



April 10, 2023

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 Retail Sales Change Event Contracts Pursuant to Commission Regulation §40.2(a)

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (the "Act"), and §40.2(a) of the regulations promulgated by the Commodity Futures Trading Commission (the "Commission") under the Act, North American Derivatives Exchange, Inc. d/b/a Crypto.com | Derivatives North America (the "Exchange" or "CDNA") hereby self-certifies the Retail Sales Change Event Contracts that the Exchange previously listed (the "Relisted Event Contracts"), which will be set forth in Exchange Rule 12.86, which will be referred to in this submission as the "Event Contract" and will be launched by the Exchange on or after May 15, 2023

### **Relisted Event Contracts Summary**

The Relisted Event Contract set forth in Rule 12.86 was previously listed by the Exchange pursuant to a self-certification on November 26, 2021 and was subsequently delisted on June 24, 2022. The contract specification for the Relisted Event Contract remains largely unchanged from the November 26, 2021 filing. The Relisted Event Contract will be listed according to its respective contract specification at least two trade days prior to the scheduled release dates of the relevant figures reported by the Source Agency, which will serve as the Contract's Expiration Value. The Relisted Contract will join the Exchange's current event product offering, which includes Foreign Exchange (Forex), Commodity, and Stock Indices and will be structured in much the same way as the Exchange's current listed event contracts. Five strike levels will be generated for the Relisted Event Contract with consecutive width levels. The Expiration Value for the Relisted Event Contract will be the relevant figures reported by the Source Agency, the United States Census Bureau. The Relisted Event Contract will be settled based on the Expiration Value. Like all of the Exchange's event contracts, the Relisted Event Contract will have a settlement payout of either \$100 or \$0. The Relisted Event Contract will be listed at 8:00AM ET on the Start Date day and will cease trading pursuant to the Contract's specification, 5 minutes prior to the release of the relevant



figures reported by the Source Agency on the Last Trading Day. The Exchange has at least one dedicated market maker who is committed to providing liquidity for the Relisted Event Contract.

### DCM Core Principles

The Exchange has identified the following Designated Contract Market (“DCM”) Core Principles as potentially being impacted by the launch of the Event Contracts: Core Principle 2 (Compliance with Rules), Core Principle 3 (Contracts Not Readily Subject to Manipulation), Core Principle 4 (Prevention of Market Disruption), Core Principle 7 (Availability of General Information), Core Principle 8 (Daily Publication of Trading Information), and Core Principle 18 (Recordkeeping).

#### Core Principle 2 Compliance with Rules

Core Principle 2 requires the DCM to have the capacity to detect, investigate, and apply appropriate sanctions to any person that violates any rule of the contract market. The Exchange has a dedicated Compliance/Regulatory staff that monitors the markets, investigates potential rule violations, and imposes sanctions against individuals who have been determined to have violated the Rules. The Exchange has an automated trade surveillance system, Scila, which is capable of detecting potential trade practice violations, and also conducts real-time market monitoring of all trading activity in all Contracts, at all hours the Exchange is open. The Exchange is able to set the parameters by which the system detects potential issues. Chapter 9 of the Exchange Rulebook sets forth the Exchange’s authority to investigate and sanction Members for activity that violates the Exchange Rules. Exchange Rule 2.10 grants the Exchange jurisdiction over any Person initiating or executing a transaction on or subject to the Rules of the Exchange, either directly or through an intermediary, and any Person for whose benefit such transaction has been initiated or executed. The Exchange’s jurisdiction continues notwithstanding the termination of the Person’s Exchange Membership. Exchange Rule 3.3 requires all Trading Members and Authorized Traders to comply with the Exchange Rules and to cooperate with the Exchange promptly and fully in any investigation, call for information, inquiry, audit, examination or proceeding. Such cooperation may involve a request for the Member’s or Authorized Trader’s activity in the relevant Underlying market. Accordingly, the listing of the New Event Contracts will not negatively impact the Exchange’s ability to comply with this Core Principle.

#### Core Principle 3 Contracts Not Readily Susceptible to Manipulation and Core Principle 4 Prevention of Market Disruption

Core Principles 3 and 4 (Contracts Not Readily Subject to Manipulation and Prevention of Market Disruption), implemented by Commission Regulations 38.200 and 38.250, require a DCM to list only contracts that are not readily susceptible to manipulation and to prevent market disruption. The Exchange has three of its existing Market Makers that have committed to providing liquidity in these contracts, which should limit opportunities for markets in the Event Contracts to be manipulated. As previously stated, the Exchange also uses the SCILA surveillance system to assist with market monitoring and has a staff dedicated to market surveillance to detect potential market manipulation.



