



May 21, 2025

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: Rule Certification: Amendments to CDNA Rules 1.1 and 5.19 and New Rule 5.21 Block Trades – 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” or “CEA”), and §40.6(a) of the regulations promulgated by the Commodity Futures Trading Commission (the “Commission”) under the Act, the North American Derivatives Exchange, Inc. d/b/a Crypto.com | Derivatives North America (the “Exchange” or “CDNA”), in its capacity as a registered designated contract market (“DCM”), hereby certifies to the Commission amendments to CDNA Rules 1.1 and 5.19, as well as the addition of CDNA Rule 5.21, which are related to block trading (collectively, the “Rule Amendments”). CDNA is amending CDNA Rule 1.1 to add a definition of “Block Trades” to enable participants to privately negotiate futures or options transactions in Contracts that (i) meets certain quantity thresholds and (ii) is permitted to be executed off the centralized market pursuant to the CDNA Rules, as well as adding a definition of “Introducing Broker” to further clarify the Rules. CDNA is amending CDNA Rule 5.19 to clarify that block trades are not prohibited prearranged transactions. CDNA is creating CDNA Rule 5.21 to govern the products and processes related to block trades.

The Rule Amendments shall become effective ten (10) business days after this submission has been filed.

#### **DCM CORE PRINCIPLES**

CDNA has identified the following DCM Core Principles as being impacted by the Rule Amendments:

## **Core Principle 7 (Availability of General Information)**

Core Principle 7 requires that the Exchange ensure that its Rulebook is accurate, complete, current and readily accessible to the public, and all new or amended rules, both substantive and non-substantive, shall be reflected in the Rulebook on the date of implementation. CDNA makes its Rulebook publicly available on the CDNA website. On the effective date of this submission, the Rulebook will be updated and published with the Rule Amendments. Accordingly, the Rule Amendments will not negatively affect CDNA's ability to comply with this Core Principle.

## **Core Principle 9 (Execution of Transactions)**

Core Principle 9 allows DCMs to authorize transactions, such as block trades, to be executed away from the DCM's centralized marketplace. The Rule Amendments enable CDNA to authorize such transactions away from its centralized marketplace, subject to certain reporting conditions. The Rule Amendments will not negatively affect CDNA's ability to comply with this Core Principle. All trading on the Exchange is subject to the CDNA Rulebook, including Core Principle 2, which requires that the Exchange establish, monitor, and enforce compliance with its Rules, including the terms and conditions of any contracts to be traded on the Exchange.

\* \* \* \* \*

Redlined versions of the amended Rules are attached hereto as Exhibit A.

CDNA hereby certifies that the Rule Amendments contained herein comply with the Act, as amended, and the Commission Regulations adopted thereunder. No substantive opposing views were expressed to CDNA with respect to any of these actions.

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

In accordance with the 10-business day review period set forth in Commission Regulation 40.6(a)(3), the Rule Amendments will be effective on or after June 5, 2025.

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,

/s/

Kevin Dan  
Chief Compliance Officer and Chief Regulatory Officer  
The North American Derivatives Exchange, Inc. d/b/a Crypto.com | Derivatives North America

## **Exhibit A**

### **RULE 1.1      DEFINITIONS**

When used in these Rules:

**“Affiliate”** means any corporate affiliate of Nadex.

**“Appeals Panel”** means a panel comprised of individuals appointed by the Board to consider appeals under Rule 9.3.

**“Applicable Law”** means with respect to any Person, any statute, law, regulation, rule or ordinance of any governmental authority applicable to such Person, including the CEA, CFTC Regulations, and the rules or regulations of any relevant Self-Regulatory Organization.

**“Authorized Trader”** means an individual authorized by an Entity Trading Member and approved by Nadex to enter and execute transactions on the Market for that Entity Trading Member’s account, provided the Entity Trading Member maintains supervisory authority over such individual’s trading activities.

**“Binary Contract”** means the right to receive a fixed Settlement Value per contract, from Nadex on the Settlement Date dependent upon whether the market participant holds a long position or short position in a Binary Contract. If the market participant holds a long position in a Binary Contract, the participant has the right to receive a fixed Settlement Value from Nadex on the Settlement Date, if, and only if, the Binary Contract’s Payout Criteria encompasses the Expiration Value at Expiration. Conversely, if the market participant holds a short position in a Binary Contract, the participant has the right to receive a fixed Settlement Value if, and only if, the Binary Contract’s Payout Criteria does NOT encompass the Expiration Value at Expiration.

