



U.S. COMMODITY FUTURES TRADING COMMISSION

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Commodity Futures
Trading Commission

September 27, 2013

Paul Cusenza
Chief Executive Officer
Nodal Exchange, LLC
8056 Leesburg Pike, 3rd Floor
Vienna, VA 22182

Re: Application of Nodal Exchange, LLC, for Designation as a Contract Market; Request for approval of the Nodal Exchange, LLC Limited Liability Company Agreement; and Request for approval of the Nodal Exchange rules, all submitted as part of the Nodal Exchange, LLC application for Designation as a Contract Market.

Dear Mr. Cusenza:

By submissions dated October 11, 2012 through September 20, 2013 (collectively the "Designated Contract Market ("DCM") application"), Nodal Exchange, LLC ("Nodal" or "Exchange") has applied to the Commodity Futures Trading Commission ("Commission"), pursuant to Section 5(d) of the Commodity Exchange Act ("CEA" or "Act"), 7 U.S.C. §7(d), Section 6(a) of the CEA, 7 U.S.C. §8(a) and Part 38 of the Commission's regulations, 17 C.F.R. Part 38, for designation as a contract market. The Commission has reviewed the materials submitted and has determined to designate Nodal as a contract market, pursuant to Section 5(d) of the Act, 7 U.S.C. §7(d), on September 27, 2013, to be effective September 30, 2013, subject to the terms and conditions of the accompanying order.

Concurrent with designation, the Commission approved, pursuant to Section 5c(c) of the Act, 7 U.S.C. §7a-2(c), the following documents submitted as part of the DCM application:

- Nodal Rules — Section 1 definitions; Rules 2.1-2.11; 3.1-3.16; 4.1-4.14; 5.1-5.7; 6.1-6.11; 7.1-7.7; 8.1-8.3; 9.1-9.10.
- Nodal Exchange, LLC Limited Liability Company Agreement.

The Commission's approval of Nodal's designation is based upon, among other things, written submissions, explanations, demonstrations and representations provided by Nodal describing the manner in which it will operate. The Commission points out that the Nodal Order of Designation is conditioned upon Nodal's compliance with representations it made to the Commission in its DCM application. The Commission's designation is also based upon written submissions, explanations, demonstrations, and representations provided by:

- (1) Nodal and Nodal Exchange Holdings, LLC, the parent company of Nodal;
- (2) Nodal and LCH.Clearnet Limited (“LCH.Clearnet”), a derivatives clearing organization that will perform clearing and settlement services for contracts trading on Nodal; and
- (3) Nodal and NFA, the regulatory services provider that will provide arbitration program services.

In approving Nodal’s designation application, the Commission is not approving the agreements covering services between Nodal and third parties, including but not limited to agreements between Nodal and LCH.Clearnet.

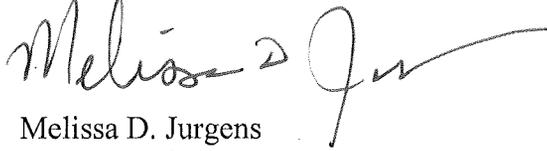
Moreover, it is important to note that Nodal itself shall remain directly responsible for ensuring the performance of all self-regulatory functions required of it as a designated contract market under the Act and the Commission’s regulations, including enforcement of all Nodal rules. The Commission points out that Nodal’s responsibility for compliance with all designation criteria and core principles, as required by the Act, Commission Regulations and its Order of Designation, includes those for which relevant functions have been contracted out to a third party. The Commission notes this includes the responsibility to make available directly to Commission staff and the Department of Justice, upon request, for all third party entities that provide such regulatory services to Nodal: (i) information and records of third parties related to services performed for Nodal; and (ii) direct contact and access to offices, as the staffs of the Commission or the Department of Justice deem necessary and appropriate in conducting their respective regulatory oversight and investigative responsibilities relating to Nodal.

The Commission further notes that the following items, among others, are considered “rules” under Part 40 of the Commission’s regulations and that, accordingly, changes thereto should be submitted to the Commission for review pursuant to Section 5c(e) of the Act, 7 U.S.C. § 7a-2(c), and Part 40 of the Commission’s regulations: (1) any changes or modifications to the Exchange’s trading system; (2) any changes to the Exchange’s policies and procedures; (3) any change in the identity of regulatory services providers or the regulatory services they provide to the Exchange; (4) adjustments to the trade matching algorithm; (5) market maker programs; and (6) the minimum contract size thresholds and reporting times for block trades.

On June 19, 2012, the Commission published the final part 38 rules for DCMs (“DCM Core Principles Rulemaking”) in the *Federal Register*. These rules became effective on August 20, 2012. Thus, Nodal must be compliant with the DCM Core Principles Rulemaking. In addition, the Commission continues to promulgate new regulations implementing the Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law 111-203, 124 Stat. 1376 (2010). The order requires Nodal to demonstrate compliance and continue to be in compliance with the regulations applicable to designated contract markets, including those that will be promulgated in the future.

Finally, the Commission notes that Nodal must inform the Commission of any material modification to the operation of the Exchange, including the clearing and settlement arrangements with LCH.Clearnet.

Sincerely,

A handwritten signature in black ink, appearing to read "Melissa D. Jurgens". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Melissa D. Jurgens
Secretary of the Commission

Attachments