



October 21, 2022

Via CFTC Portal Submissions

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

RE: Rule Certification: Nadex Amends Market Maker Agreement – Submission Pursuant to Commission Regulation §40.2(a)

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (“Act”), and section §40.6(a) of the regulations promulgated by the Commodity Futures Trading Commission (the “Commission”) under the Act (the “Regulations”), North American Derivatives Exchange, Inc. (“Nadex”, the “Exchange”) hereby submits to the Commission its intent to amend certain provisions of Appendix A of the Nadex Market Maker Agreement. Specific amendments will include:

- identifying specific “Illiquid Markets”, as described in the Market Maker Agreement, for 2-Hour Intraday, Daily, and Weekly Foreign Currency Binary Contracts;
- expanding the daily hours identified as “Illiquid Markets” from 6:00pm ET – 3:00am ET to 2:00pm ET – 3:00am ET;
- grants Nadex discretion to determine whether the underlying market upon which a Nadex Foreign Currency Binary Contract is based is trading at a level such that the Nadex contracts would be priced “at-the-money”, in which case the Market Maker will not be deemed to have violated the maximum allowable bid/ask spread quoting obligations as required by the Market Maker Agreement;
- deleting reference to the FTSE 100 and Germany 40 Binary and Spread Contracts which have been delisted.

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No changes will be made to the main body of the Market Maker Agreement, only to Appendix A.

DCM Core Principles

Nadex has identified the following Designated Contract Market (“DCM”) Core Principles as potentially being impacted by the amendments discussed herein: Core Principle 2 (Compliance with Rules), Core Principle 7 (Availability of General Information).

Core Principle 2 (Compliance with Rules), implemented by Commission Regulation 38.151 (Access Requirements) requires the DCM provide impartial access to its markets to any of its members or market participants. In its proposed amendments to Part 38 of the Commission’s Regulations, Commission staff noted that “A DCM can satisfy the requirement that membership and participation criteria are impartial, transparent, and non-discriminatory by establishing clear and impartial guidelines and procedures for granting access to its facilities and publishing such guidelines and procedures on its website. Such requirements may establish different categories of market participants, but may not discriminate within a particular category.”¹ The categories of participants with the ability to access Nadex markets include Direct Trading Members, Market Maker Members, and FCM Members. The amendments to the Market Maker Agreement discussed herein are only applicable to those Members who have entered a Market Maker Agreement with Nadex. Accordingly, the amendments discussed herein will not negatively impact Nadex’s ability to comply with this Core Principle. Core Principle 7, implemented by Commission Regulations 38.400 and 38.401, requires the DCM to make its Rules, including material terms of its market maker program, available on its website. The Nadex Market Maker Agreement is available on the Nadex website, and will continue to be available on the website after the amendments described herein are made. As the amendments discussed herein are being made to provide additional information and transparency to the public, the changes will positively impact Nadex’s compliance with this Principle.

DCO Core Principles

Nadex has not identified any DCO Core Principles that will be impacted by the amendments discussed herein.

¹ 75 Fed. Reg. 80579 (Dec. 22, 2010).

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 amendments to the Market Maker Agreement are attached in Exhibit B. Any deletions are stricken out while the amendments and/or additions are underlined.

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

Nadex hereby certifies that a copy of these additions was posted on its website at the time of this filing. Pursuant to the 10-day filing period under Regulation 40.6(a)(3), this filing will be effective on November 7, 2022.

Should you have any questions regarding the above, please do not hesitate to contact me by telephone at (312) 884-0927 or by email at Jaime.walsh@nadex.com.

Sincerely,



Jaime Walsh
Head of Legal

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	N/A; not impacted by this submission
4	Prevention of Market Disruption	N/A; not impacted by this submission
5	Position Limitations or Accountability	N/A; not impacted by this submission
6	Emergency Authority	Not applicable (Nadex Rulebook, 2.4 Emergency Rules)
7	Availability of General Information	Addressed
8	Daily Publication of Trading Information	N/A; not impacted by this submission
9	Execution of Transactions	N/A; not impacted by this submission
10	Trade Information	N/A; not impacted by this submission
11	Financial Integrity of Transactions	N/A; not impacted by this submission
12	Protection of Markets and Market Participants	N/A; not impacted by this submission
13	Disciplinary Procedures	Not applicable (Nadex Rulebook, Chapter 9 Rule Enforcement)

14	Dispute Resolution	Not applicable (Nadex Rulebook, 10.2 – 10.4 Arbitration)
15	Governance Fitness Standards	Not applicable (Nadex Rulebook, 2.2 Service Restrictions, 11.2 Service and Disciplinary History)
16	Conflicts of Interest	Not applicable (Nadex 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	N/A; not impacted by this submission
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	N/A; not impacted by this submission
D	Risk Management	N/A; not impacted by this submission
E	Settlement Procedures	N/A; not impacted by this submission
F	Treatment of Funds	Not applicable (Nadex Rulebook Chapter 8 Member Funds)
G	Default Rules and Procedures	N/A; not impacted by this submission
H	Rule Enforcement	Not applicable (Nadex Rulebook, Chapter 9 Rule Enforcement, 10.2 – 10.4 Arbitration)
I	System Safeguards	Not applicable (internal controls and policies in place)
J	Reporting	N/A; not impacted by this submission
K	Recordkeeping	Not applicable (Nadex maintains all required records for at least 5 years)

