



August 31, 2015

Via CFTC Portal Submissions

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

**RE: Self-Certification of Rule Amendments: Nadex Adopts Temporary Free Trading Incentive Program - 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 adopt a temporary free trading incentive program (the “Program”). This Program would be effective no earlier than September 16, 2015.

Nadex charges its Members certain Exchange trading and settlement fees in connection with trades and contracts settled in-the-money. The applicable fees are set forth in the Nadex Fee Schedule, which is available to the public on the Nadex website. Nadex is establishing a temporary incentive program to waive trading and settlement fees for all individuals and entities that become Nadex Members<sup>1</sup> on or after the effective date of the Program, for a specified period of time directly correlating to the amount of funds the Member initially deposits into their trading account.

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<sup>1</sup> The requirements for Membership are set forth in Nadex Rule 3.1. Eligible participants must meet all Membership requirements before they will be included in the Program.

Specifically, Members will acquire free Trading Days as set forth in the table below depending on the amount of their initial deposit.

<b>Initial Deposit</b>	<b>No. free days<sup>2</sup></b>
\$100 - \$499	1
\$500 - \$999	2
\$1,000 - \$4,999	3
\$5,000 - \$9,999	4
\$10,000 or more	5

A Trading Day as defined by the Nadex Rules is “the regular trading session on any given calendar date and the evening session, if any, on the immediately preceding calendar date.” A regular Trading Day is from 6:00pm ET to 5:00pm ET the following calendar day each day from Sunday through Thursday, and 6:00pm Thursday evening to 4:15pm ET on Friday. Changes to either the opening or closing hours during a Trading Day due to a holiday or other Exchange event, including but not limited to an emergency action taken in accordance with Nadex Rule 2.4 or any Exchange outage<sup>3</sup>, will be identified on the Notices page of the Nadex website. The shortening of trading hours during a Trading Day due to a holiday or other Exchange event will still be considered a full Trading Day for purposes of the Program. In the event the Exchange is closed for the *entire* Trading Day due to a holiday or other Exchange event, that Trading Day will not be treated as one of the Member’s free Trading Days.

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<sup>2</sup> Multiple free Trading Days will be consecutive.

<sup>3</sup> Pursuant to the Nadex Risk Disclosure Policy, which all Exchange Members agree to, “Trading through the Internet involves many interrelated systems, including hardware, software, telephony, cable, and power generation, all of which are subject to failure or malfunction that may adversely affect your ability to trade. If you have spent any time at all on the Internet, you may have experienced problems with computer crashes, failure of your Internet service provider’s access system, site crashes, and many other problems. Therefore, please realize that during any time which you cannot access Nadex for whatever reason, you will not be able to enter, cancel, or modify orders. Additionally, although Nadex and its systems provider(s) have taken precautions, such as redundant systems, to prevent such an occurrence, if the Nadex system suffers a catastrophic failure, there is a chance your orders and their priority in the order queue could be lost. Nadex is not responsible or liable for any effect on your ability to trade caused by any malfunction of the Internet, computing systems, or their related components.” Once a Member’s free Trading Days have commenced in conjunction with that Member’s first order submission, the Member will not be granted additional free Trading Days, or any fraction thereof, as the result of the Member’s inability to submit orders, whether the inability is the result of a system error on the Exchange side or an issue with the Member’s Internet service provider, hardware, or software.

The Member's allotted free Trading Day(s) will commence on the trade date of the Member's first order after successful initial funding<sup>4</sup> is submitted to the Exchange, *not* the date of the initial funding. Additionally, the allotted free Trading Day(s) will be deemed to have commenced at the start of the Trading Day on which the first order was submitted to the Exchange, regardless of the time during the Trading Day that the order was submitted. For example, if a Member is granted one free Trading Day and his first order is submitted at 4:30pm ET, that Member's free Trading Day will end at 5:00pm ET that same day, even though the Member would have only received free trading and settlement fees for 30 minutes before the Trading Day ended. Furthermore, the free Trading Day(s) will commence when the first order is submitted to the Exchange, regardless of whether the order is matched and traded or not. Any order or executed trade that is carried over from a free Trading Day to a non-free Trading Day (the first Trading Day following the Member's last allotted free Trading Day under the Program) **will** incur the settlement fee set forth in the Fee Schedule if that contract settles in-the-money.

