

# SUBMISSION COVER SHEET

Exchange Identifier Code (optional) SR-NFX-2009-18

Date November 5, 2009

**ORGANIZATION** | NASDAQ OMX Futures Exchange

**FILING AS A:**

**DCM**

**DCO**

**DTEF**

**TYPE OF FILING**

- **Rule Amendments**

Self-Certification Under Reg. 40.6(a) or 41.24

Commission Approval Requested Under Reg. 40.5 or 40.4 (a)

Notification of Rule Amendment Under Reg. 40.6(c)

Non-Material Agricultural Rule Change Determination Under Reg. 40.4(b)

- **New Products**

Self-Certification Under Reg. 40.2 or 41.23

Commission Approval Requested Under Reg. 40.3

**RULE NUMBERS**

Rules 1600 - 1604

**DESCRIPTION (Rule Amendments Only)**

New Rules 1600 - 1604 provide for NFX's new IDEX USD Forward Start Interest Rate Swap Futures Contract; two Notices to Members regarding the new rules and the trading hours for the product as well the associated customer margin requirements.

**Rule Self-Certification**

November 5, 2009

Office of the Secretary  
Commodity Futures Trading Commission  
Three Lafayette Center  
1155 21<sup>st</sup> St., N.W.  
Washington, D.C. 20581

Re: IDEX USD Forward Start Interest Rate Swap Futures  
New NFX Rules 1600 – 1604  
NFX Notices to Members  
Reference File SR-NFX-2009-18

Ladies and Gentlemen:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (“Act”), and Sections 40.2 and 40.6 of the regulations promulgated by the Commodity Futures Trading Commission (“CFTC”) under the Act, the NASDAQ OMX Futures Exchange (“NFX” or “Exchange”) hereby submits new Rules 1600 - 1604 (attached to the Notice to Members included with this certification) regarding the Exchange’s new IDEX USD Forward Start Interest Rate Swap Futures Contracts. The intended listing date for this new product is November 9, 2009. The Exchange shall make known the availability for trading of any such contract on the International Derivatives Clearing Group website, [www.IDCG.com](http://www.IDCG.com), prior to the commencement of trading.

Pursuant to Section 5c(c)(1) of the Act and Sections 40.2 and 40.6 of the CFTC regulations, NFX is also submitting two Notices to Members regarding the terms and conditions and trading hours of the new contracts, as well as the margin requirements associated with the new contracts.

The new rules will become effective November 9, 2009 and the Notices to Members will be issued on November 9, 2009.

There were no opposing views among the NFX's Board of Directors, members or market participants. NFX hereby certifies that these new rules and the new contracts, as well as the enclosed Notices to Members, comply with the Commodity Exchange Act and regulations thereunder.

Regards,

A handwritten signature in cursive script that reads "Daniel R. Carrigan".

Daniel R. Carrigan  
Senior Managing Director

cc w/att: Mr. Glenn Spann  
Mr. J. Goodwin  
Mr. Russell Rose  
Mr. Chris Edmonds

**NOTICE TO MEMBERS**

**TO:** NFX Members and Member Organizations  
**FROM:** NASDAQ OMX Futures Exchange  
**DATE:** November 9, 2009  
**RE:** SR-NFX-2009-18

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On November 5, 2009 the NASDAQ OMX Futures Exchange (“NFX” or the “Exchange”) filed with the Commodity Futures Trading Commission SR-NFX-2009-18, which adopts new NFX Rules 1600 - 1604, IDEX USD Forward Start Interest Rate Swap Futures Contracts. The new rules, effective Monday November 9, 2009, are attached.

Pursuant to the new rules, the Exchange at any given time may make available for trading any particular IDEX USD Forward Start Interest Rate Swap Futures Contract having a term from one to twenty nine years and a Maturity Date no longer than thirty years. The Exchange shall make known the availability for trading of any such contract on the International Derivatives Clearing Group website, [www.IDCG.com](http://www.IDCG.com), prior to the commencement of trading.

