



March 13, 2023

**VIA ELECTRONIC PORTAL**

Mr. Christopher J. Kirkpatrick  
Office of the Secretariat  
Commodity Futures Trading Commission  
3 Lafayette Center  
1155 21st Street NW  
Washington, DC 20581

**RE: Weekly Notification of Rule Amendments: Nadex Adds “UpDown Options”  
as Alternate Reference to Touch Bracket 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 (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 N.A., hereby provides notice that it is amending the definition of Touch Bracket contract in Rule 1.1 (Definitions) to indicate that Nadex may from time to time refer to these contracts as “UpDown Touch Bracket Contracts” or simply “UpDown Options”. Nadex is adding the alternate references to provide for more descriptive and accessible terminology which it believes will benefit its marketing efforts of these contracts.

Amendments to Rule 1.1 have been outlined in Exhibit A.

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) 884-0161 or by email at kevin.dan@nadex.com.

Sincerely,

*Kevin J. Dan*

Kevin J. Dan  
Chief Compliance Officer  
Chief Regulatory Officer

## EXHIBIT A

### Amendment of Rule 1.1

*(The following Rule amendments are highlighted)*

#### RULE 1.1 DEFINITIONS

When used in these Rules:

**“Affiliate”** means any corporate affiliate of Nadex.

**“Appeals Panel”** means a panel comprised of individuals appointed by the Board to consider appeals under Rule 9.3.

**“Applicable Law”** means with respect to any Person, any statute, law, regulation, rule or ordinance of any governmental authority applicable to such Person, including the CEA, CFTC Regulations, and the rules or regulations of any relevant Self-Regulatory Organization.

**“Authorized Trader”** means an individual authorized by an Entity Trading Member and approved by Nadex to enter and execute transactions on the Market for that Entity Trading Member’s account, provided the Entity Trading Member maintains supervisory authority over such individual’s trading activities.

**“Binary Contract”** means the right to receive a fixed Settlement Value per contract, from Nadex on the Settlement Date dependent upon whether the market participant holds a long position or short position in a Binary Contract. If the market participant holds a long position in a Binary Contract, the participant has the right to receive a fixed Settlement Value from Nadex on the Settlement Date, if, and only if, the Binary Contract’s Payout Criteria encompasses the Expiration Value at Expiration. Conversely, if the market participant holds a short position in a Binary Contract, the participant has the right to receive a fixed Settlement Value if, and only if, the Binary Contract’s Payout Criteria does NOT encompass the Expiration Value at Expiration.

**“Board of Directors” or “Board”** means the Nadex board of directors consisting of eligible individuals as further described in Rule 2.2, with the powers enumerated in Rule 2.1.

**“Business Day”** shall have the same meaning as defined in 31 CFR §802.201, and excludes federally recognized holidays as set forth in 5 U.S.C. §6103. The Exchange may offer a limited or full listing of contracts on a federally recognized holiday or other non-Business Day, however, the holiday or other non-Business Day shall still be considered a non-Business Day for purposes of determining the Start and End Dates for a contract’s Underlying market.

**“Calculation Time”** is the time the Expiration Value is calculated.

**“Call Spread Contract”** is a type of Variable Payout Contract, having a fixed Expiration Date, wherein the holder of a Long Call Spread Variable Payout Contract or a Short Call Spread

Variable Payout Contract may have a right to receive a variable Settlement Value. Such Variable Payout Contracts may be classified as “Call Spread(s)” or “Narrow Call Spread(s)”.

“**CEA**” means the Commodity Exchange Act, as it may be amended from time to time.  
“**CFTC**” means the U.S. Commodity Futures Trading Commission.

“**Ceiling**” means the maximum rate, level, amount, measure or other value of the Underlying of a Variable Payout Contract that may be the Expiration Value or the Closing Trade Value. If the actual rate, level, amount, measure, or other value of the Underlying meets or exceeds the Ceiling at Expiration, the Ceiling will be the Expiration Value.

“**Class**” means all Contracts of the same Type with the same Underlying.

“**Closing Trade Value**” means the rate, level, amount, measure, or other value of a Binary, Call Spread, or Touch Bracket at which the Contract is closed in a Member’s or Customer’s account.

“**Commission Regulations**” means the rules, regulations and interpretations promulgated by the CFTC pursuant to the CEA, as in effect from time to time.

“**Committee**” means a committee established by the Board.

