



December 1, 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 “Refer-a-Friend” Incentive Program – 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 “Refer-a-Friend” incentive program (the “Program”), originally filed with the Commission on November 14, 2019 (submission number 1911-1418-4125-23), and extended on August 28, 2020 (submission number 2008-2813-1906-43).

While the Terms and Conditions (“Terms”) of the Program will remain essentially the same as the original Terms filed on November 14, 2019 (and the amended expiration date of the Program as indicated in the August 28, 2020 submission), Nadex is amending an eligibility condition, the number of individuals a Member may refer, and the compensation amount. Nadex reserved the right to make amendments to the Terms of the Program in both the November 2019 and August 2020 submissions, and the Terms and Conditions publicly posted on the Nadex website.

In order to qualify for the program, an existing Member (“Referring Member”) must provide a unique link to a non-Member individual (“Referred Party”), who would access the online

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Nadex Membership application via the unique link. Once approved for Membership, the Referred Party must make a successful initial deposit of the minimum required amount and enter at least 5 trades (of any size) within 30 calendar days of the Referred Party's application date. Under the current Terms, in order to be eligible for the Program bonus the Referred Party must make an initial deposit of \$500 within 60 days of applying for Membership, and enter at least 5 trades within 30 days of the initial deposit. The amendments aim to simplify the process by removing a \$500 minimum deposit and instead require only the minimum amount required, currently \$250. Additionally, the initial deposit and trades must all occur within 30 days of the application. Upon meeting these requirements, both the Referring Member and the Referred Party will each receive a \$100 credit to their respective trading accounts, rather than the \$200 payout under the current Terms, however, the number of individuals that may be referred under the Program is being increased from five to ten. Thus, the total compensation a Referring Member may receive under the Program remains unchanged at \$1,000. The credit can either be used for trading on the Exchange or withdrawn. The full Terms and Conditions of the Program are attached in Exhibit A. Additions have been underlined and deletions stricken-out.

Core Principles

Nadex has identified the following Designated Contract Market ("DCM") Core Principles as potentially being impacted by these amendments: Core Principle 9 (Execution of Transactions), and Core Principle 12 (Protection of Markets and Market Participants).

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 amendments to the Refer-a-Friend incentive program.

Pursuant to the 10-day filing period under Regulation 40.6(a)(3), this submission will be effective December 16, 2020, however, changes to the Program will not be implemented until January 1, 2021.

No substantive opposing views were expressed to Nadex with respect to this program extension.

Nadex hereby certifies that the terms of the program contained herein comply with the Act, as amended, and the Commission Regulations adopted thereunder.

Nadex hereby certifies that a copy of this submission 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@ig.com.

Sincerely,



Jaime M. Walsh
Legal Counsel

EXHIBIT A

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, extended by self-certification on August 28, 2020, and amended by self-certification on December 1, 2020. 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
<ol style="list-style-type: none">i. Is an existing Nadex Member;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;iii. Share the unique link provided in the Refer-a-Friend Promotion email; andiv. Refer a friend who meets the eligibility requirements under the Program.	<ol style="list-style-type: none">i. Click the unique link provided by the Referring Member and complete the online Membership application;ii. Be approved for Membership, and open a trading account¹;iii. Make a successful initial deposit of at least <u>the minimum required initial deposit amount as determined by Nadex and set forth in the Fee Schedule</u> \$500² within 60³⁰ calendar days of the application date via one of the acceptable deposit methods as set forth on the Nadex website;

¹ 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.

² 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.

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| | <ul style="list-style-type: none"> 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 <u>of the application date</u>; and v. Is not the subject of an open compliance investigation or review, and does not have a 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~~30-day period in which the Referred Party must make an initial deposit and execute 5 trades 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~~100 deposited to their corresponding Nadex accounts.
5. A Referring Member may receive up to a maximum of ~~five~~ten (10) 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.

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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 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 September 22, 2021. All Program requirements must be met by September 22, 2021 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.

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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.