

NASDAQ Futures, Inc. (NFX) ERROR TRADE Reference Guide

Version 1.02 | 2015-10-19



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TABLE OF CONTENTS

- TABLE OF CONTENTS 3
- 1 INTRODUCTION 4
- 2 NFX CONTACT INFORMATION 4
- 3 TRADES WITHIN NON-REVIEWABLE RANGE 4
- 4 TRADES OUTSIDE THE NON-REVIEWABLE RANGE 4
- 5 NOTIFICATION OF ERROR 5
- 6 EXCHANGE ACTION 5
- 7 CANCELLED TRADE PROCEDURE 5
- 8 CANCELLING A CONTINGENCY ORDER 6
- 9 MUTUAL AGREEMENT TO CANCEL TRADE 6
- 10 CANCELLING A TRADE AS BETWEEN TWO FUTURES PARTICIPANTS 6
- 11 CANCELLING TRADES NOT CORRECTLY PROCESSED DUE TO SYSTEM MALFUNCTION 6
- 12 ADJUSTING AND CANCELLING TRADES 6

1 INTRODUCTION

This Error Trade Reference Guide is designed to preserve the integrity of Contracts transacted on the Exchange by striking an appropriate balance between trade certainty and erroneous price discovery. This guide provides a mechanism to promptly address transactions that are executed at obviously erroneous prices substantially inconsistent with the last trade price of the contract or alternative determination of the contract's fair value. This guidance is not intended and does not relieve market participants from potential financial responsibility or liability for the execution of trades that are deemed or asserted to be an "error trade" if their actions caused financial loss to other parties. Market participants are expected to have an awareness of their market activity at all times.

2 NFX CONTACT INFORMATION

| Contact | Phone |
|----------------------------------|-------------------|
| Nasdaq MarketWatch | +1 (844) 744-3721 |
| The Options Clearing Corporation | +1 (800) 621-6072 |

3 TRADES WITHIN NON-REVIEWABLE RANGE

If NASDAQ MarketWatch determines that the trade price of a potential error trade was inside the "non-reviewable range" for the relevant Contract, such trade will stand and no further action will be taken. Trades executed within the non-reviewable range will not be cancelled. Additionally, any trade where the only error is the number of contracts traded and not the price at which they traded will not be subject to cancellation.

If both parties to an error trade agree, they may transfer the position resulting from such trade between each other. Any such transfer must be made at the original trade price and for the same quantity as the original trade. The parties may also, but are not required to, provide for a cash adjustment to compensate one side of such error trade. Any such transfer must be reported to the Exchange in the manner from time to time prescribed by the Exchange. If the parties to an error do not agree to transfer the position resulting from such trade, then the party causing such trade may file an arbitration claim in accordance with Chapter VII (Arbitration) of the NFX Rules.

See NFX Rules at Chapter V, Section 5, Transaction, Cancellations and Adjustments and relevant Contract Specifications in the Rulebook.

4 TRADES OUTSIDE THE NON-REVIEWABLE RANGE

When determining whether to cancel a transaction the Exchange may consider one or more of the following factors: (1) the price movements in other Contract months of the same Contract; (2) the current market conditions, including levels of activity and volatility; (3) the last trade price for the Contract; (4) information regarding price movements in related markets, the release of economic data, or other relevant news immediately before or during the trading session; (5) an obvious error; (6) the proximity of the trade to the

close of the market; (7) the impact of the error transaction on other transactions; and (8) any other factor which the Exchange, in its sole discretion, may deem relevant.

5 NOTIFICATION OF ERROR

Any request by a Futures Participant or Authorized Trader to invoke the error trade policy with respect to any trade must be made to NASDAQ MarketWatch as soon as possible, or at the latest, ten (10) minutes after trade execution. Trades executed outside of the non-reviewable range will be cancelled within this timeframe.

The Exchange has the authority, but not the obligation, to review a trade after the ten (10) minute window for trade review has elapsed. Notwithstanding the foregoing, the Exchange considers any trade that is at a minimum two times greater/lesser than the non-reviewable range designated for a Contract out of line with fair value and the Exchange will adjust these trades.

The Exchange may unilaterally review for potential error trades. NASDAQ MarketWatch may provide assistance only to a Futures Participant or Authorized Trader.

