

November 8, 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 Product: Shiba Inu (SHIB) Cryptocurrency Event Contract - Submission 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 a swap, which is an event contract on Shiba Inu (SHIB) cryptocurrency (the “SHIB Crypto Event Contract”), which will be set forth in the Exchange Rules and will be launched by the Exchange on or after November 10, 2023.

The Exchange has self-certified multiple cryptocurrency contracts in the past, including Touch Bracket Contracts on Bitcoin (BTC) and Ether (ETH) on October 28, 2022, Touch Bracket Contracts on Litecoin (LTC) and Dogecoin (DOGE) on June 21, 2023, Touch Bracket Contracts on Bitcoin Cash (BCH) on September 26, 2023, BTC and ETH Event Contracts on April 10, 2023, BCH and LTC Event Contracts on October 27, 2023 and October 30, 2023, respectively, and SHIB Touch Bracket Contracts on October 31, 2023. In addition, the Exchange has listed both Event Contracts and Call Spread Contracts based on the Underlying bitcoin market at various times since 2014.<sup>1</sup> Since launching the BTC, ETH, LTC and BCH Touch Bracket Contracts in 2023, combined trading volumes of these contracts totals over 800,000 contracts. Therefore, the Exchange continues to expand its cryptocurrency commodity derivative product offerings to meet public demand for diverse and regulated products.<sup>2</sup>

The SHIB Crypto Event Contract set forth in Rule 12.99 is nearly identical in nature to the BTC Event Contract that was self-certified by the Exchange on April 10, 2023, and the ETH Event Contract that was also self-certified by the Exchange on April 10, 2023, as well as the other

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<sup>1</sup> Unless otherwise defined herein, capitalized terms shall have the same definition as set forth in Rule 1.1 of the Exchange Rulebook. Touch Bracket Variable Payout Contracts are also referred to as “Knock-out Touch Bracket Contracts” or “UpDown Touch Bracket Contracts” or “Knock-outs” or “UpDown Options”.

<sup>2</sup> We use the terms “cryptocurrency” and “digital asset” interchangeably in this filing.

cryptocurrency commodity Event Contracts noted above. The SHIB Crypto Event Contract includes Intraday, Hourly and Daily Cryptocurrency contracts on the cryptocurrency SHIB and will be structured in the same way as the Exchange's currently listed event contracts for Forex.<sup>3</sup> Nine strike levels will be generated for the SHIB Crypto Event Contract. The Expiration Value for the SHIB Crypto Event Contract will be the Index Value as specified in each Contracts' individual specifications. Like all the Exchange Event contracts, the SHIB Crypto Event Contract will have a settlement payout range from \$10 to \$100, or a payout of \$0. The SHIB Crypto Event Contract will be listed at 8:00AM ET on the Start Date, or at the Expiration of the previously listed Event Contract (as described in the Specifications) and will cease trading pursuant to each Contracts' individual specifications. The Exchange has at least three dedicated market makers who are committed to providing liquidity for the SHIB Crypto Event Contract.

The Indicative Index for the SHIB Crypto Event Contract will be determined by using the Exchange's standard Indicative Index calculation method (the "the Exchange Calculation Method").<sup>4</sup> The Exchange will calculate and produce an Index Value for each cryptocurrency once each second throughout the life of the SHIB Crypto Event Contracts. That is, each second the Exchange will calculate an Index Value for the respective cryptocurrency by taking all bids/ask midpoint prices in the relevant Underlying markets, as reported in the ICE<sup>®</sup> Crypto Data and the Lukka, Inc. Data Feed (as further described below), in the sixty (60) seconds leading up to the Calculation Time, provided at least twenty-five (25) bids/ask midpoint prices are captured during the sixty (60) second period, removing the highest twenty (20) percent of Underlying bids/ask midpoint prices and the lowest twenty (20) percent of Underlying bids/ask midpoint prices from

