



November 14, 2019

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 Implements “Refer-a-Friend” Incentive Program and Amends Rule 5.19 Prohibited Transactions and Activities – 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 implement a “Refer-a-Friend” incentive program (the “Program”) and to amend its Rule 5.19 Prohibited Transactions and Activities.

Nadex intends to implement an incentive Program aimed to attract new Members to the Exchange, ultimately increasing liquidity. In order to qualify for the program, an existing Member (“Referring Member”) would provide a unique link to a non-Member individual (“Referred Party”), who would access the online Nadex Membership application via the unique link. Once approved for Membership, the Referred Party must make a successful initial deposit of at least \$500 within 60 calendar days of the Referred Party’s application date. The Referred Party must then execute at least five trades (of any size) within 30 calendar days of the initial deposit date. Upon meeting these requirements, both the Referring Member and the Referred Party will each receive a \$200 credit to their respective trading accounts, which Nadex endeavors

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to apply on the fifth business day of the month for participants who have completed the Program eligibility requirements by the last day of the previous month¹. The credit can either be used for trading on the Exchange or withdrawn. A Referring Member may receive compensation for up to a maximum of five referrals (\$1,000 in total). The full Terms and Conditions of the Program will be included in the Program's promotional email sent to existing Members, and will be made available on the Nadex website, as well as the Program's promotional landing page.

Nadex plans to run for a period of one year from its implementation date, through December 1, 2020. All Program requirements must be met by December 1, 2020, and no participant will be entitled to a referral payment after this date. Nadex reserves the right to terminate the Program earlier in its discretion. In the event Nadex decides to end the Program early, Nadex will provide notice of the termination date 60 days in advance on the Notices page of the Nadex website, by email to all Members and applicants, and on the platform welcome message. This will provide ample time for participants to complete the requirements of the Program. No new Referred Parties referred after the announced termination date will be eligible to participate in the Program. A Referring Member is not entitled to compensation under the Program for any Referred Party referred after the announced date of termination.

Additionally, Nadex is amending its Rule 5.19 Prohibited Transactions and Activities, Section (g)(2). This Section currently states that “[n]o individual or entity Trading Member may deposit funds, or allow funds to be deposited into their Nadex account from any bank account or debit card not held in the same name as their Nadex account.” Nadex is adding a footnote to this Section to clarify that the Rule excludes deposits into the Trading Member's 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.

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 9 (Execution of Transactions), and Core Principle 12 (Protection of Markets and Market Participants).

Core Principle 7, implemented by Regulation 38.401, requires a DCM to make its Rulebook available to the public on its website and to ensure the Rulebook is accurate and complete. Nadex's Rulebook is currently publicly available on its website and will continue to be made available following the amendments to Rule 5.19. Nadex is adding language to its Rule 5.19 in order to further clarify the intent of the Rule. Therefore, the changes discussed herein will not have a negative impact on Nadex's ability to comply with this Core Principle.

¹ For example, if a participant meets the Program requirements at any time between December 1 and 31, Nadex will endeavor to credit that participant's account with \$200 on the fifth business day of January.

Core Principle 9, implemented by Commission Regulation 38.500, requires a DCM to provide a competitive, open, and efficient market. Nadex has designed the Refer-a-Friend incentive program to attract new market participants to provide additional liquidity to the marketplace, thereby providing additional competition and an efficient market for trade execution. Accordingly, implementing the Refer-a-Friend program will not negatively impact Nadex's ability to comply with this Core Principle.

Core Principle 12, implemented by Commission Regulations 38.650 and 38.651 require a DCM to protect markets and market participants from abusive practices, to promote fair and equitable trading, and to have an enforce rules that are designed to promote fair and equitable trading and protect the market and its participants from abusive practices including fraud or unfair actions. Nadex has designed the Terms and Conditions of the Program to discourage abuse of the Program and penalizes those found to have violated the intent and spirit of the program or engaged in fraudulent activity in connection with the Program. In addition to forfeiture of the referral payments, participants found to have violated the Terms of the Program may be subject to Exchange disciplinary action. Nadex has well-staffed Account Opening, Payments, and Compliance and Regulatory Departments that diligently monitor for anomalies or potential fraudulent or misleading activity during the account opening and customer identification processes and funding and withdrawal processes. Furthermore, Nadex employs a 24-hour surveillance system to monitor for suspicious trading activity. Finally, Nadex does not allow Members to open multiple accounts. The Nadex system prevents an application submission if the social security number and/or email address matches a social security number or email address already exists in the database, thus preventing an attempt to manipulate the Program but referring the same individual multiple times. All online applications are submitted to Equifax in real time for verification of the personal identification information provided on an application. An account will not be opened if Equifax is unable to verify the information. Accordingly, the Refer-a-Friend program will not negatively impact Nadex's ability to comply with this Core Principle.