6 EXCHANGE ACTION

When a potential error trade is brought to NASDAQ MarketWatch's attention, NASDAQ MarketWatch will determine whether the trade price is in the "non-reviewable range" for the relevant contract, as set forth in the Rules governing such Contract. In determining whether the trade price is within the "non-reviewable range," NASDAQ MarketWatch will determine what the true market price for the relevant Contract was immediately before the potential error trade occurred. In making such determination, NASDAQ MarketWatch may consider all relevant factors, including the last trade price for such Contract, a better bid or offer price, a more recent price in a different contract month or series and the prices of related contracts trading on the Exchange or other markets.

The Exchange will make the final decision on whether a trade price is cancelled. The Exchange will notify the participants to the transaction and may notify all Futures Participants as soon as practicable (through means deemed appropriate by the Exchange) of (1) trades that the Exchange is investigating pursuant to this Rule and (2) trades that the Exchange has cancelled pursuant to this Rule. Parties to transactions are permitted to make cash adjustments to settle losses that occur as a result of an asserted error trade or an actual error trade. Should parties to a disputed transaction be unable to mutually resolve financial disputes arising from such transactions, arbitration is available as provides in Chapter VII (Arbitration) of the NFX Rules.

7 CANCELLED TRADE PROCEDURE

If a trade is cancelled, either by agreement of the parties thereto or by Exchange staff, NASDAQ MarketWatch will cancel such trade. The error trade price, due to an error trade, which are cancelled will be removed from the Exchange's official record of time and sales. Further, in the event a trade is cancelled, the parties to the transaction must reverse the transaction through applicable Clearing Futures Participant procedures. Such failure may be deemed an act detrimental to the interest or welfare of the Exchange. Under no circumstances shall the parties to an asserted error trade be permitted to reverse the error

by entering into a pre-arranged offsetting transaction; provided that the parties may engage in pre-execution discussions with each other in accordance with procedures established by the Exchange from time to time. If the asserted error trade is determined not to be an actual error trade, the parties to the trade are permitted to mutually agree upon a cash adjustment or to arbitrate the matter. Any cash adjustment must be reported to Market Operations.

8 CANCELLING A CONTINGENCY ORDER

If an error trade is cancelled, either by agreement of the parties thereto or by Exchange staff, NASDAQ MarketWatch will also cancel all trades that were triggered as a result of contingency Orders being triggered by such trade. NASDAQ MarketWatch will notify the Futures Participants responsible for the trades cancelled so that the original Orders can be re-entered into the Trading System.

9 MUTUAL AGREEMENT TO CANCEL TRADE

If both parties agree to cancel a transaction, MarketWatch shall send a message to the market participants and may alert to the quote vendor network indicating that the trade was cancelled. Trade certainty and the timely resolution of asserted error trades are critical objectives of this policy. Therefore, if parties to a disputed transaction do not agree to the terms of resolution, MarketWatch reserves the final authority to determine the disposition of the questioned transaction.

10 CANCELLING A TRADE AS BETWEEN TWO FUTURES PARTICIPANTS

Notwithstanding any other provision of this policy, NASDAQ MarketWatch is authorized to cancel any trade regardless of the price range in which the trade occurs if (i) the trade resulted from the matching of a Futures Participant's bid, offer, or Order for the Futures Participant's own account with another bid or offer of that Futures Participant or another Order for that Futures Participant's own account and (ii) the Futures Participant brings the relevant trade to NASDAQ MarketWatch's attention within the same trading day after the relevant trade occurred.

11 CANCELLING TRADES NOT CORRECTLY PROCESSED DUE TO SYSTEM MALFUNCTION

MarketWatch is authorized to cancel any trade that is not correctly processed by the Trading System due to a Trading System malfunction.

12 ADJUSTING AND CANCELLING TRADES

The Exchange will cancel a transaction, pursuant to NFX Rules at Chapter V, Section 5, in a Contract if the execution price of a transaction in a contract: (1) that has taken place outside the non-reviewable range designated for a Contract; and (2) which the Exchange

determines has taken place at an unrepresentative price or when necessary to mitigate market disrupting events caused by malfunctions in its Trading System or errors in Orders submitted by Futures Participants or Authorized Customers. Exchange staff may cancel any transaction if it believes that allowing the transaction(s) to stand, as executed, could have a material, adverse effect on the integrity of the market or result in a price distortion.

Trades outside of the non-reviewable range and reported within the ten (10) minute timeframe for reviewing trades will be cancelled. Any trade that is at a minimum two times greater/lesser than the non-reviewable range designated for a Contract is considered out of line with fair value and will be adjusted. Adjustments are handled through a cancellation and resubmission of a new Order.