L	Public Information	N/A; not impacted by this submission
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 (Nadex Rulebook, 2.2 Service Restrictions, 11.2 Service and Disciplinary History, internal review and appointment of directors)
P	Conflicts of Interest	Not applicable (Nadex 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 (Nadex Rulebook Chapter 6)

EXHIBIT B

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DESIGNATED CLASSES – THIS APPENDIX A ACCOMPANIES THE NADEX MARKET MAKER AGREEMENT.

Market Maker/Member Name: _____

Market Maker/Member Username: _____

The following is a list of the Designated Classes for which the above named Member has requested to be assigned as a Market Maker and the Defined Spread and Defined Size applicable to the Designated Classes in accordance with Chapter 4 of the Nadex Rulebook and this Market Maker Agreement.^{1,2}

Designated Classes Binary Contracts	Section 4(a)(i) – Expiry Period	Section 4(a)(iv) – Illiquid Markets ³	Maximum Defined Spread ⁴	Minimum Defined Size ⁵	Execution and Settlement Fees	Position Limits (per Strike)
Currencies ⁶ : Intraday 2-Hour, Daily, and Weekly <ul style="list-style-type: none"> ▪ EUR/USD Binary ▪ GBP/USD Binary ▪ USD/JPY Binary ▪ USD/CHF Binary ▪ USD/CAD Binary ▪ EUR/JPY Binary ▪ GBP/JPY Binary ▪ AUD/USD Binary ▪ EUR/GBP Binary ▪ AUD/JPY Binary ▪ USD/MXN Binary 						
Currencies ⁷ : Intraday 5-Minute						

¹ Market Maker shall make a good faith best effort to price equivalent markets in the Nadex Demo/Practice environment, but will not be held to the maximum Defined Spread and minimum Defined Size requirements set forth in this Appendix.

² Market Maker will not be deemed to have violated the maximum defined spread obligation in any Foreign Currency product if the maximum bid/ask spread was exceeded for a duration of less than 15 seconds, or if in the reasonable opinion of Nadex the maximum bid/ask spread was exceeded as the result of underlying market illiquidity, underlying market volatility, or if the maximum bid/ask spread was exceeded during a period in which market quote spreads were wider than ten pips in the relevant underlying currency market or if the underlying market, in the reasonable opinion of Nadex, is considered at-the-money, within one minute prior to contract expiration.

³ Nadex has identified the following products and time periods as Illiquid Markets: All Intraday 5-Minute, Intraday 2-Hour, Daily, and Weekly, Foreign Currency Binary contracts available for trading, at times the Exchange is open, between the hours of 6:00PM EST and 3:00AM EST, and between the hours of 2:00 PM EST and 5:00 PM EST.

⁴ Market Maker will not be deemed to have violated the maximum defined spread obligation in the event the maximum bid/ask spread is exceeded as the result of the adjustment of a Post-Only (Price Adjustment) quote by the Exchange.

⁵ A quote that has been executed partially or in full shall be replenished to the Defined Size as soon as reasonably practical, as determined by Nadex.

⁶ For any Currency Binary Contract, Market Maker may widen the maximum spread to 25% during the last 15 minutes prior to the expiration of that Contract, or as otherwise defined in the Market Maker Agreement. Market Maker is not required to submit quotes during Suspension or certain Modification Events, however, if the Market Maker chooses to submit quotes during this time period, the Market Maker must comply with the obligations as defined in the Market Maker Agreement and this Appendix.

⁷ If a Market Maker holds a position of 100 contracts (50 contracts during Illiquid Market hours), net long or short, in any 5-minute Binary Currency contract, Market Maker will not be required to adhere to the maximum Defined Spread, two-sided market quotes or minimum Defined Size obligations.

<ul style="list-style-type: none"> ▪ EUR/USD Binary ▪ GBP/USD Binary ▪ USD/JPY Binary ▪ AUD/USD Binary ▪ USD/CAD Binary ▪ GBP/JPY Binary ▪ EUR/JPY Binary 						
<p>Commodities: Intraday 2-Hour, Daily, and Weekly</p> <ul style="list-style-type: none"> ▪ Gold Binary ▪ Silver Binary ▪ Crude Oil Binary ▪ Natural Gas Binary 						
<p>Indices: Intraday 2-Hour, Daily, and Weekly</p> <ul style="list-style-type: none"> ▪ US 500 Binary ▪ US SmallCap 2000 Binary ▪ US Tech 100 Binary ▪ Wall Street 30 Binary ▪ FTSE 100 Binary ▪ Germany 40 Binary ▪ Japan 225 Binary (No Intraday) ▪ China 50 Binary (No Intraday) 						
<p>Indices: Intraday 20-Minute</p> <ul style="list-style-type: none"> ▪ US 500 Binary ▪ US SmallCap 2000 Binary ▪ US Tech 100 Binary ▪ Wall Street 30 Binary 						

