

February 16, 2012

Via CFTC Electronic Submissions Portal

Mr. David Stawick
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: Industry Filing IF 12-003
90-day Review of NADEX's Proposed Political Event Derivatives Contracts**

Dear Mr. Stawick:

North American Derivatives Exchange, Inc. ("Nadex") submits this letter in response to the issues raised by the Commission's questions and the comments filed during the 30-day public comment period. This letter supplements Nadex's initial December 19, 2011 rule filing and its January 11, 2012 Comment.

We believe that we have structured the proposed Political Election Contracts so that they fall squarely within the parameters of the Commodity Exchange Act ("CEA"), as amended by the Dodd-Frank Act, and the Commission's regulations; moreover, we think these contracts are consistent with the overriding objective of the Dodd-Frank Act insofar as we would be providing a regulated, DCM-traded and DCO-cleared alternative to the unregulated markets currently offered to US residents. The products we are proposing include a US Presidential Election contract and contracts on the majority control of the House and Senate. We feel that such contracts constitute appropriate products for our retail-focused, fully collateralized exchange.

Before addressing the Commission's specific questions, we would like to stress several general observations that support the listing of these contracts by a DCM/DCO such as Nadex:

- The CFTC has allowed Iowa Electronic Markets (IEM) to offer such political election contracts pursuant to No-Action relief for almost 20 years. The IEM has proven the validity and value of such markets, but it operates as an unregulated, academic venture with restrictions on the size and scope of participation. The time has come for these markets to move from the realm of academic exercise to practical application.
- In the CFTC’s Concept Release on Event Markets (2008), the Commission noted that “As demonstrated by the IEM, innovative event markets have the capacity to facilitate the discovery of information, and thereby provide potential benefits to the public”. Concept Release 73 FR at 25672. As the IEM is a limited, academic-focused platform, we believe Nadex can provide even greater benefits to the public through potentially more accurate markets (due, in part, to wider participation, greater liquidity and stronger regulation).
- After the Concept Release generated widespread support for political markets and a range of response between opposition and limited support for contracts on events like war, Congress amended the CEA to prohibit those event contracts that received lukewarm support or even opposition (terrorism, war, etc.), but did not include politics on the list of prohibited event contracts. Significantly, Congress – and, specifically, the Committee on Agriculture of the U.S. House – was aware of the existence of election markets when it considered and ultimately passed the Dodd-Frank legislation. For example, on April 22, 2010, the House Committee on Agriculture’s Subcommittee on General Farm Commodities and Risk Management held a hearing on “movie futures”. The existence of Political Election markets was discussed at several points throughout that hearing. For example, Chairman Peterson expressly acknowledged that the IEM “includes trading in elections futures from presidential races to control of Congress to individual races” and noted that “our democracy has managed to survive these election markets”. See Hearing To Review Proposals To Establish Exchanges Trading “Movie Futures” before the General Farm Commodities and Risk Management Subcommittee of the House of Representative’s Committee on Agriculture (April 22, 2010).
- Intrade – an unregulated, Dublin-based “exchange” – continues to offer contracts on elections and, although it apparently is not a legally recognized platform in the United States¹, Intrade represented in its response to the Concept Release that “78% of traffic to Intrade.com in the period 1 January to 30 June [2008] was from the U.S.” So, together with the IEM, these markets continue to be available in the United States on unregulated venues.

¹ See Intrade Comment Letter (July 4, 2008), submitted by its CEO, John Delaney, at <http://www.cftc.gov/ucm/groups/public/@lrfederalregister/documents/frcomment/08-004c014.pdf> (noting that it is “unclear as to whether Intrade, and indeed myself, are considered persona gratis by the United States”).

- Intrade’s Market Data continues to be quoted by media outlets. According to Intrade’s Comment in response to the Concept Release, over 300 media businesses – including the New York Times, the Wall Street Journal, the Chicago Tribune, the Economist, Bloomberg, Reuters, Time, Fortune, etc. – have used Intrade’s data. As a result, a principal source of information for the US public about US elections is an unregulated Dublin-based trading platform of questionable legality in the United States.²

Nadex firmly believes the legislative and regulatory history strongly supports the listing of the proposed political election contracts on Nadex. In particular, we think these contracts will further the Dodd-Frank Act’s overriding objective to move trading and clearing from unregulated markets onto regulated DCMs and DCOs.

