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NADEX

January 12, 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 Amends Rules to Permit Nadex to Adjust Parameters for Acceptable Bid/Ask Spread in Underlying Data for Expiration Value Calculation in Currency Products - 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 amend its Rules to allow for the adjustment of the parameters for an acceptable bid/ask spread in the underlying currency market data that Nadex uses to collect midpoint data and calculate an Expiration Value for its Foreign Currency Binary and Variable Payout contracts.

The Expiration Value of a Foreign Currency contract is calculated by taking all Midpoints between the bid/ask spread (ten pips wide or less) in the corresponding underlying market occurring in the ten (10) seconds leading up to the close of trading of the Nadex contract, provided at least ten (10) Midpoints are captured during the ten (10) second period, removing the highest thirty (30) percent of Midpoints and the lowest thirty (30) percent of Midpoints from the data set, using the remaining Midpoints to calculate the Expiration Value. The calculation used is a simple average of the remaining Midpoints, rounded to one decimal point past the precision of the underlying market. In the event the time it takes to collect at least ten (10) Midpoints (ten pips wide or less) exceeds the ten (10) second time period, the Expiration Value is calculated by taking the last ten (10) Midpoints between the bid/ask spread (ten pips wide or less) just prior to the close of trading of the Nadex contract and removing the highest three (3) Midpoints and the lowest three (3) Midpoints, using the remaining four (4) Midpoints to calculate the Expiration Value. The calculation used is a simple average of all four (4) Midpoints, rounded to one decimal point past the precision of the underlying market.

During certain periods of decreased activity or volatility in the underlying currency market, most commonly due to a major holiday or economic event, the time it takes to collect at least ten Midpoints prices between a bid and ask spread 10 pips wide or less exceeds the exchange-set cut-off period for data collection. In these instances, in order to calculate an Expiration Value, the exchange must either expand the cut-off period and accept Midpoints which may have occurred several minutes prior to expiration in order to meet the required set of ten, or it must expand the acceptable bid/ask spread beyond 10 pips. Based on the market conditions at the time, expanding the acceptable bid/ask spread may provide a better representation of the underlying value, rather than collecting older data to use in calculation. Such instances where Nadex has deemed it appropriate to expand the acceptable bid/ask spread are infrequent[1], however, because the need to the adjustment cannot be predicted weeks ahead of time, Nadex has had to submit Emergency Actions to notify the Commission of the change. Nadex does not believe that the adjustment constitutes a true "emergency", but rather a routine and unremarkable circumstances of listing short term contracts. Accordingly, Nadex is amending its Rule 12.1 (Terms That Are Uniform Across Contracts) to grant Nadex the authority to make the adjustments it deems necessary or appropriate to the acceptable bid/ask spread depending on the underlying market conditions, without the need for filing an Emergency Action under Regulation 40.6. As it does when it files an Emergency Action for an adjustment of the bid/ask spread, Nadex will continue to post a notice on its website should any adjustments to the acceptable spread be made.

DCM and DCO Core Principles

Nadex has identified the following Designated Contract Market ("DCM") and Derivatives Clearing Organization ("DCO") Core Principles as potentially being impacted by the Rule amendments discussed herein: DCM Core Principle 7 (Availability of General Information) and DCO Core Principle L (Public Information).

DCM Core Principle 7 (Availability of General Information), implemented by Regulation 38.401, and DCO Core Principle L (Public Information) require the DCM/DCO 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. Additionally, Nadex will make a notice publicly available on its website in instances where the acceptable bid/ask spread is adjusted in order to calculate a more accurate representation of the underlying market for calculation of the Expiration Value and settlement of the Nadex Foreign Currency contracts. Therefore, Nadex's ability to comply with these Core Principles will not be negatively impacted by the amendments discussed herein.

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.

[1] The last four instances where the acceptable bid/ask spread was adjusted and an Emergency Action was filed occurred on: 6/29/2016; 10/7/2016; 8/7/2017; 1/2/2018.

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. Pursuant to the 10-day review period required by Regulation 40.6(b), the amendments discussed herein will be effective on January 30, 2018.

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

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 authority to adjust acceptable bid/ask spread in currency settlement.	1/30/2018

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.

(a) The minimum unit of trading for each Contract is one Contract.

(b) All Contract prices are quoted in U.S. dollars and cents per Contract.

(c) The minimum quote increment for each Contract is $.01 per Contract.

(d) 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) **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) **Volume Threshold Level** - The current Volume Threshold Level is 250[2] contracts or more per day.

(k) **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) 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 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 of Rulebook.

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[2] 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, 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.