In order to be eligible for the Program, the Member must have an open account that is able to accept an initial deposit either on or after the effective date of the Program. Accordingly, a Member must have provided all identification and supporting documentation requested by the Exchange to satisfy the application review and account opening process. The Program will only be available to Members who have not previously funded their account prior to the effective date of the Program, or had a prior account that was funded but subsequently closed prior to the effective date of the Program<sup>5</sup>.

A Member enrolled in the Program whose initial deposit was made via ACH is subject to the limitations of the terms of real-time account funding ("RTAF"). The Member will only be able to enter orders and trades up to the value of RTAF granted until that Member's deposit clears, regardless of whether the Member uses the entire amount of available RTAF prior to the end of his free Trading Days period. The Member will not be granted additional free Trading Days, and no free Trading Days will be rescheduled due to the Member's inability to enter trades as the result of unavailable RTAF or pending funds.

In the event it is reasonably suspected that a Member enrolled in the Program has intentionally engaged in conduct that would manipulate or otherwise circumvent the terms of this Program, that Member's activity will be reviewed by the Nadex Compliance Department for

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<sup>4</sup> In the event the Member makes an initial deposit which subsequently fails to clear for any reason, the Exchange may hold the Member responsible for all trading and settlement fees that would have been charged to the Member's account had the Member not been enrolled in the Program, and may debit that amount from the Member's available cash balance. No free Trading Days will be re-allotted to a Member who received those days as the result of an initial deposit which did not clear.

<sup>5</sup> The purpose of this restriction is to prevent a Member from terminating their account, and re-applying for Membership in order to take advantage of the Program. A manual adjustment to remove any free Trading Days granted under the Program to a new Member who previously had a funded Nadex account and reapplied for Nadex Membership as of the effective date of the Program will be made, or the Member will be required to reimburse the Exchange for the appropriate trading and settlement fees if trading occurs in that Member's account before the manual adjustment to remove the free Trading Days can be made.

potential violation of Rule 5.19(i) (“No Person shall engage in any activity that adversely affects the integrity of the Market or its underlying systems.”) or other applicable Exchange Rule as determined by the Compliance Department. If, as the result of its initial review, the Compliance Department finds sufficient evidence to support the likelihood that the Member did intentionally engage in conduct that would manipulate or otherwise circumvent the terms of this Program, a formal investigation will be opened. In the event the investigation results in an adverse decision against the Member, penalties may include the revocation of the remainder of the Member’s allotted free Trading Days (if any), a charge to the Member’s account for all trading and settlement fees the account would have incurred for trading activity during the free trading period had the Member not been enrolled in the Program, and/or other disciplinary action the Compliance Department deems appropriate. Any formal action taken by the Exchange will be governed by the Rules in Chapter 9 of the Nadex Rulebook.

### **Compliance with Core Principles**

Nadex has identified the following Designated Contract Market Core Principle and regulation as potentially being affected by this amendment: Core Principle 2 (“Compliance with Rules”) as implemented by Regulation 38.151 (“Access Requirements”). Specifically, section (b)(2) requires the DCM to provide impartial access to its markets and services including comparable fee structures for members. Nadex has designed the Program to provide equal opportunity to participate in the Program to all Members who meet the eligibility requirements set forth in this submission. Nadex believes that the temporary incentive Program reflects a legitimate business justification for providing a limited fee waiver to a particular category of Members as described herein, in order to encourage them to participate directly in Nadex’s markets. Newly acquired active Members attracted to the Exchange as a result of the incentive Program will bring added depth and liquidity to the Exchange.

Additionally, Nadex has identified the following Derivatives Clearing Organization Core Principle and regulation as potentially being impacted by this amendment: Core Principle L implemented by Regulation 39.21 (“Public Information”). These provisions require, among other things, that DCOs disclose sufficient information to enable market participants to identify and evaluate accurately the costs associated with using the services of the DCO, including the clearing and other fees that the DCO charges its members. Nadex will post this submission and the information relevant to the Program on its website. Nadex’s regular Fee Schedule is currently available, and will remain, on its website.

The exact commencement date for the Program has not yet been determined, but will not begin earlier than the effective date of this submission. At this time the Program will run for an indefinite period of time. Nadex will post a Notice on its website at such time that it decides to discontinue or amend any of the terms of the Program.

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), the Program will be effective no earlier than September 16, 2015. The specific commencement date of the Program will be announced as a Notice on the Nadex website when that date has been determined.

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](mailto:jaime.walsh@nadex.com).

Sincerely,



Jaime M. Walsh  
Legal Counsel