“**Commodity Futures Trading Commission**” or “**Commission**” means the Federal regulatory agency established by the Commodity Futures Trading act of 1974 to administer the Commodity Exchange Act.

“**Contract**” means a Call Spread or Touch Bracket Variable Payout Contract or a Binary Contract.

“**Correspondent Account**” means an account as that term is defined in 31 CFR 1010.605(c).

“**crypto.com | Derivatives North America**” is the name under which Nadex may conduct business; any reference to crypto.com | Derivatives North America may be substituted with “Nadex” without changing the meaning of the term.

“**Customer**” means a Commodity Customer, a Cleared Swap Customer, a FCM Member or a Trading member of Nadex, as the context requires. In this regard,

- (i) “Commodity Customer” has the meaning set forth in Commission Regulation 1.3(k);
- (ii) “Cleared Swap Customer” has the meaning set forth in Commission regulation 22.1;
- (iii) “DCO Customer” has the same meaning as the definition “customer” set forth in Commission Regulation 190.01(l) and section 761(9)

of the Bankruptcy Code and includes FCM Members and Trading Members of Nadex.

**“Designated Contract Market” or “DCM”** has the meaning set forth in Commission Regulation 1.3.

**“Derivatives Clearing Organization” or “DCO”** has the meaning set forth in Commission Regulation 1.3.

**“Director”** means a member of the Nadex Board of Directors.

**“Dollar Multiplier”** means the monetary amount by which the rate, level, amount, measure, or other value of an Underlying of a Variable Payout Contract is multiplied to determine the Settlement Value.

**“Emergency”** shall have the meaning set forth in Rule 2.4.

**“End Date”** means the last day on which a delivery month will be used as the Underlying for Nadex contracts.

**“Entity”** means a non-individual Person.

**“Exchange”** means crypto.com | Derivatives North America and its respective successors, by merger or otherwise.

**“Expiration”** means the time on the Expiration Date established by these Rules at which a Contract expires and the Expiration Value of that Contract is determined.

**“Expiration Date”** means the date established by these Rules on which the Expiration Value of each Contract is determined.

**“Expiration Value”** means the rate, level, amount, measure, or other value of the Underlying at Expiration as calculated and/or published by the Source Agency.

**“FCM”** means a Futures Commission Merchant.

**“FCM Member”** means any Member that is registered with the Commission as a Futures Commission Merchant and as a swap firm and is authorized by Nadex to intermediate orders of Commodity Customers or Cleared Swap Customers on the Market.

**“Floor”** means the minimum rate, level, amount, measure, or other value of the Underlying of a Variable Payout Contract that may be the Expiration Value or the Closing Trade Value. If the actual rate, level, amount, measure or other value of the Underlying meets or falls below the Floor on the Expiration Date, the Floor will be the Expiration Value.

**“Foreign Bank”** means a bank as that term is defined in 31 CFR 1010.100(u).

**“Government Agency”** means the CFTC and/or any other governmental agency or department.

**“Independent Software Vendor”** or **“ISV”** means any Person that offers services that provide access to the Nadex Trading System. In order to provide access to the Nadex Trading System the ISV must enter into an ISV Agreement with the Exchange and be approved by the Exchange to provide said services.

**“Index Value”**, also known as an “Indicative Index”, is a value calculated once per second throughout a Contract’s duration, which the Source Agency may release as an Expiration Value as provided for in the Contract specifications in Chapter 12, or to serve as an indication of the value of a Contract’s Underlying at a given point in time.

**“Last Trading Day”** means, for a particular Contract, the last date on which that Contract may be traded on the Market.

**“Limit Order”** means a request submitted to the Exchange to buy or sell a set number of contracts, in a particular product offered by Nadex, at a specified price or better price if a better price is available. The following are permissible Nadex Limit Order types, although certain order types may only be available on particular platforms or to particular Member types:

**“Fill or Kill Order”** or **“FOK”** is a Limit Order that will be cancelled if the Order cannot be immediately filled in its entirety.

**“Immediate or Cancel Order”** or **“IOC”** is a Limit Order that can be filled in whole or in part, with any remaining quantity cancelled.

**“Good ‘Til Cancel Order”** or **“GTC”** is a Limit Order which will remain on the market until it is filled, cancelled, or the contract expires. Any remainder of a partially filled GTC Order will stay on the market until it is filled, cancelled, or the contract expires.