The new contracts will trade on the IDEX XT Electronic Trading System pursuant to NFX Rules F1 – F37, the IDEX XT Electronic Trading Rules. Trading Hours for the new contracts, like those for the existing IDEX USD Interest Rate Swap Futures Contracts, will be from 7:00 AM Eastern Time to 5:00 PM Eastern Time.

Questions concerning the new IDEX USD Forward Start Interest Rate Swap Futures Contracts should be directed to Daniel Carrigan, Senior Managing Director, at (215) 496-5017.

## **IDEX USD Forward Start Interest Rate Swap Futures Contracts**

### **Rule 1601. Clearing Corporation Rules**

The Rules in this Section shall be applicable to the trading on the Exchange of IDEX USD Forward Start Interest Rate Swap Futures Contracts ("Forward Start Contracts") cleared by the International Derivatives Clearinghouse, LLC ("Clearinghouse"), the terms and conditions of such contracts and settlement thereof, and other matters relating to such contracts. The Forward Start Contracts shall trade on the IDEX XT Trading System including EFS transactions executed by means of the IDEX SwapDrop Portal pursuant to the rules applicable to that system.

### **Rule 1602. Contract Specifications**

**Description:** IDEX USD Forward Start Interest Rate Swap Futures Contracts are futures on United States dollar-denominated interest rate swaps with a notional value of \$100,000 and a deferred Effective Date, requiring the exchange of periodic payments of semi-annual fixed rate payments based on the futures price in exchange for quarterly floating-rate payments based on the 3-month US Dollar London Interbank Offered Rate (the "USD LIBOR").

**Ticker Symbols:** Base Example = IRD20121210-FS-3Y refers to a forward starting swap contract with an unadjusted Maturity Date of 10-Dec-2012 and a Term of 3 Years.

**Contract Listings:** The Exchange at any given time may list for trading IDEX USD Forward Start Interest Rate Swap Futures Contracts having terms from one to twenty nine years and a Maturity Date no longer than thirty years (with one year comprising 365 days, or 366 days for leap years), with one maturity of Forward Start Swap Futures Contract maturing on every calendar day. The Effective Date and Maturity Date of each individual IDEX USD Forward Start Interest Rate Swap Futures Contract shall be established by the Exchange on the date each such contract is listed by the Exchange. The Exchange shall make known the listing of any contract on its website prior to the commencement of trading.

**Trading Hours:** 7:00 AM to 5:00 PM Eastern Time ("ET") Monday – Friday

**Trading Platform:** IDEX XT Trade Match Engine

**Effective Date:** Will be established by the Exchange on the listing date of any individual IDEX USD Forward Start Interest Rate Swap Futures Contract.

**Start Date:** Means the date on which an interest rate accrual period begins.

**End Date:** Means the date on which an interest rate accrual period ends.

**Maturity Date:** Will be the final payment date, unadjusted by any Business Day Convention, of the IDEX USD Forward Start Interest Rate Swap Futures Contract it will be a whole number of years after the Effective Date and shall be established by the Exchange on the listing date.

**Reset Date:** Will be 2 London Business Days preceding the start of the floating interest accrual period.

**Periodic Payments:** Periodic payments on the IDEX USD Forward Start Interest Rate Swap Futures Contract will be made on a semi-annual basis for the fixed rate payments, and on a quarterly basis for the floating rate payments. Each payment date in the IDEX USD Forward Start Interest Rate Swap Futures Contract will be defined by the Effective Date, the Maturity Date, and the payment frequency of the fixed or floating side as appropriate, adjusted by the Modified Following Business Day convention for New York and London.

The Start Date of the nth interest accrual period is the Effective Date for the series plus  $(n-1)$ \* payment frequency of the fixed or floating side as appropriate, adjusted by the Modified Following Business Day convention for New York and London. The only exception to this is the Start Date of the first interest accrual period which will be the Effective Date

The End Date of the nth interest accrual period is the Effective Date for the series plus  $n$ \* payment frequency of the fixed or floating side as appropriate, adjusted by the Modified Following business day convention for New York and London.

The Interest Payment Date of the nth interest period is the End Date of the same interest accrual period.

