U.S. COMMODITY FUTURES TRADING COMMISSION

Ensuring the Integrity of the Futures & Swaps Markets

DCM Products

Submitter Information

Organization Name NASDAQ Futures, Inc.	
Organization Type DCM	Organization Acronym NQF
Submitted By ccull	Email Address christopher.cull@nasdaq.com

Cover Sheet

Submission Number 1903-1317-1615-69	Submission Date 3/13/2019 5:16:15 PM
Submission Type 40.2(a) Product Certification	
Submission Description NFX P8 Panamax Santos - Qingdao Monthly Average Financial Futures (P8EQ)	
☒	Request Confidential Treatment
Registered Entity Identifier Code SR-NFX-2019-06	
Intended Listing Date 3/27/2019	
☐	Listing Date Unknown

Product Information

Official Product Name NFX P8 Panamax Santos - Qingdao Monthly Average Financial Futures (P8EQ)	
Product Type Future	Settlement Method Cash Settlement
Product Group Transportation	Product Sub Group Dry Bulk Freight
☐	Novel Product Subject to Jurisdictional Determination
Product Publication Website	

Documents

SR-NFX-2019-06 Rule Certification.docx
SR-NFX-2019-06 Exhibit A.docx
SR-NFX-2019-06 Exhibit B.xlsx
SR-NFX-2019-06 CONFIDENTIAL Exhibit C.docx (Confidential Treatment Requested)

Request For Confidential Treatment - Detailed Written Justification

SR-NFX-2019-06 FOIA Letter.docx

March 13, 2019

Nasdaq
Nasdaq Futures, Inc.
FMC Tower, Level 8,
2929 Walnut Street
Philadelphia, PA 19104 / USA

business.nasdaq.com/futures

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

Rule Self-Certification: **Product and Rule Certification for New NFX P8 Panamax Santos - Qingdao Monthly Average Financial Futures (P8EQ)**
Reference File: SR-NFX-2019-06

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 the NFX P8 Panamax Santos - Qingdao Monthly Average Financial Futures ("Dry Freight Futures"). The Exchange anticipates listing the Dry Freight Futures contract beginning March 27, 2019, for trade date March 28, 2019. The amendments proposed in this submission shall be effective on the listing date.

The new rules and terms and conditions describing the Dry Freight Futures contract are attached to this letter as Exhibits A and B, which together amend (1) Rulebook Appendix A, Listed Contracts, by adding chapter 1316, 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 Dry Freight Futures contract is included as Exhibit C under separate cover, together with a request for confidential treatment of that exhibit under FOIA.

Concise Description of the Grain Freight Futures Contract

The Dry Freight Futures contract is a cash settled futures contracts with a final settlement price based on the arithmetic average of the assessments made public by the Baltic Exchange for the P8 Panamax Santos – Qingdao route for each index day in the determination

[1] The Exchange is separately filing SR-NFX-2019-08, also to be effective upon listing of the Dry Freight Contract, which adopts provisions for the Dry Freight Contract relating to block trading minimum quantities and reporting times in the new Appendix A chapter governing the Dry Freight Contract.

period. The terms and conditions of the Dry Freight Futures contract are set forth in the proposed new chapter of Rulebook Appendix A.

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 is 5 contracts and each block trade must be reported by the end of the Open Session during which the block trade was executed. The spot month position limit for the Dry Freight Futures contract is set forth on Exhibit B and consistent with those for comparable contracts listed by NFX.

Certifications

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

Core Principle 2 - Compliance with Rules:

The terms and conditions of the Dry Freight Futures contract will be set forth in Rulebook Appendix A. In addition, trading of the Dry Freight Futures contract 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 Dry Freight Futures contract will be financially settled, does 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 Dry Freight Futures contract 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 Dry Freight Futures contract will settle to prices established on the Baltic Exchange using an index model established in 1985 and relied on by industry professionals since that time. The assessment relies on a panel of independent shipbrokers from across the globe providing their professional judgements as to the prevailing prices for dry freight shipments within the open market. 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 Dry Freight Futures contract 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 Dry Freight Futures contract 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 Dry Freight Futures contract reporting level, accountability level and position limit 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 NFX 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 contracts 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 Dry Freight Futures contract 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 Dry Freight Futures contract 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 Dry Freight Futures contract 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 Dry Freight Futures contract 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 Dry Freight Futures contract.

