NASDAQ OMX | NFX

Rule Self-Certification

December 5, 2014

VIA ELECTRONIC PORTAL

Christopher J. Kirkpatrick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Center
1155 21st Street, N.W.

Re: **Regulation §40.6 Submission Certification**
Adopting new and revised trading rules
Reference File: SR-NFX-2014-02

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended ("Act"), and Section 40.6 of the regulations promulgated by the Commodity Futures Trading Commission under the Act, NASDAQ Futures, Inc. ("NFX" or "Exchange") revises and adopts its trading rules in connection with upgrading its trading platform. These amendments will be implemented on April 1, 2015. The text of the amendments to the Exchange's Rules and guidance is set forth in Exhibit A.

The Exchange will adopt revised and new trading rules in Chapter IV entitled "Trading System." The Exchange also proposes to amend its Definitions in Chapter I, and other rules in Chapters II, III, V and VI to make conforming and clarifying changes, including renumbering, which are described in additional detail below. Conforming changes will also be made to the respective guidance in the appendices. Finally, the Exchange proposes to adopt Options Rules at new Chapter VIII.

With respect to the designated contract market core principles ("Core Principles") as set forth in the Act:

• *Compliance with Rules*: Today the Exchange has in place Rules which describe 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. This Rule states that 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.

Trading will continue to be subject to the Rules at Chapter III of the Exchange's Rulebook, which include prohibitions against fraudulent, noncompetitive, unfair and abusive practices. Additionally, trading is subject to the trading procedures and standards in Chapter V of the Rulebook. Trading activity is subject to extensive monitoring and surveillance by NFX's regulatory group in conjunction with the National Futures Association pursuant to the provisions of a Regulatory Services Agreement. Additionally, the Exchange has the authority to exercise its investigatory and enforcement power where potential rule violations are identified. The Exchange's disciplinary Rules are contained in Chapter VI of the Rulebook, which permit the Exchange to discipline, suspend or expel Futures Participants or market participants that violate the Rules. Pursuant to Chapter V, Section 5, the Exchange may cancel or adjust trades when necessary to mitigate market disrupting events caused by the improper or erroneous use of the Trading System or system defects or malfunctions. The Exchange may review a trade based on its independent analysis of market conditions or upon request from a Futures Participant.

• *Prevention of Market Disruption*: The Exchange's Regulatory Department which handles real-time surveillance views trading activity on the Exchange using 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. The Exchange's Regulatory Department which handles real-time surveillance in conjunction with staff that handles T+1 surveillance uses data collected by SMARTS Surveillance Application to monitor price movements as well as market conditions, volumes and 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 in place risk controls, including the imposition of trading pauses or halts, to address risks posed by potential market disruptions pursuant to Chapter V, Section 16. The Exchange has the ability to reconstruct all Orders transacted on the Trading System.

• *Availability of Contract Information.* The Exchange has indicated within its trading Rules where specific information relates to a particular Contract where detailed information will be provided within the contract specifications for that particular Contract. The Exchange will post the terms and conditions of Exchange Contracts in its Rulebook along with trading Rules. The specifications for its Trading System will appear on the Exchange's website.

• *Publication of 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. The Exchange's volume information will include information on the volume of Block Trades.

• *Execution of Transactions.* 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 and described in newly renumbered Chapter IV, Section 5. The Exchange specifies the types of Orders that will be accepted by the Trading System in newly renumbered 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 newly renumbered Chapter IV, Sections 10 and 11 respectively. The Exchange is adding new Options Rules at Chapter VIII in order that both futures and options on futures may be traded on NFX.

• *Trade Information.* As previously described, the Exchange has established audit trail processes that capture trading information to facilitate the Exchange's trade practice and market surveillance activities. The audit trail program is based on original source documents that are unalterable, sequentially identified records. The audit trail contains a history of all orders as well as other identifying information. All data gathered as part of the audit trail is maintained in accordance with the Commission's recordkeeping requirements and in a manner that does not allow for unauthorized alteration, erasure or other potential loss.

• *Financial Integrity of Transactions.* 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 either directly or indirectly. 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.

• *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.

Chapter I Amendments

The Exchange is amending Chapter I, entitled "Definitions and Governance of the Exchange," to add and amend certain definitions. The Exchange is adding the following new terms: "Combination Order," "Combination Order Book," "Delivery Month," "Eastern Prevailing Time," "Equilibrium Price," "Exchange Official," "Expiry," "Financial Information Exchange Interface," "Implied Orders," "Instrument," "ITCH Market Data Protocol," "Lot Size," "Option," "Quote," "Request for Quote," "Request for Cross" and "Trading Sessions." The Exchange is also deleting the following terms: NASDAQ Best Bid and Offer" and "Trading Day." The term "Contract" is being relocated alphabetically. Finally, the Exchange amended the following terms: "Business Day," "Daily Settlement Price," "Discretionary Order," "Order," "Public Customer Order," "Public Director," "Regulatory Services Provider," "Trading Hours" and "Trading System." The Exchange also made certain conforming changes throughout the Rules to capitalize defined terms.

Chapter II Amendments

In Section I of Chapter II, entitled "Qualification and Participation of Futures Participants" the Exchange amended its Rules to remove the prohibition against issuing a Trader ID if an Authorized Risk Officer did not set risk parameters. Pursuant to Rule amendments in newly numbered Chapter IV, Section 7, the Exchange will issue the Trader ID to Authorized Risk Officers to permit them to enter pre-trade risk settings for each Futures Participant, Authorized Trader and Authorized Customer.

The Exchange is also proposing an amendment to Chapter II, Section 1 to more specifically describe a qualification of for membership. The Exchange is amending its requirement that a Participant must be a member of NFA or another designated contract market to more specifically clarify that the Futures Participant must be acting as either a futures commission merchant or introducing broker at NFA or another designated contract market. The Exchange believes that this rule text clarifies the qualification.

Chapter III Amendments

The Exchange is amending Chapter III, Section 24, entitled "General Trading Standards and Prohibited Practices" to make conforming amendments to newly renumbered rule citations.

Chapter IV Amendments

The Exchange is amending certain Rules in Chapter IV to upgrade its Trading System as a result of new functionality. A new Rule is being added at Chapter IV, Section 3 entitled "Trading

Sessions." The new Rule details the various trading sessions, Pre-Open, Open, Close and Post-Close that will occur in a trading day on the Exchange.

Current Chapter IV, Section 3, entitled " Acceptable Orders" was renumbered to Section 4 and details the types of Orders that will be accepted by the Trading System including, "Market Order," "Limit Order," "Market-to-Limit Order," "Stop Order," "Stop Limit Order," "Iceberg Order," "TAS Order," "Combination Order" and "Implied Order." The Exchange also will permit certain Time in Force Conditions such as "Day Order," "Good till Canceled Order," "Good till Date Order," "Fill or Kill Order" and "Immediate or Cancel Order."

Current Chapter IV, Section 4, entitled "Execution of Orders" was renumbered to Section 5 and specifies the manner in which trades will be executed on the Exchange. The Exchange specifies the manner in which Requests for Quotes and Requests for Cross will be entered and broadcast by the Trading System. The Exchange will continue to designate the algorithm for each Contract within the contract specifications. A Contract may trade either utilizing the Price-Time Priority Order execution algorithm or the Size Pro-Rata Priority execution algorithm.

New Chapter IV, Section 6, entitled "Trading at Settlement ("TAS") Order" is being added to the Rules to describe the manner in which this particular order may be entered into the Trading System and how it will be executed by the Trading System. The Exchange will designate the Contracts in which TAS transactions are permitted in accordance with the Rule.

Current Chapter IV, Section 6 entitled "Pre-Trade Risk Parameters" is being renumbered as Section 7. The Exchange is amending this Rule to state that Authorized Risk Officers shall initially set and thereafter adjust the pre-trade risk parameters for Futures Participants, Authorized Traders and Authorized Customers. The amended Rule provides that the Trading System will not accept an Order if that Order, in its entirety, would exceed pre-trade risk parameters. The Trading System could accept new Orders if the Futures Participant cancelled existing Orders, but only to the extent that the pre-trade risk parameter was not exceeded. The Exchange is also amending Appendix A, entitled "Guidance Related to Pre-Trade Risk Parameters" to conform to the changes in Chapter IV, Section 7 and to also specify the types of pre-trade risk parameters which will be offered by the Exchange and the manner in which notifications will be issued by the Trading System.

Chapter IV, Section 6, entitled, "Order Price Protection" is being renumbered as Section 8 and renamed "Order Price Limit Protection." This Rule is being amended to state that the Order Price Limit protection will be operational each trading day during the Open Session, except during trading halts. This is a global protection and applies to all Futures Participants and their Authorized Traders and Authorized Customers. The Contract specifications for each Contract will specify the Order Price Limit protections.

Chapter IV, Section 7, entitled "Self-Match Prevention" is renumbered as Section 9. This Rule states that a Futures Participant may elect that Orders not be executed against Orders entered on the opposite side of the market by its Authorized Traders. Further, a Futures Participant's Authorized Customer may elect that Orders not be executed against Orders entered on the opposite side of the market by its Authorized Traders. If Self-Match is engaged, the last Order which is entered on the opposite side of the market at the same price would be rejected. Authorized Traders of a Futures Participant and an Authorized Customer may not be grouped together for purposes of Self-Match Prevention. Self-Match Prevention is available each trading day during the Open Session.

Current Section 8 entitled "Order Spread Protection" Section 9 entitled "Acceptable Trade Range" and Section 10, entitled "Risk Monitor Mechanism" are being eliminated. Section 11 entitled "Block Trades" will be renumbered as Section 10 and Section 12 entitled "Exchange For Related Positions" will be renumbered as Section 11. The Exchange is proposing conforming changes to these Rules as well as Appendix B entitled "Block Trade and Exchange for Related Position" guidance. The Exchange is making conforming amendments to Section 2, entitled "Trading Days and Hours" to conform to newly renumbered rules. The Exchange proposed other conforming, clarifying and corrective changes where applicable to Chapter IV to ensure the Rule text reflected the amendments to these Rules and reflected the current Trading System.

Chapter V

The Exchange is proposing conforming, clarifying and corrective changes to: Section 1, entitled "Authorized Traders and Trader IDs," Section 2, entitled "Clearing," Section 3, entitled "Establishment of Settlement Prices," Section 4, entitled "Direct Access," Section 10, entitled "Average Price Transactions," Section 11, entitled "Pre-Negotiated Business and Cross Transactions," Section 16, entitled "Regulatory Trading Halts" and Section 19, entitled "Trading Restrictions and Suspensions."

Chapter VI

Chapter VI, Section 15, entitled "Consent to Jurisdiction," is being amended to update Rule citations due to renumbering.

Chapter VIII

New Chapter VIII, entitled "Options Rules" is being added to provide Rules to trade Options on futures on NFX. Today, the Exchange has Rules to trade Futures. The Exchange will permit trading of Options on Futures as well. The new chapter provides definitions as well as other defined terms necessary for the trading of Options on Futures. The following sections are contained in the Rule: "Scope;" "General Definitions;" "Option Position Definitions;" "Rights of Call Option Purchaser;" "Rights and Obligations of Call Option Seller;" "Rights of Put Option Purchaser;" "Rights and Obligations of a Put Option Seller;" "Notice of Exercise;" "Payment of Option Premium;" "Customer Complaints;" "Procedures for Supervision;" "Solicitation of Options Orders;" "Compliance with Disclosure Requirements;" "Prohibited Promotional Material;" "Sales Communication; and "Strike Price Listing Procedures."

There were no opposing views among the Exchange's Board of Directors, members or market participants. The Exchange hereby certifies that the new and revised trading rules 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.

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-2014-02 in any related correspondence.

Regards,

Daniel R Carrigan

Daniel R. Carrigan
President

cc: Susan Stewart, CFTC
Mr. J. Goodwin
National Futures Association

Exhibit A

New text is underlined; deleted text is stricken.

NASDAQ OMX Futures Exchange – Rules

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Chapter I Definitions and Governance of the Exchange

Section 1 Definitions

Unless otherwise specifically provided in the By-Laws or Rules of the Exchange or the context otherwise requires, the terms defined herein shall for all purposes of the By-Laws and Rules of the Exchange, have the meanings therein specified.

Act. The term "Act" means the Commodity Exchange Act, 7 U.S.C. §1 et seq., as amended from time to time.

Affiliate. The term "Affiliate" of, or a Person "Affiliated" with, another Person is a Person who, directly or indirectly, controls, is controlled by, or is under common control with, such other Person.

Authorized Customer. The term "Authorized Customer" shall mean a Person or entity that may access the Trading System~~ directly as provided in Chapter V, Section 4~~.

Authorized Risk Officer. The term "Authorized Risk Officer" means an authorized employee or agent of a Clearing Futures Participant who is authorized to set or change pre-trade risk management parameters.

Authorized Trader. The term "Authorized Trader" means an authorized employee or agent of a Futures Participant who is authorized by that Futures Participant and the Exchange to submit Orders into the Trading System. <u>An Authorized Trader may also be associated with an Authorized Customer pursuant to Chapter V, Section 4.</u> Only a natural person can be an Authorized Trader. An Authorized Trader is considered a person associated with a Futures Participant for purposes of the By-Laws and Rules.

Automated System. The term "Automated System" means a system that automates the generation and routing of Orders for a Futures Participant(s). This shall include Automated Order-Routing Systems described in Chapter V, Section 15.

Best Bid and Offer. The term "Best Bid and Offer" or "BBO" means for each Contract then listed and trading on the Exchange, the current disseminated highest bid and lowest offer in the Order Book excluding those Orders that at the time of receipt are matched and are due execution.

Block Trade. The term "Block Trade" shall mean transactions entered into by a Futures Participant which are outside the Trading System, at prices mutually agreed, provided all of the conditions of Chapter IV, Section 1~~1~~0 are satisfied and to the extent permitted by the rules governing the applicable Contract.

Board of Directors. The term "Board of Directors" or "Board" means the Board of Directors of the Exchange.

Bunched Order. The term "Bunched Order" means a single Order for two or more Customer Accounts entered into the Trading System pursuant to Chapter V, Section 12.

Business Day. The term "~~b~~Business day" means any day, other than Sunday, the Exchange shall be regularly open for business in any Contract. The "trade date" in respect of any confirmed trade will be the day on which the transaction occurred, except that the trade date in respect of confirmed trades that are effected in Trading Sessions beginning on one calendar day and ending on the next calendar day shall be deemed to be the calendar day on which such Trading Session ends.

By-Laws. The term "By-Laws" means the By-Laws of the Exchange, as from time to time amended.

Certificate. The term "Certificate" means the Certificate of Incorporation of the Exchange, as from time to time amended.