The Dodd-Frank Act specifically addressed the issue of impermissible event contracts in Section 745 thereof, and the Commission’s Regulations implemented that statutory provision in its new Part 40 regulations. Specifically, newly amended Part 40 states:

§ 40.11 Review of event contracts based upon certain excluded commodities.

(a) *Prohibition.* A registered entity shall not list for trading or accept for clearing on or through the registered entity any of the following:

- (1) An agreement, contract, transaction, or swap based upon an excluded commodity, as defined in Section 1a(19)(iv) of the Act, that involves, relates to, or references terrorism, assassination, war, gaming, or an activity that is unlawful under any State or Federal law; or
- (2) An agreement, contract, transaction, or swap based upon an excluded commodity, as defined in Section 1a(19)(iv) of the Act, which involves, relates to, or references an activity that is similar to an activity enumerated in § 40.11(a)(1) of this part, and that the Commission determines, by rule or regulation, to be contrary to the public interest.

As repeatedly noted, Nadex maintains that the proposed Political Election Contracts do not involve relate to or reference any of the activities described in 40.11(a)(1); that is, federal elections do not “involve[], relate[] to, or reference[] terrorism, assassination, war, gaming, or an

² For very recent media references to Intrade markets, see, e.g., “Jobs Report a Double-Edged Sword for President” (Feb 3, 2012) (“One of Romney’s economic advisers, N. Gregory Mankiw, called the job increase ‘a very solid number.... President Obama’s probability of being re-elected rose by about two percentage points,’ wrote Mankiw, a Harvard University economist, after analyzing the immediate reaction registered on Intrade”), available at http://www.myfoxchicago.com/dpps/money/strong-jobs-report-leads-some-to-question-numbers-dpgonc-20120203-kh_17640827; Silver, NYT FiveThirtyEight Blog (Feb. 10, 2012) (noting that Rick Santorum “is given just a 13 percent change of winning the Republican nomination... right now” on Intrade), available at <http://fivethirtyeight.blogs.nytimes.com/2012/02/10/the-bettors-case-for-santorum/>; “Romney remains favorite on Intrade for GOP nod”, USA Today, On Politics, available at <http://content.usatoday.com/communities/onpolitics/post/2012/02/mitt-romney-intrade-gop-nomination-rick-santorum-1>.

activity that is unlawful under any State or Federal law.” Focusing on Section 40.11(a)(2), however, it is important to recognize that not only must the Commission find that the contract “involves, relates to, or references an activity that is similar to an activity enumerated in § 40.11(a)(1)” (emphasis added), but also must find that the Commission has determined, “by rule or regulation” (emphasis added), that the activity is contrary to the public interest. To date, the Commission has not issued any rules or regulations determining any additional activities to be contrary to the public interest. 76 Fed Reg at 44786 (the Commission “has determined not to propose such regulations at this time”). Accordingly, subsection (a)(2) of Regulation 40.11 cannot apply to the proposed contracts.

Finally, in addition to the Commission’s request pursuant to Regulation 40.11(c)(1) that Nadex suspend the listing of its proposed Political Event Derivative Contracts, the Commission also stayed pursuant to Regulation 40.6(c)(1) Nadex’s certification of proposed amendments to its Rules 1.1 and 4.4. In so doing, the Commission stated that “the amendments [to Rules 1.1 and 4.4] also present novel or complex issues that require additional time to analyze.” Nadex is unaware of any particular novel or complex issues related to these proposed amendments and to date has not been advised of any such issues as they might relate to Rule 1.1 or Rule 4.4. In the event the Commission identifies any such issues with specificity prior to its final determination on the proposed political event derivative contracts or the expiration of the 90-day review period, Nadex respectfully requests an opportunity to be apprised of those issues and to address them accordingly.