Nadex has not identified any derivatives clearing organization Core Principles as potentially being impacted by the Refer-a-Friend incentive program or the clarification to Rule 5.19.

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. Terms and Conditions of the Program are attached in Exhibit C.

Pursuant to the 10-day filing period under Regulation 40.6(a)(3), Nadex intends to implement the rule amendment and the Refer-a-Friend Program on trade date December 2, 2019².

² Accordingly, Nadex plans to terminate the Refer-a-Friend Program on December 1, 2020 unless terminated earlier with notice as described herein, or extended with a supplemental self-certification submission.

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
5.19	Prohibited Transactions and Activities	N/A	Clarify deposits made by the Exchange into a Trading Member account.	12/02/2019

EXHIBIT B

Amendment of Rules 5.19

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

RULES 1.1 – 5.18 [UNCHANGED]

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.

(c) No Person shall enter into or attempt to enter into any trade on the Market that:

- (1) does not result in a change in beneficial ownership,
- (2) is designed to unnaturally inflate trading volume,
- (3) 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, or
- (4) 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) (1) 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.

(2) No individual or entity Trading Member may deposit funds, or allow funds to be deposited into their Nadex account from any bank account or debit card not held in the same name as their Nadex account.³

³ 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.

(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.

(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 is intended to, or has the effect of, manipulating the market in violation of Sections 6(c) and 9(a)(2) of the CEA and no Person shall engage in any other activity that would violate 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”.

RULES 5.20 – 12.65 [UNCHANGED]

End of Rulebook.

EXHIBIT C

TERMS AND CONDITIONS FOR NADEX REFER-A-FRIEND INCENTIVE PROGRAM

The following Terms and Conditions (“Terms”) apply to the Nadex Refer-a-Friend Incentive Program (the “Program”) which was self-certified with the Commodity Futures Trading Commission on November 14, 2019. For purposes of the Program and these Terms, the person making the referral shall be identified by “Referring Member” and the person referred shall be identified as the “Referred Party”. By participating in the Program, the Referring Member and the Referred Party agree to be bound by these Terms.

1. A Referring Member and Referred Party will only be entitled to a referral payment if the eligibility requirements set forth herein are met.
2. Program eligibility requirements.

Referring Member	Referred Party
i. Is an existing Nadex Member;	i. Click the unique link provided by the Referring Member and complete the online Membership application;
ii. Is not the subject of an open compliance investigation or review, and does not have a suspended account for any compliance or financial reason;	ii. Be approved for Membership, and open a trading account ⁴ ;
iii. Share the unique link provided in the Refer-a-Friend Promotion email; and	iii. Make a successful initial deposit of at least \$500 ⁵ within 60 calendar days of the application date via one of the acceptable deposit methods as set forth on the Nadex website;
iv. Refer a friend who meets the eligibility requirements under the Program.	iv. Execute at least 5 trades (of any size) in any market from the Referred Party’s Nadex account within 30 calendar days of the initial deposit date; and
	v. Is not the subject of an open compliance investigation or review, and does not have a

⁴ Any Referred Party who is later deemed to have provided false or fraudulent information on the Membership application will be disqualified from the Program and required to return the referral payment. Depending on the specific circumstances of the fraud, the Referring Member may also be disqualified from the Program and required to return the referral payment as determined by the Compliance Department on a case by case basis.

