

Proposed new language is italicized.
Proposed deletions are in [brackets].

Rule 325 Reportable Positions

(a) No change.

(b) For purposes of filings made or information provided to NQLX pursuant to CFTC regulations Parts 15, 17 and 18, each Member must report any open contract positions [of 200 contracts or more for] in Security Futures Contracts *of (i) 200 contracts or more if one contract represents 100 shares of common stock, shares of an exchange-traded fund, shares of a registered closed-end management investment company or 100 trust-issued receipts or American Depository Receipts, or (ii) 100 contracts or more if one contract represents 1,000 shares of an exchange-traded fund or shares of a registered closed-end management investment company or 1,000 trust-issued receipts.*

Rule 420 Exchange for Physical Trades

(b) Information Recording, Submission, and Dissemination.

(1) No change.

(2) As soon as practicable but no later than 30 minutes after arranging an Exchange for Physical Trade, the Member—when the transaction is between a Member and a Customer—and the Member selling the Futures Leg—when the transaction is between two Members *unless otherwise mutually agreed to by the two members*—must submit through the ATS the following information concerning the Exchange for Physical Trade:

(3[c]) NQLX will review the information submitted by the Member pursuant to Rule 420(b) for the proposed Exchange for Physical Trade and will post both sides of the Futures Leg to the account of, and send a confirmation to, the submitting Member if, at the time, the Exchange for Physical Trade appears to have satisfied the requirements of Rule 420.

(4[d]) After sending the confirmation for the Exchange for Physical trade, NQLX will disseminate through the ATS the following information:

(i)[1] the Futures Leg designated with a “B” to denote that the transaction was the Exchange for Physical Trade,
(ii)[2] delivery or expiration month,
(iii)[3] price of the Futures Leg,
(iv)[4] quantity of the Futures Leg,
(v)[5] put or call and exercise price of the Futures Leg (if applicable), and
(vi)[6] open or close position indicator (if applicable).

(5[e]) Prices reported for Exchange for Physical Trades will not trigger unexecuted Orders in the Central Order Book.

(6[f]) As soon as practicable, but no longer than 10 minutes, after receipt of

confirmation for the Exchange for Physical Trade from NQLX, the submitting Member (or its Clearing Member, if applicable) must transfer through the Trade Registration System the applicable Futures Contract to the Member for the buyer of the Futures Leg (or its Clearing Member, if applicable).

(7[g]) As soon as practicable, but no longer than 10 minutes, after the Futures Leg appears on the Trade Registration System pursuant to Rule 420(b)(6)[f], the Member for the buyer of the Futures Leg (or its Clearing Member, if applicable) must accept the Futures Leg, and designate the buyer's Customer account number or identifier in, the Trade Registration System.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Changes

NQLX has prepared statements concerning the purpose of, and statutory basis for, the proposed rule changes, burdens on competition, and comments received from members, participants, and others. The text of these statements may be examined at the places specified in Item IV below. These statements are set forth in Sections A, B, and C below.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Changes

1. Purpose

First, NQLX proposes adopting a rule addition to its Rule 325 to specify the reportable position levels for security futures contracts that have 1,000 shares of the underlying security, rather than the usual 100 shares of the underlying security. Second, NQLX proposes adopting a rule change to its Rule 420 related to the party that must submit trade information on exchange for physical transactions when the transactions are between two members. Under such circumstances, instead of requiring the member selling the futures leg to submit the relevant trade information to NQLX, the rule change would allow the two members to mutually agree on which member would submit information on the transaction to NQLX. If the two members could not agree on which one would submit the trade information to NQLX, then the member selling the futures leg would have the reporting responsibility. The remaining changes to Rule 420 correct the numbering in the rule.

2. Statutory Basis

NQLX files these proposed rule changes pursuant to section 19(b)(7) of

the Act.⁴ NQLX believes that these proposed rule changes are consistent with the requirements of the Commodity Futures Modernization Act of 2000,⁵ including the requirement that trading in a listed security futures contract is not readily susceptible to manipulation of its price nor to causing or being used to manipulate the price of the underlying security, options on the security, or options on a group or index including the security.⁶ NQLX further believes that its proposed rule changes comply with the requirements under section 6(h)(3) of the Act⁷ and the criteria under section 2(a)(1)(D)(i) of the CEA.⁸ In addition, NQLX believes that its proposed rule changes are consistent with the provisions of section 6 of the Act,⁹ in general, and section 6(b)(5) of the Act,¹⁰ in particular, which requires, among other things, that the rules of an exchange are designed to prevent fraudulent and manipulative acts and practices; and, in general, protect investors and the public interest.

B. Self-Regulatory Organization's Statement on Burden on Competition

NQLX does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Changes Received From Members, Participants, or Others

NQLX neither solicited nor received written comment on the proposed rule changes.

III. Date of Effectiveness of the Proposed Rules and Timing for Commission Action

Prior to the filing of the proposed rule change with the SEC, NQLX filed written certifications with the CFTC under section 5c(c)¹¹ of the CEA and CFTC Regulation Part 40.6¹² in which NQLX certified that its proposed changes to Rules 325 and 420 comply with the CEA. Proposed changes to Rules 325 and 420 were effective the day after their filing with the CFTC.

Within 60 days of the date of effectiveness of the proposed rule changes, the Commission, after

⁴ 15 U.S.C. 78s(b)(7).

⁵ Pub. L. 106-554, 114 Stat. 2763 (2000).

⁶ See section 6(h)(3)(H) of the Act, 15 U.S.C. 78f(h)(3)(H).

⁷ 15 U.S.C. 78f(h)(3).

⁸ 7 U.S.C. 2(a)(1)(D)(i).

⁹ 15 U.S.C. 78f.

¹⁰ 15 U.S.C. 78f(b)(5).

¹¹ 7 U.S.C. 7a-2(c).

¹² 17 CFR 40.6.