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<sup>3</sup> Virtual currencies have been broadly identified by the Commission as "commodities" in various filings. See, e.g., *CFTC v. Changpeng Zhao, Binance Holdings Limited, Binance Holdings (IE) Limited, Binance (Services) Holdings Limited, and Samuel Lim* (filed Mar. 27, 2023) (N.D. Ill.) at ¶ 24 (stating "Certain digital assets, including BTC, ETH, DOGE, and at least two fiat-backed stablecoins, tether ('USDT') and the Binance USD ('BUSD'), as well as other virtual currencies as alleged herein, are 'commodities,' as defined under Section 1a(9) of the Act, 7 U.S.C. § 1a(9)"). See also, *In re Tether Holdings Ltd., et al.*, CFTC Docket No. 22-04 (Oct. 15, 2021) (stating "Digital assets such as bitcoin, ether, litecoin, and tether tokens are commodities.") and *CFTC v HDR Global Trading Ltd., et al. (d/b/a BitMEX)*, 20-cv-8132, (filed October 01, 2020) (S.D.N.Y) at ¶ 23 (stating "Bitcoin, ether, Litecoin, and other virtual currencies [emph. added] are distinct from 'real' or 'fiat' currencies, which are the coin and paper money of the United States or another country that are designated as legal tender, circulate, and are customarily used and accepted as a medium of exchange in the country of issuance. Digital assets, such as bitcoin, ether, and litecoin are 'commodities' as defined under Section 1a(9) of the Act, 7 U.S.C. § 1a(9) (2018)") (emph. added). SHIB uses the Ethereum network (Ethereum) as its underlying blockchain technology and is thus similar to ETH, which has been specifically identified as a commodity by the Commission. Accordingly, Shiba Inu and Ethereum are both open-source payment networks that verify transactions through a global decentralized peer-to-peer network of nodes (validators) and authenticate transactions using a proof-of-stake (PoS) consensus mechanism. SHIB has been in existence for over two years and operates as a digital asset or virtual currency because, among other reasons, (1) it is used as a transfer of value and (2) because it is used for payments. Indeed, the digital asset in this filing is captured under the authority of the CFTC, as well as the broad definition of commodity in Section 1a(9) of the Act. Moreover, SHIB has never been categorized as anything other than a commodity and no law or regulatory authority in the United States has indicated anything to the contrary.

<sup>4</sup> All Touch Bracket Contracts listed and cleared by the Exchange make use of the Indicative Index to determine the Expiration Value of the contract. Specifically, these include the BTC, ETH, EUR/USD, GBP/USD, USD/CHF, USD/JPY, AUD/USD, USD/CAD, EUR/GBP, AUD/JPY, GBP/JPY, EUR/JPY, Wall Street 30, US 500, US Tech 100, US SmallCap 2000, Gold, Silver, Crude Oil, and Natural Gas Touch Bracket Contracts.

the data set<sup>5</sup>, and using the remaining Underlying bids/ask midpoint prices to calculate the relevant cryptocurrency Index Value for that second. The calculation used is a simple average of the remaining Underlying bids/ask midpoint prices in the data set, rounded to one decimal point past the precision of the Underlying market. In the event the time it takes to collect at least twenty-five (25) Underlying bids/ask midpoint prices exceeds the sixty (60) second period, the Index Value will be calculated by taking the last twenty-five (25) Underlying bids/ask midpoint prices just prior to the Calculation Time, removing the highest five (5) Underlying bids/ask midpoint prices and the lowest five (5) Underlying bids/ask midpoint prices, and using the remaining fifteen (15) Underlying bids/ask midpoint prices to calculate the relevant Index Value. The calculation used is a simple average of all fifteen (15) Underlying bids/ask midpoint prices, rounded to one decimal point past the precision of the Underlying market. The Exchange uses this calculation method as a means of preventing manipulation in the Underlying market to influence the Exchange Expiration Value.

