



September 27, 2024

Via CFTC Portal Submissions

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

**RE: Rule Self-Certification: Nadex Amends its Rulebook to update rules relating to Minor Rule Violations, as well as minor updates to language in other rules - Submission Pursuant to Commission Regulation §40.6(a)**

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (the "Act"), and §40.6(a) of the regulations promulgated by the Commodity Futures Trading Commission (the "Commission") under the Act, North American Derivatives Exchange, Inc. ("Nadex") d/b/a crypto.com | Derivatives North America, hereby submits to the Commission its intent to amend the following rules:

- Rule 9.6(a) – Summary Suspension
- Rule 9.2(g) – Investigations, Hearings, and Appeals
- Rule 9.4(a) – Notice and Publication of Disciplinary Action
- Rule 9.2(f) – Investigations, Hearings, and Appeals
- Rule 5.19(g) – Prohibited Transactions and Activities
- Rule 3.3(d) – Member Obligations

Nadex is amending Rule 9.6(a) to specify Minor Rule Violations and how those violations will be handled as part of Nadex's disciplinary process. This amendment is meant to clarify what forms of activity constitute Minor Rule Violations. This amendment will also document the enforcement process for these types of rule violations.

Nadex is also amending Rule 9.2(g) to require all persons within the Exchange's jurisdiction who are called as witnesses to participate in the disciplinary process. The amendment to this rule also establishes that the Exchange will make reasonable efforts to secure the presence of all other persons called as witnesses whose testimony would be relevant. This amendment clarifies requirements for Exchange Members who are potential relevant witnesses in disciplinary actions.

Nadex is also making non-substantive amendments to the following Rules: 3.3(d), 5.19(g)(ii), 9.2(f), and 9.4(a).

See Appendix A for a redlined Rulebook depicting the relevant changes for each of the above listed Nadex Rules.

## **Analysis of Nadex Rule Amendments Compliance With Core Principles**

### **DCM Core Principles**

Nadex has identified the following DCM Core Principles as potentially being impacted by these Rule Amendments: Core Principle 7 (Availability of General Information), Core Principle 13 (Disciplinary Procedures).

Core Principle 13 requires that all disciplinary sanctions imposed by a DCM must be commensurate with the violations committed and must be clearly sufficient to deter recidivism or similar violations by other market participants. Core Principle 13 also requires that DCM adopt rules that provide for certain minimum requirements for any hearing conducted pursuant to a notice of charges. Nadex is amending Rule 9.6(a) to make specific instances of prohibited conduct and related enforcement process more readily transparent to its market participants. Nadex is also amending Rule 9.2(g) to specify the obligations of persons within its jurisdiction who are called as witnesses in a disciplinary hearing and also clarify that the Exchange will make reasonable efforts to secure the presence of all other witnesses. These amendments are being implemented in order to ensure that the Exchange's rules are more transparent, as well as further the Exchange's obligation to deter recidivism of prohibited activities by market participants. Accordingly, these amendments will not negatively affect Nadex's ability to comply with this Core Principle.

Core Principle 7 requires that the DCM ensure that its Rulebook is accurate, complete, current and readily accessible to the public, and all new or amended rules, both substantive and non-substantive, shall be reflected in the Rulebook on the date of implementation. Nadex makes its Rulebook publicly available on the Nadex website. On the effective date of this submission, the Rulebook will be updated and published with the aforementioned rule amendment. Accordingly, these amendments will not negatively affect Nadex's ability to comply with this Core Principle.

### **DCO Core Principles**

Nadex has identified the following Core Principles as potentially being impacted by these Rule Amendments: Core Principle H (Rule Enforcement). Core Principle H requires a DCO to maintain adequate arrangement and resources for the enforcement of compliance with its rules and the resolution of disputes. Nadex is amending the procedures by which it will track and enforce specific activities which constitute Minor Rule Violations in order to improve efficiency of the enforcement process. Nadex is amending its requirements for persons under its jurisdiction who are called as witnesses in a disciplinary hearing in order to improve the efficiency and effectiveness of its disciplinary hearing process. Accordingly,

these amendments will not negatively affect Nadex's ability to comply with this Core Principle.

\* \* \* \* \*

The amendments to the Rulebook are set forth in Exhibit A. 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 notice of these amendments was posted on its website at the time of this filing.

In accordance with the 10-day review period set forth in Commission Regulation 40.6(a)(3), these Rule changes will be effective as of October 14, 2024.

Should you have any questions regarding the above, please do not hesitate to contact me by telephone at (312) 884-0161 or by email at [kevin.dan@nadex.com](mailto:kevin.dan@nadex.com).

Sincerely,



Kevin J. Dan  
Chief Compliance Officer  
Chief Regulatory Officer