The Expiration Value for the listed contracts will be the relevant figures released by the applicable Source Agency, all of which are sectors of the United States government. In an effort to prevent an early release of such statistics, the relevant Source Agency publishes the scheduled release dates for the relevant figures well in advance of the release.

The Exchange has dedicated staff to surveil the market and uses the Scila surveillance system to assist with market monitoring at all time the Retail Sales Change Event Contract will be listed. The Exchange trading system also has a cap-check feature that ensures a trader has sufficient funds in the account to fully collateralize the Order if executed before the Order is accepted by the Exchange. The Exchange also has the ability to block new Orders and/or cancel working Orders if necessary to prevent market disruption.

Additionally, Regulation 38.256 requires a DCM to have the ability to comprehensively and accurately reconstruct all trading on its trading facility. The Exchange is currently able to reconstruct trading in its markets based on the data stored in the database, the SCILA surveillance system, as well as the Exchange log files. Trade data will continue to be stored in this same manner following the addition of the Retail Sales Change Event Contract. Therefore, the addition of this contract will not negatively impact the Exchange's ability to comply with these Core Principles.

#### Core Principle 7 Availability of General Information and Core Principle 8 Daily Publication of Information

Core Principles 7 and 8, implemented by Regulations 38.400, 38.401, 38.450, and 38.451, require a DCM to make available to the public accurate information regarding the contract terms and conditions, as well as daily information on contracts such as settlement price, volume, open interest, and opening and closing ranges. The Exchange makes the Exchange Rulebook available on its website, as well as the Daily Bulletin which contains the preceding required information. The Results page on the website also publishes the Expiration Value and Settlement Value for all the Exchange contracts settled during that week. Contract specifications for the New Event Contracts will likewise be set forth in the Rulebook and on the Exchange website. Settlement prices, volume, open interest, and opening and closing ranges for the Retail Sales Change Event Contract will be included on the Daily Bulletin and posted on the Exchange website. Therefore, the addition of the Retail Sales Change Event Contract will not negatively impact the Exchange's ability to comply with these Core Principles.

#### Core Principle 9 Execution of Transactions

Core Principle 9 requires the DCM to provide a competitive, open, and efficient market and mechanism for executing transactions that protects the price discovery process. The Exchange has two dedicated Market Makers that have committed to pricing a two-sided market. Market participants are able to view the orderbook up to five layers deep (depending on the market

activity at any particular time) on the platform. The Exchange displays the Time and Sales of all Contracts traded on the Exchange website which is updated every 15 minutes. Therefore, the addition of the Retail Sales Change Event Contract will not negatively impact the Exchange's ability to comply with this Core Principle.

#### Core Principle 10 Trade Information

Core Principle 10 requires the DCM to maintain rules and procedures to provide for the recording and safe storage of all identifying trade information in a manner that enables the contract market to use the information to assist in the prevention of customer and market abuses and to evidence any violations of the Exchange Rules. The Exchange maintains an electronic audit trail as required by the Commission Regulations which enables the Exchange to review all activity on the Exchange.

#### Core Principle 11 Financial Integrity of Transactions

Core Principle 11 requires the DCM to establish and enforce rules and procedures for ensuring the financial integrity of transactions entered on the contract market. As with all Contracts offered on the Exchange, the Retail Sales Change Event Contract will be fully collateralized and Members entering a transaction will have knowledge of their maximum risk prior to executing a transaction. All transactions will be cleared by the Exchange DCO.

#### Core Principle 12 Protection of Markets and Market Participants

Core Principle 12 requires a DCM to protect markets and market participants from abusive practices committed by any party and to promote fair and equitable trading on the contract market. Chapter 5 of the Exchange Rulebook establishes Rules to protect the market and market participants from abusive, disruptive, fraudulent, noncompetitive, and unfair conduct and trade practices. The Rules apply to all market participants and transactions on the Exchange, and participants will need to comply with the Rules when trading the Retail Sales Change Event Contract.