The Exchange plans to list the SHIB Crypto Contracts based on the Underlying SHIB cryptocurrency commodity market and settle the SHIB Crypto Contracts using data from the "ICE Cryptocurrency Data" feed ("ICE Crypto Data"), distributed by ICE Data<sup>®</sup> Connectivity and Feeds, Inc. ("IDCF"), as well as data from Lukka Inc. (the Lukka Data Feed ("LDF")).

IDCF is part of the Intercontinental Exchange group of entities. In 2018 IDCF partnered with Blockstream Corporation, Inc., a leading provider of blockchain technologies, distributed systems, and crypto-financial infrastructure, to launch the ICE Crypto Data. The ICE Crypto Data is an aggregation of comprehensive multi-asset data from the most widely and actively traded cryptocurrencies from leading trading venues, markets, and exchanges, compiled by Blockstream and distributed by IDCF. The ICE Crypto Data currently includes data from thirty-one (31) trading venues, with nine (9) venues contributing data pertaining to SHIB cryptocurrency commodity.

The LDF is maintained by Lukka, Inc., using the principles set forth in the IOSCO Principles for Financial Benchmarking (the "IOSCO Principles"). The LDF is disseminated to major market data vendors on a one-second frequency. Lukka was founded in 2014 and is a global company headquartered in the U.S. that provides institutional data to traditional and cryptocurrency exchanges and trading desks, CPA and accounting firms, fund and financial auditors, fund administrators, miners, protocols, individuals, and any other businesses interacting with cryptocurrencies. The constituent Exchange venues for the LDF maintain fair and transparent market conditions to impede illegal, unfair or manipulative trading practices, not place undue barriers to entry and comply with applicable law and regulation including, capital markets regulations, money transmission regulations, and client money custody requirements. Additionally, Lukka ensures that constituent exchange venues deliver transparent and consistent trade data via an API with sufficient reliability, detail, and timeliness. Moreover, the constituent

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<sup>5</sup> If 20% of the data set would result in a non-integer number of bid/ask midpoint prices, the number of bid/ask midpoint prices to be removed from the set will be rounded down. For example, if the number of bid/ask midpoint prices collected during the last 10 seconds prior to the close of trading was 31, 20% of the data set would be 6.2 bid/ask midpoint prices. As 6.2 is a non-integer number, the value will be rounded down, and the 6 highest and 6 lowest bid/ask midpoint prices will be removed from the data set.

exchange venues must agree to cooperate with inquiries and investigations of the administrator and execute data sharing agreements with the Exchange.

The Exchange can customize the data it receives from the ICE Crypto Data feed, as well as the LDF, by selecting any number of the contributing venues. Of the contributing venues, the Exchange has selected specific venues from which IDCF and LDF will provide data to be used in the calculation of the Indicative Index for the SHIB Crypto Contract (the “Underlying Trading Venues”), and ultimately the SHIB Crypto Contracts’ Expiration Value.

The Exchange made its selection of venues based on several factors, including CoinGecko’s Trust Score rating, the Underlying Trading Venues’ daily spot volume ranking, AML and KYC policies implementation, regulatory requirements, and the venue’s location in order to provide global coverage.<sup>6</sup> The Exchange will monitor CoinGecko’s Trust Score ratings and may add to or remove venues from its data consumption based on these scores. CoinGecko’s rating of the venues the Exchange has selected are located [here](#). The ICE Crypto Data and the LDF include a number of data points to aid in the monitoring of the relevant crypto markets such as price discovery, historic data and full-depth market by price and venue, and a 24-hour market overview. The Exchange will periodically review the Underlying Trading Venues it has selected to determine the venues’ continued appropriateness for inclusion in the Indicative Index and may add or remove trading venues as appropriate.