**“Long Variable Payout Contract”** means (i) if the Expiration Value is greater than the Opening Trade Value, but does not exceed the Ceiling, the right to receive any collateral posted to establish the position plus any positive number resulting from subtracting the Opening Trade Value from the Expiration Value, and then multiplying that resulting number by the Dollar Multiplier; or (ii) if the Expiration Value is greater than the Opening Trade Value and exceeds the Ceiling, the right to receive any collateral posted to establish the position plus any positive number resulting from subtracting the Opening Trade Value from the Ceiling, and then multiplying that resulting number by the Dollar Multiplier; or (iii) if the Expiration Value is less than the Opening Trade Value, but does not exceed the Floor, the right to receive any collateral posted to establish the position minus any positive number resulting from subtracting the Expiration Value from the Opening Trade Value, and then multiplying that resulting number by the Dollar Multiplier; or (iv) if the Expiration Value is less than the Opening Trade Value and exceeds the Floor, the right to receive any collateral posted to establish the position minus any positive number resulting from subtracting the Floor from the Opening Trade Value, and then multiplying that resulting number by the Dollar Multiplier.

**“Market Order”** means a request submitted to the Exchange to buy or sell a set number of contracts, in a particular product offered by Nadex, at the market price. The following are

permissible Nadex Market Order types, although certain order types may only be available on particular platforms or to particular Member types:

**“Market Order With Protection” or “MOP”** is a Market Order that will attempt to fill, in whole or part, at the current displayed price or better, or within a pre-determined number of points (Tolerance Protection) worse than the specified display price. The remainder of any Market Order With Protection that cannot be immediately filled either at the current displayed price or better, or within the Tolerance Protection, will be cancelled.

**“Market Maker”** means a Member that is granted certain privileges in exchange for assuming certain responsibilities as set forth in Chapter 4 of these Rules for the purpose of creating liquidity for certain Classes of Contracts.

**“Member”** means a Person who is approved by Nadex to be a Trading Member or a FCM Member and who is bound by these Rules as they may be amended from time to time.

**“Membership Agreement”** is the Nadex Membership Agreement as set forth on the Nadex website, to which all Nadex Members agree to comply.

**“Midpoint”** is the price included in the data set used in the calculation of the Expiration Value of a foreign currency contract. A Midpoint is calculated by adding the bid price and the ask price of the relevant underlying spot currency market together and then dividing that number by two (2). For example, if the bid price is 1.3400 and the ask price is 1.3402, the two numbers are added together (totaling 2.6802) and then divided by two (2), equaling a Midpoint of 1.3401. If the spread between a particular bid price and ask price is deemed too wide (greater than ten (10) pips), those prices will not be used to calculate a Midpoint and will thus not be included within the data set used in the Expiration Value calculation.

**“Modification Event”** means an event as described in the Market Maker Agreement.

**“Nadex”** means the abbreviated form of North American Derivatives Exchange, Inc.; any reference to “Nadex” may be substituted with crypto.com | Derivatives North America without changing the meaning of the term.

**“Nadex Trading System”** a.k.a. **“crypto.com | Derivatives North America Trading System”** means the electronic trade execution system that is used for trading Contracts, including any licensed software that is a part thereof from time to time, and any successor electronic trading system thereto.

**“Non Post-Only Order”** is an Order that did not originate as a Post-Only Quote.

**“North American Derivatives Exchange, Inc.”** means the legal entity North American Derivatives Exchange, Inc., a Delaware corporation, registered with the Commodity Futures Trading Commission as a Designated Contract Market (“DCM”) and Derivatives Clearing Organization (“DCO”), that operates a centralized market place under the name crypto.com | Derivatives North America where Members can trade certain derivative instruments with each other.

**“Officer”** has the meaning set forth in Rule 2.3.

**“Opening Trade Value”** means the rate, level, amount, measure, or other value of a Binary, Call Spread, or Touch Bracket at which the Contract is opened in a Member’s or Customer’s account.

**“Order”** means a request submitted to the Exchange to buy or sell a set number of contracts, in a particular product offered by Nadex in accordance with the requirements established by the Exchange.

**“Participant”** means a Trading Member, FCM Member, an ISV, any Authorized Trader, or any Person initiating or executing a transaction on or subject to the Rules of the Exchange directly or through an intermediary, or any person who is authorized to access or utilize the Nadex Exchange pursuant to the applicable User ID.

