

Nasdaq Liffe Markets, LLC **Electronic Trading and Pre-Negotiated Business**

ELECTRONIC TRADING SYSTEM

Nasdaq Liffe Markets, LLC (“NQLX” or the “exchange”) provides an electronic trading system that matches orders submitted to a transparent, anonymous central order book in strict price and time priority. We also allow our members, under certain circumstances, to use electronic or automated order-routing systems to transmit orders to the exchange’s electronic trading system. Note that electronic trading systems differ from one another and traditional open outcry pit trading. Likewise, automated order-routing systems differ from manual order-routing methods.

All electronic trading and order-routing systems present varying degrees of risk related to system access, varying response times, and security. In addition, trading through an electronic trading or order-routing system exposes you to risks associated with system or component failure. In the event of system or component failure, it is possible that, for a certain time period, you may not be able to enter new orders, execute existing orders, or modify or cancel orders that were previously entered. System or component failures may also result in loss of orders or order priority.

NQLX, like many other exchanges offering electronic trading or order-routing systems, has adopted rules to limit our liability and the liability of our members and software and communication system providers for system failures and delays. Therefore, before you engage in transactions using our electronic trading system or order-routing systems with access to our market, you should carefully review our rules as well as materials on the order-routing system, which are available from your investment professional or on NQLX’s website at <http://www.nqlx.com>.

PRE-NEGOTIATED BUSINESS

In addition to matching orders in a central order book through our electronic trading system, NQLX also allows our members to engage in three types of pre-negotiated transactions: cross transactions, block trades, and exchange for physical transactions. As discussed below, cross transactions are exposed to, executed in, or have prices identical to prices obtained from, the central order book, while block trades and exchange for physical transactions are executed outside the central order book. But regardless of the type of pre-negotiated transaction, this means that, under certain limited circumstances, NQLX members can attempt to negotiate your order within their own organizations, with other NQLX members, or with other customers before your order is shown to the entire market.

NQLX allows pre-negotiated transactions for a number of reasons, including to enhance the depth and liquidity of the market for the benefit of all market participants, as well to provide certainty and ease for sophisticated and knowledgeable parties in large or multi-product transactions. While NQLX has designed the allowable pre-negotiated transactions—and the special rules governing them—to foster and enhance open price competition and transparency, certain types of these pre-negotiated transactions differ from conventionally traded futures contracts, which usually are submitted directly to an open outcry pit or a central order book. You should direct any questions regarding pre-negotiated trading on NQLX to your investment professional or consult NQLX’s trading rules, which are available from your investment professional or on NQLX’s website at <http://www.nqlx.com>.

Cross Transactions

Cross transactions are matched trades where an NQLX member simultaneously represents both the buyer and the seller. Two types of cross transactions are allowed on NQLX: one type is allowed for all NQLX members; the other type is allowed only for NQLX members that make markets on NQLX.

Cross Transactions-All Members

An NQLX member can seek to match (that is, find the other side of) an order through pre-negotiation if the member acts with due skill, care and diligence to ensure that the customer’s interests are not prejudiced. Because

the member must submit any pre-negotiated, matched orders into the central order book for this type of cross transaction, only those orders equaling or bettering the best price in the central order book are executed.

Cross Transactions-Market Makers

To enhance liquidity and market depth for all market participants NQLX has supplemented the exchange's anonymous central order book with market makers. These market makers are required to hold themselves out as being willing to buy and sell specified exchange contracts for their own account on a regular or continuous basis, both under exchange rules and through contractual obligations. No market maker on NQLX has an exclusive franchise. Instead, NQLX expects to have multiple market makers for each exchange contract that will compete with one another (and other market participants) for orders and get rewarded with fills by equaling or bettering the central order book's best bid or offer.

In exchange for committing their capital to NQLX's market by assuming affirmative obligations to facilitate market liquidity and depth, an NQLX market maker receives several incentives, one of which is the ability to take the other side of up to one-half of a customer's order at the then prevailing best bid or best offer. To use this incentive, the market maker must first execute at least fifty percent of a customer's order in the central order book. Then, after receiving confirmation of execution of the order at the prevailing best bid or offer, the market maker may immediately submit a matched transaction for the remaining portion of that customer's order at the same price and for up to the same quantity as the trade executed in the central order book.

For more information on cross transactions consult your investment professional or NQLX's website at <http://www.nqlx.com>.

Block Trades

Block trades have existed in the equity markets for quite some time, but these types of trades are relatively new in the futures markets. On NQLX, block trades are large-sized transactions negotiated outside the central order book by sophisticated parties, who are "eligible contract participants" or "qualified investors"¹ and knowledgeable and experienced in the market and product being traded. Therefore, block trades allow sophisticated parties to receive a single price on a large transaction and avoid the uncertainty of executing multiple smaller transactions through the central order book. But, while the block trade must be done at a "fair price" (that is, the price that the NQLX member considers the best available for a transaction of similar type and size) the price is likely to be outside the prevailing best bid and offer in the central order book. In addition, one of the incentives that NQLX offers our market makers is the right—but not the obligation—to participate in a percentage (e.g., 10 percent) of the responding side of the block trade. If you believe you may meet the requirements to engage in block trades on NQLX and want more information, contact your investment professional or consult NQLX's rules on our website at <http://www.nqlx.com>.

Exchange for Physical Transactions

Exchange for physical transactions (or "EFPs") have long been recognized in the futures markets, but may be a new concept for securities investors. On NQLX, EFPs occur between two knowledgeable and experienced parties where: the first party sells, and the second party buys, a security or other commodity (known as the "related physical") while simultaneously the first party buys, and the second party sells, a corresponding number of futures contracts based on, or highly correlated with, the related physical. EFPs are executed outside the central order book and, in effect, allow two parties to agree on a price for transferring a related physical while canceling their complementary futures positions against one another. If you believe you may meet the requirements to engage in EFPs on NQLX and want more information, contact your investment professional or consult NQLX's rules on our website <http://www.nqlx.com>.

¹ Generally, "eligible contract participants" include corporate and other business entities with total assets exceeding \$10 million or net worth exceeding \$1 million, persons who have more than \$10 million in assets, financial institutions, insurance companies, broker-dealers, futures commission merchants, floor brokers, floor traders, governmental entities, and certain investment companies, commodity pools, and ERISA plans. "Qualified investors" generally include corporations, other business entities, and persons who own and invest not less than \$25 million, insurance companies, banks, trusts, broker-dealers, governmental entities, registered investment companies, qualified purchaser funds, and ERISA plans.