Clearing Account Number. The term "Clearing Account Number" means the unique identification code assigned by the Clearing Corporation which identifies a particular Clearing Futures Participant and an account maintained by that Clearing Futures Participant with the Clearing Corporation.

Clearing Account Type Indicator. The term "Clearing Account Type Indicator" means one of three indicators, "C," "F," or "M", assigned by a Futures Participant to an Order by a Futures Participant which designates the applicable clearing account type for any transaction as defined by Article VI, Section 3 of the by-laws of the Clearing Corporation.

Clearing Corporation. The term "Clearing Corporation" means The Options Clearing Corporation.

Clearing Futures Participant. The term "Clearing Futures Participant" means a Futures Participant that is also a member of The Options Clearing Corporation with the ability to clear Contracts on behalf of itself, its Customers, and Non-Clearing Futures Participants.

~~**Contract**. The term "Contract" means a Future or Option on a Future.~~

Combination Order. The term "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. 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. These types of Orders may also be referred to as

"Strategies." Combination Orders may trade within the Order Book or the Combination Order Book.

Combination Order Book. The term "Combination Order Book" means all resting Combination Orders in the Trading System for a particular Contract.

Commission. The term "Commission" means the Commodity Futures Trading Commission.

Commission Regulation. The term "Commission Regulation" means any Rule, regulation or order of the Commission or any interpretation thereof by the Commission.

Commodity. The term "Commodity" shall mean any and all goods, articles, services, rights and interests in which contracts for future delivery are presently or in the future dealt in, on or subject to the Rules of the Exchange.

Contract. The term "Contract" means a Future or Option on a Future.

CTI Code. The term "Customer Type Indicator" Code" or "CTI Code" refers to certain codes assigned by a Futures Participant to an Order and which represent transaction types as follows: CTI code 1 shall be used for transactions initiated and executed by an individual for its own account, for an account it controls, or for an account in which it has ownership or financial interest. CTI code 2 shall be used for transactions executed for the proprietary account of an individual. CTI code 3 shall be used for transactions where an individual executes for the personal account of another individual, for an account the other individual controls or for an account in which the other individual has ownership or financial interest. CTI code 4 shall be used for any transaction not meeting the definition of CTI 1, 2 or 3. These should be non-Futures Participant Customer transactions.

Customer. The term "Customer" has the meaning attributed to it by Commission Regulation 1.3(k).

Customer Account. The term "Customer Account" means an account carried by a Futures Participant on behalf of a Customer, which may be another Futures Participant.

Customer Order. The term "Customer Order" means an Order submitted on behalf of a Customer Account.

Daily Settlement Price. The term "Daily Settlement Price" means the price for each Expiry or Delivery Month of a Contract, calculated at a predefined time as per the relevant Contract specification for that Contract on each Business Day.

Delivery Month. The term "Delivery Month" means the month the selling Futures Participant must deliver the underlying asset of a Contract, and the buying Futures Participant must accept and pay for the underlying asset of the Contract.

Discretionary Order. The term "Discretionary Order" means an Order for a Customer Account for which ~~the~~a Futures Participant has discretion as to the Contract, the price, or the amount purchased or sold.

Eastern Prevailing Time. The term "Eastern Prevailing Time" or "EPT" means adhering to EPT time where indicated in the Rules.

Equilibrium Price. The term "Equilibrium Price" means, with respect to the uncross, the price at which the most quantity will execute with the lowest imbalance. The Equilibrium Price will include Limit Orders, Market-to-Limit Orders and Quotes and will exclude Stop, Stop Limit Orders, Implied Orders, Immediate or Cancel Orders, and Fill or Kill Orders.

Exchange. The term "Exchange" means NASDAQ Futures, Inc. or "NFX" and when used with reference to the administration of any By-Law or Rule of the Exchange, means either the Board of Directors or the officer, employee, agent or committee to whom appropriate authority to administer such provision has been delegated by the Board.

Exchange Official. The term "Exchange Official" or "Official" means the individual designated by the Exchange to administer Exchange operations, including but not limited to, trade disputes.

Executive Representative. The term "Executive Representative" means a designated executive representative of a Futures Participant who shall represent and act for the Futures Participant in all the affairs of the Exchange; provided, however, that other representatives of a Futures Participant may also serve on the Exchange Board or committees of the Exchange or otherwise take part in the affairs of the Exchange.

Expiry. The term "Expiry" means the month a Contract expires.

Final Settlement Price. The term "Final Settlement Price" means the price at which a Contract settles at the conclusion of the Last Trading Day for that Contract.

Financial Information Exchange Interface. The term "Financial Information Exchange Interface" or "FIX" refers to the following two messaging protocols: (i) *Order Entry*: Access to order management and trade reporting in the Order Book and trade reporting facility, respectively; and (ii) *FIX Reference Data*: all Contract delivery months expiries and strikes available for trading.

Future. The term "Future" means any contract for the purchase or sale of any commodity for future delivery from time to time traded on or subject to the Rules of the Exchange.

Futures Participant. The term "Futures Participant" means an organization that has been issued a permit in accordance with the By-Laws and Rules of the Exchange and authorized to access the Exchange's Trading System.

Futures Participant Exchange Account. The term "Futures Participant Exchange Account" means a unique account(s) assigned to a Futures Participant by the Exchange.

Implied Orders. The term "Implied Orders" means 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 it price and quantity from the net differential from the best prices as between two contract months for a Contract.

Instrument. The term "Instrument" means the unique identifier for the individual elements of a Contract which may include the Contract symbol, delivery month, strike and put/call.

ITCH Market Data Protocol. The term "ITCH Market Data Protocol" or "ITCH" refers to the two Exchange market data messaging protocols: (i) *Auxiliary Market Data*: reference data, trade reporting activity, cancel trades, RFQs, RFCs, post-trade and administration information; and (ii) *ITCH Market Data*: anonymous Orders quantity and price at all price levels, matched trades and pre-trade information.

Last Trading Day. The term "Last Trading Day" means the day specified by the Exchange for the conclusion of trading for the Contract.

Lot Size. The term "Lot Size" means the volume increment specified by the Exchange in the Contract specifications. The Exchange may also utilize the terms "contract size" and "unit of trading" to refer to Lot Size.

Market Data. The term "Market Data" means any and all price, quantity, and time data from any and all bids and offers submitted to, and trades executed by or through the Trading System any data derived from the foregoing, the format and presentation of any such data or information, and the transmissions of such data or information to Futures Participants, any party that has entered into an agreement with the Exchange to distribute the above-described data or information or any other Person.

Market Maker. The term "Market Maker" means a Futures Participant approved by the Exchange to undertake obligations to facilitate an orderly and liquid market for one or more Contracts.

~~**NASDAQ Best Bid and Offer**~~. ~~The term "NASDAQ Best Bid and Offer" or "BBO" means for each Contract then listed and trading on the Exchange, the current disseminated highest bid and lowest offer in the Order Book excluding those Orders that at the time of receipt are matchable and are due execution~~.

Non-Clearing Futures Participant. The term "Non-Clearing Futures Participant" means a Futures Participant that is not a Clearing Futures Participant.

Option. The term "Option" means any Option from time to time traded subject to the Rules of the Exchange and issued or subject to issuance by the Clearing Corporation pursuant to the Rules of the Clearing Corporation, to buy or sell any Future.

Order. The term "Order" means any bid or offer. ~~or~~ An Order may be a Market Order, Limit Order, Market-to-Limit Order, Stop Order, Stop Limit Order, Iceberg Order, TAS Order, Combination Order or Implied Order. Each Order may include one of the following time conditions: Day; Good till Canceled (GTC); Good till Dated (GTD); Fill or Kill (FOK) and Immediate or Cancel (IOC). ~~The following time-in-force Orders are included: One-cancels-the-other Order, Wait Order or Contingency Order (including any All or None Order, Fill or Kill (FOK) and Immediate or Cancel Order (IOC)., Minimum Quantity Order and Post-Only Order)~~These Orders ~~which~~ shall have the respective meanings set forth in Chapter IV, Section ~~3~~4, as well as any other types of Orders that may be approved by the Exchange from time to time. The term Order shall also refer to a Quote.

Order Book. The term "Order Book" means all resting Orders in the Trading System for a particular Contract.

Origin Code. The term "Origin Code" means a code which signifies whether funds are segregated or non-segregated. An Origin Code of "1" shall indicate segregated funds and an Origin Code of "2" shall indicate non-segregated funds as required pursuant to Section 4d(a)(2) of the Act.

Person. The term "Person" means any natural person, association, partnership, limited liability company, joint venture, trust or corporation.

Public Customer Order. The term "Public Customer Order" means an Order marked with a CTI Code of 4 and an Origin Type of 1~~, as described in Chapter IV, Section 4, which shall be given the priority described in Chapter IV, Section 4~~.

Public Director. The term "Public Director" means an individual who has been found by the Board of Directors to have no material relationship with the Exchange. A "material relationship" is one that reasonably could affect the independent judgment or decision making of the director. A director shall be considered to have a "material relationship" with the Exchange if any of the following circumstances exist: (A) the director is an officer or employee of the Exchange or an officer o~~f~~r employee of its affiliate; ("Affiliate" includes parents or subsidiaries of the Exchange or entities that share a common parent with the Exchange); (B) the director is a member of the Exchange, or an officer or director of a member ("Member" being defined according to Section 1a(24) of the Act and Commission Regulation 1.3(q); (C) the director, or a firm with which the director is an officer, director or partner, receives more than $ 100,000 in combined annual payments from the Exchange, or any affiliate of the Exchange, (as defined herein), for legal, accounting, or consulting services. Compensation for services as a director of the Exchange or as a director of an affiliate of the Exchange ~~contract market~~ does not count toward the $100,000 payment limit, nor does deferred compensation for services prior to becoming a director, so long as such compensation is in no way contingent, conditioned, or revocable; and (D) any of the relationships herein apply to a member of the director's "immediate family," i.e., spouse, parents, children, and siblings. All of the disqualifying circumstances described herein are subject to a one-year look back. Public Directors may also serve as directors of the Exchange's affiliates as defined herein if they otherwise meet the definition of public.

Quote. The term “Quote” means a bid and/or offer. A Quote is also defined as an Order.

Regulatory Services Provider. The term "Regulatory Services Provider" means a third party with whom the Exchange has entered into an agreement to provide certain surveillance, investigative and regulatory functions.

Request for Quote. The term "Request for Quote" or "RFQ" means an indication of intent to buy or sell a specified quantity of a Contract. An RFQ must specify whether it is a buy or sell and the quantity interest in a Contract. A Request for Quote is not an Order.

Request for Cross. The term "Request for Cross" or "RFC" means an indication of interest submitted by a single party for a two-sided Order at the same price and quantity. A Request for Cross is not an Order.

Rule of the Clearing Corporation. The term "Rule of the Clearing Corporation" means any provision of the Certificate of Incorporation or the By-Laws, or any Rule, regulation, interpretation, stated policy, or instrument corresponding thereto, as adopted or amended by the Clearing Corporation.

Rule or Rule of the Exchange. The term "Rule or Rule of the Exchange" means any Rule, regulation, interpretation, stated policy, or instrument corresponding thereto, as adopted or amended by the Exchange.

Self-Regulatory Organization The term "Self-Regulatory Organization" shall have the meaning ascribed to it in the Securities Exchange Act of 1934 and, in addition, shall include any contract market, commodity clearing organization and registered futures association.

Trader ID. The term "Trader ID" means a unique personal identification code issued by the Exchange and entered into the Trading System to identify the Authorized Trader, Authorized Customer or Automated System submitting an Order.

~~**Trading Day**. The term "Trading Day" means a day that the Exchange is open for trading in a particular Contract.~~

Trading Hours. The term "Trading Hours" ~~shall~~ means the hours during the Open Session. ~~which trading in any Contract may be regularly conducted.~~

Trading Sessions. The term "Trading Session" means the following sessions: (1) Pre-Open; (2) Open; (3) Close; and (4) Post-Close. A Trading Session may include a Sunday.

Trading System. The term "Trading System" means the electronic trading system maintained by the Exchange for the receipt, entry, cancel~~l~~ation, storage, display, matching, and reporting of Orders.

For all purposes of the Rules, unless otherwise expressly provided:

(1) any time period which expires on a day which is not a ~~T~~trading ~~D~~day will expire on the preceding ~~T~~trading ~~D~~day;

(2) all references to the Act or the Commission's regulations or Rules of the Exchange or Rules of the Clearing Corporation include such provisions as amended, modified, supplemented, restated, or replaced from time to time;

(3) all references to the Commission include any successor to the Commission;

(4) as permitted by the context any reference in the singular includes the plural and vice versa.

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Chapter II Membership Rules

Section 1 Qualification and Participation of Futures Participants

(a) ~~Only a~~ A Futures Participant may transact business on the Exchange. A prospective Futures Participant must:

i. complete a Futures Participant Application in the form prescribed by the Exchange;

ii. provide such other information as required by the Exchange.

(b) Notwithstanding the provisions of Section ~~2~~<u>3</u> of this Chapter, the Exchange requires compliance with the following:

(i) A Futures Participant must be actively engaged in a ~~f~~<u>Futures</u> business in the United States.

(ii) A Futures Participant must be a<u>cting as either a futures commission merchant or introducing broker and a</u> member of NFA or another designated contract market.

(iii) Participation in the Exchange as a Futures Participant requires a permit. The issuance by the Exchange of such permit shall be conditioned upon the Futures Participant's initial and continuing compliance with the following requirements:

(1) execution of applicable agreements with the Exchange, including but not limited to an agreement to abide by the Certificate, By-Laws and Rules of the Exchange, as they may be amended from time to time;

(2) maintenance of a clearing account with a Clearing Futures Participant, or maintenance of a clearing account directly with The Options Clearing Corporation; notwithstanding the foregoing, Futures Commission Merchants, as defined in Commission Regulation §1.3(p), must maintain a clearing account directly with The Options Clearing Corporation.

In addition the following requirements apply:

(a) No Futures Participant shall submit an Order to the Trading System or accept the transfer of a Contract unless the Futures Participant is either a Clearing Futures

Participant or a Non-Clearing Futures Participant guaranteed by a Clearing Futures Participant for that Contract.

(b) The Clearing Futures Participant must designate at least two Authorized Risk Officers who shall [set and] adjust pre-trade risk parameters for a Futures Participant, Authorized Trader or Authorized Customer as provided in Chapter IV, Section ~~5~~7. ~~The Exchange will not issue an active Trader ID if an Authorized Risk Officer has not set pre-trade risk parameters.~~

(c) A Clearing Futures Participant is authorized by the Exchange to clear, carry, and guarantee specified Contracts for itself, its Customers, and Non-Clearing Futures Participants. To become a Clearing Futures Participant, a Futures Participant must (1) apply to the Clearing Corporation and the Exchange, (2) satisfy the criteria established by the Clearing Corporation and the Exchange for Clearing Futures Participants, and (3) submit to the Exchange confirmation from the Clearing Corporation that the Futures Participant is a member of the Clearing Corporation.