**“Payout Criterion”** of a Contract means the Expiration Value or range of Expiration Values that will cause that Contract to pay a Settlement Value to the holder of a long position or the holder of a short position in such Contract. The holder of a long or short position in a Contract that receives a Settlement Value is considered to be “in-the-money” while the holder of either a long or short position in a Contract that does NOT receive a Settlement Value is considered to be “out-of-the-money”.

**“Person”** means an individual, sole proprietorship, corporation, limited liability company, partnership, trust, or any other entity, as the context may require.

**“Post-Only Quote”** is a quote submitted by a Market Maker, which has the potential to become a Limit Order if matched for trade execution, and which cannot be executed opposite another Post-Only Quote. Post-Only Quotes are either Post-Only (Price Adjustment) or Post-Only (Reject) Quotes.

**“Post-Only (Price Adjustment) Quote”** is a Post-Only Quote that will be cancelled by the Exchange in whole or in part to the extent that at the time it is submitted to the Exchange it would be immediately executable opposite another Post-Only Quote. If, some portion of such submitted Post-Only (Price Adjustment) Quote would be immediately executable opposite any resting Non-Post Only Order(s), that part of such submitted Post-Only (Price Adjustment) Quote will be matched opposite such resting Non-Post Only Order(s) by the Exchange. The remaining portion of the submitted Post-Only (Price Adjustment) Quote will be cancelled by the Exchange, leaving the opposite Post-Only Quote in the order book. Unlike a Post-Only (Reject) Quote, however, upon cancellation of the submitted Post-Only (Price Adjustment) Quote, the Exchange will automatically submit an amended quotation for the unfilled balance of the cancelled Post-Only (Price Adjustment) Quote at a price level that is adjusted (a) for Binary Contracts to four minimum tick increments, and (b) for Variable Payout Contracts to one minimum tick increment lower (for bids) or higher (for offers) than the price level of the existing opposite Post-Only Quote.

**“Post-Only (Reject) Quote”** is a Post-Only Quote that will be cancelled by the Exchange in whole or in part to the extent that, at the time it is submitted to the Exchange it would be immediately executable opposite another Post-Only Quote. If, however, some portion of such

submitted Post-Only (Reject) Quote would be immediately executable opposite any resting Non-Post Only Order(s), that part of such submitted Post-Only (Reject) Quote will be matched opposite such resting Non-Post Only Order(s) by the Exchange. The remaining portion of the submitted Post-Only (Reject) Quote will be cancelled by the Exchange, leaving the opposite Post-Only Quote in the order book.

**“Privacy Policy”** is the Nadex Privacy Policy as set forth on the Nadex website, to which all Members, FCM customers, and users of the Nadex website agree to comply.

**“Regulatory Agency”** means any government body, including the Commission and Securities and Exchange Commission, and any organization, whether domestic or foreign, granted authority under statutory or regulatory provisions to regulate its own activities and the activities of its members, and includes Nadex, any other clearing organization or contract market, any national securities exchange or clearing agency, the National Futures Association (“NFA”) and the Financial Industry Regulatory Authority (“FINRA”).

**“Reportable Level(s)”** means the aggregate contract level within a product Class at which the Exchange must report certain Member and trade information to the Commission pursuant to Commission Regulations.

**“Risk Disclosure Statement”** is the Nadex Risk Disclosure Statement as set forth on the Nadex website, to which all Nadex Members agree.

**“Rule”** means a Rule of Nadex, as applicable to each member type.

**“Self-Regulatory Organization”** shall mean any futures or securities exchange, derivatives clearing organization, securities clearing agency, registered futures association, National Futures Association, and the Financial Industry Regulatory Authority.

**“Series”** means all Contracts of the same Class having identical terms, including Payout Criterion and Expiration Date.

**“Settlement Date”** means the date on which money is paid to the account of a Member who has the right to receive money pursuant to a Variable Payout Contract or Binary Contract held until Expiration, and on which money is paid from the account of a Member who is obligated to pay money pursuant to a Variable Payout Contract held until Expiration. Unless otherwise specified in these Rules, the Settlement Date is the same day as the Expiration Date.

**“Settlement Value”** means the amount which the holder of a Contract may receive for a Contract held until Expiration. The Settlement Value of a Binary Contract is \$100. The Settlement Value of a Variable Payout Contract is determined as described in the definitions of Long and Short Variable Payout Contracts.

