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## nfx segue to nodal ex

*And then there were three (again)*

It was an ambitious, energetic plan. Around four years ago to date, NASDAQ launched a new futures operation offering a slate of cash-settled, look-alike energy futures contracts in the hope of grabbing a big chunk of market share from the two big incumbents, CME and ICE. Years-long fee holidays or wildly slashed rates, free data and familiar technology was the underlying pitch. And for a while, growth was impressive, particularly in natural gas and power options. In the four years of operation, the NFX aggressively launched dozens of power, gas and crude futures and options contracts. But in the end – this week actually – 2019 proved to be a fairly tepid year for the upstart exchange and NASDAQ CEO Adena Friedman unceremoniously pulled the plug. The interesting part of the story is yet to come though. The EEX group, owner of US-based Nodal Exchange and Nodal Clear, will take possession of all NFX contract assets in very short order. Nodal Exchange is expected to integrate NFX power futures and options contracts and all that lovely open interest by sometime next month, followed by natural gas, oil and steel contracts sometime in the Spring. Nodal

CEO Paul Cusenza tells us this week that the deal involves the acquisition of customer-related assets alone, and not technology, staff or otherwise. *EEX didn't specifically acquire the NFX, as has been reported elsewhere.* So who approached who first? Cusenza wouldn't say exactly but noted that “we recognized that they needed to find a home for their customers going forward, and we appreciate that Nasdaq feels we will do a good job in serving their customers.” Cusenza tells us that the EEX has a global strategy and this acquisition of NFX assets will help broaden the company on several levels. The NFX dry freight market is substantial and should easily migrate to EEX's already substantial market in dry freight. And since Nodal is edging toward 50 percent market share in US power futures contracts – though are less established in power options – this deal should add a fairly significant boost in volumes and open interest. Nodal actually launched gas futures less than two months ago, so the near-term addition of NFX open interest in nat gas options – NFX's only shining star, really – is also expected to support a very nice bump in natty volumes on the Nodal platform. In years past, we've spoken to Cusenza about

the possibility of offering oil futures and options, though we understood it to be well into the future. This acquisition of NFX assets certainly accelerates that schedule. “We started in power and today we are very strong there. The move to natural gas was a natural one – approximately one-third of power generations comes by way of nat gas, right? They are interlinked, there is a lot of cross-over. It's a natural progression. Oil overlaps in a similar way with natural gas. And there is a direct overlap between power and oil of course, particularly in the Northeast. As we get more significantly into natural gas, the progression into oil will be more natural,” Cusenza tells *The Desk*. “I want to move into oil but it's largely based on customer relationships. In power markets, I want to be very significant. And in gas I want to be very significant to our power customers. The more we get into gas, the more oil is a greater opportunity. This NFX deal is the catalyst of the moment.” *Indeed*. Cusenza says that, five years from now, “we hope to be more of a commodities exchange, not just a power exchange. EEX, ICE and Nodal all started out as power exchanges and now all are becoming much broader sets.”