**“Block Trade”** means [a privately negotiated futures or options transaction in a Contract that \(i\) meets certain quantity thresholds and \(ii\) is permitted to be executed off the centralized market pursuant to these Rules.](#)

**“Board of Directors” or “Board”** means the Nadex board of directors consisting of eligible individuals as further described in Rule 2.2, with the powers enumerated in Rule 2.1.

**“Business Day”** shall have the same meaning as defined in 31 CFR §802.201, and excludes federally recognized holidays as set forth in 5 U.S.C. §6103. The Exchange may offer a limited or full listing of contracts on a federally recognized holiday or other non-Business Day, however, the holiday or other non-Business Day shall still be considered a non-Business Day for purposes of determining the Start and End Dates for a contract’s Underlying market.

**“Calculation Time”** is the time the Expiration Value is calculated.

**“Call Spread Contract”** is a type of Variable Payout Contract, having a fixed Expiration Date, wherein the holder of a Long Call Spread Variable Payout Contract or a Short Call Spread Variable Payout Contract may have a right to receive a variable Settlement Value. Such Variable Payout Contracts may be classified as “Call Spread(s)” or “Narrow Call Spread(s)”.

**“CEA”** means the Commodity Exchange Act, as it may be amended from time to time.

**“CFTC”** means the U.S. Commodity Futures Trading Commission.

**“Ceiling”** means the maximum rate, level, amount, measure or other value of the Underlying of a Variable Payout Contract that may be the Expiration Value or the Closing Trade Value. If the actual rate, level, amount, measure, or other value of the Underlying meets or exceeds the Ceiling at Expiration, the Ceiling will be the Expiration Value.

**“Class”** means all Contracts of the same Type with the same Underlying.

**“Closing Trade Value”** means the rate, level, amount, measure, or other value of a Binary, Call Spread, or Touch Bracket at which the Contract is closed in a Member’s or Customer’s account.

**“Commission Regulations”** means the rules, regulations and interpretations promulgated by the CFTC pursuant to the CEA, as in effect from time to time.

**“Committee”** means a committee established by the Board.

**“Commodity Futures Trading Commission” or “Commission”** means the Federal regulatory agency established by the Commodity Futures Trading act of 1974 to administer the Commodity Exchange Act.

**“Contract”** means a Call Spread or Touch Bracket Variable Payout Contract, Knock-out Touch Bracket Contract, UpDown Touch Bracket Contract, Knock-out, UpDown Options, Strike Option Contract, Event Contract or a Binary Contract.

**“Correspondent Account”** means an account as that term is defined in 31 CFR 1010.605(c).

**“crypto.com | Derivatives North America”** is the name under which Nadex may conduct business; any reference to crypto.com | Derivatives North America may be substituted with “Nadex” without changing the meaning of the term.

**“Customer”** means a Commodity Customer, a Cleared Swap Customer, a FCM Member or a Trading member of Nadex, as the context requires. In this regard,

- (a) "Commodity Customer" has the meaning set forth in Commission Regulation 1.3(k);
- (b) "Cleared Swap Customer" has the meaning set forth in Commission regulation 22.1;
- (c) "DCO Customer" has the same meaning as the definition "customer" set forth in Commission Regulation 190.01(l) and section 761(9) of the Bankruptcy Code and includes FCM Members and Trading Members of Nadex.

**"Designated Contract Market" or "DCM"** has the meaning set forth in Commission Regulation 1.2

**"Derivatives Clearing Organization" or "DCO"** has the meaning set forth in Commission Regulation 1.3.

**"Director"** means a member of the Nadex Board of Directors.

**"Dollar Multiplier"** means the monetary amount by which the rate, level, amount, measure, or other value of an Underlying of a Variable Payout Contract is multiplied to determine the Settlement Value.

**"Emergency"** shall have the meaning set forth in Rule 2.4.

**"End Date"** means the last day on which a delivery month will be used as the Underlying for Nadex contracts.

**"Entity"** means a non-individual Person.

**"Event Contract"** means a Contract in an excluded commodity (as defined in Section 1a(19) of the Commodity Exchange Act) that is based upon the occurrence, extent of an occurrence, or contingency.