**“Short Variable Payout Contract”** means (i) if the Expiration Value is less than the Opening Trade Value, but does not exceed the Floor, the right to receive any collateral posted to establish the position plus any positive number resulting from subtracting the Expiration Value from the Opening Trade Value, and then multiplying that resulting number by the Dollar Multiplier; or (ii) if the Expiration Value is less than the Opening Trade Value and exceeds the



Floor, the right to receive any collateral posted to establish the position plus any positive number resulting from subtracting the Floor from the Opening Trade Value, and then multiplying that resulting number by the Dollar Multiplier; or (iii) if the Expiration Value is greater than the Opening Trade Value, but does not exceed the Ceiling, the right to receive any collateral posted to establish the position minus any positive number resulting from subtracting the Opening Trade Value from the Expiration Value, and then multiplying that resulting number by the Dollar Multiplier; or (iv) if the Expiration Value is greater than the Opening Trade Value and exceeds the Ceiling, the right to receive any collateral posted to establish the position minus any positive number resulting from subtracting the Opening Trade Value from the Ceiling, and then multiplying that resulting number by the Dollar Multiplier.

**“Source Agency”** means the agency that publishes the Underlying economic indicator and/or Expiration Value for any Contract.

**“Speculative Position Limits,” or “Position Limit”** means the maximum position, net long and net short combined, in one Series or a combination of various Series of a particular Class that may be held or controlled by one Member as prescribed by Nadex and/or the Commission.

**“Start Date”** means the date on which a new delivery month will be used as the Underlying for Nadex contracts.

**“Suspension Event”** means an event as described in the Market Maker Agreement.

**“Terms of Use”** are the Nadex Terms of Use as set forth on the Nadex website, to which all Nadex Members, FCM customers, and users of the Nadex website agree to comply.

**“Tolerance Protection”** means the defined number of points, expressed in terms of a dollar amount, away from the displayed market price that will be acceptable to fill a Market Order With Protection in whole or part, if the displayed market price or a better price is no longer available when the Exchange receives the Order.

**“Touch Bracket Contract”**<sup>1</sup> is a type of Variable Payout Contract, having a conditional Expiration Date on the Last Trade Date established at the time of listing, but which Touch Bracket will expire prior to that stated Expiration in the event that, during the life of the Contract, the Index Value either (i) equals or is less than the Floor or (ii) equals or is greater than the Ceiling of the Touch Bracket.

**“Trade Day”** means the regular trading session on any given calendar date and the evening session, if any, on the immediately preceding calendar date, as specified in Rule 5.11.

**“Trading Member”** means a Person who has been approved by Nadex to trade directly and not through a FCM Member on the Market, and does not include any FCM Member.

---

<sup>1</sup> Nadex may also refer to its Touch Bracket Contracts as “Knock-out Touch Bracket Contracts” or “UpDown Touch Bracket Contracts” or “Knock-outs” or “UpDown Options” from time to time.

**“Type”** means the classification of a Contract as a Variable Payout Contract or a Binary Contract.

**“Underlying”** means the index, rate, risk, measure, instrument, differential, indicator, value, contingency, occurrence, or extent of an occurrence the Expiration Value of which determines whether (and, in the case of a Variable Payout Contract, to what extent) a Contract is in-the-money.

**“US Financial Institution”** means a financial institution as that term is defined in 31 CFR 1010.100(t), subsections (1), (2), and (8), that is required to comply with the regulations issued by the United States Department of Treasury under the Bank Secrecy Act including, but not limited to, the anti- money laundering program and customer identification program rules.

**“Variable Payout Contract”** means a category of contracts wherein the holder of a Long Variable Payout Contract or a Short Variable Payout Contract may have a right to a variable Settlement Value. Variable Payout Contracts include Call Spread Contracts and Touch Bracket Contracts.

**“Volume Threshold Level”** means the volume based Reportable Level as established by Commission Regulation 15.04.

**“Wide Spread Surcharge”** means an additional exchange fee imposed on a duly appointed Market Maker’s average per lot profit above a specified level, in a given month. Specific details pertaining to the Wide Spread Surcharge are set forth in the fee schedule on the Nadex website.

**“12PM”** or **“12:00 PM”** means 12:00 Noon.

RULES 2.1 – 12.65 [UNCHANGED]

*End of Rulebook.*

*The remainder of this page has intentionally been left blank.*