#### Core Principle 18 Recordkeeping

Finally, Core Principle 18, implemented by Regulation 38.951, requires a DCM to maintain records in accordance with part 45, Swap Data Recordkeeping and Reporting Requirements. In early 2013, the Exchange and CFTC staff engaged in discussions regarding the classification of its Event Contracts and Variable Payout Contracts following the Dodd-Frank amendments to the Act. The review resulted in the determination that the Exchange Event Contracts and Variable Payout Contracts were deemed to be "swaps" under Section 1a(47) of the Act. On June 30, 2017, the Exchange was granted relief in CFTC Letter No. 17-31 (the "Letter") from Commission Regulations 38.8(b), 38.10, 38.951 (in part), 39.20(b)(2) and Parts 43 and 45 with respect to its Event and spread contracts. The Retail Sales Change Event Contract is an Event option that will be covered by the relief letter, and therefore any trading activity in these contracts will not be reported to a



swap data repository. the Exchange will continue to meet the requirements for which it has not been granted relief, as well as the conditional requirements set forth in the Letter. Therefore, the amendments discussed herein will negatively impact the Exchange's ability to comply with this Core Principle.

### DCO Core Principles

The Exchange has identified the following Derivatives Clearing Organization ("DCO") Core Principles as potentially being impacted by the addition of the Event Contracts: Core Principle C (Participant and Product Eligibility), Core Principle D (Risk Management), Core Principle E (Settlement Procedures), Core Principle G (Default Rules Procedures) Core Principle K (Recordkeeping), and Core Principle L (Public Information).

#### Core Principle C Participant and Product Eligibility

Core Principle C, implemented by Regulation 39.12, requires a DCO to determine the eligibility of contracts for clearing. The Exchange has determined the Retail Sales Change Event Contract will be eligible for clearing as trading in these event contracts will be on a fully-collateralized basis, as required by the Exchange's Order of Designation, thereby mitigating any credit risk of a particular member to the Exchange or any other market participant.

#### Core Principle D Risk Management

Core Principle D requires the DCO to ensure it possesses the ability to manage the risks associated with discharging its responsibilities through the use of appropriate tools and procedures. Pursuant to the Exchange's DCO Orders of Designation, all Contracts cleared through the Exchange are fully-collateralized. No Contracts are traded on margin, thereby minimizing the Exchange's risk if a Member becomes insolvent. Likewise, the Exchange Members face no credit risk from the Exchange because the Exchange's obligation to those Members is limited to the amounts those Members deposit with the Exchange for trading purposes, and those funds are kept in a segregated Member Property account at the settlement bank and may not be used to satisfy the obligations of the Exchange.

#### Core Principle E Settlement Procedures

Core Principle E, implemented by Regulation 39.14, includes in the definition of 'settlement', that is, "[a]ll payments due in final settlement of futures, options, and swaps on the final settlement date with respect to such positions". The Retail Sales Change Event Contract will settle in a timely manner after the Expiration Value is published by the relevant federal government department. Also, in accordance with this Core Principle, the Exchange will continue to maintain an accurate record of the flow of funds associated with each settlement of the Event Contracts. Therefore, the additions discussed herein will not negatively impact the Exchange's ability to comply with this Core Principle.



Core Principle G Default Rules and Procedures

Core Principle G requires the DCO to have rules and procedures designed to allow for the efficient, fair, and safe management of events during which Members become insolvent or otherwise default on the obligations to other Members or the DCO. The Exchange does not allow Members to trade if their transactions are not fully collateralized. The Exchange cap-check system will check the Member's account when an Order is placed, and if the account lacks sufficient funds to collateralize the trade, the Order is not accepted by the Exchange. Due to this system check, Members cannot default on their obligations to the Exchange as it relates to trade collateralization. As a backup provision, the Exchange also has the authority under the Exchange Rules 5.3 and 5.4 to cancel any Orders if the Member account lacks sufficient funds to fully collateralize the trade. The Exchange Rule 3.3(d) requires each Member to immediately notify the Exchange in writing upon becoming aware that he/she/it becomes the subject of a bankruptcy petition, receivership proceeding, or the equivalent, or being unable to meet any financial obligation as it becomes due. The Exchange may also sanction Members under Rule 5.19 for failure to retain sufficient collateral in his/her/its account to meet his/her/its financial obligations. These system checks and applicable Rules will continue to apply following the addition of the Retail Sales Change Event Contract.

