

January 12, 2023

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: Self-Certification: Nadex Changes Underlying Foreign Currency Data Feed
– 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” or the “Exchange”) d/b/a crypto.com | Derivatives North America hereby submits to the Commission its intent to discontinue its current underlying foreign currency data source, known as the “NadexFX data feed”, and replace the feed with the underlying foreign currency data distributed by ICE Data[®] Connectivity and Feeds, Inc. (“IDCF”). IDCF is part of the Intercontinental Exchange group of entities. The IDCF foreign currency data is a robust compilation of actionable bids and offers in foreign currencies obtained from 19 well known established banking institutions from around the globe¹. Data is provided in real-time enabling Nadex to calculate the Expiration Value of its foreign currency contracts within seconds of the contracts’ expiration time. The Nadex Operations and Compliance Departments have engaged in substantial testing of the new underlying data feed to ensure its robustness, the Exchange’s ability to calculate an Expiration Value that accurately reflects the market value of the corresponding underlying market, and to ensure the Exchange’s surveillance system, Scila, would reliably capture the data and properly generate appropriate alerts based on the parameters set by the Exchange.

¹ Contributing banks include City Credit Investment Bank (Labuan), Danske Bank (Copenhagen), Dukascopy Bank, Equiti Capital (Auckland, AKL ASI), FX Dealer Direct (New York), Forex Capital Markets (New York), FX Open (Auckland), Hong Kong Forex Investment (Hong Kong), Interactive Brokers, IG Markets (London), Morgan Stanley, OTC Data Services Editorial Team (New York, London), OTC Data Services Editorial Team Calculated Cross Rates (New York), Pacific Financial Derivatives (Auckland), Saxo Bank (Copenhagen), Swissquote (Zurich), Windsor Brokers, Kantonalbank (Zurich). Not all banks may contribute data for all currency pairs for which Nadex lists derivative contracts. All contracts currently listed will be settled using underlying data from at least 12 contributors.

Nadex has identified the following Designated Contract Market (“DCM”) Core Principle as potentially being impacted by the change to the underlying foreign currency data feed: Core Principle 3 Contracts Not readily Subject to Manipulation.

Core Principle 3 requires that the DCM list only contracts that are not readily susceptible to manipulation. The Commission’s guidelines state that “[i]n evaluating the susceptibility of a cash-settled contract to manipulation, a designated contract market should consider the size and liquidity of the cash market that underlies the listed contract. . .” and further that “[i]n particular, situations susceptible to manipulation include those in which the volume of cash market transactions and/or the number of participants contacted in determining the cash-settlement price are very low.” Nadex lists various cash-settled foreign currency Binary, Call Spread, and Touch Bracket contracts based on the corresponding underlying spot market. The data Nadex uses to calculate the Expiration Value of its currency products is obtained from the interbank foreign exchange market, which is a high-volume market traded by banking institutions, and distributed by IDFS. Moreover, the new IDFS data feed will include more contributing banking institutions than the current NadexFX data feed. Accordingly, there is little risk that a Nadex retail participant would have the ability to attempt to manipulate the Expiration Value of any Nadex currency contract by transacting in an underlying foreign currency market. Additionally, Nadex uses a Expiration Value calculation that removes outlier prices to further minimize the potential for manipulation of its contracts. Therefore, the change to the underlying foreign currency data feed will not negatively impact Nadex’s ability to comply with this Core Principle.

Pursuant to the 10-day filing period under Regulation 40.6(a) (3), Nadex will change to the new IDFS underlying foreign currency data feed no earlier than trade date January 27, 2023. Nadex will post a notice on its website when it implements the change.

No substantive opposing views were expressed to Nadex with respect to these amendments.

Nadex hereby certifies that the amendments contained herein comply with the Act, as amended, and the Commission Regulations adopted thereunder.

Nadex certifies that a copy of these amendments 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
Head of Legal