



Donald L. Horwitz
+1 (312) 884-0953
Donald.horwitz@nadex.com

January 15, 2015

Via CFTC Submissions Portal

Mr. Christopher J. 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: Notice of Emergency Action: Nadex Refrains from listing USD/CHF Binary and Spread Contracts- 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 this notice of emergency action.

On January 15, 2015 the Swiss National Bank made the decision to remove the peg on the Swiss Franc, causing major fluctuations in the value of the Franc. As a result, Nadex’s two market makers were unable to quote an accurate two sided market in the Nadex USD/CHF Binary and Spread contracts. In accordance with the Market Maker Agreement (“Agreement”), market makers may refrain from quoting binding bid and offer prices during a ‘Fast Market’. The decision to remove the cap on the Swiss Franc led to market conditions that qualify as a Fast Market under subsection (c)(iii) of paragraph 3 in the Agreement which is defined as “any unusual market condition or price volatility which is determined by Nadex, acting reasonably and in consultation with Market Maker, to prevent the maintenance of an orderly market.”

Nadex has determined that the Swiss National Bank’s decision to remove the cap has a direct impact on trading the Nadex USD/CHF contracts, and may materially affect the performance of those contracts. Accordingly, Nadex has decided to exercise its authority under Rule 2.4 to implement an

20150115(1)

North American Derivatives Exchange, Inc., 311 South Wacker Drive, Suite 2675, Chicago, IL 60606

US Toll-Free +1 (877) 77 NADEX info@nadex.com www.nadex.com

emergency action to temporarily halt the listing of any new contracts in the USD/CHF Binary and Spread contracts. Any contracts which are currently listed will remain open until their regular close times. A table which sets forth the remaining contracts and their close times is attached in Exhibit A.

Additionally, Nadex Rules 12.34 (Currency Exchange USD/CHF Variable Payout Contracts) and 12.35 (Currency Exchange USD/CHF Binary Contracts) explain the settlement process for the expiration value of the USD/CHF contracts as follows:

The Expiration Value is the price or value of USD/CHF as released by the Source Agency on the Expiration Date. The Expiration Value is calculated by the Source Agency by taking the last ten (10) Midpoints between the bid/ask spread (five pips wide or less) just prior to the close of trading of the USD/CHF Binary Contract and removing the highest three (3) Midpoints and the lowest three (3) Midpoints, using the remaining four (4) USD/CHF Midpoints to calculate the Expiration Value. The calculation used is a simple average of all four (4) USD/CHF Midpoints, rounded to one decimal point past the precision of the underlying market. A Midpoint is calculated by adding the bid price and the ask price together and then dividing that number by two (2). For example, if the bid price is 1.2200 and the ask price is 1.2202, the two numbers are added together (totaling 2.4402) and then divided by two (2), equaling a Midpoint of 1.2201. If the spread between a particular bid price and ask price is deemed too wide (greater than five (5) pips), those prices will not be used to calculate a Midpoint and will thus not be included within the 10 initially captured values.

Contracts which expired at 7:00am ET on January 15, 2015¹, however, due to the extreme market conditions which led to a wider than usual bid/ask spread, were settled using the midpoint between the bid and ask price 10 pips wide or less, rather than five pips. The maximum pip spread used in the settlement calculation of any contracts that remain open will be increased to 10 pips if those contracts are not able to be settled using a 5 pip wide bid/ask spread.

Nadex plans to resume its regular listing schedule for the USD/CHF contracts no earlier than trade date Friday, January 16, 2015. Nadex will post a notice on its website at such time it resumes the listing of its USD/CHF contracts.

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

This emergency action is authorized by the Chief Executive Officer and the Chief Regulatory Officer of Nadex per Nadex Rule 2.4.

¹ Contracts that expired at 7:00am ET on January 15, 2015 include the USD/CHF Daily Binary, USD/CHF 8-Hour Intraday Spread, and the USD/CHF 2-Hour Intraday Spread contracts).

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

Nadex hereby certifies that a copy of this amendment 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) 884-0953 or by email at Donald.horwitz@nadex.com.

Sincerely,

A handwritten signature in black ink that reads "Donald L. Horwitz". The signature is written in a cursive, flowing style.

Donald L. Horwitz
General Counsel and Chief Regulatory Officer

EXHIBIT A

<u>Contract Name</u>	<u>Trade Date/Time Contract Opened</u>	<u>Trade Date/Time Contract Will Close and Settle</u>
USD/CHF 2-Hr Intraday Binary	1/15/2015 at 10:00am ET	1/15/2015 at 12:00pm ET
USD/CHF Daily Binary	1/15/2015 at 7:00am ET	1/16/2015 at 7:00am ET
USD/CHF Weekly Binary	1/12/2015 at 6:00pm ET	1/16/2015 at 3:00pm ET
USD/CHF 2-Hr Intraday Spread	1/15/2015 at 10:00am ET	1/15/2015 at 12:00pm ET
USD/CHF 5-Hr Intraday Spread	1/15/2015 at 6:00pm ET	1/15/2015 at 11:00pm ET (already expired)
USD/CHF 8-Hr Intraday Spread	1/15/2015 at 7:00am ET	1/15/2015 at 3:00pm ET
USD/CHF Daily Spread	1/15/2015 at 6:00pm ET	1/15/2015 at 3:00pm ET