The Commission’s Questions

- 1. Commission Regulation 40.11(a)(1) states DCMs shall not list for trading or accept for clearing any contract that is based upon an excluded commodity, under CEA Section 1a(19)(iv), that “involves, relates to, or references . . . gaming.” Do any or all of Nadex’s proposed contracts involve, relate to, or reference gaming? If so, in what way?**

Both the plain text of section 5c(c)(5)(C) of the CEA (as amended by Dodd-Frank) and Commission Regulation 40.11 make it clear that “gaming” does not refer to the trading of the contract itself, but to the underlying event (like the other prohibited underlying events of terrorism, assassination, war, etc.). Indeed, if the concept of “gaming” applied to the trading of the contracts themselves, rather than the underlying, then all event contracts traded on every exchange would arguably be a prohibited “gaming” contract (i.e., “betting” on a hurricane landfall or a snowfall amount or an unemployment rate). Because amended section 5c(c)(5)(C) of the CEA reflects Congress’s effort to draw a line between permissible and impermissible

event contracts, clearly Congress did not intend for the “gaming” provision by itself to be interpreted in a way that would prohibit all event contracts.

Indeed, while the statutory language is clear and resort to legislative history under such circumstances is unnecessary, the available legislative history supports Nadex’s interpretation that the “gaming” provision addresses an underlying game such as a sporting contest. In discussing the “gaming” prohibition of the CEA in connection with the passage of the Dodd-Frank Act, one senator specifically framed the gaming text in the context of contracts on underlying sporting contests: “It would be quite easy to construct an ‘event contract’ around sporting events such as the Super Bowl, the Kentucky Derby, and Masters Golf Tournament”. (Comments of Sen. B. Lincoln, Cong. Record-Senate, S5907 (July 15, 2010)).

Because the event or activity underlying a particular event contract is what determines whether the “gaming” restriction applies, then clearly that provision does not apply. Under any rational definition, the presidential election and elections that can impact the control of the U.S. House of Representatives and Senate are not “games”. For example, some have defined games as short-term contests with little or no impact on anyone other than the players of the game. Clearly, the presidential election and elections for control of the House and Senate can have economic ramifications (as well as social and political ramifications) that extend far beyond the candidates themselves. Similarly, these national elections cannot be compared to a sporting event like the Super Bowl or the Kentucky Derby. A Super Bowl is not conducted pursuant to Constitutionally-established directives and, following the game, the winning team does not earn the Constitutionally-based authority to exercise the Executive Power of the United States, such as, for example, the authority to sign or veto new tax bills. Under all reasonable interpretations, the underlying events for Nadex’s proposed Election Event Derivatives contracts do not involve “gaming”.

Some questions have been raised as to whether trading in the proposed Election Event Derivatives would constitute “betting” or “wagering” on an election. These questions appear to be based on the misguided assumption that trading a contract listed on a designated contract market such as Nadex could constitute a “bet” or a “wager” under State law. That is not the case. The CEA grants the CFTC exclusive jurisdiction over option transactions involving commodities. *See* 7 U.S.C. § 2(a)(1)(A) (granting the CFTC exclusive jurisdiction over “accounts, agreements (including any transaction which is of the character of ... an ‘option’ ...), and transactions involving contracts of sale of a commodity for future delivery traded or executed on a contract market ... or any other board of trade, exchange, or market ...”). Such exclusive jurisdiction preempts States from declaring such contracts illegal or otherwise regulating the trading thereof. *See also* section 12(e) of the Commodity Exchange Act and section 28(a) of the Securities Exchange Act of 1934 exempting certain over-the-counter contracts under the CFTC’s jurisdiction from State gaming or bucket shop laws.

Congress has also explicitly recognized the distinction between a “bet or wager” on the one hand and a futures trade on the other hand in the federal Unlawful Internet Gambling Enforcement Act (“UIGEA”). The UIGEA expressly provides that trading on a designated contract market does not constitute a “bet” or a “wager”, stating that the term “bet or wager” specifically “does not include ... (ii) any transaction conducted on or subject to the rules of a registered entity ... under the Commodity Exchange Act.” 31 U.S.C. § 5362.