**Floating Rate Payment:** The floating rate payment for a given accrual period shall be an amount equal to the Notional Value multiplied by the USD LIBOR setting multiplied by the Actual/360 Accrual Year Fraction.

**Fixed Rate Payment:** The fixed rate payment for a given accrual period shall be equal to the notional value multiplied by the fixed rate multiplied by the 30/360 Accrual Year Fraction.

**Minimum Price Increments:** The price of the Forward Start Swap Futures Contract is the price of the fixed leg portion of the swap. Minimum price intervals are expressed in terms of the interest rate on the fixed rate portion of the Forward Start Swap Futures Contracts. The minimum price interval is .001 for Contracts traded on the IDEX XT trading system and .00001 for Contracts established by means of EFS through the SwapDrop Portal.

**Daily Settlement Price:** Each open position is valued by the Clearinghouse at the end of each trading day by valuing each leg of the cash flows of the contract (fixed and floating) according to discount factors generated by the IDEX Curve. Each Trading Day, the Daily Settlement Price shall be established by the Clearinghouse based upon the IDEX Curve that corresponds to the fixed rate portion of the swap. A net present value of the position will be determined and set as the Daily Settlement Price. Notwithstanding the preceding sentence, the Clearinghouse may, in its sole discretion, establish a Daily Settlement Price that is a fair and appropriate reflection of the market. The Final Settlement Price shall be the Daily Settlement Price on the Last Trading Day.

**Last Trading Day:** Trading of any individual Forward Start Swap Futures Contract terminates at the close of trading on the Business Day preceding that contract's Maturity Date. For purposes of this rule, a Business Day is any day on which the Exchange is open for the trading of Forward Start Swap Futures Contracts.

**Position Accountability:** A person owning or controlling more than 3,000 contracts net long or net short in all contract maturities combined shall provide, in a timely fashion, upon request by the Exchange, information regarding the nature of the position, trading strategy, and hedging information, if applicable.

**Large Trader Reporting:** Pursuant to Commission Regulation Section 15.03 and Part 17 of the Commission's Regulation, the position level that is required to be reported to the Exchange and Commission is any open position in a particular Swap Futures Contract at the close of trading on any trading day equal to or in excess of twenty-five on either side of the market.

**Clearinghouse:** International Derivatives Clearinghouse, LLC

### **Glossary**

*Term* means the difference between the Effective Date and the Maturity Date.

*Following Business Day Convention* means the date will be adjusted to be the first following day that is a Business Day in the locations listed.

*Modified Following Business Day Convention* means the date will be adjusted to be the first following day that is a Business Day in the locations listed unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day in the locations listed.

*Preceding Business Day Convention* means the date will be adjusted to the first preceding day that is a Business Day in the locations listed.

*Business Day* means a day in which the banking system is open to settle payments in the locations listed.

*Week Day* means any calendar day which is not a Saturday or Sunday.

*Actual/360 Accrual Year Fraction* means the actual number of days in the interest period in respect of which payment is being made divided by 360.

*30/360 Accrual Year Fraction* means the number of days in the interest period in respect of which payment is being made (assuming 30 day months) divided by 360, calculated on a formula basis as follows;

$$\{[360 \times (Y2-Y1)] + [30 \times (M2-M1)] + (D2-D1)\}/360$$

Where:

Y1 is the year, expressed as a number, in which the start date of the interest period falls.

Y2 is the year, expressed as a number, in which the end date of the interest period falls.

M1 is the calendar month, expressed as a number, in which the start date of the interest period falls.

M2 is the calendar month, expressed as a number, in which the end date of the interest period falls.

D1 is the first calendar day expressed as a number, of the interest period, unless such a number would be 31, in which case D1 will be 30.

D2 is the last calendar day, expressed as a number, of the interest period, unless such a number would be 31 and D1 is greater than 29, in which case D2 will be 30.

(b) Contract Modifications. Specifications are fixed as of the first day of trading of a contract. If any U.S. government agency or body with authority issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules, and all open and new contracts shall be subject to such government orders.