(d) To maintain its Clearing Futures Participant designation, the Clearing Futures Participant must at all times continue to satisfy all criteria established by the Clearing Corporation and the Exchange for designation as a Clearing Futures Participant for specified Contracts.

(e) A Clearing Futures Participant must provide the Exchange with a copy of each written agreement guaranteeing the performance of the Non-Clearing Futures Participant with respect to a Contract (referred to as a "Guarantee"). For purposes of this Rule, a Guarantee (1) guarantees and indemnifies the performance of the Contracts governed by the Guarantee; (2) remains in effect until terminated pursuant to paragraph (~~e~~f) notwithstanding any change to the Rules, the terms of any Contract, or the composition of any partnership (including, but not limited to, the death, retirement, admission or withdrawal of a partner); (3) applies to defaults by the Non- Clearing Futures Participant on any obligation related to a Contract or other claims governed by the Guarantee; and (4) supplements, but does not substitute, any other agreement whereby the Clearing Futures Participant guarantees or indemnifies the Non-Clearing Futures Participant.

(f) To terminate a Guarantee, either party to the Guarantee (the Clearing Futures Participant or Non-Clearing Futures Participant) must immediately notify the Exchange of the termination of the Guarantee using the form, providing the information, and following the procedures established by the Exchange. A Guarantee remains in effect until the Exchange authorizes its termination and notifies both parties. The Clearing Futures Participant remains bound by the Guarantee for all Contracts governed by the Guarantee entered into by the Non-Clearing Futures Participant before termination of the Guarantee, but is not bound for any Contract made by, or transferred to, the Non-Clearing Futures Participant after termination of the Guarantee.

(g) If a dispute arises between the Clearing Futures Participant and the Non-Clearing Futures Participant concerning whether a Contract was entered into or transferred before or after the termination of a Guarantee: (1) the Clearing Futures Participant has the burden to demonstrate that the Non-Clearing Futures Participant entered into the Contract after termination of the Guarantee and (2) the Exchange may, within its discretion, provide the Clearing Futures Participant and Non-Clearing Futures Participant with information regarding the time at which the Non-Clearing Futures Participant entered into or transferred a Contract.

(3) compliance with the Certificate, By-Laws and Rules of the Exchange as well as operating procedures of the Exchange and the Commission in the use of the Trading System;

(4) maintenance of the physical security of the equipment located on the premises of the Futures Participant to prevent the improper use of or access to the Exchange's Trading System, including unauthorized entry of information into the Exchange's Trading System;

(5) acceptance and settlement of each trade that the Exchange identifies as having been effected by such Futures Participant, or if settlement is to be made through another Clearing Futures Participant, guarantee of the acceptance and settlement of such identified Exchange trade by the Clearing Futures Participant on the regularly scheduled settlement date; and

(6) input of accurate information into the Trading System, including, but not limited to, whether the Futures Participant acted in a principal or agent capacity.

(iv) Futures Participants are required to maintain a current list of all Authorized Traders (including Trader ID's assigned to an Automated Trading System) of the Futures Participant as well as Authorized Risk Officers with the Exchange's Membership Department. The Exchange's Membership Department must be immediately notified of the addition, termination or resignation of an Authorized Trader or Authorized Risk Officer.

(v) A Futures Participant shall be issued a permit by the Exchange upon notice of approval of its application as a Futures Participant by the Exchange.

(vi) Each Futures Participant shall be under a continuing obligation to inform the Exchange of noncompliance with any of the requirements set forth above.

(vii) If a Futures Participant has actual or constructive notice of a violation of Exchange By-Laws, Rules, or the Commodity Exchange Act ("Act") in connection with the use of the Exchange's markets by a non-Futures Participant Customer of the Futures Participant and the Futures Participant fails to take appropriate action, the Futures Participant may be found to have committed an act detrimental to the interest or welfare of the Exchange.

(viii) A Futures Participant shall assist the Exchange in any investigation into potential violations of the Rules of the Exchange or the Act which occur through or with respect to access to the Exchange's Trading System under the Authorized Trader's Trader ID which is associated with a Futures Participant. Such assistance must be timely and include, but not be limited to, requiring any non-Futures Participant Customer to produce documents, to answer questions from the Exchange, and/or to appear in connection with an investigation.

(ix) The Exchange may impose upon any Futures Participant such temporary restrictions upon the automated entry or updating of Orders as the Exchange may determine to be necessary to protect the integrity of the Exchange's Trading System. For example, such temporary restrictions may be necessary to address a Trading System problem at a particular Futures Participant or at the Exchange, or an unexpected period of extremely high message traffic. The scope of any such restrictions shall be communicated to the affected Futures Participant in writing.

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Chapter III Obligations of Futures Participants and Authorized Traders

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Section 24 General Trading Standards and Prohibited Practices

(a) No Futures Participant may accept a Customer Order for submission to the Trading System unless the Futures Participant has provided the Customer with the Uniform Electronic Trading and Order Routing Systems Disclosure Statement or any successor disclosure published by the National Futures Association.

(b) No Futures Participant shall disclose the existence or terms of an Order not yet disseminated by the Exchange, except to representatives of the Exchange or Commission or otherwise for the sole, necessary, and appropriate purpose of executing the Order.

(c) No Futures Participant shall aggregate two or more Customer Orders, allocate trades, or provide for average price transactions among Customer Accounts except that average price transactions for an individual Customer are permissible as provided for Chapter V, Section 10.

(d) No Futures Participant shall knowingly submit to the Trading System or an Order for any Contract for the account of that Futures Participant or any account in which that Futures Participant has an interest while holding an Order of another Person for the same Contract on the same side of the market that is executable at the then current market price or at the price at which the Order is executable for the account of the Futures Participant or an account in which that Futures Participant has an interest.

(e) No Futures Participant shall exercise discretion and submit an Order to or through the Trading System for an account of another Person without the prior specific consent of that Person.

(f) No Futures Participant shall accept or submit any Order to or through the Trading System for an employee, agent, or other Person acting on behalf of another Futures Participant, or its associated Authorized Traders without the prior written consent of that other Futures Participant, which is filed with the Exchange. If an Order for another Futures Participant results in a transaction, then the Futures Participant through which the Order is submitted to the Trading System must promptly send a duplicate confirmation of the transaction to the Person providing the prior written consent of the other Futures Participant.

(g) Futures Participants and Authorized Traders shall not:

(1) Engage in practices that may cause degradation of the Exchange's services or facilities, or that may cause a disorderly market, including but not limited to, unwarranted use of cance~~l~~ling and resubmitting Orders;

(2) Engage in pre-arranged transactions other than transactions executed in compliance with Chapter IV, Sections 1~~1~~0 (Block Trades) and 1~~2~~1 (Exchange for Related Positions) and Chapter V, Section 11 (Pre- Negotiated Business and Cross Transactions); or

(3) Engage in acts, practices, or conduct contrary to the purposes of the Exchange or likely to bring the Exchange into disrepute. These prohibited practices include, but are not limited to:

(i) effecting a transaction in, or inducing the purchase or sale of, any Contract through any manipulative, deceptive, or fraudulent device or contrivance;

(ii) engaging in price manipulation or cornering of the market;

(iii) engaging in wash transactions (or other activities that may or may not involve the making of a Contract) that creates a misleading appearance of activity occurring on the Trading System and/or causes the reporting of a misleading price level;

(iv) engaging in accommodation transactions, by which one party enters into a Contract with another party knowing or having reason to know that such transaction was an attempt to conceal a trading abuse;

(v) engaging in "front-running" or "trading-ahead," where a party knowingly places an Order or executes a trade for a Contract while in possession of material nonpublic information concerning an imminent Block Trade or Customer Order;

(vi) engaging in "cherry picking," where a party assigns a trade for a Customer to the account of another Customer or party (for any reason, even if only temporarily, where the situation is not remedied) and the trade assigned to the other Customer or party is at a superior price than the trade price received by the Customer;

(vii) withdrawing, withholding, disclosing, or taking advantage of a Customer Order in whole or in part for the benefit of any other Person;

(viii) engaging in compensation trades, where one or more parties executes non-competitive trades to transfer money between accounts; and

(ix) engaging in conduct or practices detrimental to the best interests of the Exchange.

(x) engaging in any other manipulative or disruptive trade practices prohibited by the Commodity Exchange Act, as amended, or Commission regulations, including but not limited to, "spoofing," "improper cross trading," "money passes," and trading against a Customer Order

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Chapter IV Trading System

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Section 2 Trading Days and Hours

(a) Except as provided in Chapter V, Sections 1~~7~~6 and ~~20~~19 in this Chapter, the Exchange shall determine and post on its website the days on which the Exchange is open for business, the opening and closing hours of the market, and the opening and closing trading times for each Contract. The Exchange shall from time to time determine the Exchange's Business Days and Trading Hours. The Exchange's Trading Hours shall include any regular ~~and extended~~ Trading Hours under the rules governing the relevant Contract. Except to the extent expressly permitted by the Rules of the Exchange, no Futures Participant shall make any bid or offer for, or engage in any transaction in, any Contract before or after such Trading Hours. Block and exchange for related position ("EFRP") transactions are permitted outside of Trading Hours pursuant to Chapter IV, Sections 1~~1~~0 and 1~~2~~1.

(b) The Exchange may modify its regular Business Days and Trading Hours to close or to have shortened Trading Hours in connection with a holiday or a period of mourning.

(c) The Exchange may from time to time adopt procedures for the opening or closing of trading in any Contract.

Section 3 Trading Sessions

(a) Pre-Open Session. Prior to the opening of a Trading Session for an Exchange Contract there will be a Pre-Trading Session which concludes with a two sided auction prior to the Open Session. During this session a Futures Participant may enter Orders (which includes Quotes) which may be modified and canceled during the session. Orders will be time-stamped and queued until the end of the Pre-Trade Session. During the Pre-Trade Session, GTC and GTD Orders may be modified or canceled.

(b) Open Session. After the Pre-Open Session, the Trading System will initiate an auction to uncross, if necessary. The Trading System will automatically match all crossed Orders at the Equilibrium Price. The Open Session will commence and the opening price will be either: (i) the Equilibrium Price; or (ii) the first match in the Trading Session. During the Open Session, the Trading System will match Orders (which includes Quotes).

(c) Close Session. At the end of the Open Session the Trading System will no longer accept Orders and no matching will occur. GTC and GTD Orders will remain in the Order Book.

(d) Post Close Session. At the end of the Close Session, a Post Close Session will commence. During the Post Close Session, Futures Participants may modify and cancel Orders.

Section ~~3~~4 Acceptable Orders

Orders entered into the Trading System for display and/or execution, as appropriate, are executable against marketable contra-side Orders in the Trading System.

(a) Types of Orders accepted by the Trading System are as follows:

(i) Market Order. A "Market Order" is an Order to buy or sell a stated number of Contracts at the best price or prices available in the Order Book at the time the Order is received by the Trading System until the Order has been filled in its entirety. ~~on the Exchange. Futures Participants can designate that their Market Orders be cancelled if the Order(s) remains unexecuted after a period of time, not to exceed 30 seconds, to be determined by the Exchange.~~ The following Time in Force conditions may apply to a Market Order: Fill or Kill or Immediate or Cancel Orders.

(ii) Limit Order. A "Limit Order" is an Order to buy or sell a stated number of Contracts at a specified price, or at a better price. The following Time in Force conditions may apply to a Limit Order: Fill or Kill, Immediate or Cancel, Day, Good till Canceled or Good till Date Orders.

(iii) Market-to-Limit Order. A "Market-to-Limit Order" is a Market Order that executes at the best price, with the unexecuted portion of the order posted to the Order Book as a Limit Order with the limit price equal to the last executed portion of the Market Order. The following Time in Force conditions may apply to a Limit Order: Fill or Kill, Immediate or Cancel, Day, Good till Canceled or Good till Date Orders.

(iv) Stop Order. A "Stop Order" is an Order which becomes a Market Order when the price designated on the Order ("Stop Price") is triggered. A "Buy Stop" order is triggered when the best bid is at or above the Stop Price. A "Sell Stop" order is triggered when the best offer is at or below the Stop Price.

(v) Stop Limit Order. A "Stop Limit Order" is an Order which has two components: (1) the stop price and (2) the limit price. When a trade has occurred at or through the stop price, the order becomes executable and enters the market as a Limit Order at the limit price. The Order will be executed at all price levels from the stop price up to and including the limit price. If the Order is not fully executed, the remaining quantity of the Order will remain active on the Order Book at the limit price. A buy Stop Limit Order becomes executable when a trade occurs at or higher than the stop price. A sell Stop Limit Order becomes executable when a trade occurs at or lower than the stop price.

(vi) 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.

(vii) A Trading at Settlement or TAS Order. A "Trading at Settlement" or "TAS" 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 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.

(viii) Combination Orders.

(i) Combination Orders or "Strategies" will be traded in a separate Order Book pursuant to the Rules in Chapter IV, Section 5. Combination Orders may be originated (adding Expiries, Contracts and trading symbols), by either: (i) the Exchange; or (ii) a Futures Participant or its Authorized Traders or Authorized Customers. 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.

(ii) Types of Combination Orders accepted by the Trading System, which may not exceed four legs, are as follows:

(a) Buy and Write Orders, also known as Covered Call Combination Orders, are Orders to buy a Future and write a call Option.

(b) Call or Put Spread Orders are Orders to buy and sell two call (put) Options of the same underlying and Expiry but with different strikes.

(c) Calendar (Horizontal) Spreads are buying and selling two call (put) Options of the same underlying and strike, but with different Expiries.

(d) Time Spreads are buying and selling two Futures of the same underlying, but with different expirations

(e) Straddles are buying a call Option and a put Option of the same underlying, expiration and strike.

(f) Strangles are buying a call Option which is out of the money and a put Option which is out of the money of the same underlying and expiration, but with different strikes.

(g) Conversions are buying a call Option and selling a put Option of the same underlying, expiration and strike at the same time as buying the underlying, or an underlying future.

(h) Reversals are selling a call Option and buying a put Option of the same underlying, expiration and strike at the same time as selling the underlying short, or selling an underlying future.

(i) Butterfly Spreads are a Contract strategy consisting of three legs.

(a) Butterfly Option Spreads consist of three put (call) Contracts with a minimum Lot Size of: one put (call) contract of the lower Contract strike price, two put (call) contracts of the middle Contract strike price, and one put (call) contract of the higher Contract strike price.

(b) Butterfly Futures Spreads consist of three Contracts with a minimum Lot Size of: one near term Contract, two mid-term Contracts, and one further term Contract.

(j) Condor and Iron Condor Spreads are a Contract strategy consisting of four legs.