The distinction in the law between a “bet or wager” and trading a contract on a DCM (or a securities exchange or Swap Execution Facility for that matter) is logical. A bet is typically thought of in the context of a bettor giving money to the bookmaker or the “house” to hold until the result of the bet is known, at which time the house should either pay out or not on the bet. Putting aside the underlying event for the moment (as well as issues of economic purpose and public interest), betting and wagering does not involve a process similar to, or provide the protections inherent in, an open, transparent and regulated market. Instead, in the case of “betting or wagering”, the house sets the price at which a bettor may trade, the bettor’s funds are held where ever and however the house chooses, the house is always the counterparty to any bettor’s bet, and a bettor does not have the ability to trade in and out of a position or liquidate a position to take a profit or to cut his or her loss prior to the event. In contrast, contracts traded on a DCM are subject to transparent, open markets where buyers and sellers freely come together to discover the prices at which the market is willing to trade, the market mechanics and contracts are subject to the DCM’s rules as well as CFTC regulations and the provisions of the CEA, market participants can trade in and out of a position prior to expiration, the market participants’ trades are centrally cleared and their funds are held by a regulated clearinghouse, and a central limit order book allows any participant to fill the role of counterparty to a trade.

In short, Nadex’s proposed Political Election Event Derivative contracts do not involve, relate to or reference “gaming”. Neither do these contracts or the trading of these contracts on a DCM like Nadex constitute “betting or wagering”.

- 2. Commission Regulation 40.11(a)(1) states DCMs shall not list for trading or accept for clearing any contract that is based upon an excluded commodity, under CEA Section 1a(19)(iv), that “involves, relates to, or references . . . an activity that is unlawful under any State or Federal law.” Are any of Nadex’s proposed contracts considered unlawful under any State or Federal law? Please identify any relevant statutory or regulatory provisions.**

Nadex submitted a Comment dated January 11, 2012, addressing this question. As set forth therein, Nadex believes this question is incorrectly phrased and the appropriately phrased Question 2 would be “Do any or all of Nadex’s proposed contracts involve, relate to, or reference

an activity that is unlawful under any State or Federal law?” Again, it is patently obvious that the election of the President or members of Congress cannot be considered an activity that is unlawful. Accordingly, the proposed Political Election Contracts do not run afoul of Section 1a(19)(iv) or Regulation 40.11(a)(1).

Even with respect to the question that the Commission asked – “are any of Nadex’s proposed contracts considered unlawful under any State or Federal law?” – the proposed contracts should be permitted. Event Contracts on a federal election that are offered on a DCM like Nadex cannot be rendered illegal by state law. To find otherwise would dictate that a single State could deem the trading of, for example, hurricane event contracts or other event contracts to be illegal and thereby preclude those contracts from being offered on any national DCM. Congress gave no indication in passing the Dodd-Frank Act that it intended to so limit the authority and jurisdiction of the Commission. In this regard, some might argue that if “betting on an election” may be illegal in at some states, then election event contracts offered by a DCM would be precluded by Section 1a(19)(iv) or Regulation 40.11(a)(1). Again, this simply ignores the CFTC’s exclusive jurisdiction and the preemptive impact of the CEA with respect to such state laws. For example, “betting” on the price of oil or a stock index or other bucket shop activity is illegal under many state laws. However, the CEA preempts state gambling and bucket shop laws and gives the CFTC exclusive jurisdiction over such contracts when they are offered on a DCM. Similarly, political election contracts traded on a DCM are not illegal under any state law.

3. CEA Section 5(d)(3)(DCM Core Principle 3) requires that DCMs only list contracts that are not readily susceptible to manipulation. Would Nadex’s proposed contracts be in compliance with this requirement? Could the trading of political event contracts, such as those proposed by Nadex, be contrary to the public interest by creating incentives to influence prices in the contracts in order to affect election results?

