



November 4, 2016

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 its Member Obligations, Settling Withdrawal Requests, and Penalties - 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 clarify certain ongoing Member obligations, note instances where a withdrawal request may be suspended or denied, and to amend the potential penalties for violation of the Nadex Rules. Specifically, Nadex is amending its Rule 3.3 (Member Obligations) to clarify its existing Rule that Members have an ongoing obligation to notify the Exchange if the Member has had access or trading privileges suspended, or membership denied in any commodity, securities, or swap exchange, brokerage, association, or regulatory agency. Additionally, Nadex is amending its Rule 6.4 (Settling Member Withdrawal Requests) to note that Nadex may suspend or deny the processing of a withdrawal request due to impossibility, impracticality, risk of harm, or if the funds are relevant to a pending investigation. Finally, Nadex is amending its Rule 9.4 (Penalties) to include disgorgement of profits that were the result of any Nadex Rule violation.

DCO Core Principle Compliance: Member Obligations

Nadex has identified the following Derivatives Clearing Organization (“DCO”) Core Principle as potentially being impacted by the amendments discussed herein: Core Principle C Participant and Product Eligibility. Core Principle C, implemented by Regulation 39.12, requires the DCO establish appropriate admission and continuing participation requirements for clearing members of the DCO that are objective, publicly disclosed, and risk-based. Members currently have an ongoing obligation to notify the Exchange in the event of access or trading suspension or membership denial, however, the amendments herein will clarify that the access, trading, and membership suspensions or denials must be disclosed whether they occur at any commodity, securities, or swaps exchange, brokerage, association, or regulatory agency.

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Nadex believes that such suspensions or denials at other institutions may demonstrate a potential risk of continuing to allow that Member to access Nadex's markets. This obligation is publicly disclosed in the Rulebook on the Nadex website. Accordingly, the amendments discussed herein will not negatively impact Nadex's ability to comply with this Principle.

DCO Core Principle Compliance: Settling of Member Withdrawal Requests

Nadex has identified the following DCO Core Principle as potentially being impacted by the amendments discussed herein: Core Principle F Treatment of Funds. Core Principle F, implemented by Regulation 39.15, requires the DCO to "establish standards and procedures that are designed to protect and ensure the safety of funds and assets belonging to clearing members" and further that the DCO "shall hold funds and assets belonging to clearing members and their customers in a manner which minimizes the risk of loss or of delay in the access by the derivatives clearing organization to such funds and assets". Nadex Member funds are currently segregated as Member Property as that term is defined in Regulation 190.09(a), and held in cleared swap proprietary accounts. Funds will continue to be held in this manner to ensure the safety of the funds belonging to the Members. Nadex is amending its Rule 6.4 (Settling Member Withdrawal Requests) in order to minimize Nadex's risk in the event a Member withdrawal could present a risk of harm to the Exchange or its Members, or if the funds are related to an investigation, for example, in the instance of ill-gotten gains as the result of a money-pass. Additionally, Nadex is specifically noting that a withdrawal of Member funds may be impossible or impractical to fulfill. Examples of such impossibility or impracticality may include requests made when the Exchange is experiencing technical difficulties, or when requests are made after the wire withdrawal request cut-off time and are not able to be processed until the following business day. As the way funds are held will not change, and Nadex is making the Rule amendment to minimize its risk, the changes discussed herein will not negatively impact Nadex's ability to comply with this Core Principle.

DCM Core Principle Compliance: Penalties

Nadex has identified the following Designated Contract Market ("DCM") Core Principle as potentially being impacted by the amendments discussed herein: Core Principle 13 Disciplinary Procedures. Core Principle 13, implemented by Regulation 38.710, requires that imposed sanctions "must be commensurate with the violations committed and must be clearly sufficient to deter recidivism or similar violations by other market participants." Nadex believes that in the event certain Rule violations have occurred which result in ill-gotten profits to one or more market participants, disgorgement of those profits is appropriate in order to prevent the violator from reaping a benefit from the wrongdoing, and to discourage future instances of such activity. Accordingly, this amendment will not negatively affect Nadex's ability to comply with this Principle.