(a) Condor Options Spreads consist of four Contracts (all put or all call Contracts) with a minimum Lot Size of: one contract of the lower Contract strike price, one contract of a higher strike price, one contract of a higher strike, and one contract of a higher strike price.

(b) Condor Futures Spreads consist of four Contracts with a minimum Lot Size of: one near term Contract, one further term Contract, one further term contract, and one further term contract.

(c) Iron Condor Options Spreads consist of four Contracts (two put and two call Contracts) with a minimum Lot size of: one put (call) Contract of the lower strike price, one put (call) Contract of a higher strike price, one put (call) Contract of a higher strike price, and one put (call) Contract of a higher strike price.

(iii) For the purpose of this Rule, a whole integer price is a Contract price that is divisible by one tick without remainder (e.g., one tick, two ticks, three ticks, etc.). In addition, the rule in the Contract specifications which defines a given Contract's minimum fluctuation will also define that Contract's whole integer and non-integer tick prices for the purposes of this Rule.

(ix) Implied Orders.

(i) Implied Orders will be traded in the Trading System pursuant to the Rules in Chapter IV, Section 5. Implied Orders will only be generated if those Orders are at or improve the BBO of the respective legs. The Exchange will disseminate Implied Out Orders through ITCH and FIX protocols. Implied In Orders will not be disseminated.

(b) Time in Force Conditions accepted by certain Orders are as follows:

(i) Day Order. A “Day Order” is an Order for any Contract that, unless executed, remains as an executable Order in the Trading System until the end of the Trading Hours for such Contract on which it is entered.

(ii) Good till Canceled Order. A “Good till Canceled Order” or “GTC Order” is an Order to buy or sell a stated quantity at a stated price. A GTC Order remains on the Order Book until it is either executed or canceled or the Contract expires, whichever occurs first.

(iii) Good till Date Order. A “Good till Date Order” or “GTD” is an Order that will remain in force through a specified date unless executed or canceled, or until the Contract expires.

(iv) Fill or Kill Order. A “Fill or Kill Order” or “FOK” is a designation added to an Order which will automatically cancel the Order unless it is executed in its entirety upon its receipt.

(v) Immediate or Cancel Order. An “Immediate or Cancel Order” or “IOC Order” is a designation added to a Market Order or Limit Order which will automatically cancel the Order unless it is executed in whole or in part upon its receipt.

~~(iii) Day Order. A "Day Order" is an Order for any Contract that, unless executed, remains as an executable Order in the Trading System until the end of the Trading Hours for such Contract on which it is entered.~~

~~(iv) Good-`Till-Canceled Order. A "Good-'Till-Canceled Order" is an Order that, unless executed, remains in the Trading System until it is withdrawn by the Futures Participant (including its Authorized Traders) who placed it or the expiration date of the Contract to which it relates, whichever occurs first.~~

~~(v) One-Cancels-the-Other Order. A "one-cancels-the-other Order" shall mean an Order entered by a Futures Participant that consists of a buy Order and a sell Order treated as a unit; the full execution of one of the Orders causes the other to be canceled.~~

~~(vi) Wait Order. A "Wait Order" is an Order that upon entry into the Trading System is held for a period of time as defined in Chapter V, Section 11(d) without processing for potential display and/or execution. The Order is thereafter processed for potential display and/or execution in accordance with all Order entry instructions as determined by the entering party. Wait Orders may not have a designation of Good-`Till-Cancelled.~~

~~(vii) Contingency Orders. A "Contingency Order" is an Order that is contingent upon a condition being satisfied while the Order remains in the Trading System, and may be one of the following Order types:~~

~~(i) All or None Order. An "All or None Order" is an Order which is to be executed in its entirety at its limit price or better. All or None Orders are treated as having a time-in-force designation of Immediate or Cancel.~~

~~(iv) Fill or Kill Order. A "Fill or Kill Order" is an Order which is automatically cancelled unless executed in its entirety upon its receipt.~~

~~(iiiv) Immediate or Cancel Order. An "Immediate or Cancel Order" is a Market Order or Limit Order which is automatically cancelled unless executed in whole or in part upon its receipt.~~

~~(iv) Minimum Quantity Order. A "Minimum Quantity Order" is an Order which is automatically cancelled unless a specified minimum quantity of Contracts could be executed.~~

~~(v) Post-Only Order. A "Post-Only Order" is an Order that will not remove liquidity from the System. Post-Only Orders are to be ranked and executed on the Exchange or cancelled, as appropriate. Post-Only Orders are evaluated at the time of entry with respect to locking or crossing other Orders. If a Post-Only Order would lock or cross an Order on the Exchange, the Post-Only Order will be re-priced to one minimum price increment below the current low offer (for bids) or above the current best bid (for offers). If the NASDAQ Best Offer is one minimum price increment greater than zero, a Post Only Order to buy would be rejected. Participants may choose to have their Post-Only Orders returned whenever the Order would be placed on the book at a price other than its limit price. Post-Only Orders may not be Wait Orders. Post-Only Orders may not have a designation of Good-`Till-Cancelled or Immediate or Cancel.~~

Section 45 Execution of Orders

(a) A trade is executed in the Trading System when: (i) one Order is a bid and the other is an offer; (ii) the two Orders are for the same Contract and delivery or Expiry, if an Option Order, the same strike and Option type, if available; and (iii) the price of the bid (offer) equals or is greater (less) than the price of the offer (bid). All Orders entered into the Trading System, once received, are queued by time of entry or amendment and matched as specified by the execution algorithm designated by the Exchange. All Orders are broadcast via FIX to all Futures Participants. Futures Participants may enter Requests for Quotes (RFQs) into the Trading System. RFQs will be anonymous. Futures Participants may enter a Request for Cross (RFC) into the Trading System. RFCs will be anonymous. RFCs are subject to Chapter V, Section 11.

(~~a~~b) [General.] The Exchange shall designate for each Contract, and Trading Session as applicable, one of the following Order execution algorithms which shall apply to the execution of Orders by the Trading System:

(i) Price-Time Priority Order execution algorithm. The Trading System shall execute Orders within the Trading System in price and time priority, meaning the Trading System will execute all Orders at the best price level within the Trading System before executing Orders at the next best price. Within each price level, if there are two or more Orders at the best price, an Order will be executed in the sequence in which it was received by the Trading System.

(ii) Size Pro-Rata Priority Order execution algorithm. The Trading System shall execute Orders within the Trading System in price priority, meaning the Trading System will execute all Orders at the best price level within the Trading System before executing Orders at the next best price. Within each price level, if there are two or more Orders at the best price, an Order will be executed based on the size of each Futures Participant's Order as a percentage of the total size of all Orders resting at that price.

~~(a) Public Customer Priority: the highest bid and lowest offer shall have priority except that within a given price level Public Customer Orders shall have priority over non-Public Customer Orders. If there are two or more Public Customer Orders for the same Contract at the same price, an Order will be executed in the sequence in which it was received by the Trading System, regardless of size.~~

~~(b) Market Maker Priority: After all Public Customer Orders have been fully executed, Market Makers Orders shall have priority over all other Orders at the same price. If there are two or more Market Maker Orders for the same Contract at the same price, an Order will be executed based on the Size Pro-Rata Priority Order execution algorithm.~~

(~~b~~c) Cancel Replace Orders. Any Order that has been entered into the Exchange's Trading System may be modified or cancel~~l~~ed while on the Order Book. Only if the volume is reduced for an Order held in the Order Book will it retain its position in the time-priority queue, otherwise an Order is treated as a new Order for purposes of the time-priority queue.

(~~c~~d) Lot Size~~Decrementation~~. Upon execution, an Order shall be reduced by an amount equal to the size of that execution.

(~~d~~e) Anonymity. The transaction reports produced by the Trading System will indicate the details of the transactions but shall not reveal contra party identities. A Futures Participant's identity will only be revealed by the Exchange in the following circumstances:

(i) when the Futures Participant's Clearing Futures Participant determines not to guarantee the settlement of the Future Participant's trades;

(ii) for regulatory purposes or to comply with an order of an arbitrator or court; and

(iii) if both Futures Participants to the transaction consent.

Section 6 Trading at Settlement ("TAS") Order

A Trading at Settlement ("TAS") 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 Order is executed. For purposes of this Rule, 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 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.

(a) Entry and Execution of TAS Orders. A TAS Order may be entered into the Trading System for a Contract only during the Open Session. TAS Orders may be entered only during the hours specified by the Exchange when TAS trading is available for such Contract. Trading in all TAS products will cease daily at 2:30 PM EPT. The price of a TAS Order or transaction is reflected with either a price of 0 (which represents a trade at the Daily Settlement Price), with a positive number (which represents a trade at that amount above the Daily Settlement Price) or with a negative number (which represents a trade at that amount below the Daily Settlement Price). All TAS Orders are required to be Day Orders. TAS Market Orders are not permitted. TAS Orders in a Contract will interact only with other TAS Orders in the Contract and will not interact with non-TAS Orders in the Contract. The same execution priorities that are applicable to non-TAS Orders in a Contract shall also apply with respect to TAS Orders in the Contract, unless otherwise specified in the rules governing the Contract.

(b) Quantity. Contracts eligible for TAS executions are permitted in any minimum quantity or as Block Trades pursuant to the requirements of Chapter IV, Section 10.

(c) TAS Eligible Contracts and Exclusions. 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. TAS transactions are not permitted in any Options, Combination Order or EFRP transactions.

Section ~~5~~7 Pre-Trade Risk Parameters

(a) The Authorized Risk Officer designated by the Clearing Futures Participant shall initially set and thereafter adjust, as appropriate, pre-trade risk parameters to a level that is appropriate for the trading activity of a Futures Participant, Authorized Trader or Authorized Customer for which the Clearing Futures Participant is the designated Clearing Futures Participant. ~~The Authorized Risk Officer shall set and adjust pre-trade risk parameters by requesting settings in a~~

~~form designated by the Exchange.~~ Futures Participants should employ other necessary pre-trade risk controls in their order management systems. ~~The Exchange will not issue an active Trader ID if an Authorized Risk Officer has not set pre-trade risk parameters for a specific Futures Participant, Authorized Trader or Authorized Customer.~~

(b) When pre-trade risk parameters have been met ~~or exceeded~~, the Exchange's Trading System will reject all new Orders (which includes Quotes). The Trading System will not accept an Order if that Order, in its entirety, would exceed pre-trade risk parameters. The Trading System could accept new Orders if the Futures Participant canceled existing Orders, but only to the extent that the pre-trade risk parameter was not exceeded. ~~and remove all open Orders for the Futures Participant, Authorized Trader or Authorized Customer until the Authorized Risk Officer adjusts the pre-trade risk Parameters by sending such request to the Exchange in a form designated by the Exchange~~.

Section ~~6~~8 Order Price Limit Protection

Order Price Limit ~~P~~protection ~~("OPP")~~ is a feature of the Trading System that prevents certain Orders per Contract at prices outside of pre-set standard limits from being accepted by the Trading System. ~~OPP~~ This protection applies to all Limit Orders but does not apply to Market Orders.

(a) ~~OPP~~ The Order Price Limit protection is operational each ~~T~~trading ~~D~~day ~~after the opening~~ during the Open Session ~~until the close of trading~~, except during trading halts. ~~The Exchange may also temporarily deactivate OPP this protection from time to time on an intraday basis at its discretion if it determines that volatility warrants deactivation.~~ Futures Participants will be notified of intraday ~~OPP~~Order Price Limit protection deactivation due to volatility and any subsequent intraday reactivation by the Exchange through the issuance of Trading System status messages.

(b) The Exchange shall establish Order Price Limits ~~limit Orders~~ in a specific Contract's specifications. ~~that are accepted as follows:~~

~~(i) If the BBO on the contra-side of an incoming Order is greater than $1.00, Orders with a limit more than 50% through such contra-side BBO will be rejected.~~

~~(ii) If the BBO on contra-side of an incoming Order is less than or equal to $1.00, Orders with a limit more than 100% through such contra-side BBO will be rejected.~~

Section ~~7~~9 Self-Match Prevention

Futures Participants may elect that Orders not be executed against Orders entered on the opposite side of the market by its ~~affiliated Futures Participants~~ Authorized Traders. A Futures Participant's Authorized Customer may elect that Orders not be executed against Orders entered on the opposite side of the market by its Authorized Traders. If Self-Match is engaged, the last Order which is entered on the opposite side of the market at the same price would be rejected. ~~In such a case, the Trading System will cancel the oldest of the Orders back to the entering party prior to execution.~~ Self-Match Prevention is optional for Futures Participants. Authorized

Traders of a Futures Participant and an Authorized Customer may not be grouped together for purposes of Self-Match Prevention. Self-Match Prevention is available each trading day during the Open Session.