**"Exchange"** means crypto.com | Derivatives North America and its respective successors, by merger or otherwise. **"Expiration"** means the time on the Expiration Date established by these Rules at which a Contract expires and the Expiration Value of that Contract is determined.

**"Expiration Date"** means the date established by these Rules on which the Expiration Value of each Contract is determined.

**"Expiration Value"** means the rate, level, amount, measure, or other value of the Underlying at Expiration as calculated and/or published by the Source Agency.

**"FCM"** means a Futures Commission Merchant registered with the CFTC.

**“FCM Member”** means any Member that is registered with the Commission as a Futures Commission Merchant and as a swap firm and is authorized by Nadex to intermediate orders of Commodity Customers or Cleared Swap Customers on the Market.

**“Floor”** means the minimum rate, level, amount, measure, or other value of the Underlying of a Variable Payout Contract that may be the Expiration Value or the Closing Trade Value. If the actual rate, level, amount, measure or other value of the Underlying meets or falls below the Floor on the Expiration Date, the Floor will be the Expiration Value.

**“Foreign Bank”** means a bank as that term is defined in 31 CFR 1010.100(u).

**“Government Agency”** means the CFTC and/or any other governmental agency or department.

**“Independent Software Vendor” or “ISV”** means any Person that offers services that provide access to the Nadex Trading System. In order to provide access to the Nadex Trading System the ISV must enter into an ISV Agreement with the Exchange and be approved by the Exchange to provide said services.

**“Index Value”**, also known as an “Indicative Index”, is a value calculated once per second throughout a Contract’s duration, which the Source Agency may release as an Expiration Value as provided for in the Contract specifications in Chapter 12, or to serve as an indication of the value of a Contract’s Underlying at a given point in time.

**“Introducing Broker”** means an Introducing Broker, as such term is defined in the CEA and CFTC Regulations, that has become a Participant on the Exchange.

**“Last Trading Day”** means, for a particular Contract, the last date on which that Contract may be traded on the Market.

**“Limit Order”** means a request submitted to the Exchange to buy or sell a set number of contracts, in a particular product offered by Nadex, at a specified price or better price if a better price is available. The following are permissible Nadex Limit Order types, although certain order types may only be available on particular platforms or to particular Member types: **“Fill or Kill Order” or “FOK”** is a Limit Order that will be cancelled if the Order cannot be immediately filled in its entirety.

**“Immediate or Cancel Order” or “IOC”** is a Limit Order that can be filled in whole or in part, with any remaining quantity cancelled.

**“Good ‘Til Cancel Order” or “GTC”** is a Limit Order which will remain on the market until it is filled, cancelled, renewed or the contract expires. Any remainder of a partially filled GTC Order will stay on the market until it is filled, cancelled, renewed or the contract expires.

**“Long Variable Payout Contract”** means (i) if the Expiration Value is greater than the Opening Trade Value, but does not exceed the Ceiling, the right to receive any collateral posted to establish the position plus any positive number resulting from subtracting the Opening Trade Value from the Expiration Value, and then multiplying that resulting number by the Dollar Multiplier; or (ii) if the Expiration Value is greater than the Opening Trade Value and exceeds the Ceiling, the right to receive any collateral posted to establish the position plus any positive number resulting from subtracting the Opening Trade Value from the Ceiling, and then multiplying that resulting number by the Dollar Multiplier; or (iii) if the Expiration Value is less than the Opening Trade Value, but does not exceed the Floor, the right to receive any collateral posted to establish the position minus any positive number resulting from subtracting the Expiration Value from the Opening Trade Value, and then multiplying that resulting number by the Dollar Multiplier; or (iv) if the Expiration Value is less than the Opening Trade Value and exceeds the Floor, the right to receive any collateral posted to establish the position minus any positive number resulting from subtracting the Floor from the Opening Trade Value, and then multiplying that resulting number by the Dollar Multiplier.

**“Market Order”** means a request submitted to the Exchange to buy or sell a set number of contracts, in a particular product offered by Nadex, at the market price. The following are permissible Nadex Market Order types, although certain order types may only be available on particular platforms or to particular Member types:

**“Market Order With Protection” or “MOP”** is a Market Order that will attempt to fill, in whole or part, at the current displayed price or better, or within a pre-determined number of points (Tolerance Protection) worse than the specified display price. The remainder of any Market Order With Protection that cannot be immediately filled either at the current displayed price or better, or within the Tolerance Protection, will be cancelled.

