

On 31 May 2013, NASDAQ OMX launched NLX, a new Multilateral Trading Facility (MTF).

Derivatives admitted to trading on NLX are considered to be over the counter (OTC) derivatives for the purposes of transaction reporting obligations and firms should report transactions in these instruments in accordance with our current guidance for OTC derivatives.

We would like to remind firms that they only have to submit reports for OTC derivative transactions where the value of the OTC derivative is derived from, or is otherwise dependent on, an equity or debt-related financial instrument which is admitted to trading on a regulated market or on a prescribed market (SUP 17.1.4 R (2)).

For example, NLX has announced that at launch it intends to offer futures on:

- Three-month Euribor and three-month Sterling: the value of these derivatives is derived from interest rates and therefore they are not reportable.
- Long Gilt, Bund, Bobl and Schatz: the value of these derivatives is derived from a basket of debt instruments that are all issued by the same issuer, therefore they are reportable.

For NLX instruments where the underlying instrument is a financial instrument admitted to trading on a regulated market or prescribed market, the instrument identification field should be left blank rather than filled with the Exchange Product Code of the NLX derivative. The instrument description field should be filled with the NLX derivative in accordance with existing guidance for OTC derivatives.

To fill the underlying instrument identification field for OTC derivatives on bond contracts, such as the Long Gilt Future, the underlying ISIN can be populated with the ISIN of any of the bonds issued by the same issuer (ie. the ISIN for any Gilt in this particular example), rather than limiting it to the specific issues within the basket of deliverables.

Firms should use 'XXXX' in the venue identification field.

If firms do not report transactions executed on NLX as OTC derivatives, this may result in those reports being rejected.

Example of a correct report for a transaction executed on NLX:

Firm A buys 20 Long Gilt Futures (UK Gilt Dec 13) contracts on NLX. Each Long Gilt contract represents £100,000 nominal value notional Gilt with 4% coupon. The last trading day for the UK Dec 13 Long Gilt is 27 December 2013. The ISIN codes for the deliverable bonds are GB0030880693 and GB00B7L9SL19.

Reporting Firm Identification	Buy/Sell Indicator	Quantity	Instrument Code	Instrument Type	Underlying Instrument Code	MaturityExerciseDate	Delivery	Derivative Type	Price Multiplier	Market
Firm A	B	20	(*)	B	GB0030880693	27/12/2013		F	100000	XXXX

(\*) Blank field

Note: Firm A could also have chosen to populate the Underlying Instrument Code field with GB00B7L9SL19.

Firms should note that the above example does not show all the mandatory fields and is used for illustrative purposes only. Firms should refer to SUP 17 and the Transaction Reporting User Pack (TRUP) for further assistance on how to report OTC derivative transactions.