~~Section 8 Order Spread Protection~~

~~Futures Participants may elect to have Orders rejected by the Trading System if the BBO is wider than a preset threshold at the time the Order is received by the Trading System. This feature applies to all Market Orders, but is optional for Limit Orders.~~

~~Section 9 Acceptable Trade Range~~

~~(A) The Trading System will calculate an Acceptable Trade Range, which for purposes of this Rule is a limit to the range of prices at which an Order will be permitted to execute for each Contract, as designated by the Exchange for a Contract. The Acceptable Trade Range is calculated by taking the reference price, plus or minus a value to be determined by the Exchange (i.e., the reference price - (x) for sell Orders and the reference price + (x) for buy Orders). Upon receipt of a new Order, the reference price is the NASDAQ BBO or the last price at which the Order is posted whichever is higher for a buy Order or lower for a sell Order.~~

~~(B) If an Order reaches the outer limit of the Acceptable Trade Range (the "Threshold Price") without being fully executed, it will be posted at the Threshold Price for a brief period, not to exceed one second ("Posting Period"), to allow more liquidity to be collected. Upon posting, either the current Threshold Price of the Order or an updated NASDAQ BBO for buy Orders or for sell Orders (whichever is higher for a buy Order/lower for a sell Order) then becomes the reference price for calculating a new Acceptable Trade Range. If the Order remains unexecuted, a new Acceptable Trade Range will be calculated and the Order will execute or post up to the new Acceptable Trade Range Threshold Price. This process will repeat until the Order is (i) executed, cancelled, or posted at its limit price or (ii) the Order has been subject to a configurable number of instances of the Acceptable Trade Range as determined by the Exchange not to exceed 10 iterations, in which case the Order will be returned.~~

~~(C) During the Posting Period, the Exchange will disseminate as a quotation: (i) the Threshold Price for the remaining size of the Order triggering the Acceptable Trade Range and (ii) on the opposite side of the market, the best price will be displayed using an indicator message which indicates it is not currently available for execution. Following the Posting Period, the Exchange will return to a normal trading state and disseminate its Best Bid and Offer.~~

~~Section 10 Risk Monitor Mechanism~~

~~The Trading System will maintain a counting program for each Futures Participant. When engaged, the counting program will count the number of contracts traded by market participant identifier designated for each Futures Participant, per contract, within a specified time period, not to exceed 15 seconds, established by each Futures Participant (the "Specified Time Period"). The specified time period will commence when a transaction occurs in a particular contract. This feature is optional.~~

~~(a) Risk Monitor Mechanism. The Specified Engagement Size is determined by the following: (A) For each contract, the counting program will determine the percentage that the number of executed contracts relative to the Futures Participant's total size at all price levels on a given side for that contract ("contract percentage") throughout the Specified Time Period; (B) The counting program will determine the sum of the contract percentages for the Contract ("Contract Percentage"); (C) Once the counting program determines that the Contract Percentage in B equals or exceeds a percentage established by the Futures Participant ("Specified Percentage"), the number of executed contracts in the Contract has met the Specified Engagement Size.~~

~~(b) Specified Engagement Size. The Specified Engagement Size is determined by the following: (A) For each contract, the counting program will determine the percentage that the number of executed contracts relative to the Futures Participant's total size at all price levels on a given side for that contract ("contract percentage") throughout the Specified Time Period; (B) The counting program will determine the sum of the contract percentages for the Contract ("Contract Percentage"); (C) Once the counting program determines that the Contract Percentage in B equals or exceeds a percentage established by the Futures Participant ("Specified Percentage"), the number of executed contracts in the Contract has met the Specified Engagement Size.~~

~~The Specified Engagement Size will be automatically offset by a number of contracts that are executed on the opposite side of the market in the same Contract during the Specified Time Period (the "Net Offset Specified Engagement Size"). Buy future executions will only be offset by sell future executions; buy put executions will only be offset by sell put executions; and buy call executions will only be offset by sell call executions.~~

~~The Net Offset Specified Engagement Size for each Contract is determined by offsetting the number of contracts executed on the opposite side of the market for each Contract during the Specified Time Period. The Risk Monitor Mechanism shall be engaged once the Net Offset Specified Engagement Size is for a net number of contracts executed among all contracts during the Specified Time Period that represents a Contract's percentage equal to or greater than the Specified Percentage, excluding Immediate or Cancel Orders submitted by the Futures Participant.~~

~~(c) Any marketable Orders that are executable against a Futures Participant's Orders that are received prior to the time the Risk Monitor Mechanism is engaged will be automatically executed at a price up to the Futures Participant's size, regardless of whether such an execution results in executions in excess of the Futures Participant's Specified Engagement Size.~~

~~(d) The system will automatically reset the counting program and commence a new Specified Time Period when:~~

~~(i) a previous counting period has expired and a transaction occurs in any Contract; or~~

~~(ii) if prior to the expiration of the specified time period, the Futures Participant initiates a purge across all series in an option, then re-enters his/her bid or offer and a transaction occurs in any Contract.~~

Section 1~~1~~0 Block Trades

The Exchange shall designate the Contract in which Block Trades shall be permitted and determine the minimum quantity thresholds for such transactions. The following shall govern Block Trades:

A. A Block Trade must be for a quantity that is at or in excess of the applicable minimum threshold. Orders may not be aggregated in order to achieve the minimum transaction size, except by those entities described in Sections I. and J.

B. Each party to a Block Trade must be an Eligible Contract Participant as that term is defined in Section 1a(18) of the Commodity Exchange Act.

C. A Futures Participant shall not execute any Order by means of a Block Trade for a Customer unless such Customer has specified that the Order be executed as a Block Trade.

D. The price at which a Block Trade is executed must be fair and reasonable in light of (i) the size of the Block Trade, (ii) the prices and sizes of other transactions in the same Contract at the relevant time, (iii) the prices and sizes of transactions in other relevant markets, including without limitation the underlying cash market or related ~~f~~Futures markets, at the relevant time, and (iv) the circumstances of the markets or the parties to the Block Trade.

E. Block [t]Trades shall not set off conditional Orders or otherwise affect Orders in the Order Book.

F. Futures Participants must ensure that each Block Trade is reported to the Exchange within five minutes of the time of execution; except that Block Trades executed outside of Trading Hours must be reported within fifteen minutes of the commencement of the Open Session of Trading Hours on the next Business Day for that Contract. The report must include the Contract, contract month, price, quantity of the transaction, the respective Clearing Futures Participants, the time of execution, and, for ~~o~~Options on Futures, strike price, put or call and expiration month. The Exchange shall promptly publish such information separately from the reports of transactions in the regular market.

G. Unless otherwise agreed to by the principal counterparties to the Block Trade, it is the obligation of the Futures Participant to report Block Trades. The Futures Participant must ensure that each Block Trade is reported to the Exchange within five minutes of the time of execution; except that Block Trades executed outside of Trading Hours must be reported within fifteen minutes of the commencement of the Open Session of Trading Hours on the next Business Day for that Contract. The Block Trade report made to the Exchange must include the following information: Contract, contract month, price, quantity of the transaction, the respective Clearing Futures Participants, the time of execution, and, for ~~o~~Options on Futures, strike price, put or call and expiration month. Failure to timely and accurately report Block Trades may subject the Futures Participant to disciplinary action.

H. Clearing Futures Participants and Futures Participants involved in the execution of Block Trades must maintain a record of the transaction in accordance with this Chapter III, Section 1.

I. A commodity trading advisor ("CTA") registered or exempt from registration under the Act, including, without limitation, any investment advisor registered or exempt from registration under the Investment Advisors Act of 1940, shall be the applicable entity for purposes of Sections A., B., C., and D., provided such advisors have total assets under management exceeding $25 million and the block trade is suitable for the Customers of such advisors.

J. A foreign Person performing a similar role or function to a CTA or investment advisor as described in Section I, and subject as such to foreign regulation, shall be the applicable entity for purposes of Sections A., B., C., and D., provided such Persons have total assets under management exceeding $25 million and the Block Trade is suitable for the Customers of such Persons.

Section 1~~2~~1 Exchange for Related Positions

An Exchange for Related Position ("EFRP") transaction involves a privately negotiated off-exchange execution of an Exchange ~~f~~Futures or ~~o~~Options Contract and, on the opposite side of the market, the simultaneous execution of an equivalent quantity of the cash product, by-product, related product, or OTC derivative instrument corresponding to the asset underlying the Exchange Contract.

The following types of EFRP transactions are permitted to be executed outside of the Exchange's centralized market in accordance with the requirements of this rule:

> Exchange of Futures for Physical ("EFP") – the simultaneous execution of an Exchange ~~f~~Futures contract and a corresponding physical transaction or a forward contract on a physical transaction.
>
> Exchange of Futures for Risk ("EFR") – the simultaneous execution of an Exchange ~~f~~Futures contract and a corresponding OTC swap or other OTC derivative transaction.
> Exchange of Option for Option ("EOO") – the simultaneous execution of an Exchange ~~o~~Option contract and a corresponding transaction in an OTC Option or other OTC instrument with similar characteristics.

For purposes of this rule, EFPs, EFRs and EOOs shall collectively be referred to as EFRP transactions.

[538.]A. Parties to an EFRP

One party to the EFRP must be the buyer of the Exchange Contract and the seller of (or the holder of the short market exposure associated with) the related position; the other party to the EFRP must be the seller of the Exchange Contract and the buyer of (or the holder of the long market exposure associated with) the related position. The Exchange Contract and the corresponding related position must be executed for accounts with the same beneficial ownership.

Notwithstanding the foregoing, a Futures Participant may facilitate, as principal, the related position component of an EFRP on behalf of a customer provided that the Futures Participant can demonstrate that the related position was passed through to the customer who received the Exchange Contract as part of the EFRP.

Parties to an EFR or EOO transaction must comply with all relevant CFTC regulations governing eligibility to participate in the related position component of such transactions.

[538.]B. Independently Controlled Accounts

The opposing accounts to an EFRP transaction must be (a) independently controlled accounts with differential beneficial ownership; (b) independently controlled accounts of separate legal entities with common beneficial ownership; or (c) independently controlled accounts of the same legal entity, provided that the account controllers operate in separate business units.
For EFRP transactions between accounts with common beneficial ownership, the parties to the trade must be able to demonstrate the independent control of the accounts and that the transaction had economic substance for each party to the trade.

[538.]C. Related Position

The related position component of an EFRP must be the cash commodity underlying the Exchange Contract or a by-product, a related product or an OTC derivative instrument of such commodity that has a reasonable degree of price correlation to the commodity underlying the Exchange Contract. The related position component of an EFRP may not be a ~~f~~Futures Contract or an ~~o~~Option on a ~~f~~Futures contract.

Each EFRP requires a bona fide transfer of ownership of the underlying asset between the parties or a bona fide, legally binding contract between the parties consistent with relevant market conventions for the particular related position transaction.

The execution of an EFRP transaction may not be contingent upon the execution of another EFRP or related position transaction between the parties where the transactions result in the offset of the related position without the incurrence of market risk that is material in the context of the related position transactions.

[538.]D. Quantity Equivalence

The quantity of the related position component of the EFRP must be approximately equivalent to the quantity of the Exchange component of the EFRP. Appropriate hedge ratios between the Exchange and related position components of the EFRP may be used to establish equivalency.

[538.]E. Prices and Price Increments

The Exchange component of the EFRP transaction must be priced in accordance with the applicable ~~f~~Futures price increments or ~~o~~Option premium increments as set forth in the Rules governing the Exchange Contract.

EFRP's may be transacted at such commercially reasonable prices as are mutually agreed upon by the parties to the transaction. EFRPs may not be priced to facilitate the transfer of funds between parties for any purpose other than as the consequence of legitimate commercial activity.

[538.]F. EFRPs Following the Termination of Trading in Exchange Contracts

EFRP transactions in certain Exchange Contracts may be executed for a defined period of time following the termination of trading in accordance with the applicable product rules governing each Exchange Contract. Such transactions may be executed only to liquidate Exchange positions.

[538.]G. Recordkeeping

Parties to an EFRP transaction must maintain all records relevant to the Exchange Contract and the related position transaction, including order tickets, records customarily generated in accordance with relevant market practices, records reflecting payments between the parties and, where appropriate, transfer of title, as well as any other records required to be kept pursuant to CFTC Regulation 1.35. Brokers who facilitate EFRP transactions must maintain all records corresponding to their facilitation of the transactions.

Records related to EFRP transactions must be provided to the Exchange upon request. It shall be the responsibility of the carrying Clearing Futures Participant to obtain and submit the requested records of their clients to the Exchange on a timely basis.

[538.]H. Submission to the Clearing Corporation

Each EFRP transaction shall be submitted to the Clearing Corporation within the time period and in the manner specified by the Exchange and the Clearing Corporation in Appendix B of the Rulebook. In all cases, the record submitted to the Clearing Corporation must reflect the correct EFRP transaction type and must reflect the accurate date and time at which the relevant terms of the transaction were agreed upon by the parties to the trade.

An EFRP transaction submitted to the Clearing Corporation shall not be considered accepted by the Clearing Corporation until the transaction has cleared and the first payment of settlement variation and performance bond has been confirmed.

[538.]I. EFRP Volumes Required to be Reported with Daily Large Trader Positions

Each Clearing Futures Participant, omnibus account and foreign broker responsible for submitting daily large trader positions in accordance with Chapter III, Section 16 must submit for each reportable account the EFRP volume bought and sold in the reportable instrument. The information must be included in the daily Large Trader Report to the Exchange.

[538.]J. Immediately Offsetting EFPs in Foreign Currency Futures

EFPs in foreign currency ~~f~~Futures wherein the parties immediately offset the cash transaction are permitted and the Exchange would expect to see confirmation statements issued by the bank/foreign exchange dealer party to the transaction. These confirmation statements should be the type normally produced by the bank/foreign exchange dealer for confirmation of currency deals and should indicate by name, the identity of the counter party principal to the transaction. However, in circumstances where the EFP Transaction is between a bank/foreign exchange dealer and a CTA, account controller, or other Person acting on behalf of a third party (such as a commodity pool or fund), the cash side confirmation statement must identify, at minimum, the name of the third party's carrying Clearing Futures Participant and the third party's account number (or other account specific designation), but need not identify the third party by name. These transactions are only permissible as EFPs in foreign currency f ~~f~~Futures and not in any other asset class or in EFRs or EOOs in foreign currency ~~f~~Futures.

Chapter V Trading Procedures and Standards

Section 1 Authorized Traders and Trader IDs

(a) Each Futures Participant shall from time to time permit one or more individuals to act as its Authorized Traders. Each Authorized Trader shall satisfy such requirements as may be prescribed by the Exchange from time to time. Without limiting the generality of the foregoing, each Futures Participant shall ensure that (i) none of its Authorized Traders shall be subject to any statutory disqualification (unless an appropriate exemption has been obtained with respect thereto) and (ii) each of its Authorized Traders shall be technically proficient and shall conduct its business in a fair and equitable manner.

(b) Futures Participants shall not knowingly enter, or cause to be entered, bids or offers into the Trading System until the Futures Participant's Authorized Risk Officer has entered all required risk controls for its Authorized Traders, including Automated Systems, as provided in Section ~~5~~4 of this Chapter. Notwithstanding the foregoing, the Futures Participant shall remain responsible in accordance with these Rules for the acts and omissions of any of its Authorized Traders, regardless of the level of risk controls set by the Futures Participant and the approval of such risk controls by the Exchange. ~~The Exchange will not issue a active Trader ID to an Authorized Trader of a Futures Participant if an Authorized Risk Officer has not set pre-trade risk parameters to Chapter IV, Section 5.~~

(c) Each Futures Participant, in a form and manner prescribed by the Exchange, shall include an assigned Trader ID with every Order from that Futures Participant that is submitted to the Exchange. Additionally, Futures Participants shall mark each Order entered into the Exchange's Trading System with a CTI Code, Origin Code and Clearing Account Type Indicator and such other information as may be prescribed by the Exchange.(i) Each Futures Participant is responsible for all Orders submitted through its Futures Participant Exchange Account by any Persons associated with that Futures Participant. Each Futures Participant and Authorized Trader shall not knowingly enter, or cause to be entered bids or offers into the Trading System other than in good faith for the purpose of executing bona fide trades.

(d) Trader IDs are subject to the following requirements (except in relation to Automated Systems, with respect to which paragraph (e) below is applicable):

(i) Each Trader ID shall represent

(A) the natural person physically responsible for entering the Order into the Trading System (if a natural person entered the Order into the Trading System); or

(B) the natural person physically responsible for entering the Order directly or indirectly into a system of or used by a Futures Participant that interfaces with the Trading System (if no natural person entered the Order into the Trading System and instead a natural person entered the Order directly or indirectly into a system of or used by a Futures Participant that interfaces with the Trading System)

(ii) A Trader ID issued for a natural person may only be used by that natural person. A Trader ID issued for a natural person may not be used by any other natural person or entity and may not be used as the Trader ID for an Automated System.

