

March 1, 2018

## NEW NFX QUOTE LIQUIDITY PROVISIONING PROGRAM

### Introduction

Nasdaq Futures, Inc. (NFX or the Exchange), the designated contract market owned and operated by Nasdaq, is establishing a new Quote Liquidity Provisioning (QLP) program which will commence on August 1, 2017 for NFX Energy Futures and Options Products (Energy Products)<sup>1</sup> and will continue until June 30, 2018.

The purpose of the program is to support liquidity in the Energy Products by recruiting market participants to respond to Request for Quotes either in the Exchange Order Book or via off-Exchange brokered markets during market hours. A "Request for Quote" or "RFQ" means an indication of intent to buy or sell a specified quantity of a Contract. An RFQ in the Order Book must specify whether it is a buy or sell and the quantity interest in a Contract. A Request for Quote is not an Order. An RFQ in the off-Exchange market (Block Trade) does not have the requirement to specify whether it is a buy or sell and the quantity interest in a Contract. Market participants may respond at will to RFQs during market hours.

The Exchange seeks to maintain competitive bid/ask spreads across all forward Contract curves, in Intra-Commodity (Time) Spreads, and in Inter-Commodity Spreads. The QLP program will enhance price discovery in the less liquid Energy Products by permitting traditional (Proprietary Trading) and non-traditional liquidity providers (Institutional Customers) to actively participate in initiating the price discovery process in a Request for Quotes process for either on or off-Exchange transactions.

During the QLP program term, the Exchange will assess Base Transaction Fees for the QLP Program based upon Section 2 below. The Block Trade/EFRP surcharge will not be waived.

### **NFX invites Futures Participants, Authorized Customers, and Customers to apply for recognition under the QLP program (Recognized Quote Liquidity Providers, or RQLPs).**

#### **1. RQLP Requirements**

RQLPs must be NFX Futures Participants, NFX Futures Participant's Authorized Customer, or an NFX Futures Participant's Customer capable of responding to RFQs on the commencement date of the program.

RQLPs will be able to use all functionality in the NFX Trading System, including Quotes, Orders Mass Quotes, Mass Quote Protection (MQP) and Self-Match Prevention functionality. An explanatory reference guide for these key concepts and services provided by NFX may be found here: [business.nasdaq.com/futures](http://business.nasdaq.com/futures).

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<sup>1</sup> See NFX Rulebook Appendix A – Listed Contracts

When transacting via the voice broker market, RQLPs must make their voice broker aware of their preferred clearing exchange. RQLPs are required to make ALL voice brokers aware that they are either “**Nasdaq Preferred**” or “**Nasdaq Only**” which are defined below:

- **Nasdaq Only** – RQLPs will only clear via NFX and will not match with non-NFX counterparties.
- **Nasdaq Preferred** – RQLPs will make every possible effort to clear NFX, but if the contra-counterparties are not NFX users the RQLP can clear via a competing exchange.

## 2. RQLP Benefits

The Exchange will assess Base Transaction Fees for the QLP Program via the schedules below. However, the Block Trade/EFRP surcharge will not be waived. The fee schedules are based on monthly Average Daily Volumes (ADVs) for each calendar month and will be calculated by dividing each RQLP’s total volume for the calendar month by the number trading days in the calendar month.

### **Nasdaq Preferred** QLP Fee Schedule

Tier 1:	10,000<	= \$0.05
Tier 2:	7,500 – 9,999	= \$0.10
Tier 3:	5,000 – 7,499	= \$0.15
Tier 4:	3,500 – 4,999	= \$0.20
Tier 5:	2,000 – 3,499	= \$0.25
Tier 6:	500 – 1,999	= \$0.30

### **Nasdaq Only** QLP Fee Schedule

Tier 1:	7,500<	= \$0.05
Tier 2:	5,000 – 7,499	= \$0.10
Tier 3:	3,500 – 4,999	= \$0.15
Tier 4:	2,000 – 3,499	= \$0.20
Tier 5:	1,000 – 1,999	= \$0.25
Tier 6:	500 – 999	= \$0.30

ADV below Tier 6 will be charged at normal rates according to the Fee Schedule.

All QLP Power fees will be charged per the rates below:

	Base Fee	Block Fee
Peak – 50MW (800 MWh)	\$1.50	\$0.05
Peak – 25MW (400 MWh)	\$0.75	\$0.05
Peak - 5MW (80MWh)	\$0.11	\$0.05
Peak - 1MW (16MWh)	\$0.00	\$0.01
Off-Peak – 50MWh	\$0.05	\$0.05
Off-Peak – 25MWh	\$0.00	\$0.03
Off-Peak - 5MWh	\$0.00	\$0.01
Off-Peak - 1MWh	\$0.00	\$0.01
PJOQ Options	\$1.50	\$0.05
PMQ Options	\$0.70	\$0.05

### 3. Supervision of RQLP Performance

NFX shall monitor RQLP activity during market hours and will verify with voice brokers that the clearing preference that each QLP is articulating in the voice broker market matches their commitment.

NFX reserves the right to suspend or terminate the benefits under this QLP Program with immediate effect if the RQLP is not operating with a Nasdaq Only or Nasdaq Preferred clearing preference or if the RQLP fails to respond regularly to RFQs.

### 4. RQLP Selection Process and Appointment

#### Invitation

Futures Participants, Authorized Customers, and Customers are invited to contact Steve Sladoje at [steve.sladoje@nasdaq.com](mailto:steve.sladoje@nasdaq.com) to register their interest in participating in the QLP Program. The communication should include whether they wish to be recognized as a Nasdaq Only or Nasdaq Preferred counterparty and all relevant accounts that the QLP will use to transact from.

#### Recognition

RQLPs shall be notified of their recognition around one week after the application deadline. RQLPs will be engaged by NFX subject to its Rules and this notification. RQLP benefits and requirements will commence on August 1, 2017.

### 5. Qualifying Business

If a RQLP makes any changes to its trading or clearing arrangements, Clearing Futures Participant, Customer, or any other aspects of its operations reasonably required by NFX to manage this QLP program, then it is the responsibility of the RQLP to notify NFX of those changes in advance in order to ensure continuity of the RQLP's benefits.

### 6. Administration of Exchange Transaction Fee Charges

As stated above, during the QLP program term, the Exchange will assess Base Transaction Fees for the QLP program according to Section 2. However, the Block Trade/EFRP surcharge will not be waived.

NFX reserves the right in its absolute discretion to terminate this QLP program by way of a Futures Trader Alert announcing it has filed with the CFTC for termination of the program.