The SHIB Crypto Event Contract benefits the public interest both as a hedging tool and a trading instrument where market participants can take a market view on the price of the given commodity. Like all the Exchange Contracts, the SHIB Crypto Event Contract will be fully collateralized at the time the transaction is entered. Thus, the trader is aware of the maximum risk to enter the transaction and the risk is limited by virtue of the pre-determined Strike Levels.

The Underlying Shiba Inu market is traded 24 hours per day, 7 days per week. The Exchange has selected the specific Underlying Trading Venues from which to obtain prices to include in the calculation of the Indicative Index Value that operate from different regions globally, in order to mitigate against the possibility of less activity in the Underlying markets at any given time due to the time of day. As noted above, the Exchange will have at least three dedicated Market Makers who will quote a two-sided market pursuant to the terms of the Market Maker Agreement and subject to the rules of the Exchange. Non-Market Maker Trading Members will have a Position Limit of 2,500 Contracts (for \$100 Settlement Value Contracts) to 25,000 (for \$10 Settlement Value Contracts). In order to provide sufficient liquidity, Market Makers will be subject to

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<sup>6</sup> CoinGecko has been in operation since 2014 and is a website and mobile app that provides live crypto prices, crypto education, and aggregates information regarding the performance of various cryptocurrencies for analysis purposes. CoinGecko launched its Trust Score rating in May 2019 in order to combat fake trading volume among cryptocurrency exchanges. In determining a rating, CoinGecko considers the crypto exchange’s liquidity/web traffic quality, scale of operations, API technical coverage, cybersecurity, team presence (transparency into management team), and past negative incidents (such as regulatory issues, hack incidents, account disputes, etc.). Further explanation as to CoinGecko’s Trust Score rating methodology can be found [here](#). CoinGecko indicates that it is constantly revising, improving and upgrading factors for consideration in its ratings determination, and plans to include trade history analysis, API quality analysis, hot and cold wallet analysis, social media analysis, exchange support turnover time, user reviews, and licensing and regulations analysis in the future.

Alternative Position Limits two times the standard 2,500 lot Position Limit (for \$100 Settlement Value Contracts) to 50,000 (for \$10 Settlement Value Contracts), but which shall apply on a per strike basis rather to the entire Class of Contracts. Market Makers will also be relieved of their quoting obligations once they have acquired a position of 500 Contracts, but will be required to resume their obligations once their position has fallen below 500 Contracts.

Trading in the SHIB Crypto Event Contract will begin at 11:00 pm ET Friday evening, and expire as indicated in the Specification.

### DCM Core Principles

The Exchange has identified the following Designated Contract Market (“DCM”) Core Principles as potentially being impacted by the launch of the SHIB Crypto Event Contract: 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.

In addition, the Exchange is a member of the Intermarket Surveillance Group (“ISG”). The ISG is an international group of exchanges, market centers, and market regulators that perform market surveillance in their respective jurisdictions. The ISG provides a framework for the sharing of information and the coordination of regulatory efforts among exchanges trading securities and

related products to address potential intermarket manipulations and trading abuses. The ISG was developed specifically to detect, prevent, and, when necessary, support enforcement proceedings related to potential fraud and manipulation across members' markets. To that end, each member of the ISG has agreed to the exchange of information, upon request from another ISG member, relating to transactions in any Financial Instruments, that relate to possible fraud and manipulation. Therefore, for this limited purpose, each ISG member "shall provide any information or documents..." requested by another ISG member. ISG membership also requires each and every ISG member, including other CFTC-regulated entities, provide any requested documents that they could obtain for their own reviews for fraud or manipulation, including any documentation from spot cryptocurrency markets obtainable by other ISG members in the ordinary course of business. Thus, the Exchange believes its ISG membership gives it access to a broad swath of data from underlying spot cryptocurrency markets through other ISG members who have the direct ability to request such data from spot markets for the limited purpose of detecting and preventing fraud and manipulation. The Exchange has also obtained information sharing agreements with certain spot cryptocurrency markets.

