



February 13, 2020

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: Self-Certification Rule Amendments: Nadex Amends Rules 2.3 Officers of Nadex and 10.3 Arbitration of Nadex Member Disputes – Submission Pursuant to Commission Regulation §40.6(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 its Rules 2.3 Officers of Nadex and 10.3 Arbitration of Nadex Member Disputes.

Nadex Rule 2.3, Officers of Nadex, indicates that Nadex has a five-member Board of Directors. At the time the number of Board Directors was fixed at five the Exchange had recently re-opened after being purchased by IG Group PLC, and was overall a much smaller operation with significantly fewer market participants. As the business has grown in terms of size and complexity, Nadex believes it is appropriate to amend its corporate governance documents and its Rules to allow for additional Directors. It is anticipated that increasing the number of Directors will expand the diverse perspectives brought to the Board, thereby benefiting the Exchange by providing a more well-rounded approach to business strategy and oversight. Additionally, Nadex is amending Rule 2.3 to remove reference to the position of Chief Operating Officer, as this position is currently vacant and is not anticipated to be filled in the near future. The responsibilities and duties of the Chief Operating Officer have been delegated to the Chief Commercial Officer.

Additionally, Nadex is amending its Rule 10.3 to remove reference to arbitration of Nadex and Nadex Member disputes before and according to the arbitration rules of the National

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Futures Association (“NFA”). Disputes between Members will continue to be submitted to the NFA for binding arbitration.

DCM Core Principles

Nadex has identified the following Designated Contract Market (“DCM”) Core Principles as potentially being impacted by this amendment: Core Principle 7 Availability of General Information); Core Principle 14 Dispute Resolution; Core Principle 16 Conflicts of Interest.

Core Principle 7, implemented by Commission Regulation 38.400, requires a DCM to publish an accurate, complete, and current Rulebook on its website. The Nadex Rulebook is readily available to the public on the Nadex website and will continue to be made available on the website after the amendments discussed herein are made. Therefore, the changes will not negatively impact Nadex’s ability to comply with this Core Principle.

Core Principle 14, implemented by Commission Regulation 38.750 requires a DCM to establish and enforce rules regarding, and provide facilities for alternative dispute resolution as appropriate for market participants and market intermediaries. Guidelines for compliance with Core Principle 14 state that an acceptable customer dispute resolution mechanism would provide the customer with an opportunity to have his or her claim decided by an objective and impartial decisionmaker. Nadex is removing reference to the arbitration of disputes between the Exchange and a Member before the NFA, and rather indicating that disputes will be resolved by arbitration in Cook County, Illinois. The amendment does not affect the requirement to employ an ‘objective and impartial decisionmaker’, and accordingly, the change will not negatively impact Nadex’s ability to comply with this Core Principle.

Core Principle 16, implemented by Commission Regulation 38.850 requires a DCM to establish and enforce rules to minimize conflicts of interest in the decision-making process of the contract market. Guidelines for compliance with Core Principle 16 state that at least 35% of the directors on a contract market’s board of directors shall be public directors. The Nadex Board currently consists of five Directors, two of whom are Public Directors (40%). In the event one individual is added to the Board, the individual will either be a Public Director, so as to comprise the Board of 50% Public Directors. In the event an executive Director is added, Nadex will also add a Public Director, for a total of seven Directors, 43% of whom would be Public Directors. Accordingly, Nadex has drafted its Rule 2.3 to state that the Board will be comprised of no fewer than five Directors, and no greater than seven Directors. Therefore, this amendment will not negatively impact Nadex’s ability to comply with this Core Principle.

DCO Core Principles

Nadex has identified the following Derivatives Clearing Organization (“DCO”) Core Principles has potentially being impacted by these amendments: Core Principle L Public Information.

Core Principle L, as implemented by Regulation 39.21, require a DCO to publish an accurate, complete, and current Rulebook on its website. The Nadex Rulebook is readily available to the public on the Nadex website and will continue to be made available on the website after the amendments discussed herein are made. Therefore, the changes will not negatively impact Nadex's ability to comply with this Core Principle.

