio Leg (1)	Spot-Month Aggregate Into Ratio Leg (2)	Initial-Spot Month Accountability Level (In Net Futures Equivalents)	

Oil and Refined Products

106C	NFX Options on NFX Heating Oil Penultimate Financial Futures (OOQ)	OOQ	42,000	Gallons	Am. Option	Exercises into Financial Futures	Refined Products		250	OQ	1 OOQ : 1 OQ		1,000	Close of trading 3 business days prior to last trading day of the contract
107D	NFX Options on NFX RBOB Gasoline Penultimate Financial Futures (ROQ)	ROQ	42,000	Gallons	Am. Option	Exercises into Financial Futures	Refined Products		150	RQ	1 ROQ : 1 RQ		1,000	Close of trading 3 business days prior to last trading day of the contract

RULEBOOK APPENDIX B

NFX Rulebook Appendix A Chapter #	Contract Name	Ticker Symbol	SINGLE-MONTH				ALL MONTH					
			Single Month Aggregate Into Futures Equivalent Leg (1)	Single Month Aggregate Into Futures Equivalent Leg (2)	Single Month Aggregate Into Ratio Leg (1)	Single Month Aggregate Into Ratio Leg (2)	Single Month Accountability Level Leg (1) / Leg (2)	All Month Aggregate Into Futures Equivalent Leg (1)	All Month Aggregate Into Futures Equivalent Leg (2)	All Month Aggregate Into Ratio Leg (1)	All Month Aggregate Into Ratio Leg (2)	All Month Accountability Level Leg (1) / Leg (2)
<u>Oil and Refined Products</u>												
106C	NFX Options on NFX Heating Oil Penultimate Financial Futures (OOQ)	OOQ	OQ		1 OOQ:1 OQ		5,000	OQ		1 OOQ:1 OQ		7,000
107D	NFX Options on NFX RBOB Gasoline Penultimate Financial Futures (ROQ)	ROQ	RQ		1 ROQ:1 RQ		5,000	RQ		1 ROQ:1 RQ		7,000