The Exchange certifies that its surveillance program together with its participation in a key industry group for information sharing and regulatory coordination addresses the requirements of Core Principle 2.

#### 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.

As to the SHIB Crypto Event Contract, the Exchange has selected the Underlying cryptocurrency markets upon which to base its Crypto Contracts in large part due to their active markets in terms of volume and liquidity, and their popularity among consumers, institutional investors, and other financial professionals. Moreover, the Exchange Calculation Method significantly reduces the potential for manipulation of the relevant the Exchange Indicative Index by removing a percentage of the upper and lower Underlying prices from the data set of ICE Crypto Data leading up to Expiration of the SHIB Crypto Event Contract, with the remaining prices averaged. ICE Crypto Data is comprised of numerous data points from numerous trading venues, which can be customized by the Exchange. Accordingly, an individual trading the SHIB Crypto Event Contract would not have knowledge of the specific trading venue(s) from which the final set of ICE Crypto Data will be used to calculate the Expiration Value, further preventing the potential for manipulation of the SHIB Crypto Event Contract's settlement by trading in the Underlying markets.

The Exchange has dedicated staff to surveil the market and uses the Scila surveillance system to assist with market monitoring at all times the SHIB Crypto Event Contract will be listed. Additionally, the Exchange will monitor the ICE Crypto Data feed for anomalies and disproportionate moves in the prices making up the Expiration Value. The Exchange will be able to obtain information from the ICE Crypto Data to assist in the Exchange's market surveillance, such as, the relevant cryptocurrency trade price, bid and ask prices, activity date and time, venue at which the trade occurred, size, volume, daily high and low, and a number of other data points. IDCF has agreed that upon the Exchange's request arising as the result of a regulatory investigation or related market data inquiry, it will share with the Exchange additional information that may be provided by Blockstream, to the extent that it is reasonably practicable, and does not violate applicable laws, regulations and/or any of IDCF's, or LDF's, contractual obligations.

The Exchange trading system 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 Event Contracts. Therefore, the addition of these contracts will not negatively impact the Exchange's ability to comply with these Core Principles.

#### Core Principle 5 Position Limits

Core Principle 5 requires the DCM set position limits or position accountability to reduce the potential threat of market manipulation or congestion. The Exchange has set the initial position limit for Trading Members at 2,500 Contracts (for \$100 Settlement Value Contracts) and 25,000 (for \$10 Settlement Value Contracts), thereby reducing the motivation for an individual to manipulate the Underlying market in order to affect the Exchange settlement, explained in detail above. Contracted Market Makers will not be subject to the 2,500 Contract position limit in order to provide sufficient liquidity to the market. Market Makers will instead be subject to an Alternative Position Limit of two times per strike level for non-Market Maker Trading Members (i.e. 5,000 Contracts per strike level for \$100 Settlement Value Contracts and 50,000 for \$10 Settlement Value Contracts). Additionally, such Alternative Position Limits shall apply not to the entire Class of Contracts, but to each Contract in that Class (i.e., per strike). A Market Maker taking advantage of the Alternative Position Limits must, within 1 business day following a request by the Exchange's Compliance Department, provide the Exchange Compliance Department with a trade register detailing all trading activity in any account owned or controlled by the Market Maker in the relevant Underlying market during the 15 minutes immediately before and after any Expiration time identified by the Exchange's Compliance Department in the request.

## 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 SHIB Crypto Event Contract will be included on the Daily Bulletin and posted on the Exchange website. Therefore, the addition of the SHIB Crypto 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 SHIB Crypto 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 SHIB Crypto Event Contracts 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 SHIB Crypto 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 Event Contracts are Event options 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 SHIB Crypto Event Contracts 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 Exchange's SHIB Crypto 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 SHIB Crypto Event Contract. 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 SHIB Crypto Event Contracts.

### 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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In accordance with §40.2(a)(2) of the Commission's Regulations, the Exchange plans to begin listing the SHIB Crypto Event Contracts for the start of business on or after the trade date November 10, 2023.