(c) No-Break Range. Pursuant to Rule F26, The "No Break Range" for any Contract shall be any price within a range bounded by the "fair market value" of such Contract at the time the transaction occurred plus or minus the market movement covered by one-third of the initial margin required for such Contract. For these purposes fair market value shall be determined by the Exchange based on trading activity in the contract at the time of the dispute or by surveying at least three market participants not involved in the transaction in question.

(d) Final Settlement Date. The Final Settlement Date shall be the Final Payment Date of each individual Forward Start Contract. Clearing Members holding open positions in a Forward Start Contract at the termination of trading in that Contract shall make payment to or receive payment from the Clearinghouse in accordance with normal variation and performance bond procedures based on the net of the Fixed and Floating Rate Interest payment of the last interest accrual period.

#### **Rule 1603. Margin Requirements**

Pursuant to Rule F11, Customer Margin, the Exchange will publish the minimum initial and maintenance margin rates and other requirements for Forward Start Contracts through Notices to Members or other appropriate means.

#### **Rule 1604. Transfer of Contracts to New Exchange**

Forward Start Contracts may be delisted by the Exchange and upon such delisting, be listed by another designated contract market, derivatives transaction execution facility, or exempt board of trade (each a "New Exchange"). Forward Start Contracts shall become subject to the rules of the New Exchange upon the transfer of the listing for trading of such contracts from the Exchange to the New Exchange.



**NOTICE TO MEMBERS**

**TO:** NFX Members and Member Organizations  
**FROM:** NASDAQ OMX Futures Exchange  
**DATE:** November 9, 2009  
**RE:** IDEX USD Forward Start Interest Rate Swap Futures Margin Notice

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**Summary**

This NFX Notice To Members is being issued in anticipation of the listing on the NASDAQ OMX Futures Exchange (“NFX”) of IDEX USD Forward Start Interest Rate Swap Futures Contracts (“FSS”) to be traded on the IDEX XT Electronic Trading System and cleared by International Derivatives Clearinghouse LLC.

Pursuant to NFX Rule F11, Customer Margin, NFX is publishing the minimum initial and maintenance margin rates for IDEX USD Forward Start Interest Rate Swap Futures Contracts. NFX will adopt minimum margin requirements prescribed by the International Derivatives Clearinghouse (“IDCH”).

**Initial Margin**

IDCH will determine initial margin by creating thirteen time buckets, expressed in years (2-10 years, 15 years, 20 years, 25 years and 30 years). For each time bucket, a time series analysis of the daily, end-of-day clean price will be performed over the preceding 125 trading days. The result of the time series analysis will be multiplied by three standard deviations and analyzed over three periods: 30 days, 90 days and 125 days. The largest result will be considered as the initial margin, rounded up to the nearest \$100, for the upcoming period. However, should the aforementioned analysis show that the calculated margin level was exceeded in the previous 125 trading day period, IDCH will use that observation, rounded up to the nearest \$100, as the initial margin amount. For contracts that fall between buckets, i.e. a 27 year interest rate swap future, the next highest level will be used as initial margin (in this case the 30 year initial margin).

IDCH will determine initial margin for FSS futures by treating them as IDEX Interest Rate Swap Futures calendar spreads, which would be subject to SPAN risk methodology. The time-to-maturity date and time-to-effective date are both assigned time buckets, which are used to determine the initial margin charge. For example, a 2-Year swap that begins in 2 years (a 2-by-2 FSS) is assigned a time-to-maturity bucket of 4 years and a time-to-effective bucket of 2 years. Accordingly, buying a 2-by-2 FSS is economically equivalent to buying a 4-Year IRS swap and selling a 2-Year IRS swap.

**Maintenance Margin**

IDCH will calculate variation margin by revaluing each individual contract against a proprietary curve (“IDCH Discount Curve”). The components of the variation margin will be the sum of the clean price and net accruals of each contract.

Please direct any questions concerning this Notice to Daniel Carrigan, Senior Managing Director, at 215-496-5017, or Michael Dundon, Managing Director, IDCH, at 646-867-2528.