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August 31, 2018

Via CFTC Portal Submissions

Mr. Christopher Kirkpatrick
Secretary of the Commission
Office of the Secretariat
Commodity Futures Trading Commission
3 Lafayette Centre
1155 21st Street, N.W.
Washington D.C. 20581

RE: Rule Certification: Nadex Adds Rule Relating to Limit Up/Down, Corrects Typo, Amends Volume Threshold Limit Relief - Submission Pursuant to Commission Regulation §40.6(a)

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (the “Act”), and §40.6(a) of the regulations promulgated by the Commodity Futures Trading Commission (the “Commission”) under the Act, North American Derivatives Exchange, Inc. (“Nadex”) hereby submits to the Commission its intent to make amendments to its Rule 12.1 (Terms that are Uniform Across Contracts) to add a provision for instances where the corresponding underlying market is halted due to a lock limit up or down, to remove a typographical error reference to “Binary Swap Contracts”, and to amend the footnote with regard to the OCR Volume Threshold Level of 250 contracts.

Specifically, Nadex is adding a provision to its Rule 12.1, which authorizes it to halt trading, and/or refrain from listing contracts, in its market(s) when the corresponding underlying market upon which the Nadex contract is based is halted due to a lock limit up or limit down. Additionally, Nadex is removing from this Rule the sole reference to “Binary Swap Contracts” and replacing with “Binary Contracts”, as Nadex’s contracts are commonly known throughout

No. 20180831(1)

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the Rulebook. Finally, Nadex is amending the footnote in its Rule 12.1 relating to the OCR Volume Threshold Level to note that the relief granted in 2016 sustaining the level at 250 contracts was extended in September 2017, and will remain in effect until September 28, 2020.

DCM Core Principles

Nadex has identified the following Designated Contract Market (“DCM”) Core Principles as potentially being impacted by the Rule amendments discussed herein: Core Principle 7 (Availability of General Information).

Core Principle 7 (Availability of General Information), implemented by Regulation 38.401, requires the DCM to ensure its Rulebook is accurate and available on its website. Nadex currently makes its Rulebook available on its website and will continue to do so after the amendments discussed herein are implemented. Therefore, Nadex’s ability to comply with this Core Principle will not be negatively impacted by the amendments discussed herein.

DCO Core Principles

Nadex has identified the following Derivatives Clearing Organization (“DCO”) Core Principle as potentially being impacted by the Rule amendments discussed herein: Core Principle L (Public Information).

Core Principle L (Public Information), implemented by Regulation 39.21, requires the DCO to make its Rulebook readily available to the general public. Nadex currently makes its Rulebook available on its website and will continue to do so after the amendments discussed herein are implemented. Therefore, Nadex’s ability to comply with this Core Principle will not be negatively impacted.

These Rule changes have been outlined in Exhibit A. The amendments to the Rulebook are set forth in Exhibit B. Any deletions are stricken out while the amendments and/or additions are underlined.

Nadex hereby certifies that the additions contained herein comply with the Act, as amended, and the Commission Regulations adopted thereunder. No substantive opposing views were expressed to Nadex with respect to any of these actions.

Nadex hereby certifies that notice of these events was posted on its website at the time of this filing.

In accordance with the 10-day review period set forth in Commission Regulation 40.6(b), Nadex plans to implement these Rule changes for the start of business on trade date September 18, 2018.

Should you have any questions regarding the above, please do not hesitate to contact me by telephone at (312) 884-0927 or by email at jaime.walsh@nadex.com.

Sincerely,



Jaime M. Walsh
Legal Counsel

EXHIBIT A

Rule	Asset	Duration/Close Time	Action	Effective Date
12.1	Terms that are Uniform Across Contracts	N/A	Add provision for underlying limit up/down, remove reference to “Binary Swap Contracts”, amend footnote regarding OCR Volume Threshold Level	9/18/2018

EXHIBIT B

Amendment of Rules 12.1

(The following Rule amendments are underlined and deletions are stricken out)

RULES 1.1 – 11.3 [UNCHANGED]

RULE 12.1 TERMS THAT ARE UNIFORM ACROSS CONTRACTS

There are certain terms that are uniform across Contracts.