⁵ The initial deposit of \$500.00 must occur in one transaction. An initial deposit which does not clear and/or is returned by Nadex’s bank for any reason will not be considered successful, and the Referred Party will be disqualified from the Program. A Referred Party or Referring Member who has received a referral payment based on an initial deposit which later fails to clear will be required to return the payment.

	suspended account for any compliance or financial reason.
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3. For purposes of this Program, the first “calendar day” of the 60-day period in which the Referred Party must make an initial deposit shall be the day the Referred Party’s application is submitted, regardless of the time of day the application is submitted. For purposes of this Program, the first “calendar day” of the 30-day period in which the Referred Party must execute 5 trades shall be the day the Referred Party makes an initial deposit, regardless of the time of day the deposit is made.
4. Upon meeting the Program eligibility requirements, the Referring Member and the Referred Party will each receive \$200 deposited to their corresponding Nadex accounts.
5. A Referring Member may receive up to a maximum of five referral payments, for a total maximum payment of \$1,000.
6. Nadex endeavors to apply on the referral payment to the participants’ account on the fifth business day of the month for participants who have completed the Program eligibility requirements by the last day of the previous month.
7. All withdrawal requirements as set forth on the Nadex website must be met before a referral payment may be withdrawn.
8. A previous Individual Member, Entity Member, or Authorized Trader, whose relationship with Nadex was terminated due to a financial, compliance, regulatory, or legal reason is not eligible for participation in the Program.
9. Nadex may revoke or withdraw the Program from Members who abuse the spirit or intention of the Program in Nadex’s sole discretion and said Members will not be entitled to any referral payment. Nadex reserves the right to cancel or withdraw the Program if it suspects abuse or fraud of the Program, and the Member may be required to return any referral payment.
10. In the event a Referring Member or Referred Party is required to return a referral payment under these Terms and conditions, Nadex may debit the referral payment from the relevant account. If the debit would result in a negative account balance, the account may be submitted to Nadex’s third-party collection agent in accordance with the Membership Agreement.
11. In the event a violation these Terms and Conditions may constitute a violation of the Nadex Rules or Membership Agreement, the Member may be subject to a formal investigation and disciplinary action pursuant to the Nadex Rules.
12. Nadex is in no way responsible or liable for a Referring Member or Referred Party’s inability to satisfy the eligibility requirements of the Program or ability to trade as the result of any technical malfunction of the

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Internet, the Nadex System, or the Member's own computing system. Member accepts full risk associated with trading over the Internet, mobile applications, and downloadable software.

13. Nadex is in no way responsible or liable for a Referred Party who is unable to complete the eligibility requirements for a referral payment as the result of a hold on the Referred Party's account due to an unapproved application, financial, compliance, regulatory, legal or other reason, even in the event the hold is subsequently removed.
14. Nadex is in no way responsible or liable for any losses incurred by a Member as a result of any trading activity in relation to this Program.
15. Nadex may modify the Program, and/or amend these Terms and Conditions at any time. In the event the Program or these Terms and Conditions are amended Nadex will post notice of the changes on the Notices section of its website.
16. The Program is scheduled to terminate on December 1, 2020. All Program requirements must be met by December 1, 2020, and no participant will be entitled to a referral payment after this date. Nadex reserves the right to terminate the Program earlier in its discretion. In the event Nadex decides to end the Program early, Nadex will provide notice of the termination date 60 days in advance on the Notices page of the Nadex website, by email to all Members and applicants, and on the platform welcome message. All Program requirements must be met by the termination date. No new Referred Parties referred after the announced termination date will be eligible to participate in the Program. A Referring Member is not entitled to compensation under the Program for any Referred Party referred after the announced date of termination.
17. Nadex is the sole arbiter of the Program, these Terms and Conditions and any other issues arising under this Program. Exceptions to these Terms and Conditions are at the sole discretion of Nadex, which decision shall be final.
18. Any dispute or situation not covered by these Terms and Conditions, will be resolved by Nadex in a manner it deems to be fairest to all concerned and that decision shall be final and binding on all parties.
19. If at any time all or any part of any provision of these Terms and Conditions are or become illegal, invalid or unenforceable in any respect under the law of any jurisdiction, such provision(s) shall not affect or impair the legality, validity or enforceability in that jurisdiction of the remainder of that provision or all other provisions of these Terms and Conditions or the legality, validity or enforceability under the law of any other jurisdiction of that provision or all other provisions of these Terms and Conditions.
20. These Terms and Conditions shall be governed by and construed in accordance with the laws of the State of Illinois.

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