

SUBMISSION COVER SHEET

IMPORTANT – Confidential Treatment is requested

Organization Name: NASDAQ Futures, Inc.

Organization Type: DCM

Registered Entity Identifier: SR-NFX-2017-39

Submission Number: 1709-0814-1948-50

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Submission Type: Rule - 40.6(a) Rule Certification

Submission Description: Certification to amend certain elements of the trading incentive program for certain energy contracts.

Rule Numbers: Trading Incentive Program - SCHEDULE 4: Net Revenue Share Buyout Program



Nasdaq Futures, Inc.
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Philadelphia, PA 19104 / USA
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Rule Self-Certification

September 8, 2017

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

Re: **Rule Certification for
Amendments to the Trading Incentive Program
Reference File: SR-NFX-2017-39**

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (“Act”), and Section 40.6 of the Commission’s regulations thereunder, NASDAQ Futures, Inc. (“NFX” or “Exchange”) submits this self-certification to amend certain elements of the trading incentive program (the “Program”) for certain energy contracts that the Exchange has listed.

The amendments to the current Program¹ will be effective immediately, and will continue until the Program expires. The confidential details of the Program and the amendments thereto are set forth in Confidential Appendix 1, attached under separate cover.

The Exchange implemented a Program to incent Futures Participants, as well as Authorized Customers, to enhance liquidity in certain energy contracts listed on the Exchange. The Exchange believes that the resulting increase in liquidity generated by the Program benefits all participants in the market. The Exchange believes that the Program, and the amendments thereto, are consistent with Core Principles 2 (Compliance with Rules), 4 (Prevention of Market Disruption), 9 (Execution of Transactions), 12 (Protection of Market Participants), 18 (Recordkeeping) and 19 (Antitrust Considerations) under Section 5 of the Act because the Program

¹ See SR-NFX-2015-30, filed May 15, 2015.

does not incentivize manipulative trading or market abuse and will not impact the Exchange's ability to perform its trade practice and market surveillance obligations under the Act.

With respect to compliance with Core Principle 2, as noted above, the Exchange's Rule at Chapter III, Section 24, entitled "General Trading Standards and Prohibited Practices" prohibits abusive trading practices. Also, the Exchange's Rulebook at Chapter III, Sections 6 through 15 includes Customer Protection Rules that apply when a Futures Participant enters a trade on behalf of a Customer. The Exchange's Rules include prohibitions against fraudulent, non-competitive, unfair or abusive practices. All Futures Participants that participate in the Program are subject to NFX Rules.

With respect to compliance with Core Principle 4, the Exchange's market regulation staff monitor trading in the Program's products to prevent manipulative trading and market abuse. Additionally, the Exchange has implemented systems to track Program participants' obligations under the Program to ensure compliance with earned incentives. The incentives offered as part of the Program do not impact the manner in which Orders are executed on NFX. Pursuant to the Exchange Rules at Chapter VI, the Surveillance and Enforcement groups are authorized to investigate trading activities on the Exchange, and initiate enforcement procedures to ensure compliance with the Rules.

The Exchange's Rules at Chapter III, Section 19, entitled "Exchange Access to Position Information" provide that the Exchange shall have the authority to obtain from any Futures Participant information with respect to positions of such Futures Participant or any Customer of such Futures Participant. The Exchange's Rules at Chapter III, Section 16 require Futures Participants to submit a daily report of all Large Trader Reporting levels as set forth by the Exchange.

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. Chapter II, Section 1 of the Exchange's Rules requires that all Futures Participants must be members of the Clearing Corporation or maintain a clearing account with a Clearing Futures Participant. Futures commission merchants 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. Pursuant to Chapter IV, Section 7, the Exchange requires that Authorized Risk Officers of the Clearing Futures Participant initially set and adjust pre-trade risk parameters for Futures Participants, Authorized Traders and Authorized Customers.

The Program is subject to the Exchange's record retention policies which comply with the Act. Futures Participants, Authorized Traders and Authorized Customers are required to

maintain audit trail information as specified in Exchange Rules at Chapter III, Section 1, Chapter V, Section 1(f)(v) and Chapter V, Section 4(j).

With respect to compliance with Core Principle 9, the Program is designed to promote liquidity in the energy contracts, thus enhancing competition. Provisions for termination of the incentives are triggered upon achievement of a target, indicating a level of acceptance of the contracts by the market. The Exchange has no plans to extend the program beyond what is needed to achieve sustainable volumes. Additionally, the Exchange will continue to operate an electronic trading facility that provides Futures Participants with the ability to execute Orders within the Exchange's Order Book and Combination Order Book from the interaction of multiple bids 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 in Chapter IV, Section 5. The Exchange specifies the types of Orders that will be accepted by the Trading System in Chapter IV, Section 4. Finally, the Exchange separately describes its Rules for executing transactions outside of the Order Book, such as Block Trades and exchange for related positions, in Chapter IV, Sections 11 and 12 respectively.

With respect to compliance with Core Principle 12, as noted above, all trading of the energy contracts is subject to the Exchange's rules, designed to achieve fair and equitable trading of all listed contracts. Chapter III of the Exchange's Rulebook contains prohibitions precluding intermediaries from disadvantaging their customers. Improper conduct and trade practices are investigated and adjudicated as described in Chapter VI of the Exchange's Rules. The procedures for executing trades through the Exchange's Trading System, which are described in the Exchange's Rules at Chapters IV and V, are designed to promote fair and equitable trading on the Exchange.

With respect to compliance with Core Principle 18, the Exchange's recordkeeping program satisfies the relevant criteria set forth in §1.31 of the Commission Regulations. The Exchange's Regulatory Services Provider, NFA, generates records relating to the provision of services pursuant to an RSA. Such records are maintained in accordance with the Act and Commission Regulations.

With respect to compliance with Core Principle 19, the Program does not result in an unreasonable restraint of trade, or the imposition of any material anticompetitive burden. If sufficient liquidity is achieved, the Program should enhance trade and competition by providing an alternative to the incumbent exchanges.

The Exchange makes public daily information on settlement prices, volume, open interest, and opening and closing ranges for actively traded contracts. Trading information is published on the Exchange's website on the next business day prior to the opening.

There were no opposing views among the NFX's Board of Directors, members or market participants. The Exchange hereby certifies that the Program complies with the Commodity Exchange Act and 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>.

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If you require any additional information regarding the submission, please contact Stephen Matthews at (301) 978-8458 or via e-mail at steve.matthews@nasdaq.com. Please reference SR-NFX-2017-39 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

Attachment:

Confidential Appendix 1 (attached under separate cover)