(a) An Authorized Trader is responsible for transactions executed by or through the Futures Participant's Exchange Account. Each Authorized Trader must sign a written statement provided by the Exchange whereby the Authorized Trader consents to the jurisdiction of the Exchange and the Commission and agrees to observe and be bound by the By-laws and Rules of the Exchange, the Act, Commission regulations and related requirements, and all Exchange regulatory and operational guidance and procedures. Among other duties and responsibilities that the Exchange may impose, an Authorized Trader must:

(1) Have the authority to modify or withdraw any Order entered under the Authorized Trader's Trader ID;

(2) Have the ability to identify immediately for the Exchange the sources of all Orders submitted under the Authorized Trader's Trader ID; or

(3) Ensure that any Person conducting business under a Futures Participant's associated Trader IDs are competent and appropriately trained.

(iii) No Futures Participant, Authorized Trader or Person associated with a Futures Participant shall submit an Order to the Trading System unless the Order is submitted with a Trader ID attached in the manner, format, and following the procedures established by the Exchange. Each Futures Participant and Authorized Trader of a Futures Participant must reasonably ensure that no Trader ID is used by any Person not so authorized by the Futures Participant pursuant to these Rules.

(e) Trader IDs are subject to the following requirements in relation to Automated Systems:

(i) Each Order originating from an Automated System that is submitted to the Trading System shall include a Trader ID for that Automated System.

(ii) A Trader ID issued for an Automated System may only be used for that Automated System. A Trader ID issued for an Automated System may not be used for any other Automated System and may not be used as the Trader ID for any natural person or entity.

(f) Each Futures Participant shall comply with the following issuance, recordkeeping, and reporting requirements related to Trader IDs:

(i) Each Trader ID issued for a natural person or Automated System for inclusion with any Order from the Futures Participant that is submitted to the Trading System shall be unique, and shall not be associated with more than one natural person or Automated System.

(a) Each Futures Participant must provide to the Exchange the name, title, telephone number and other information for its Authorized Traders, including other emergency contacts, in the manner, format, and following the procedures established by the Exchange.

(ii) Each Futures Participant shall collect and maintain accurate, complete, and up-to-date records with the following information for each Trader ID issued for a natural person or Automated System for inclusion with any Order from the Futures Participant that is submitted to the Trading System.

(A) a clear identification of whether the Trader ID is issued for a natural person or Automated System;

(B) if the Trader ID is issued for a natural person, the name, address, telephone and e-mail contact information, and position or relationship to the Futures Participant;

(C) if the Trader ID is issued for an Automated System, the name, address, telephone and email contact information, and position or relationship to the Futures Participant of the head operator of the Automated System;

(D) and any other related information as may be prescribed by the Exchange.

(iii) Each Futures Participant shall provide to the Exchange in a form and manner prescribed by the Exchange information requested by the Exchange regarding any Trader IDs and the natural persons and Automated Systems for which they have been issued for inclusion with any Order from the Futures Participant that is submitted to the Trading System. The information requested relating to an Automated System may include, among other things, information regarding the head operator and other individuals that operate the Automated Trading System and the type of models, algorithms, programs, and systems utilized by the Automated System.

(iv) Each Futures Participant shall promptly report to the Exchange in a form and manner prescribed by the Exchange any new or amended information regarding Trader IDs.

(v) Each Futures Participant shall maintain or cause to be maintained audit trail information for all Orders entered into the Trading System, including Order modifications and cancellations. This audit trail must contain, at a minimum, all Order entry, modification, cancellation and response receipt time(s) as well as all Financial Information Exchange interface (FIX) tag information ~~and Specialized Quote Interface (SQF) information~~, as applicable. Futures Participants are required to produce, upon request of the Exchange or its Regulatory Services Provider, the audit trail for all Orders submitted to the Exchange in a format prescribed by the Exchange.

(h) All written Orders and any other original records pertaining to Orders entered through the Trading System must be retained for five years and otherwise in accordance with the provisions of Commission Regulation 1.31. A Futures Participant shall retain all memoranda reflecting Orders for a Customer Account in accordance with Chapter III, Section 1 and shall retain those memoranda for the period required in Chapter III, Section 1. A Futures Participant receiving a Customer Order other than in the form of an electronic or written record must comply with the requirements of Commission regulation 1.35.

Section 2 Clearing

(a) The rights and obligations of purchasers and sellers of Futures, ~~o~~Options on Futures and ~~S~~security Futures cleared by The Options Clearing Corporation, including but not limited to rights and obligations in respect of clearing and settlement, variation payments and performance at maturity, shall be as set forth in the By-Laws and Rules of The Options Clearing Corporation.

(b) All transactions executed on or subject to the Rules of the Exchange must be cleared through The Options Clearing Corporation, including Block Trades and exchange for related positions ("EFRPs").

(c) The Options Clearing Corporation’s default rules and procedures will govern in the event of a default by a Futures Clearing Participant.

Section 3 Establishment of Settlement Prices

The Exchange shall establish Daily and Final Settlement Prices at the respective times and using the methodology established by the Exchange as described in the Contract specifications. Such Daily Settlement Prices are subject to subsequent review and revision by the Clearing Corporation. The time set for determining the Daily Settlement Price or the Final Settlement Price need not coincide with the end of a Trading Day.

Section 4 Direct Access

Authorized Customers of any Clearing Futures Participant may access the Trading System directly, provided that the following provisions of this Rule are satisfied.

(a) The Clearing Futures Participant must be a futures commission merchant and the Customer Account must be held by the Clearing Futures Participant or a carrying broker maintaining an account for its Customers on a[n] fully disclosed or omnibus basis with the Clearing Futures Participant.

(b) The Clearing Futures Participant shall complete an application in the form supplied by the Exchange which requests, among other things, information pertaining to the Authorized Customer for which direct access to the Trading System is sought, a guarantee as to the performance of the Authorized Customer with respect to a Contract, as specified in Chapter II, Section 1, specifically guaranteeing the transactions of the Authorized Customer, information concerning Authorized Traders and an agreement executed by the Authorized Customer regarding usage of the Trading System in a form as prescribed by the Exchange.

(i) The Authorized Customer must not be presently enjoined by order, judgment or decree of any court of competent jurisdiction or of the Commission or the Securities and Exchange Commission or of any state securities authority or agency from engaging in or continuing any conduct or practice in connection with the purchase or sale of any commodity, security, ~~o~~Option or similar instrument.

(c) The Clearing Futures Participant will be required to designate at least two Authorized Risk Officers. Clearing Futures Participants must immediately notify the Exchange if an Authorized Risk Officer is no longer with the firm or if another individual should be designated.

(i) Clearing Futures Participants must keep Authorized Risk Officer, Authorized Customer and Authorized Customer's Authorized Trader information updated at all times.

(d) The Authorized Risk Officer will be required to designate pre-trade risk parameters as required by Chapter IV, Section 5.

(e) The Exchange shall provide an Authorized Customer's Authorized Traders a Trader ID to directly access the Trading System if all the qualifications and requirements in (a) through (d) of this Rule have been met.

(f) The Clearing Futures Participant shall remain responsible, in accordance with these Rules, for the acts and omissions of any of its Authorized Customers, regardless of the level of risk controls set by the Clearing Futures Participant and the approval of such risk controls by the Exchange.

(g) The Clearing Futures Participant is responsible for the financial obligations of each Authorized Customer for which it authorizes direct access with respect to all Orders entered and transacted as well as for compliance by the Authorized Customer with the Rules of the Exchange and compliance with Exchange procedures.

(h) With respect to each Authorized Customer for which a Clearing Futures Participant has authorized direct access, the Clearing Futures Participant shall: (i) take any and all actions requested or required by the Exchange with respect to such Authorized Customer, including, but not limited to, assisting the Exchange in any investigation into potential violations of Exchange Rules or of the Act, and requiring such Authorized Customer to produce documents, provide information, answer questions and/or to appear in connection with any investigation; (ii) suspend or terminate the Authorized Customer's access to the Exchange's Trading System if the Exchange determines that the actions of the Authorized Customer threaten the integrity or liquidity of any Exchange Contract, violate Exchange Rules or the Act, or if the Authorized Customer fails to cooperate in any investigation; (iii) suspend or terminate the Authorized

Customer if the Clearing Futures Participant has reason to believe that the actions of the Authorized Customer threaten the integrity or liquidity of any Exchange Contract, violate the Rules or the Act, or if the Authorized Customer fails to cooperate in any investigation; and (iv) utilize such controls designed to facilitate the Clearing Futures Participant's management of financial risk as may be provided by the Exchange from time to time.

(i) A Clearing Futures Participant may revoke access to the Authorized Customer by notifying the Exchange in writing and receiving acknowledgment from the Exchange.

(j) The Clearing Futures Participant authorizing a connection to the Trading System is responsible for maintaining or causing to be maintained the audit trail for all Orders submitted to the Exchange; and producing, upon request of the Exchange or its Regulatory Services Provider, the audit trail for all Orders submitted to the Exchange by an Authorized Customer. Each Authorized Customer connecting to the Trading System is responsible for maintaining or causing to be maintained the audit trail for all Orders submitted to the Exchange. A Clearing Futures Participant that has arrangements for a third party to maintain audit trail information on its behalf shall remain responsible for compliance with this Rule.

(i) The audit trail shall be submitted in a format prescribed by the Exchange.

(ii) The Exchange or its Regulatory Services Provider may request additional details concerning the audit trail for certain Order types, such as Bunched Orders where the detail is not apparent.

(iii) The electronic audit trail must be maintained for a minimum of five (5) years. Upon the request of the Exchange, each Clearing Futures Participant and Authorized Customer must have the ability to produce to the Exchange the audit trail data in a format prescribed by the Exchange.

(k) A Clearing Futures Participant that has actual or constructive notice of a violation or potential violation of the Rules or the Act in connection with the use of the Trading System by an Authorized Customer for which it provides access and fails to take appropriate action may be subject to disciplinary action under the Rules.

(l) If a Clearing Futures Participant's permit is terminated by the Exchange or its trading privileges are suspended by the Exchange, all access to the Exchange's Trading System which is authorized by such Clearing Futures Participant shall automatically terminate on the effective date of the termination or suspension.

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Section 10 Average Price Transactions

A Futures Participant that is a registered as a futures commission merchant may confirm for a Customer Account an average price when multiple execution prices are received on an Order <u>(including Combination Orders and Implied Orders)</u> or series of Orders if all the following requirements are met:

(a) The Customer has requested average price reporting and has received appropriate disclosure of the method used to calculate the average price.

(b) Each Order is, or series of Orders are, for the same Customer Account or group of Customer Accounts.

(c) Each Order is, or series of Orders are, for the same Contract, Expiry~~Contract Month~~, market direction (i.e., purchase or sale), and Order instructions pursuant to Chapter IV, Section ~~3~~4.

(d) Each individual trade is submitted to, and cleared by, the Clearing Corporation at the price executed.

(e) The Futures Participant calculates and confirms the weighted average mathematical price by (1) multiplying the number of contracts purchased or sold at each execution price by that price; (2) adding the results together; and (3) dividing the sum by the total number of contracts. For a series of Orders, the Futures Participant may compute the average price based on each Order in the series. The Futures Participant may confirm to the Customer either the actual average price or an average price rounded up for a buy Order, or rounded down for a sell Order, to the nearest price increment.

(f) The applicable confirmation and monthly account statement provided to each relevant Customer indicates that the price represents an average price.

(g) The Futures Participant does not average its proprietary trades with Customer trades that are subject to average price calculations.

(h) The Futures Participant creates and maintains records (in accordance to Commission regulation 1.31) to support its average price calculations pursuant to this Rule and the allocations into Customer Accounts and makes those records available for inspection by the relevant Customers upon request.

Section 11 Pre-Negotiated Business and Cross Transactions

(a) Except as otherwise provided for in Chapter IV, Section 1~~1~~0, a Futures Participant may only execute ~~C~~cross ~~T~~transactions or seek to match an Order through pre-negotiation with itself or with its other Customers in accordance with this Rule.

(b) When pre-negotiating and executing a ~~C~~cross ~~T~~transaction for a Customer, a Futures Participant must (1) obtain a prior written consent from the Customer which is either a generic or transaction specific consent and (2) act with due skill, care, and diligence, and ensure that the Customer's interests are not prejudiced.

(c) When submitting a Request for Cross (RFC) ~~Cross Transaction~~ to the Trading System through this Rule, if only one side of the transaction is a Customer Order, then the Futures Participant must submit the Customer Order first to the Trading System.

(d) If a bid and an offer for a Contract~~ Month~~ does not exist in the Trading System, then before submitting Orders in the relevant Contract~~ Month~~ that have been pre-negotiated, a Futures Participant must (1) <u>submit a Request for Cross (in compliance with Section (c), if applicable); (2) </u>submit one Order (in compliance with Section (c), if applicable), (~~2~~<u>3</u>) wait five seconds for ~~f~~<u>Futures</u> and eight seconds for ~~o~~<u>O</u>ptions~~, and (3)~~ <u>before</u> submit<u>ting</u> the second Order for the relevant Contract~~ Month~~. Because both Orders submitted pursuant to this Rule are exposed to the market, the Trading System may not necessarily match the two Orders.

(e) A Person must not enter a bid and/or offer into the Trading System in an attempt to circumvent the requirements of this Section.

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Section 16 Regulatory Trading Halts

The Exchange shall halt trading of broad-based index ~~f~~<u>F</u><u>utures</u> Contracts at any time that circuit breaker procedures are in place to halt or suspend trading in all equity securities trading on a national securities exchange or national securities association. After the triggering of circuit breaker procedures, the Exchange will resume trading of broad-based index ~~f~~<u>F</u><u>utures</u> Contracts only after trading has resumed in equity securities traded on a national securities exchange or national securities association.

* * * * *

Section 19 Trading Restrictions and Suspensions

(a) The President or his delegate is authorized at any time to restrict or suspend trading in any Contract if he believes that the restriction or suspension is necessary or appropriate to preserve market integrity, maintain fair and orderly trading, or otherwise further the public interest or for the protection of investors.

(b) Any trading restrictions or suspensions imposed pursuant to Section (a) may include without limitation:

(1) a change in the closing time and/or the time for determining the Daily Settlement Prices for that Trading Day; and/or

(2) a setting of Daily Settlement Prices by the President or his delegate based on the following:

(i) the mid-point of the ~~NASDAQ~~ Best Bid and Offer for the Contract~~ Month~~ immediately before the restriction or suspension;

(ii) if the mid-point of the ~~NASDAQ~~ Best Bid and Offer appears unrepresentative of fair market value, then the ~~NASDAQ~~ Best Bid and Offer will be adjusted by the last representative bid or offer; or

(iii) any other methodology deemed appropriate by the President or his delegate under the circumstances.