**“Market Maker”** means a Member that is granted certain privileges in exchange for assuming certain responsibilities as set forth in Chapter 4 of these Rules for the purpose of creating liquidity for certain Classes of Contracts.

**“Member”** means a Person who is approved by Nadex to be a Trading Member or a FCM Member and who is bound by these Rules as they may be amended from time to time.

**“Membership Agreement”** is the Nadex Membership Agreement as set forth on the Nadex website, to which all Nadex Members agree to comply.

**“Midpoint”** is the price included in the data set used in the calculation of the Expiration Value of a foreign currency contract. A Midpoint is calculated by adding the bid price and the ask price of the relevant underlying spot currency market together and then dividing that number by two (2). For example, if the bid price is 1.3400 and the ask price is 1.3402, the two numbers are added together (totaling 2.6802) and then divided by two (2), equaling a Midpoint of 1.3401. If the spread between a particular bid price and ask price is deemed too wide (greater than ten (10)



piPs), those prices will not be used to calculate a Midpoint and will thus not be included within the data set used in the Expiration Value calculation.

**“Modification Event”** means an event as described in the Market Maker Agreement.

**“Nadex”** means the abbreviated form of North American Derivatives Exchange, Inc.; any reference to “Nadex” may be substituted with crypto.com | Derivatives North America without changing the meaning of the term.

**“Nadex Trading System”** a.k.a. **“crypto.com | Derivatives North America Trading System”** means the electronic trade execution system that is used for trading Contracts, including any licensed software that is a part thereof from time to time, and any successor electronic trading system thereto.

**“Non Post-Only Order”** is an Order that did not originate as a Post-Only Quote.

**“North American Derivatives Exchange, Inc.”** means the legal entity North American Derivatives Exchange, Inc., a Delaware corporation, registered with the Commodity Futures Trading Commission as a Designated Contract Market (“DCM”) and Derivatives Clearing Organization (“DCO”), that operates a centralized market place under the name Crypto.com | Derivatives North America where Members can trade certain derivative instruments with each other.

**“Officer”** has the meaning set forth in Rule 2.3.

**“Opening Trade Value”** means the rate, level, amount, measure, or other value of a Binary, Call Spread, or Touch Bracket at which the Contract is opened in a Member’s or Customer’s account.

**“Order”** means a request submitted to the Exchange to buy or sell a set number of contracts, in a particular product offered by Nadex in accordance with the requirements established by the Exchange.

**“Participant”** means a Trading Member, FCM Member, an ISV, any Authorized Trader, or any Person initiating or executing a transaction on or subject to the Rules of the Exchange directly or through an intermediary, or any person who is authorized to access or utilize the Nadex Exchange pursuant to the applicable User ID.

**“Payout Criterion”** of a Contract means the Expiration Value or range of Expiration Values that will cause that Contract to pay a Settlement Value to the holder of a long position or the holder of a short position in such Contract. The holder of a long or short position in a Contract that receives a Settlement Value is considered to be “in-the-money” while the holder of either a long or short position in a Contract that does NOT receive a Settlement Value is considered to be “out-of-the-money”.

**“Person”** means an individual, sole proprietorship, corporation, limited liability company, partnership, trust, or any other entity, as the context may require.

**“Post-Only Quote”** is a quote submitted by a Market Maker, which has the potential to become a Limit Order if matched for trade execution, and which cannot be executed opposite another Post-Only Quote. Post-Only Quotes are either Post-Only (Price Adjustment) or Post-Only (Reject) Quotes.

**“Post-Only (Price Adjustment) Quote”** is a Post-Only Quote that will be cancelled by the Exchange in whole or in part to the extent that at the time it is submitted to the Exchange it would be immediately executable opposite another Post-Only Quote. If, some portion of such submitted Post-Only (Price Adjustment) Quote would be immediately executable opposite any resting Non-Post Only Order(s), that part of such submitted Post-Only (Price Adjustment) Quote will be matched opposite such resting Non-Post Only Order(s) by the Exchange. The remaining portion of the submitted Post-Only (Price Adjustment) Quote will be cancelled by the Exchange, leaving the opposite Post-Only Quote in the order book. Unlike a Post-Only (Reject) Quote, however, upon cancellation of the submitted Post-Only (Price Adjustment) Quote, the Exchange will automatically submit an amended quotation for the unfilled balance of the cancelled Post-Only (Price Adjustment) Quote at a price level that is adjusted (a) for Binary Contracts to four minimum tick increments, and (b) for Variable Payout Contracts to one minimum tick increment lower (for bids) or higher (for offers) than the price level of the existing opposite Post-Only Quote.