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 A. The contract specifications as they will appear in the Rulebook are set forth in Exhibit B.

The Exchange 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 the Exchange with respect to any of these actions. The Exchange hereby certifies that a copy of these additions 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.

Sincerely,

*/s/ Kevin J. Dan*

Kevin Dan  
Chief Compliance Officer

## EXHIBIT A

### 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	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	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

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	Not applicable (internal review and appointment of directors)
R	Legal Risk	Not applicable (the Exchange Rulebook Chapter 6)

## EXHIBIT B

*The Contract Specifications set forth below will appear in the Rulebook as 12.99.*

### **RULES 1.1 – 12.98 [UNCHANGED]**

### **12.99 SHIBA INU (SHIB) CRYPTOCURRENCY EVENT CONTRACTS**

(a) SCOPE – These Rules shall apply to the Class of Contracts referred to as the Shiba Inu Cryptocurrency (“Shiba Inu” or “SHIB”) Event Contracts, referred to as an ‘Event Contract’, issued by the Exchange.

(b) UNDERLYING – The Underlying for this Class of Contracts is the spot Shiba Inu cryptocurrency commodity bid/ask midpoint prices reported by Lukka, Inc. and the ICE<sup>®</sup> Cryptocurrency Data aggregated by Blockstream<sup>®</sup> Corporation and distributed by ICE Data<sup>®</sup> Connectivity and Feeds, Inc., herein referred to as “U-SHIB”, quoted in US dollars.

(c) SOURCE AGENCY – The Source Agency is the Exchange.

(d) TYPE – The Type of Contract is an Event Contract, which is a Swap.

(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 Shiba Inu Event Contracts, the Payout Criteria for the Contracts will be set as forth below or as updated on the Exchange’s Trading System:

#### (i) DAILY SHIBA INU EVENT CONTRACTS

(1) EXPIRATION TIME – 5 PM Saturday thru Thursday; 4 PM Friday.

(2) STRIKE INTERVAL WIDTH – The interval width between each strike level shall be 0.0000001.

(3) NUMBER OF STRIKE LEVELS LISTED – Nine (9) strike levels will be listed for each Daily Shiba Inu Event Contract Series.

(4) STRIKE LEVELS GENERATED - Strike levels will be generated such that Event Contract “X” is valued ‘at-the-money’ in relation to the Underlying market as determined by the Source Agency, immediately before the issuance of these Contracts, and shall be measured in U.S. cents rounded to the nearest value ending in either 0.0000000, 0.00000025, 0.00000050, 0.00000075 as reported by the Source Agency. Four (4) strike levels will be generated above Event Contract X at



an interval of Y, and four (4) strike levels will be generated below Event Contract X at an interval of Y (e.g.  $X - Y$ ;  $X$ ;  $X + Y$ ). The Contract will have a Payout Criterion of greater than the strike level value.

(ii) INTRADAY SHIBA INU EVENT CONTRACTS

(1) EXPIRATION TIME – Every 2 Hours and every 20 minutes with the first expiration occurring at 1:00 am ET Saturday, and 11:20 pm ET Friday, respectively, and the final expiration occurring the following Friday at the 4:00 pm ET CLOSE.

(2) STRIKE INTERVAL WIDTH – The interval width between each strike level shall be 2.5E-08 for 2-Hour Shiba Inu Event Contracts, and 1.0E-8 for 20-minutes Shiba Inu Event Contracts.

(3) NUMBER OF STRIKE LEVELS LISTED – Nine (9) strike levels will be listed for each Intraday 2-Hour Shiba Inu Event Contract Series.