Core Principle K Recordkeeping

Core Principle K, implemented by Regulation 39.20, requires a DCO that clears swaps and maintains swap data in accordance with the requirements of part 45. As indicated above, the Exchange has been granted relief from Commission Regulations 38.8(b), 38.10, 38.951 (in part), 39.20(b)(2) and Parts 43 and 45 in CFTC Letter No. 17-31 with respect to its Event option and spread contracts. The Exchange will continue to meet the requirements for which it has not been granted relief, as well as the conditional requirements set forth in the Letter.

Core Principle L Public Information

Core Principle L, implemented by Regulation 39.21, requires a DCO to make available to the public the terms and conditions of each contract, as well as the daily settlement prices, volume, and open interest of the contract. As stated previously, the Rulebook contains the contract specifications for all contracts listed on the Exchange and is made available to the public on the Exchange website. All settlement values are listed on the Exchange website on the 'Results Page', as well as the Daily Bulletin which also shows volume and open interest. Therefore, the amendments discussed herein will not negatively impact the Exchange's ability to comply with this Core Principle.

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Pursuant to Commission Regulation §40.2(a)(2) which provides that the Commission receive the submission for the new product listing by the beginning of the business day prior to the listing of



the new products, the Exchange will begin listing the Event Contracts on May 1, 2023, however, the Exchange will be launching the products on or after May 15, 2023.

The amendments to the Rulebook are set forth in Exhibit A. Any deletions have been stricken out while the amendments and/or additions have been underlined. A complete index of the DCM and DCO Core Principles that indicates whether the Core Principle is applicable and addressed in the text of this submission is attached in Exhibit B.

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

The Exchange hereby certifies that the amendments contained herein comply with the Act, as amended, and the Commission Regulations adopted thereunder. The Exchange 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) 884-0161 or by email at [Kevin.Dan@nadex.com](mailto:Kevin.Dan@nadex.com).

Sincerely,

*Kevin J. Dan*

Kevin Dan  
Chief Compliance Officer

EXHIBIT A

## Addition of Rule 12.86

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

**RULES 1.1 – 12.75 [UNCHANGED]****RULE 12.86 RETAIL SALES CHANGE EVENT CONTRACTS**

(a) SCOPE – These Rules shall apply to the Class of Contracts referred to as the Retail Sales Change Event Contract issued by the Exchange.

(b) UNDERLYING – The Underlying for this Class of Contracts is the monthly percentage increase or decrease in Advance Monthly Sales for Retail and Food Services figure last reported by the Source Agency. The Start Date for the Retail Sales Change Event Contracts will be at least two business days prior to the next Expiration Date. The End Date will be the Last Trading Date.

(c) SOURCE AGENCY – The Source Agency is the United States Census Bureau.

(d) TYPE – The Type of Contract is an Event Contract.

(e) PAYOUT CRITERION – The Payout Criterion for each Contract will be set by the Exchange at the time the Event Contracts are initially issued. For the Retail Sales Change Event Contract, the Payout Criteria for the Contracts will be set as follows:

**(i) WEEKLY RETAIL SALES CHANGE EVENT CONTRACTS**

(1) At the commencement of trading in a Retail Sales Change Event Contract, the Exchange shall list all eligible Payout Criteria in a range of five (5) consecutive increments between -5.0% and 5.0%, as determined by the Exchange, with contract Payout Criteria of greater than (>) the Expiration Value. For example, the Exchange may list the following range of Payout Criteria (using the 0.2% increment): -0.5%, -0.3%, -0.1%, 0.1%, 0.3% For the next issuance, the Exchange may list the following range of Payout Criteria (using a 1% increment): 0.0%, 1.0%, 2.0%, 3.0%, 4.0%.

(2) In each case above, “X” equals the first Payout Criteria listed. In the first example above, this is -0.5%; in the second example above, this is 0.0%.

(ii) the Exchange may list additional Retail Sales Change Event Contracts with different ranges of Payout Criteria on a discretionary basis in accordance with the Census Bureau and Commission Regulations.





(f) MINIMUM TICK – The Minimum Tick size for the Retail Sales Change Event Contracts shall be \$0.25.

(g) POSITION LIMIT – The Position Limits for the Retail Sales Change Event Contract shall be 2,500 contracts per class.

(h) LAST TRADING DATE – The Last Trading Date in a Series is the same day as the Expiration Date. The Retail Sales Change Event Contracts will stop trading on the Last Trading Date at 8:25 AM ET.

(i) SETTLEMENT DATE – The Settlement Date will be the date the Advance Monthly Sales for Retail and Food Services figure is released by the Source Agency.