Amendments to the Rulebook have been outlined in Exhibit A. Specific amendments are set forth in Exhibit B. Any deletions are stricken out while the amendments and/or additions are underlined.

Pursuant to the 10-day filing period under Regulation 40.6(a)(3), Nadex intends to implement these new rules and amendments on trade date February 28, 2020.

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 notice of these events 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) 884-0927 or by email at jaime.walsh@nadex.com.

Sincerely,



Jaime M. Walsh
Legal Counsel

EXHIBIT A

Rule	Asset	Duration/Close Time	Action	Effective Date
2.3	Officers of Nadex	N/A	Amend number of Board Directors; remove position of Chief Operating Officer	02/28/2020
10.3	Arbitration of Nadex Member Disputes	N/A	Remove arbitration before and according to the NFA	02/28/2020

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EXHIBIT B

Amendment of Rules 2.10

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

RULES 1.1 – 2.2 [UNCHANGED]

RULE 2.3 OFFICERS OF NADEX

(a) Nadex has a ~~five-member~~ board of directors, consisting of no fewer than five (5) and no more than seven (7) directors elected by a majority vote of all shareholders of Nadex. Each director serves a one-year term. Each director, including a director elected to fill a vacancy, shall hold office until his successor is elected and qualified or until his earlier resignation or removal.

(b) Nadex has a chief executive officer, ~~chief operating officer~~, secretary, chief financial officer, chief regulatory officer, chief compliance officer, and other such officers from time to time as appointed by the board of directors or the shareholders (collectively, the “Management Team”). These officers are appointed and may be dismissed (with or without cause) by majority vote of the board of directors or the shareholders.

(c) The chief executive officer of Nadex must be a member of the board of directors. In the absence of the chairman, the chief executive officer will perform the chairman’s duties. In the event of a disagreement between the chief executive officer and the board or the chairman of the board as to an exchange matter, the chairman and/or board shall control.

(d) Subject to the direction of the board of directors, the chief executive officer will manage the overall business of the exchange. In the absence of the chief executive officer, the ~~chief operating executive officer in charge of operations officer~~ will perform the chief executive officer’s duties.

~~(e) The chief operating officer is responsible for managing the corporation's day-to-day activities related to operations, customer service, and information technology.~~

~~(f)~~(e) The chief financial officer of Nadex will be responsible for all funds and stock of Nadex and in general perform all duties incident to the office of chief financial officer and such other duties as from time to time may be assigned by the chief executive officer or the board of directors. If the function of the office of the chief financial officer is outsourced to a service provider, the chief executive officer shall be responsible for oversight of this function.

~~(g)~~(f) The secretary of Nadex will keep the minutes of the meetings of the board and in general perform all duties incident to the office of secretary and such other duties as from time to time may be assigned by the chief executive officer or the board of directors.

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~~(h)(g)~~ The chief regulatory officer of Nadex will be responsible for managing the day-to-day regulatory functions of the Exchange consistent with the Acceptable Practices for Designated Contract Markets under Core Principle 16 of Section 5(d) of the CEA.

~~(i)(h)~~ The chief compliance officer of Nadex will be responsible for fulfilling the obligations of a chief compliance officer of Derivatives Clearing Organizations under the CEA and Commission regulations, to the extent such obligations apply to Nadex. The chief compliance officer will report to the chief executive officer or such other person or entity as directed by the board of directors.

RULES 2.4 – 10.2 [UNCHANGED]

RULE 10.3 ARBITRATION OF NADEX MEMBER DISPUTES

Any dispute, controversy, or claim brought against Nadex by any Member shall be submitted to binding arbitration in Cook County, Illinois. ~~before, and according to the arbitration rules of, National Futures Association. The decision of the arbitrator or arbitrators will be final, and judgment upon that decision may be entered in any court of competent jurisdiction.~~ Unless the arbitrator or arbitrators find that one of the parties has acted in bad faith, each party will pay its own expenses. Upon request of either party the arbitrator or arbitrators will make a finding as to whether Nadex has acted in a manner that is grossly negligent, reckless, or fraudulent.

RULES 10.4 – 12.73 [UNCHANGED]

End of Rulebook.

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