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August 16, 2012

Via E-Mail: submissions@cftc.gov

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

RE: Self-Certification Rule Amendments: Nadex Implements a “Refer-A-Friend” Incentive Program– Submission Pursuant to Commission Regulation §40.6(a)

Dear Mr. Stawick:

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 implement a “Refer-A-Friend” incentive program for Members.

Nadex intends to implement a new incentive program for existing Members of the Exchange who refer to Nadex individuals or entities who then become Members of the Exchange and trade on the Exchange. This program, known as a “Refer-A-Friend” program, will allow an existing member of Nadex (the “Referring Member”) to refer an interested friend, colleague or other associate (the “Referred Party”) to Nadex and, if the terms of the program are met, obtain an award of \$100 in exchange fee rebates. These rebates would be available to offset the Referring Member’s prospective exchange fees, including trading fees and settlement fees, incurred during the term of the program. Any Member is eligible to receive up to a maximum of five Refer-A-Friend rebate awards.

The program will commence on September 4, 2012, and involve the following process:

1. The Referring Member provides Nadex with contact details of a Referred Party who is not already known to Nadex, that is, the Referred Party is neither a current Nadex Member nor a demo account user. (Note: a Referred Party can only have one Referring Member, determined on a first-to-refer basis).

2. Nadex contacts the Referred Party, explaining the Refer-A-Friend process. The terms of the program will include the provision that, if Nadex believes that either the Referring Member or the Referred Party engaged in any abusive trade practices or other misconduct, including an attempt to unfairly manipulate the program, Nadex may suspend or cancel any award of a rebate, in addition to any other appropriate sanctions.
3. The Referred Party applies to become a Member of Nadex and funds a trading account on or before December 31, 2012.
4. The Referred Party executes five trades within 30 days after applying for a trading account.
5. At the end of each month (September through December 2012), the Exchange will determine whether the requirements for any rebate awards have been met during that month.
6. At the beginning of the next month, Nadex informs the Referring Member that an exchange fee rebate of \$100 has been awarded in connection with the Refer-A-Friend program and that the rebate will be available to be applied at the end of each month to any exchange fees incurred by the Referring Member over the 6 months following the award.

Thus, the entire program, including the application or expiration of any rebates awarded under the plan should be concluded no later than July 31, 2013.

Nadex has identified the following Designated Contract Market Core Principles as potentially being affected by this amendment:

Core Principle 2: Compliance with Rules. With respect to the requirement to establish, monitor and enforce access requirements, Nadex believes that the Refer-A-Friend program will encourage legitimate referrals of Members without encouraging misconduct. That said, a risk of any type of incentive plan is that it might encourage inappropriate trade practices or other misconduct. Nadex has in place policies and procedures to deter and detect trade practice misconduct and, as noted above, the ability to withhold the award of any improperly obtained rebate in addition to any other disciplinary sanctions that might be appropriate under Nadex's rules.

Core Principle 4: Prevention of Market Disruption. Nadex believes the structure of the present Refer-A-Friend program will discourage any such misconduct. Specifically, the program does not provide a straight cash benefit or other outright reward to the Referring Member; rather, the program is designed to limit the benefit to a rebate of exchange trading and settlement fees incurred by the Referring Member in connection with trading activity on the Exchange that will have put the Member's capital at risk. In so doing, Nadex believes the program minimizes any incentive to engage in improper trading to garner that benefit. Again, Nadex has in place its normal trade practice surveillance systems to deter and detect any efforts to engage in market misconduct. Likewise, because the Referred Party needs to make 5 trades to give rise to the possibility of a rebate for the Referring Member, the Referred Party will have to put capital at risk and incur his or her own exchange fees before any rebate can be generated for the benefit of the Referring Member.

Pursuant to the 10-day filing period under Regulation 40.6(a)(3), Nadex intends to implement the new "Refer-A-Friend" program on trade date September 4, 2012.

No substantive opposing views were expressed to Nadex with respect to this amendment.

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

Nadex hereby certifies that a copy of “Refer-A-Friend” program terms 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) 884-0171 or by email at tim.mcdermott@nadex.com.

Sincerely,

A handwritten signature in black ink, appearing to read "Timothy G. McDermott". The signature is fluid and cursive, with the first name "Timothy" and last name "McDermott" clearly legible.

Timothy G. McDermott
General Counsel and Chief Regulatory Officer

cc: DMOSubmission@cftc.gov

Yossi Beinart - Nadex