**“Post-Only (Reject) Quote”** is a Post-Only Quote that will be cancelled by the Exchange in whole or in part to the extent that, at the time it is submitted to the Exchange it would be immediately executable opposite another Post-Only Quote. If, however, some portion of such submitted Post-Only (Reject) Quote would be immediately executable opposite any resting Non-Post Only Order(s), that part of such submitted Post-Only (Reject) Quote will be matched opposite such resting Non-Post Only Order(s) by the Exchange. The remaining portion of the submitted Post-Only (Reject) Quote will be cancelled by the Exchange, leaving the opposite Post-Only Quote in the order book.

**“Privacy Policy”** is the Nadex Privacy Policy as set forth on the Nadex website, to which all Members, FCM customers, and users of the Nadex website agree to comply.

**“Regulatory Agency”** means any government body, including the Commission and Securities and Exchange Commission, and any organization, whether domestic or foreign, granted authority under statutory or regulatory provisions to regulate its own activities and the activities of its members, and includes Nadex, any other clearing organization or contract market, any national securities exchange or clearing agency, the National Futures Association (“NFA”) and the Financial Industry Regulatory Authority (“FINRA”).

**“Reportable Level(s)”** means the aggregate contract level within a product Class at which the Exchange must report certain Member and trade information to the Commission pursuant to Commission Regulations.

**“Risk Disclosure Statement”** is the Nadex Risk Disclosure Statement as set forth on the Nadex website, to which all Nadex Members agree.

**“Rule”** means a Rule of Nadex, as applicable to each member type.

**“Self-Regulatory Organization”** shall mean any futures or securities exchange, derivatives clearing organization, securities clearing agency, registered futures association, National Futures Association, and the Financial Industry Regulatory Authority.

**“Series”** means all Contracts of the same Class having identical terms, including Payout Criterion and Expiration Date.

**“Settlement Date”** means the date on which money is paid to the account of a Member who has the right to receive money pursuant to a Variable Payout Contract or Binary Contract held until Expiration, and on which money is paid from the account of a Member who is obligated to pay money pursuant to a Variable Payout Contract held until Expiration. Unless otherwise specified in these Rules, the Settlement Date is the same day as the Expiration Date.

**“Settlement Value”** means the amount which the holder of a Contract may receive for a Contract held until Expiration. The Settlement Value of a Binary Contract is \$100. The Settlement Value of a Variable Payout Contract is determined as described in the definitions of Long and Short Variable Payout Contracts.

**“Short Variable Payout Contract”** means (i) if the Expiration Value is less than the Opening Trade Value, but does not exceed the Floor, the right to receive any collateral posted to establish the position plus any positive number resulting from subtracting the Expiration Value from the Opening Trade Value, and then multiplying that resulting number by the Dollar Multiplier; or (ii) if the Expiration Value is less than the Opening Trade Value and exceeds the Floor, the right to receive any collateral posted to establish the position plus any positive number resulting from subtracting the Floor from the Opening Trade Value, and then multiplying that resulting number by the Dollar Multiplier; or (iii) if the Expiration Value is greater than the Opening Trade Value, but does not exceed the Ceiling, the right to receive any collateral posted to establish the position minus any positive number resulting from subtracting the Opening Trade Value from the Expiration Value, and then multiplying that resulting number by the Dollar Multiplier; or (iv) if the Expiration Value is greater than the Opening Trade Value and exceeds the Ceiling, the right to receive any collateral posted to establish the position minus any positive number resulting from subtracting the Opening Trade Value from the Ceiling, and then multiplying that resulting number by the Dollar Multiplier.

**“Source Agency”** means the agency that publishes the Underlying economic indicator and/or Expiration Value for any Contract.

**“Speculative Position Limits,” or “Position Limit”** means the maximum position, net long and net short combined, in one Series or a combination of various Series of a particular Class that may be held or controlled by one Member as prescribed by Nadex and/or the Commission.