(c) The President or his delegate may lift a trading restriction or suspension imposed by this Rule if the President or his delegate believes that trading can resume on a fair and orderly basis and the public interest is served.

(d) No trading restriction or suspension imposed under this Rule shall continue for more than two business days (or as soon thereafter as a quorum of the Board can be assembled) unless the Board approves of the continuation of the restriction or suspension.

(e) Any trading restrictions or suspensions imposed under this Rule will be posted on the Exchange's website. The Exchange will document its decision-making process and the reasons for using its authority under this Rule, and consult with Commission staff as necessary and appropriate.

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Chapter VI Disciplinary Rules

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Section 15 Consent to Jurisdiction

(a) Any Person initiating or executing a transaction on or subject to the Rules of the Exchange directly or through an intermediary, and any Person for whose benefit such a transaction has been initiated or executed, expressly consents to the jurisdiction of the Exchange and agrees to be bound by and comply with the Rules of the Exchange in relation to such transactions, including, but not limited to, rules requiring cooperation and participation in investigatory and disciplinary processes.

(b) The scope of applicable Rules include Chapter I, Chapter II, Section I (vi) and (vii), Chapter III, Section 11, Chapter IV, Sections ~~4~~<u>5</u> and ~~5~~<u>7</u>, and Chapter V, Sections 1 and 4.

*** * * * ***

<u>Chapter VIII Options Rules</u>

<u>A. Scope</u>

<u>The Bylaws and Rules of the Exchange govern all transactions in Options on the Exchange, except as superseded by the Rules in this section. Options on the Exchange include both "put" and "call" Options.</u>

B. General Definitions

(1) "Class of Options" means Options of the same type, specifically, put or call, covering the same underlying Futures contracts.

(2) "Exercise price" and "strike price" mean the price at which the Futures contract underlying the Option may be purchased or sold upon exercise of the Option.

(3) "Expiration date" means the last day on which a particular Option contract may be exercised into the underlying Futures contract.

(4) "Option customer" means a person for whose account a Clearing Futures Participant or Futures Participants that is an futures commission merchant purchases or sells an Option and clears and/or carries the resulting Option position.

(5) "Premium" means the amount the purchaser and seller agree upon as the price to be paid for the purchase or sale of the Option.

(6) "Promotional material" includes:

(a) Any text of a standardized oral presentation, or any communication for publication in any newspaper, magazine or similar medium, or for broadcast over television, radio, or other electronic medium, which is disseminated or directed to an Option customer or prospective Option customer concerning a commodity Option transaction;

(b) Any standardized form of report, letter, circulation, memorandum, or publication which is disseminated or directed to an Option customer or prospective Option customer; and

(c) Any other written material disseminated or directed to an Option customer or prospective Option customer for the purpose of soliciting an Option transaction, including any disclosure statement required by Commission Regulation 33.7.

(7) "Purchase price" means the total price paid or to be paid, directly or indirectly, by a person to acquire an Option. This price includes all commissions and other fees, in addition to the Option premium.

(8) "Purchaser" or "holder" means a Clearing Futures Participant that has purchased an Option, either for its own account or for the account of an Option customer for which it clears and carries the position. The Clearing Futures Participant (and if applicable, the person for which it is acting) has a "long position".

(9) "Seller," "grantor" or "writer" means a Clearing Futures Participant that has sold an Option, either for its own account or for the account of an Option customer for which it clears and carries the position. . The Clearing Futures Participant (and if applicable, the person for which it is acting) has a "short position".

(10) "Series of Options" means Options of the same class having the same strike price, expiration date and exercise style (American of European).

(11) "Underlying Futures contract" means the Futures Contract that is purchased or old upon the exercise of the Option.

C. Option Position Definitions

(1) "At-the-money call or put Option" means an Option whose strike price is equal to the settlement price of the Futures Contract underlying such Option.

(2) "In-the-money call Option" means a call Option whose strike price is less than the settlement price of the Futures Contract underlying such call Option.

(3) "In-the-money put Option" means a put Option whose strike price is greater than the settlement price of the Futures Contract underlying such put Option.

(4) "Out-of-the-money call Option" means a call Option whose strike price is greater than the settlement price of the Futures Contract underlying such call Option.

(5) "Out-of-the-money put Option" means a put Option whose strike price is less than the settlement price of the Futures Contract underlying such put Option.

(6) "Option Spread" means the purchase and sale of put or call Options at a stated price difference.

D. Rights of Call Option Purchaser

The purchaser of a call Option Contract has the right to give notice of exercise at any time prior to the Option's expiration for American Options or solely at the time of expiration for European Options. Upon such exercise, the Clearing Corporation will automatically assign a corresponding short call option to deliver to the purchaser a long Futures Contract on the Exchange, and the Clearing Corporation will establish, by book entry, a long Futures Contract, the price of which is the strike price specified in the Option and the delivery month of which is that of the underlying Futures Contract. The purchaser may, at any time prior to the exercise or expiration of the Option, enter into a closing sale transaction.

E. Rights and Obligations of Call Option Seller

The seller of a call Option Contract that receives a notice of exercise will automatically be assigned by the Clearing Corporation and the Clearing Corporation will establish, by book entry, a short Futures Contract on the Exchange, the price of which is the strike price specified in the Option and the delivery month of which is that of the underlying Futures Contract. The seller may, at any time prior to the receipt of a notice of exercise or expiration of the Option, enter into a closing purchase transaction.

F. Rights of Put Option Purchaser

The purchaser of a put Option Contract has the right to give notice of exercise at any time prior to the Option's expiration for American Options or solely at the time of expiration for European Options. Upon such exercise, the Clearing Corporation will automatically assign a corresponding short put Option to deliver to the purchaser a short Futures Contract on the Exchange, and the Clearing Corporation will establish, by book entry, a short Futures Contract, the price of which is the strike price specified in the Option and the delivery month of which is that of the underlying Futures Contract. The purchaser may, at any time prior to the exercise or expiration of the Option, enter into a closing sales transaction.

G. Rights and Obligations of Put Option Seller

The seller of a put Option Contract that receives a notice of exercise will automatically be assigned by the Clearing Corporation and the Clearing Corporation will establish, by book entry, a long Futures Contract on the Exchange, the price of which is the strike price specified in the Option and the delivery month of which is that of the underlying Futures Contract. The seller may, at any time prior to receipt of a notice of exercise or expiration of the Option, enter into a closing purchase transaction.

H. Notice of Exercise

(1) Exercises must be made in accordance with Clearing Corporation rules and bylaws.

(2) Unless otherwise specified in Rules applicable to a particular Option, a notice of exercise will only be effective if the Clearing Corporation receives it from the purchaser no later than the deadline established by the Clearing Corporation (i) in the case of an American Option, on any business day on which the Option Contract month is trading, up to and including the expiration date for such American Option, and (ii) in the case of a European Option, on the expiration date for such European Option.

(3) The Clearing Corporation will assign a notice of exercise for an Option in accordance with Subsection (D) of this Rule to a seller of an Option of the same series, and establish, by book entry, positions in the underlying Futures contract for both the purchaser and seller of the Option, following the Clearing Corporation's receipt of the notice of exercise. The Clearing Corporation will notify the seller of such exercise and assignment. Such Futures Contracts are subject to the Rules of the Exchange.

(4) When a seller receives a notice of exercise from the Clearing Corporation with respect to short Options positions it carries for any Option customer, on the date that it receives the notice, the seller must, as soon as practicable, report such notice to the short Option customer to whose account the notice of exercise is allocated. The seller must also notify any Option customer with a short in-the-money put Option or short in-the-money call Option against which a notice of exercise is not allocated that the Option customer's position was not exercised.

(5) The Clearing Corporation will allocate randomly notices of exercise in a series of Options for any given day among Clearing Futures Participant holding or carrying short positions in the same series of Options. Each Clearing Futures Participant and Futures Participant that is futures commission merchant that carries an Options customer account must have and follow written procedures, for the fair and non-preferential allocation of notices of exercise among their Option customers.

(6) Unless otherwise specified in the Rules applicable to a particular Option, on the last day on which an Option may be exercised, the Clearing Corporation will automatically exercise each Option held by a purchaser that is an in-the-money put Option or in-the-money call Option unless the Clearing Corporation receives written notification from the purchaser prior to the deadline established by the Clearing Corporation on the Option's expiration date that the purchaser does not want to exercise the Option, in which case the Option is deemed abandoned. The Clearing Corporation will make appropriate book entries and allocations for all Options automatically exercised in accordance with subsections (B) and (D) of this Rule. The Clearing Corporation will determine whether the Option is in-the-money based on the settlement price of the underlying Futures Contract on the last day of trading in the Option.

(7) Each Clearing Futures Participant and Futures Participant that is a futures commission merchant that carries accounts for Option customers must exercise due diligence in monitoring such accounts and in obtaining instructions from the Options customers with respect to the handling and disposition of the Options contracts in their accounts.

I. Payment of Option Premium

A futures commission merchant may not accept an Order to purchase an Exchange Option for a customer account that it carries unless the Option customer deposits payment for the premium in accordance with the Rules or the futures commission merchant has issued a call for the required premium and such call has not been outstanding more than a reasonable period of time. Notwithstanding the foregoing, if an Option customer has both purchased and sold Exchange Options in the same class for the same underlying Futures contract, on any day, it will be required to pay the amount, if any, by which the premium for the Options purchased exceeds the premium for the Options sold. All such payments of premium to the Clearing Corporation must be made in accordance with the rules of the Clearing Corporation. The Clearing Corporation will pay the premium to the Futures Clearing Participant that is the seller.

J. Customer Complaints

Each Futures Participant that is a futures commission merchant engaging in the offer or sale of Option contracts regulated by these Rules must retain all written complaints (if any) that it receives from Option customers, and make and retain a record of the date the complaint was received, the associated person who serviced the account, a general description of the matter complained of, and what, if any, action was taken by the Futures Participant that is a futures commission merchant in regard to the complaint.

K. Procedures for Supervision

Each Futures Participant that is a futures commission merchant engaging in the offer and sale of Option contracts regulated by these Rules must adopt and enforce written procedures pursuant to which it will be able to supervise adequately all of its Option customers' accounts, except that of another futures commission merchant, including, but not limited to, the solicitation of any such account.

L. Solicitation of Options Orders

No futures commission merchant may solicit or accept an order for an Exchange Option from any person who it reasonably believes may be soliciting the order in contravention of Commission Rule 33.3.

M. Compliance with Disclosure Requirements

Except as provided in Commission Regulation 1.65, no Futures Participant that is a futures commission merchant engaging in the offer or sale of Option contracts regulated by these Rules may open an Option account for an Option customer, except another futures commission merchant, unless the futures commission merchant does the following:

(1) furnishes the customer with a separate written disclosure statement as set forth in Commission Rule 33.7 or includes such statement in a booklet containing the customer account agreement and other disclosure statements required by Commission rules;

(2) subject to the provisions of Commission Rule 1.55(d), receives from the customer an acknowledgement signed and dated by the customer that he received and understood the disclosure statement;

(3) otherwise complies with Commission Rule 33.7; and

(4) acquaints itself sufficiently with the personal circumstances of each Option customer to determine what further facts, explanations and disclosures are needed in order for that particular Option customer to make an informed decision whether to trade Options.

N. Prohibited Promotional Material

No Futures Participant that is a futures commission merchant engaging in the offer or sale of Option contracts regulated by these Rules may publish, distribute or otherwise disseminate any promotional material pertaining to Options trading on the Exchange which is fraudulent or misleading.

O. Sales Communications

No Futures Participant that is a futures commission merchant, in connection with the offer or sale of Option contracts regulated by these Rules, may make, or cause to be made, fraudulent or high-pressure sales communications.

P. Strike Price Listing Procedures

(1) In addition to strike prices authorized pursuant to other Rules or Resolutions, the President of the Exchange or his designee may direct that additional strike prices be added provided they may be listed only in increments consistent with the pricing for the underlying Futures Contract.

(2) Such directed strike prices will be effective upon adoption. The Exchange will notify the Commission of such adoption pursuant to Commission rules.

* * * * *

Appendix A – Guidance Related to Pre-Trade Risk Parameters

This guidance is to remind Futures Participants and Authorized Traders of their responsibilities for the orders placed on the Exchange's Trading System and provide interpretative guidance regarding pre-trade risk controls that Futures Clearing Participants should have in place and actively use to demonstrate adequate exercise of due diligence for the placement of orders.

Trading Rules

Exchange Rules provide that Futures Participants and Authorized Traders shall be responsible and accountable for the orders placed on the Exchange's Trading System. Specifically, Chapter V, Section 18 prohibits misuse of the Trading System and states that "[i]t shall be deemed an act detrimental to the interest and welfare of the Exchange to either willfully or negligently engage in unauthorized access to the Trading System, to assist any individual in obtaining unauthorized access to the Trading System, to trade on the Trading System without proper authorization as described in these Rules, to alter the equipment associated with the Trading System, to interfere with the operation of the Trading System, to use or configure a component of the Trading System in a manner which does not conform to Exchange's agreements and procedures to intercept or interfere with information provided on or through the Trading System, or in any way to use the Trading System in a manner contrary to the Rules of the Exchange." Further, Chapter V, Section I provides that, "[e]ach Futures Participant is responsible for all Orders submitted through its Futures Participant Exchange Account by any Persons associated with that Futures Participant. Each Futures Participant and Authorized Trader shall not knowingly enter, or cause to be entered bids or offers into the Trading System other than in good faith for the purpose of executing bona fide trades."

Pre-Trade Risk Parameters

Chapter IV, Section ~~5~~7 requires that the Clearing Futures Participant's Authorized Risk Officer to initially set and thereafter adjust, as appropriate, pre-trade risk parameters to a level that is appropriate for the trading activity of a Futures Participant, Authorized Trader or Authorized Customer for which the Clearing Futures Participant is the designated Clearing Futures Participant. The pre-trade risk controls must be appropriate for the level of trading engaged in by the Futures Participant, Authorized Trader or Authorized Customer.

An Authorized Risk Officer must initially set and thereafter adjust ~~via written communications with Market Operations,~~ the following pre-trade risk parameters:

• Maximum Order/Quote Size
• Total Net Buy/Sell
• Restricted Contract
~~• Maximum Executed Exposure Value~~
~~• Maximum Open Exposure~~
~~• Maximum Total Executed Value~~
~~• Maximum Total Open Value~~

» Maximum Order/Quote Size – Maximum allowable order or quote size, based on volume, which may be sent to the Exchange for a given Group, Firm or Trader ID. Each bid and offer of a quote is considered independent of one another.

» Total Net Buy/Sell – Traded Net plus open buy/sell per Instrument

» Restricted Contract – List of Contracts that cannot be traded.