- (b) The minimum unit of trading for each Contract is one Contract.
- (c) All Contract prices are quoted in U.S. dollars and cents per Contract.
- (d) The minimum quote increment for each Contract is \$.01 per Contract.
- (e) All Expiration Values will be posted on Nadex's website no later than the close of business of the Expiration Date of a Contract Series.
 - (e) At the time Nadex sets the Payout Criterion for any Binary Contract, Nadex will review its then-existing Binary Contracts in the same Class having the same Expiration time. No new Binary Contract in that same Class and having the same Expiration time will be offered with the same Payout Criterion. Instead, in instances where a duplicate Payout Criterion would be generated under the applicable product rule, the Payout Criterion for that Contract will be adjusted by pre-determined levels which shall be published on the Nadex website.
- (f) All Nadex Binary ~~Swap~~ Contracts and Variable Payout Contracts are deemed to be "swaps" as defined in 17 USC 1a(47).
- (g) **Halted Markets** - In the event that any market irregularities are declared by the Chief Executive Officer of the Exchange, a market may be halted for trading, and the Commission will be notified, if required, pursuant to Commission Regulations. An explanation will be posted on the Nadex Notices section of the website within a reasonable amount of time but no later than 24 hours after the initiation of the halt.
- (h) **Discretion to Refrain from Listing Contracts** - Nadex may, in its discretion, temporarily refrain from the listing of any contract due to the unavailability of the underlying market upon which the Contract is based, or any other condition Nadex determines may be detrimental to the listing of the Contract.
- (i) **Limit Up/Limit Down** - In the event the corresponding underlying market upon which any Nadex contract is based is subject to a lock limit up or down, Nadex may halt trading

in its related market, and/or refrain from listing contracts in that market, until trading resumes in the underlying market. Should Nadex halt and/or refrain from listing contracts pursuant to this section, notice of the halt, and any adjustments to the settlement process, will be posted on the Notices page as soon as practicable.

~~(i)~~**(j) Contract Modifications** - Specifications shall be fixed as of the first day of trading of a contract. If any U.S. governmental agency or body issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules, and all open and new contracts shall be subject to such government orders.

~~(j)~~**(k) Volume Threshold Level** - The current Volume Threshold Level is 250¹ contracts or more per day.

~~(k)~~**(l) Adjustment of Acceptable Bid/Ask Spread for Currency Settlement** – Nadex may adjust the parameters of the acceptable bid/ask spread in any underlying foreign currency market when determining the midpoint price in connection with the collection of market data used in the calculation of the expiration value of a Nadex Foreign Currency Binary or Variable Payout contract, as Nadex deems necessary or appropriate based on the underlying market conditions in order to produce an accurate representation of the underlying market value for settlement purposes. Any adjustment to the acceptable spread will be indicated on the Nadex website on the Notices page.

~~(l)~~**(m) CONTRACT DURATION**

(i) **Daily Contracts** means a Series of Contracts that have an Expiration Date within 24 hours after they are issued.

(ii) **Intraday Contracts** means a Series of Contracts that expire on the same trade date as, and within nine hours or less, of issuance.

(iii) **Weekly Contracts** mean a Series of Contracts that have an Expiration Date that is no less than four calendar days and no greater than seven calendar days from the date on which the contracts are issued.

(iv) **Monthly Contracts** means a Series of Contracts that have a Payout Criterion based on the last reported level of the Underlying by the Source Agency. Monthly Contracts have an Expiration Date that is no less than twenty one

¹ The volume threshold level of 250 contracts or more per day was set pursuant to No-Action Letter No. 16-32, issued on April 8, 2016, which allows the level to be set at 250 through September 28, 2017. This relief was extended on September 25, 2017 in CFTC Staff Letter 17-45, and the 250 volume threshold level will continue until September 28, 2020, and then to 100 contracts or more per day through August 29, 2018. The volume threshold level will revert to 50 contracts or more per day after August 29, 2018.

calendar days and no greater than thirty five calendar days from the date on which the last reported level of the Underlying is released by the Source Agency.

(v) **Open Contracts** means a Series of Contracts whose Expiration Date is dependent on the Release Date of the underlying Source Agency, and does not follow a standardized set pattern.

RULES 12.2 – 12.78 [UNCHANGED]

[End Rulebook]