**“Start Date”** means the date on which a new delivery month will be used as the Underlying for Nadex contracts.

**“Suspension Event”** means an event as described in the Market Maker Agreement.

**“Technology Services Agreement”** means the agreement(s) between the Exchange and the Technology Service Provider whereby technology services are provided to the Exchange.

**“Technology Service Provider”** means the organization, if any, which provides technology services to the Exchange pursuant to a Technology Services Agreement.

**“Terms of Use”** are the Nadex Terms of Use as set forth on the Nadex website, to which all Nadex Members, FCM customers, and users of the Nadex website agree to comply.

**“Tolerance Protection”** means the defined number of points, expressed in terms of a dollar amount, away from the displayed market price that will be acceptable to fill a Market Order With Protection in whole or part, if the displayed market price or a better price is no longer available when the Exchange receives the Order.

**“Touch Bracket Contract”<sup>1</sup>** is a type of Variable Payout Contract, having a conditional Expiration Date on the Last Trade Date established at the time of listing, but which Touch Bracket will expire prior to that stated Expiration in the event that, during the life of the Contract, the Index Value either (i) equals or is less than the Floor or (ii) equals or is greater than the Ceiling of the Touch Bracket.

**“Trade Day”** means the regular trading session on any given calendar date and the evening session, if any, on the immediately preceding calendar date, as specified in Rule 5.11.

**“Trading Member”** means a Person who has been approved by Nadex to trade directly and not through a FCM Member on the Market, and does not include any FCM Member.

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<sup>1</sup> Nadex may also refer to its Touch Bracket Contracts as “Knock-out Touch Bracket Contracts” “UpDown Touch Bracket Contracts” “Knock-outs,” or “UpDowns,” or “UpDown Options” from time to time. “US Financial Institution” means a financial institution as that term is defined in 31 CFR 1010.100(t), subsections (1), (2), and (8), that is required to comply with the regulations issued by the United States Department of Treasury under the Bank Secrecy Act including, but not limited to, the anti- money laundering program and customer identification program rules.

**“Type”** means the classification of a Contract as a Variable Payout Contract or a Binary Contract.

**“US Financial Institution”** means a financial institution as that term is defined in 31 CFR 1010.100(t), subsections (1), (2), and (8), that is required to comply with the regulations issued by the United States Department of Treasury under the Bank Secrecy Act including, but not limited to, the anti- money laundering program and customer identification program rules.

**“Underlying”** means the index, rate, risk, measure, instrument, differential, indicator, value, contingency, occurrence, or extent of an occurrence the Expiration Value of which determines whether (and, in the case of a Variable Payout Contract, to what extent) a Contract is in-the-money.

**“Variable Payout Contract”** means a category of contracts wherein the holder of a Long Variable Payout Contract or a Short Variable Payout Contract may have a right to a variable Settlement Value. Variable Payout Contracts include Call Spread Contracts and Touch Bracket Contracts.

**“Volume Threshold Level”** means the volume based Reportable Level as established by Commission Regulation 15.04.

**“Wide Spread Surcharge”** means an additional exchange fee imposed on a duly appointed Market Maker’s average per lot profit above a specified level, in a given month. Specific details pertaining to the Wide Spread Surcharge are set forth in the fee schedule on the Nadex website.

**“12PM” or “12:00 PM”** means 12:00 Noon.

## RULE 5.19 PROHIBITED TRANSACTIONS AND ACTIVITIES

- (a) Members are prohibited from entering orders on the Market if there are insufficient funds or Contracts in the Member's settlement account to satisfy such orders if they are executed. Subject to the conditions set forth in Rule 9.2(f) and Rule 9.6, if you violate this Rule, the following penalties may apply:

| Number of Per Incident Violations Within a Calendar Year | Penalty  |
|--|--|
| 1.   | \$10 fee deducted from the Member's settlement account.  |
| 2.   | \$10 fee deducted from the Member's settlement account, and the Member will be required to re-certify that it has read and agree to be bound by this Rule 5.13(a).   |
| 3.   | \$15 fee deducted from the Member's settlement account, and the Member will be required to give a satisfactory explanation as to why the Rule violation occurred, or (in the case of Trading Members) trading privileges may be suspended for 30 days. |
| 4.   | \$20 fee deducted from the Member's settlement account and (in the case of Trading Members) suspension of trading privileges for 30 days (regardless of explanation).  |
| 5.   | \$25 fee deducted from the Member's settlement account and (in the case of Trading Members) suspension of trading privileges for 6 months (regardless of explanation).   |
| 6.   | \$30 fee and revocation of trading privileges (regardless of explanation).   |

Nadex may, in its discretion, take such other action against a Member or market participant if the circumstances warrant, subject to Rule 9.2(f) and Rule 9.6.