(j) EXPIRATION DATE – The Expiration Date of the Contract will be the date on which the Advance Monthly Sales for Retail and Food Services figure, as reported in the Advance Monthly Sales for Retail and Food Services Report, is scheduled to be released.

(k) SETTLEMENT VALUE – The Settlement Value is the amount paid to the holder of the money Contract on Settlement Date. The Settlement Value of an in the money Retail Sales Change Event Contract is \$100.

(l) EXPIRATION VALUE – The Expiration Value is the level of the percentage increase or decrease from the Previous Month in Retail Sales Change release number on the Expiration Date. The Expiration Value is released by the Source Agency at 8:30 AM ET on the Expiration Date.

(m) CONTINGENCIES – If no level is actually announced on the Expiration Date due to a delay, postponement or otherwise in such release announcement by the Source Agency, the Settlement Date will be delayed until the Underlying number is released for that Series.

*End of Rulebook*



EXHIBIT B

Designated Contract Market (“DCM”) Core Principles

Core Principle Number	Core Principle Name	Addressed in or Not Applicable to Self-Certification
1	Designation as Contract Market	Not applicable (designation granted)
2	Compliance with Rules	Addressed
3	Contracts Not Readily Subject to Manipulation	Addressed
4	Prevention of Market Disruption	Addressed
5	Position Limitations or Accountability	Addressed
6	Emergency Authority	Not applicable (the Exchange Rulebook, 2.4 Emergency Rules)
7	Availability of General Information	Addressed



8	Daily Publication of Trading Information	Addressed
9	Execution of Transactions	Addressed
10	Trade Information	Addressed
11	Financial Integrity of Transactions	Addressed
12	Protection of Markets and Market Participants  c.	Addressed
13	Disciplinary Procedures	Not applicable (the Exchange Rulebook, Chapter 9 Rule Enforcement)
14	Dispute Resolution	Not applicable (the Exchange Rulebook, 10.2 – 10.4 Arbitration)
15	Governance Fitness Standards	Not applicable (the Exchange Rulebook, 2.2 Service Restrictions, 11.2 Service and Disciplinary History)



16	Conflicts of Interest	Not applicable (the Exchange Rulebook, 2.6 Voting, 2.9 Trading Limitations, 11.1 Non-Public Information, 11.3 Voting)
17	Composition of Governing Boards of Contract Markets  d.	Not applicable (internal review and appointment of directors)
18	Recordkeeping	Addressed
19	Antitrust Considerations	Not applicable
20	System Safeguards	Not applicable (internal controls and policies in place)
21	Financial Resources	Not applicable (capital requirements and quarterly reporting compliant)
22	Diversity of Boards of Directors	Not applicable (not public company, internal review and appointment of directors)

23	Securities and Exchange Commission	Not applicable
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Derivatives Clearing Organization (“DCO”) Core Principles

Core Principle Number	Core Principle Name	Addressed in or Not Applicable to Self-Certification
A	Compliance	Not applicable
B	Financial Resources	Not applicable (capital requirement and quarterly reporting compliant)
C	Participant and Product Eligibility	Addressed
D	Risk Management	Addressed
E	Settlement Procedures	Addressed
F	Treatment of Funds	Not applicable (the Exchange Rulebook Chapter 8 Member Funds)
G	Default Rules and Procedures	Addressed



H	Rule Enforcement	Not applicable (the Exchange Rulebook, Chapter 9 Rule Enforcement, 10.2 – 10.4 Arbitration)
I	System Safeguards	Not applicable (internal controls and policies in place)
J	Reporting	Not applicable
K	Recordkeeping	Not applicable (the Exchange maintains all required records for at least 5 years)
L	Public Information	Addressed
M	Information Sharing	Not applicable (member of Joint Audit Committee, Joint Compliance Committee, Intermarket Surveillance Group, and signatory to the International Information Sharing Memorandum of Understanding and Agreement)



N	Antitrust Considerations	Not applicable
O	Governance Fitness Standards	Not applicable (the Exchange Rulebook, 2.2 Service Restrictions, 11.2 Service and Disciplinary History, internal review and appointment of directors)
P	Conflicts of Interest	Not applicable (the Exchange Rulebook, 2.6 Voting, 2.9 Trading Limitations, 11.1 Non-Public Information, 11.3 Voting)
Q	Composition of Governing Boards h.	Not applicable (internal review and appointment of directors)
R	Legal Risk	Not applicable (the Exchange Rulebook Chapter 6)

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