~~» Maximum Executed Value – Maximum allowable execution value calculated as the absolute value of Executed Long Value less Executed Short Value for a given Group, Firm or Trader ID.~~

~~» Maximum Open Exposure – Maximum allowable exposure calculated as the sum of the 1) absolute value of the difference of Open Long Value less Open Short Value and 2) the absolute value of the difference of Executed Long Value less Executed Short Value, i.e.~~

~~Absolute Value (Open Long Value Open Short Value) + Absolute Value (Executed Long Value Executed Short Value)~~

~~If a quote/order is received which would cause the Maximum Open Exposure to hit the cut-off limit, the incoming quote/order will be rejected and no cut-off will be triggered (resting orders/quotes would not be cancelled).~~

~~» Maximum Total Executed Value – Maximum executed value calculated as the sum of Executed Long Value and Executed Short Value for a given Group, Firm or Trader ID (i.e. short execution value does not offset long execution value).~~

~~» Maximum Total Open Value – Maximum open value calculated as the sum of Executed Long Value, Executed Short Value, Open Long Value, and Open Short Value for a given Group, Firm or Trader ID. If a quote/order is received which would cause the Maximum Total Open Value to hit the cut-off limit, the incoming quote/order will be rejected and no cut-off will be triggered (resting orders/quotes would not be cancelled).~~

Notification ~~Warning~~ messages will be disseminated over FIX~~, Specialized Quote Feed (SQF), and Clearing Trade Interface (CTI)~~ when threshold settings are exceeded.~~activity reaches 70%, 80%, and 90% of any pre-trade risk parameter~~. When pre-trade risk parameters have been ~~met or~~ exceeded, the Exchange's Trading System will reject all new Orders ~~and remove all open Orders~~ for the Futures Participant, Authorized Trader or Authorized Customer until the Authorized Risk Officer adjusts the pre-trade risk ~~P~~parameters ~~by sending such request to the Exchange in an email as specified below~~.

Authorized Risk Officers

Each Clearing Futures Participant will be required to provide two Authorized Risk Officer contacts to the Exchange's Membership Department in a form prescribed by the Exchange. The Exchange will not authorize a Trader ID if an Authorized Risk Officer has not set pre-trade risk parameters for a specific Futures Participant, Authorized Trader or Authorized Customer.

Futures Participants are encouraged to also employ all other necessary pre-trade risk controls in their order management systems to secure the financial integrity of the markets and the clearing system, to avoid systemic risk, and to protect customer funds. Futures Participants and Authorized Traders are reminded that they remain ultimately responsible for the appropriate execution of orders on the Exchange in accordance with Commission Regulations and Exchange Rules. The Exchange makes no warranty that the pre-trade risk parameters required by the Exchange alone will place a Futures Participant or Authorized Trader in compliance with CFTC Rule 1.73. Clearing Futures Participants should consult with their compliance, regulatory, and legal departments or advisers to ensure their policies and procedures are compliant with CFTC Rule 1.73

As noted above, Authorized Risk Officers will be required to adjust any pre-trade risk parameters. Such parameters may be set at the Futures Participant level, per Authorized Trader or per Authorized Customer. If the pre-trade risk parameters have been met or exceeded, the parameters must be adjusted prior to the commencement of trading.

Contact Information

NASDAQ OMX Futures Exchange Market Operations at Futures@nasdaqomx.com or (215) 496-1571.

Appendix B – Block Trade and Exchange for Related Position

The Exchange is providing this guidance related to Block Trades and Exchange for Related Positions to provide Futures Participants additional information for submitting these types of trades to the Exchange in compliance with Exchange Rules related to Block Trades and Exchange for Related Positions at Chapter IV, Sections 1~~1~~0 and 1~~2~~1.

Block Trades

Generally

Block Trades are permissible, noncompetitive, privately negotiated transactions at or in excess of a minimum threshold quantity of contracts, which are executed apart and away from the public auction market. The minimum quantity threshold is designated in the contract specifications for each Contract that is eligible for Block Trades. Only Orders of a commodity trading advisor ("CTA") or foreign Person performing a role or function to a CTA may be aggregated in order to achieve the minimum transaction size, otherwise Orders may not be aggregated.

Each party to a Block Trade must be an Eligible Contract Participant as that term is defined in Section 1a(18) of the Commodity Exchange Act. A Futures Participant shall not execute any Order by means of a Block Trade for a Customer unless the Customer has specified that the Order be executed as a Block Trade. Block Trades may be executed at any time.

Prices of Block Trades

The price at which a Block Trade is executed must be fair and reasonable in light of (i) the size of the Block Trade, (ii) the prices and sizes of other transactions in the same Contract at the relevant time, (iii) the prices and sizes of transactions in other relevant markets, including without limitation the underlying cash market or related futures markets, at the relevant time, and (iv) the circumstances of the markets or the parties to the Block Trade. The price must be in accordance with the minimum tick increment for a particular Contract as specified in the contract specifications. Block Trades do not set off conditional Orders or otherwise affect Orders in the Order Book.

Block Trades between the accounts of affiliated parties are permitted provided that (i) the Block Trade is executed at a fair and reasonable price; (ii) each party has a legal and independent bona fide business purpose for engaging in the Block Trade; (iii) each party's decision to enter into the Block Trade is made by an independent decision-maker. If the above requirements are not satisfied, the Block Trade transaction may constitute an illegal wash sale prohibited by Chapter III, Section 23(g).

Reporting Requirements

Unless otherwise agreed to by the principal counterparties to the Block Trade, it is the obligation of the Futures Participant to report Block Trades. The Futures Participant must ensure that each Block Trade is reported to the Exchange within five minutes of the time of execution; except that Block Trades executed outside of Trading Hours must be reported within fifteen minutes of the commencement of the Open Session of Trading Hours on the next Business Day for that Contract.

Block Trades may be reported to the Exchange electronically via the Participant Trade Report message in the NASDAQ Futures FIX protocol interface.

The Block Trade report made to the Exchange must include the following information: Contract, contract month, price, quantity of the transaction, the respective Clearing Futures Participants, the time of execution, and, for ~~o~~Options on Futures, strike price, put or call and expiration month. Failure to timely and accurately report Block Trades may subject the Futures Participant to disciplinary action.

Documentation

Futures Participants must provide Block Trade documentation to the Exchange upon request. Documentation requested by the Exchange may include evidence that the price of the Block Trade transaction was fair and reasonable based on relevant market information, including underlying markets and independence of the parties to the transaction.

Recordkeeping

Clearing Futures Participants and Futures Participants involved in the execution of Block Trades must maintain a record of the transaction in accordance with this Chapter III, Section 1.

Publication

The Exchange shall promptly publish Block Trade information separately from the reports of transactions in the regular market. Block trades are reported independently of transaction prices in the regular market and are not included as part of the daily trading range (i.e. they do not impact the daily high/low prices).

Use of Non-Public Information

Parties involved in the solicitation or negotiation of a Block Trade may not disclose the details of those communications to any other party for any purpose other than to facilitate the execution of the Block Trade. Parties privy to nonpublic information regarding a consummated Block Trade may not disclose such information to any other party prior to the public report of the Block Trade by the Exchange. Pre-hedging or anticipatory hedging of any part of the Block Trade in the same Contract or a closely related contract based upon a solicitation to participate in a Block Trade is not permitted. A closely-related product is one that is highly correlated to, or serves as a substitute for, or is the functional equivalent of the product being traded as part of a Block Trade.

Counterparties to a Block Trade are permitted to initiate trades to hedge or offset risk associated with the Block Trade following the consummation of the Block Trade but prior to the public report of the Block Trade by the Exchange.

Except as provided above, parties privy to nonpublic information related to a Block Trade may not trade in the same Contract or a closely-related contract for the purpose of gaining an advantage through use of such nonpublic information prior to the public report of the Block Trade by the Exchange.

Exchange For Related Positions ("EFRP")

Generally

EFRPs are permissible, noncompetitive, privately negotiated transactions executed apart and away from the public auction market which are permitted by arrangement between only two parties in accordance with Exchange Rule located at Chapter IV, Section 1~~2~~1. The Exchange currently permits the following types of EFRP transactions:

> Exchange of Futures for Physical ("EFP") – the simultaneous execution of an Exchange ~~f~~Futures contract and a corresponding physical transaction or a forward contract on a physical transaction.
>
> Exchange of Futures for Risk ("EFR") – the simultaneous execution of an Exchange ~~f~~Futures contract and a corresponding OTC swap or other OTC derivative transaction.
>
> Exchange of Option for Option ("EOO") – the simultaneous execution of an Exchange ~~o~~Option contract and a corresponding transaction in an OTC ~~o~~Option or other OTC instrument with similar characteristics.

The related position component of an EFRP may not be a ~~f~~Futures contract or an ~~o~~Options on a ~~f~~Futures contract.

Permissible EFRPs are bilaterally negotiated apart from a public auction market and subsequently novated by the Clearing Corporation, just like any other ~~f~~Futures transaction. The cash, spot or OTC position that is traded opposite to the ~~f~~Futures contract in the context of an EFRP must be a product that represents a legitimate economic offset. The item that is deliverable on the ~~f~~Futures contract may always be used for the cash or OTC component of the transaction. If the commodity used to fulfill the cash or OTC component is not deliverable against the ~~f~~Futures contract, it must be an item that is reasonably equivalent in terms of its physical and economic properties. The cash commodity or OTC component should have a reliable and demonstrable price relationship with the ~~f~~Futures contract. It should exhibit price movement that parallels the price movement of the ~~f~~Futures contract. A lack of consistent price relationship between the cash commodity or OTC component and the ~~f~~Futures contract could be evidence that a party did not engage in a permissible EFRP transaction in violation of the Exchange Rules at Chapter IV, Section 1~~2~~1 and Section 4(a) of the Act as such transaction was not conducted subject to the rules of a contract market designated or registered with the Exchange.

An EFRP may be transacted at any time and at any price agreed upon by the two counterparties provided the Exchange has designated a Contract as eligible for EFRPs. The related position (cash, OTC swap, OTC ~~o~~Option, or other OTC derivative) must involve the commodity underlying the Exchange Contract, or must be a derivative, by-product, or related product of such commodity that has a reasonable degree of price correlation to the commodity underlying the Exchange Contract.

Price and Quantity

An EFRP transaction may be entered into in accordance with the applicable price increments or ~~o~~Option premium increments set forth in Contract, at such prices as are mutually agreed upon by the two parties to the transaction. The quantity covered by the related position must be approximately equivalent to the quantity covered by the Exchange Contracts.

EFRPs may not be priced to facilitate the transfer of funds between parties for any purpose other than as a consequence of legitimate commercial activity. Market participants may be required to demonstrate that EFRPs executed at prices away from prevailing market prices were executed at such prices for legitimate purposes.

Reporting Requirements

EFRP transactions must be reported to the Exchange within thirty minutes of the time of execution. The date and the time of execution of all EFRP transactions must be denoted on the record of the transaction. Futures Participants should collect and maintain the relevant documentation described above in a manner that is readily accessible to produce to the Exchange upon request.

EFRPs may be reported to the Exchange either electronically via the Participant Trade Report message in the NASDAQ Futures FIX protocol interface ~~or by submitting the information to Futures@nasdaqomx.com~~.

Each Clearing Futures Participant and omnibus account submitting large trader positions in accordance with this Rule must submit for each reportable account the EFRP volume bought and sold in the reportable instrument, by contract month, and additionally for EOOs, by put and call strike. The information must be included in the daily large trader report to the Exchange.

Documentation

Futures Participants and Clearing Futures Participants are responsible for exercising due diligence as to the bona fide nature of EFRP transactions submitted on behalf of Customers. Futures Participants and Clearing Futures Participants must obtain or have the right to access documentation confirming the details of the ~~f~~Futures, cash or OTC component to an EFRP transaction. Documentation customarily generated in accordance with ~~f~~Futures or ~~o~~Options components of an EFRP transaction may include: account statements or order tickets.

Documentation customarily generated in accordance with cash market or other relevant market practices such as signed swap agreements, OTC contracts, cash confirmations, invoices, warehouse receipts and bills of sale, as well as documentation that demonstrates proof of payment and transfer of ownership of the related position transaction (e.g. canceled checks, bank statements, Fedwire confirms, Fixed Income Clearing Corporation documents, bills of lading etc.), which evidence title to or contract(s) to buy or sell the cash commodity involved in the transaction and a transference of ownership. Documentation must demonstrate that buyer of the ~~f~~Futures contract is the seller of the physical or OTC component of the EFRP. EFRP documentation must be provided to the Exchange upon request

It shall be the responsibility of the Futures Participant and the Clearing Futures Participant to demonstrate, upon the request of Exchange staff, that the EFRP transaction is bona fide and conducted by a person eligible to transact the OTC component. For the protection of the market and investors, the Exchange believes that Futures Participants and Clearing Futures Participants should know their Customers. By way of example, a Futures Participant or Clearing Participant should understand their Customer’s business and with respect to EFRP transactions, this would entail knowing the relative portion of the Customer’s EFRP transactions in a Customer relative to business transacted by that Customer in the underlying commodity or relevant OTC related position in addition to information concerning Customer experience. In reviewing EFRP documentation, Exchange staff considers whether the offsetting cash commodity or OTC component was an independent transaction exposed to price competition as well as the length of time between transactions. Exchange staff may request documentation concerning negotiation of a transaction to establish the bona fide nature of the transaction.

Recordkeeping

All records relevant to the Exchange contract and the corresponding related position transaction, including any records required to be kept pursuant to CFTC Regulation 1.35. Customer confirmations and account statements must reflect transactions which transacted as EFRP.

Ownership and Affiliated Accounts

The accounts involved in the execution of an EFRP transaction must be (i) independently controlled accounts with different beneficial ownership; or (ii) independently controlled accounts of separate legal entities with the same beneficial ownership, provided that the account controllers operate in separate business units; or (iii) independently controlled accounts within the same legal entity, provided that the account controllers operate in separate business units.

Accounts with the same beneficial ownership include accounts owned by the same person or entity, accounts of a parent and its wholly owned subsidiaries, and accounts of subsidiaries that are wholly owned by the same parent. Common beneficial ownership is more inclusive and includes not only accounts with the same beneficial ownership, but also accounts with common beneficial ownership that is less than 100%.

Parties to an EFRP transaction involving the same legal entity or common beneficial ownership must be able to demonstrate the independent control of decision making for the respective accounts and that the EFRP had economic substance for each party to the trade.

However, on or after the first day on which delivery notices can be tendered in a physically delivered Exchange ~~f~~Futures contract, an EFRP transaction may not be executed for the purpose of offsetting concurrent long and short positions in the expiring Exchange ~~f~~Futures contract when the accounts involved in such transaction are owned by the same legal entity and when the date of the Exchange ~~f~~Futures position being offset is not the same as the date of the offsetting transaction.