(4) STRIKE LEVELS GENERATED - Strike levels will be generated such that Event Contract “Y” is valued ‘at-the-money’ in relation to the Underlying market as determined by the Source Agency, immediately before the issuance of these Contracts, and shall be measured in U.S. cents rounded to the nearest value ending in either 0.0000000, 0.00000001, 0.000000025, 0.000000050, 0.000000075 as reported by the Source Agency. Four (4) strike levels will be generated above Event Contract X at an interval of Y and four (4) strike levels will be generated below Event Contract X at an interval of Y(e.g.  $Y - X$ ;  $Y$ ;  $Y + X$ ). The Contract will have a Payout Criterion of greater than the strike level value.

(iii) Nadex may list additional Shiba Inu Event Contracts with different ranges of Payout Criteria on a discretionary basis in accordance with the CEA and Commission Regulations.

(f) MINIMUM TICK – The Minimum Tick size for Shiba Inu Event Contracts shall be \$0.1.

(g) POSITION LIMIT – The Position Limits for Shiba Inu Event Contracts shall be from 2,500 to 25,000 Contracts per Class.

(h) MARKET MAKER ALTERNATIVE POSITION LIMIT – The Position Limit for the Shiba Inu Event Contracts for contracted Market Makers shall be from 5,000 to 50,000 per strike level.

(i) LAST TRADING DATE – The Last Trading Date in a Series is the same as the Expiration Date. No trading in the Shiba Inu Event Contracts shall occur after its Last Trading Date.

(j) SETTLEMENT DATE – The Settlement Date will be the date on which the Shiba Inu price as reported by the Source Agency.

(k) EXPIRATION DATE – The Expiration Date of the Contract will be the date on which the Shiba Inu price is released.

(l) SETTLEMENT VALUE – The Settlement Value is the amount paid to the holder of the in the money Contract on the Settlement Date. The Settlement Value of an in the money Shiba Inu Event Contract is from \$10 to \$100.

(m) EXPIRATION VALUE – The Expiration Value is the Shiba Inu Index Value calculated and produced by the Source Agency on the Expiration Date. The Source Agency shall calculate and produce a SHIB Index Value once each second throughout the life of the SHIB Touch Bracket Contracts. That is, each second the Source Agency will calculate a SHIB Index Value by taking by taking all U-SHIB bid/ask midpoint prices occurring in the sixty (60) seconds leading up to the Calculation Time, provided at least twenty-five (25) bid/ask midpoint prices are captured during the sixty (60) second period, removing the highest twenty (20) percent of U-SHIB bid/ask midpoint prices and the lowest twenty (20) percent of U-SHIB bid/ask midpoint prices from the data set<sup>7</sup>, and using the remaining U-SHIB bid/ask midpoint prices to calculate the SHIB Index Value for that second. The calculation used is a simple average of the remaining U-SHIB bid/ask midpoint prices in the data set, rounded to one decimal point past the precision of the Underlying market. In the event the time it takes to collect at least twenty-five (25) U-SHIB bid/ask midpoint prices exceeds the sixty (60) second period, the SHIB Index Value will be calculated by the Source Agency by taking the last twenty-five (25) U-SHIB bid/ask midpoint prices just prior to the Calculation Time, removing the highest five (5) U-SHIB bid/ask midpoint prices and the lowest five (5) U-SHIB bid/ask midpoint prices, and using the remaining fifteen (15) U-SHIB bid/ask midpoint prices to calculate the SHIB Index Value. The calculation used is a simple average of all fifteen (15) U-SHIB bid/ask midpoint prices, rounded to one decimal point past the precision of the Underlying market.

(n) 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.

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<sup>7</sup> If 20% of the data set would result in a non-integer number of bid/ask midpoint prices, the number of bid/ask midpoint prices to be removed from the set will be rounded down. For example, if the number of bid/ask midpoint prices collected during the last 10 seconds prior to the close of trading was 31, 20% of the data set would be 6.2 bid/ask midpoint prices. As 6.2 is a non-integer number, the value will be rounded down, and the 6 highest and 6 lowest bid/ask midpoint prices will be removed from the data set.