Designated Classes Call Spread Contracts	Section 4(a)(i) – Expiry Period	Section 4(a)(iv) – Illiquid Markets	Maximum Defined Spread ⁸	Minimum Defined Size	Execution and Settlement Fees	Position Limits (per Strike)
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⁸ Market Maker will not be deemed to have violated the maximum Defined Spread obligation in the event the maximum bid/ask spread is exceeded as the result of the adjustment of a Post-Only (Price Adjustment) quote by the Exchange.

<p>Daily Wide and Daily Narrow, 8 or 8.25-Hour, and Intraday 2-Hour</p> <ul style="list-style-type: none"> ▪ Germany 40 Call Spread ▪ FTSE 100 Call Spread ▪ Silver Call Spread (Daily Wide and Daily Narrow, 5.5-Hour, and Intraday 2-Hour) 						
<p>Daily Wide and Daily Narrow, 8 or 8.25-Hour, and Intraday 2-Hour</p> <ul style="list-style-type: none"> ▪ Wall Street 30 Call Spread ▪ US 500 Call Spread ▪ US SmallCap 2000 Call Spread 						
<ul style="list-style-type: none"> ▪ US Tech 100 Call Spread 						
<ul style="list-style-type: none"> ▪ Gold Call Spread (Daily Wide and Daily Narrow, 5.5-Hour, and Intraday 2-Hour) ▪ Crude Oil Call Spread (Daily Wide and Daily Narrow 6.5-Hour, and Intraday 2-Hour) 						
<ul style="list-style-type: none"> ▪ Natural Gas Call Spread (Daily Wide and Daily Narrow, 6.5-Hour, and Intraday 2-Hour) ▪ Japan 225 (Daily Wide and Daily Narrow) 						

<p>Weekly, Daily, 8-Hour, 5-Hour, and Intraday 2-Hour</p> <ul style="list-style-type: none"> ▪ AUD/USD Call Spread ▪ EUR/JPY Call Spread ▪ EUR/USD Call Spread ▪ GBP/JPY Call Spread ▪ GBP/USD Call Spread ▪ USD/JPY Call Spread ▪ USD/CHF Call Spread ▪ USD/CAD Call Spread ▪ EUR/GBP Call Spread (Weekly and Daily Only) ▪ AUD/JPY Call Spread (Weekly and Daily Only) 						
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Designated Classes Touch Bracket Contracts ⁹	Section 4(a)(i) – Expiry Period	Section 4(a)(iv) – Illiquid Markets	Maximum Defined Spread ¹⁰	Minimum Defined Size ¹¹	Execution and Settlement Fees	Position Limits (per Strike)
<ul style="list-style-type: none"> ▪ EUR/USD Touch Bracket ▪ GBP/USD Touch Bracket ▪ USD/CHF Touch Bracket ▪ USD/JPY Touch Bracket ▪ AUD/USD Touch Bracket ▪ EUR/JPY Touch Bracket ▪ GBP/JPY Touch Bracket 						

⁹ If Market Maker holds a position of 1,000 contracts, net long or short, in any Touch Bracket Contract, Market Maker will not be required to adhere to the maximum Defined Spread, two-sided market quotes, or minimum Defined Size obligations.

¹⁰ Market Maker will not be deemed to have violated the maximum defined spread obligation in the event the maximum bid/ask spread is exceeded as the result of the adjustment of a Post-Only (Price Adjustment) quote by the Exchange. Market Maker is relieved of quoting obligations if the Index Value is within 10 ticks of the Touch Bracket Contract Cap or Floor.

¹¹ Market Maker is relieved of quoting obligations if the Index Value is within 10 ticks of the Touch Bracket Contract Cap or Floor.

<ul style="list-style-type: none"> ▪ USD/CAD Touch Bracket ▪ EUR/GBP Touch Bracket ▪ AUD/JPY Touch Bracket 						
<ul style="list-style-type: none"> ▪ US 500 Touch Bracket ▪ US SmallCap 2000 Touch Bracket ▪ US Tech 100 Touch Bracket ▪ Wall Street 30 Touch Bracket ▪ Gold Touch Bracket ▪ Silver Touch Bracket ▪ Crude Oil Touch Bracket ▪ Natural Gas Touch Bracket 						

Exemptions	Product	Exemption Duration
Market Maker is exemption from quoting in the following products:		

MARKET MAKER

Signed for and on behalf of Market Maker:

Print Name: _____

Title: _____

Date: _____

NORTH AMERICAN DERIVATIVES EXCHANGE, INC.

Signed for and on behalf of Nadex:

Print Name: _____

Title: _____

Date: _____