DCM and DCO Core Principle Compliance: All Amendments

Finally, Nadex has identified DCM Core Principle 7 Availability of General Information and DCO Core Principle L Public Information as potentially being impacted by all amendments discussed herein. DCM Core Principle 7, implemented by Regulation 38.401, and Core Principle L, implemented by Regulation 39.21, require the DCM and DCO, respectively, to make its Rulebook available on its website and to ensure the Rulebook is accurate and complete. Nadex is updating its Rulebook to include all the amendments discussed herein, and will make the updated Rulebook publicly available on its website. Accordingly, the amendments discussed herein will not have a negative impact on Nadex's ability to comply with these Core Principles.

Pursuant to the 10-day filing period under Regulation 40.6(a)(3), Nadex intends to implement the amendments discussed herein on November 22, 2016.

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

No substantive opposing views were expressed to Nadex with respect to these amendments.

Nadex hereby certifies that the amendments and additions contained herein comply with the Act, as amended, and the Commission Regulations adopted thereunder.

Nadex hereby certifies that a copy of these amendments 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 Walsh
Legal Counsel

EXHIBIT A

Rule	Asset	Duration/Close Time	Action	Effective Date
3.3	Member Obligations	N/A	Clarify ongoing Member Obligations	11/22/16
6.4	Settling Member Withdrawal Requests	N/A	Note that Nadex may suspend or deny withdrawal processing under certain circumstances	11/22/16
9.5	Penalties	N/A	Include disgorgement of profits	11/22/16

EXHIBIT B

Amendment of Rules 3.3, 6.4, 9.5

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

RULES 1.1 – 3.2 [UNCHANGED]

RULE 3.3 MEMBER OBLIGATIONS

(a) Each Member and any Authorized Trader(s) thereof, must comply with these Rules, applicable provisions of the Commodity Exchange Act, and relevant Commission regulations. Each Member and any Authorized Trader(s) thereof must also cooperate promptly and fully with Nadex, its agents, and/or the Commission in any investigation, call for information, inquiry, audit, examination, or proceeding. Such cooperation shall include providing Nadex with access to information on the activities of such Member and/or Authorized Trader in any referenced market that provides the underlying prices for any Nadex market. Additionally, each Member must update its e-mail address within 24 hours after any change and update all other information provided in its application for membership within five days after that information has changed. If any Member or Authorized Trader(s) thereof fail to satisfy these obligations, Nadex may revoke or suspend the Member's privileges in full or in part. Each Member may also be subject to civil or criminal prosecution.

(b) Each Member consents to allow Nadex to provide all information Nadex has about the Member, including the Member's trading activity, to the Commission or any other Regulatory Agency, law enforcement authority, or judicial tribunal, including (as may be required by information sharing agreements or other contractual, regulatory, or legal provisions) foreign regulatory or self-regulatory bodies, law enforcement authorities, or judicial tribunals.

(c) Each Member and each Member's Authorized Trader(s) are required to review the "Notices" section of the Nadex website to make itself aware of material changes to these Rules or other notices that may affect your rights and obligations as a Member of Nadex.

(d) Each Member must immediately notify Nadex in writing upon becoming aware:

(i) that the Member, any of the Member's officers or any of the Member's Authorized Traders has had access or trading privileges suspended, access to, or membership denied, in any commodity, securities, or swaps exchange, brokerage, association, or Regulatory Agency; or clearing membership in, any Regulatory Agency denied;

(ii) that the Member, any of the Member's officers or any of the Member's Authorized Traders has been convicted of, pled guilty or no contest to, or entered a plea agreement to, any felony in any domestic, foreign or military court;