- (b) No Person shall enter into or attempt to enter into any non-competitive trade on the Market, including any accommodation trade or any trade that has been directly or indirectly prearranged. For example, a Member may not agree in advance with another Member that one of the Members will enter an order and the other Member will attempt to trade against that order by timing the submission of orders or otherwise. [The foregoing shall not apply to Block Trades affected pursuant to Rule 5.21 \(Block Trades\).](#)
- (c) No Person shall enter into or attempt to enter into any trade on the Market that:

- (i) does not result in a change in beneficial ownership,
  - (ii) is designed to unnaturally inflate trading volume,
  - (iii) in any way attempts to circumvent the Market's order processing, trade ordering, trade execution systems, or otherwise to circumvent exposure of the order to open and competitive bidding on the Market ([other than Block Trades affected pursuant to Rule 5.21 \(Block Trades\)](#)), or
  - (iv) that has some other illegitimate purpose.
- (d) No Person shall enter into any trade designed or used to cause any price for a Contract other than a true and bona fide price to be reported, registered, or recorded by the Market.
  - (e) No Person shall trade in, transfer, assign, or otherwise dispose of Contracts other than as provided for in these Rules.
  - (f) No Person shall enter into or agree to transfer or transfer the benefit of any position in any Contract to another person other than through a transaction executed through the Market.
  - (g)
    - (i) No individual Trading Member shall trade for a person or entity other than itself and no Authorized Trader of an Entity Trading Member shall trade for a person or entity other than the Entity Trading Member for whom that Person is an Authorized Trader.
    - (i) No individual or Entity Trading Member may deposit funds, or allow funds to be deposited directly or indirectly into their Nadex account from any bank account or debit card not held in the same name as their Nadex account.<sup>2</sup>
  - (h) No Person shall engage in any activity that presents a risk of harm to Nadex, its Members, or the public.
  - (i) No Person shall engage in any activity that adversely affects the integrity of the Market or its underlying systems.

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<sup>2</sup> Rule 5.19(g)(2) does not prevent the Trading Member from allowing deposits to be made to the Trading Member's Nadex account by the Exchange, including but not limited to, in the event of an order cancellation, trade cancellation, expiration value adjustment, ledger adjustment, refund of wire transfer fees, refund of returned deposit fees, or incentive program.

- (j) No Person subject to arbitration under these rules shall fail to abide by an arbitration decision or award handed down under Chapter 10 of these Rules.
- (k) No Person shall intentionally provide misleading, erroneous, or fraudulent information to Nadex on a membership application or otherwise.
- (l) No Person shall create a false appearance of a partnership, agency, employment or affiliate relationship with Nadex and no Person shall unlawfully solicit customer funds for deposit at Nadex.
- (m) No Member may operate or solicit in any capacity that may require registration with the Commodity Futures Trading Commission (CFTC) without being properly registered.
- (n) No Person shall engage in any activity that violates any anti-fraud provision, any anti-manipulation provision, or any other provision of the CEA or the Commission's Regulations.
- (o) No Member shall deposit funds into its Nadex account from an account which does not hold sufficient funds at the time of deposit, and at the time the deposit is presented by Nadex for payment.
- (p) No Member shall make a false representation to a third party regarding any deposit made into that Member's Nadex account which would result in a chargeback or stop payment of funds to the Member's account.
- (q) No Member shall allow its settlement account balance to become negative by any means. In the event that a Member's settlement account balance becomes negative, the Member must immediately deposit additional funds to correct the deficiency. Any Member whose settlement account carries a negative balance for 30 days or more is subject to summary termination of Membership. Nadex may, in its discretion, take such other action against a Member or market participant if the circumstances warrant, subject to Rule 9.2(f) and Rule 9.6.
- (r) No FCM Member shall enter any bids, offers or transactions on the Market if it knows or should know that it is subject to early warning reporting requirements under Commission Regulation 1.12, is subject to a proceeding in bankruptcy or is otherwise unable to pay its obligations as they become due, without the prior written approval of Nadex.
- (s) No FCM Member shall knowingly carry an account, enter an order or effect any transactions for any employee of Nadex without the prior written consent of the employer.