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 Dry Freight Futures contract 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-2019-06 in any related correspondence.

Regards,

Kevin Kennedy
Chief Executive Officer

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-2019-06

New language is underlined.

Rulebook Appendix A - Listed Contracts

Introduction

*** * * * ***

CHAPTER	PRODUCT NAME AND SYMBOL
	OIL AND REFINED PRODUCTS – No Change
	NATURAL GAR PRODUCTS – No Change
	POWER CONTRACTS – No Change
	PETROCHEMICLE PRODUCTS – No Change
	FERROUS METALS – No Change
	TANKER FREIGHT – No Change
	DRY FREIGHT
1316	NFX P8 Panamax Santos - Qingdao Monthly Average Financial Futures (P8EQ)
	TREASURY FUTURES – No Change

****

Chapter 1316. NFX P8 Panamax Santos – Qingdao Monthly Average Financial Futures (P8EQ)

1316.01 Unit of Trading
The unit of trading for one contract is 1,000 Metric Tons.

1316.02 Contract Months
The Exchange may list for trading up to 120 consecutive or non-consecutive monthly contracts, beginning with the nearest available contract month.

1316.03 Prices and Minimum Increments
Prices are quoted in U.S. dollars and cents per day. The minimum trading increment is $0.01 per metric tons which is equal to $10.00 per contract.

1316.04 Last Trading Day
Trading for a particular contract month terminates on the last business day of the contract month. Trading ceases at 6:00 PM EPT on the last trading day.

Note: the December contract month will expire on the 24th of December or the previous Trade Date.

1316.05 Final Settlement Date
The final settlement date for any contract month shall be the first day on which the Clearing Corporation is open for settlement following the publication of the final settlement price for that contract month.

1316.06 Final and Daily Settlement and Settlement Price

(a) Final settlement for contracts held to their maturity date is by cash settlement in U.S. dollars.

(b) Pursuant to Chapter V, Section III, the daily settlement prices will be determined by NFX using price data from a number of sources including, spot, forward and derivative markets for both physical and financial products.

(c) Pursuant to Chapter V, Section III, the final settlement price shall be equal to the arithmetic average of the assessments as made public by the Baltic Exchange for the relevant route for each index day in the determination period.

(d) If the daily settlement price described in (b) above 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. If the final settlement price is not available or the normal settlement procedure cannot be utilized due to a trading disruption or the other unusual circumstance, the final settlement price will be determined in accordance with the Rules and By-Laws of the Clearing Corporation.

1316.07 Trading Algorithm
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.

1316.00.08 Block Trade Minimum Quantity Threshold and Reporting Window
Pursuant to Chapter IV, Section 10, block trades shall be permitted with a minimum quantity threshold of 5 contracts and the Reporting Window shall be by close of trading of the Open Session during which the block trade was executed.

1316.09 Order Price Limit Protection
Pursuant to Chapter IV, Section 8, the Order Price Limits shall be $0.20 above and $0.20 below the Reference Price as defined in Chapter IV, Section 8.

1316.10 Non-Reviewable Range
For purposes of Chapter V, Section 5, the non-reviewable range shall be from $0.20 above to $0.20 per metric ton below the true market price for the Contract as set forth in the Exchange's Error Trade Policy.

RULEBOOK APPENDIX B

NFX Rulebook Appendix A Chapter #	Contract Name	Ticker Symbol	Contract Size	Unit of Trading
	Dry Freight Products			
1316	NFX P8 Panamax Santos - Qingdao Monthly Average Financial Futures (P8EQ)	P8EQ	1,000	Metric Tons

					SPOT-MONTH			
Type	Settlement	Group	Diminishing Balance Contract	Exchange Reporting Level	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)
Futures	Cash Settlement	Freight	Y	25	P8EQ			

Initial-Spot Month Accountability Level (In Net Futures Equivalents)	Initial-Spot Month Limit (In Net Futures Equivalents) Leg (1) / Leg (2)	Initial Spot-Month Limit Effective Date	Single Month Aggregate Into Futures Equivalent Leg (1)
	2,500	Close of trading 3 business days prior to last trading day of the contract	P8EQ

SINGLE-MONTH				ALL MONTH				
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)
			2,500	P8EQ				2,500