(iii) that the Member, any of the Member's officers or any of the Member's Authorized Traders has been convicted of, plead guilty or no contest to, or entered a plea agreement to a misdemeanor in any domestic, foreign or military court which involves:

(1) embezzlement, theft, extortion, fraud, fraudulent conversion, forgery, counterfeiting, false pretenses, bribery, gambling, racketeering, or misappropriation of funds, securities or properties; or

(2) any transaction in or advice concerning swaps, futures, options on futures, leveraged transactions or securities;

(iv) that the Member, any of the Member's officers or any of the Member's Authorized Traders has been subject to, or associated with a firm that was subject to regulatory proceedings before any Regulatory Agency;

(v) that the Member, any of the Member's officers or any of the Member's Authorized Traders is currently a party to any investigation or proceeding, the resolution of which could result in an event described in Rule 3.3(d)(i)-(iv);

(vi) of any other material change in any information contained in the Member's membership application;

(vii) of any failure to segregate or maintain adequate Customer funds as required by the Commission when the Member is a FCM Member;

(viii) of becoming subject to early warning reporting under Commission Regulation 1.12;

(ix) of becoming the subject of a bankruptcy petition, receivership proceeding, or the equivalent, or being unable to meet any financial obligation as it becomes due; or

(x) of information that concerns any financial or business developments that may materially affect the Members' ability to continue to comply with participation requirements.

(e) Each Member must diligently supervise all activities of the Member's employees and/or agents, including all Authorized Traders, relating to transactions effected on Nadex. Any violation of these Rules by any employee of a Member may constitute a violation of the Rules by such Member.

(f) A Member is not required to engage in trading activity or maintain a minimum balance in its account after initial funding. If a Member does not engage in any trading activity or maintain a positive balance for a period of one year, however, that Member's account and membership may be terminated. A Person whose membership is terminated pursuant to this provision may re-apply for membership at any time following such termination.

RULES 3.4 – 6.3 [UNCHANGED]

RULE 6.4 SETTLING MEMBER WITHDRAWAL REQUESTS

Within one settlement bank business day of when a Member requests to withdraw funds from its Nadex account, Nadex will transmit such request to its settlement bank in electronic batch mode transmission. The settlement bank will process that request and send those funds to the account at the Financial Institution as that term is defined in Rule 1.1, or Foreign Bank in the case of a non-United States resident Member who does not have an account at a US Financial Institution, registered with Nadex by the Member (unless the Member and, in the case of FCM Members, any FCM Customer of that FCM Member has unsatisfied outstanding obligations on Nadex, in which case Nadex may retain such balances as necessary to satisfy such obligations or until the Member otherwise satisfies such obligations). The Member should refer to Nadex's website under the Fee Schedule for all fees and costs associated with withdrawal of funds from the Member's Nadex account. Nadex may suspend or deny the processing of a Member withdrawal request if circumstances, whether present or imminent, would make the request impossible or impractical to fulfill, cause a potential risk of harm to Nadex or its Members, or if, in its discretion, Nadex determines the funds are relevant to a pending investigation.

RULES 6.5 – 9.4 [UNCHANGED]

RULE 9.5 PENALTIES

As a result of a disciplinary proceeding or as part of a settlement, Nadex may impose one or more of the following penalties:

- (a) a letter of warning, censure, or reprimand (although no more than one such letter may be issued to the same Person found to have committed the same rule violation within a rolling twelve month period);
- (b) a fine or penalty fee;
- (c) disgorgement of profits that resulted from the violation of any Nadex Rule;
- ~~(e)~~(d) suspension of membership status or privileges for a specified period, including partial suspension of such privileges (for example, suspension of trading privileges in particular types of Contracts or of placement of certain types of orders); and
- ~~(d)~~(e) revocation of membership status or privileges, including partial revocation of such privileges (for example, revocation of trading privileges in particular types of Contracts or of placement of certain types of orders).

RULE 9.6 – 12.78 [UNCHANGED]