- (t) No Member shall engage in conduct or practices inconsistent with just and equitable principles of trade or conduct or practices detrimental to the best interests of the Exchange, its Members and/or FCM Customers.
- (u) No FCM Member that receives an order to buy or sell a Contract for execution on Nadex shall directly or indirectly guarantee the execution of the order or any of its terms, including quantity or price. A FCM Member may only report to a FCM Customer a trade that has been executed or reported on the Nadex Market.
- (v) If a Member is an Insider of any public company that has access to material non-public information that is the subject of an Underlying of any Contract, that Member is prohibited from attempting to enter into any trade or entering into any trade, either directly or indirectly, on the market in such Contracts. An "Insider" means any person who has access to or is in a position to have access to material non-public information before such information is made publicly available. Without limiting the generality of the foregoing restriction, an Insider includes any officer or director of a public company, any employee who works in the company's financial or accounting department, and any employee of the company's accounting firm who performs services for the public company.
- (w) No Person shall engage in any activity that constitutes fraudulent or abusive trading, including but not limited to violating bids or offers; demonstrating intentional or reckless disregard for the orderly execution of transactions during the closing period; or spoofing.
- (x) No Person shall engage in any trading activity intended to accomplish a "money pass".

## RULE 5.21     BLOCK TRADES

- (a)     The Exchange shall designate the products in which block trades shall be permitted and determine the minimum quantity thresholds for such transactions as set forth on the Exchange website or Trading System.
- (b)     The following shall govern Block Trades:
  - (i)     A Block Trade must be for a quantity that is at or in excess of the applicable minimum threshold. Orders may not be aggregated in order to achieve the minimum transaction size except by those entities described in paragraph (ix).
  - (ii)     Each Participant to a Block Trade must be an Eligible Contract Participant, as defined in Section 1a(18) of the Commodity Exchange Act.
  - (iii)     A broker for a Participant shall not execute any order by means of a Block Trade for a Participant unless such Participant has specified that the order be executed as a Block Trade.
  - (iv)     The price at which a Block Trade is executed must be fair and reasonable in light of (i) the size of the Block Trade; (ii) the prices and sizes of other transactions in the same Contract at the relevant time; (iii) the prices and sizes of transactions in other relevant markets, including without limitation the underlying cash market or related futures markets, at the relevant time; and (iv) the circumstances of the markets or the Participants to the Block Trade.
  - (v)     Block Trades shall not set off conditional Orders (e.g., Stop Orders) or otherwise affect Orders in the regular market.
  - (vi)     One of the Participants to the Block Trade must ensure that each Block Trade is reported to the Exchange within fifteen (15) minutes of the transaction. The Exchange shall promptly publish such information separately from the reports of transactions in the regular market, provided however, that transactions reported to the Exchange will not be accepted and deemed final until the Exchange's confirmation that each Participant to the transaction has the required fully collateralized funds in its respective Member account.
  - (vii)     Reporting Method and Information.

- (1) Block Trades must be reported to the Exchange via email or in accordance with another reporting method approved by the Exchange.
  - (2) The Block Trade report must include the information related to the Block Trade specified in the Exchange's approved reporting method, including: the identification of Participants to the Block Trade; product details; Trade quantity, price, and time; and Clearing Firm.
- (viii) Clearing Firms, Participants, and Participant Firms involved in the execution of Block Trades must maintain a record of the transaction in accordance with Chapter 3 of the Rules.
- (ix) A commodity trading advisor registered or exempt from registration under the Act, including, without limitation, any investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, as amended, shall be the applicable Person for purposes of paragraphs (i) through (iv), provided such advisors have total assets under management exceeding \$25 million and the block trade is suitable for the customers of such advisors.
- (c) Each initiated Block Trade, unless otherwise exempted by the Rules, must be supported by written or electronic records that include:
  - (x) A timestamp showing when any related orders were received or cancelled.
  - (xi) A timestamp reflecting when the terms of the transaction were agreed to.
  - (xii) Identification of the specific account(s) associated with the transaction.