Question 3 raised two separate issues. The first issue is whether Nadex’s proposed Political Election Contracts comply with the requirements of the CEA insofar as it prohibits DCMs from listing contracts that are readily susceptible to manipulation. On pages 8-9 of its initial certification of its Political Election Contracts, Nadex addressed this issue in the section entitled “Election Contracts and the Potential for Manipulation”. Nadex will not rehash those points here.

The second issue raised by Question 3 is more subtle. The Commission asks “could the trading of political event contracts, such as those proposed by Nadex, be contrary to the public interest by creating incentives to influence prices in the contracts in order to affect election results?” Arguably, the existence of any contract, such as a contract on corn or oil or an

announced economic number, could “create an incentive to influence prices in the contracts in order to affect [the underlying]”. That is why DCMs structure their contracts and their markets in such a way to minimize those incentives. But, the short answer is that the mere fact that the listing of a contract might create some amorphous “incentive to influence prices” cannot render the contract contrary to public policy without rendering every futures contract contrary to public policy.

The real point, as indicated by the CEA, is that contracts should not be susceptible to manipulation. So, in addition to its traditional market and trade practice surveillance activities, Nadex has proposed very modest position limits of 2,500 lots to minimize the incentive for anyone to even attempt to manipulate the market. Nadex believes the proposed contracts are not susceptible to manipulation given the limited financial incentive for a trader to attempt a manipulation, relative to (a) the actual cost of putting on a position, (b) the likelihood of being detected, and (c) the limited likelihood of an attempted manipulation succeeding in doing anything other than enriching other market participants as the “manipulator” continues to buy existing offers or sell existing bids. In this regard, in addition to the material cited in our initial certification, we note the favorable Comment submitted in support of the proposed contracts by an impressive group of 19 academic researchers who study prediction markets, which includes citations to numerous academic studies addressing the difficulty inherent in manipulating (or attempting to manipulate) election markets themselves, public perception of elections or the underlying election result. See “Eric Zitzewitz Comment on 90-day Review of NADEX’s proposed Political Event Derivatives” (Feb. 3, 2012), available at <http://www.cftc.gov/stellent/groups/public/@rulesandproducts/documents/ifdocs/ericzitzewitzltr020312.pdf> (“Academic Researchers’ Comment”), and the studies cited therein.

- 4. Assuming arguendo that the outcome of the US 2012 federal elections will have macro- and micro- economic consequences, as Nadex contends in its submission, would political event derivatives contracts provide any utility as a commercial risk management tool? If you believe that the contracts would provide effective risk management, please provide examples of possible hedging strategies and how political contract trades could offset commercial risk.**

The CEA recognizes that transactions under the Act “are affected with a national public interest by providing a means for managing and assuming price risks, discovering prices, or disseminating pricing information through trading in liquid, fair and financially secure trading facilities.” CEA §3(a). This fourth question focuses on the first of the three alternative manners in which the national public interest may be served: risk management. Of course, as explained elsewhere, the proposed Political Election Event Contracts also provide a means for discovering

prices and disseminating pricing information through trading in liquid, fair and financially secure trading facilities.

With respect to the risk management issue, as previously noted, the maximum position that any one trader can hold in a particular contract is 2,500 lots in order to protect against manipulative efforts. Accordingly, these \$100 contracts can provide hedging utility up to a total amount of \$250,000. Academic Researchers' Comment at 1 (the "currently proposed position limits are likely sufficient for most individuals to hedge their personal exposure to election outcomes"). Accordingly, an individual retail market participant could hedge a perceived exposure to higher taxes due to a particular candidate's victory. A specific example of such a strategy was provided by Professor Porter in his Comment Letter dated January 31, 2012.

"Candidate A is trading at \$23 and the trader perceives his taxes may go up by \$50,000 per year for the next 4 years if A wins the election. The trader can buy 2500 contracts for Candidate A to win for a cost of \$57,500. If Candidate A does win, the projected increase in taxes of \$200,000 over 4 years can be offset in part by the profits on that contract of \$192,500. If Candidate A doesn't win, the trader loses the \$57,500 cost of the contracts but doesn't have to pay the significantly higher taxes. Thus, these contracts can provide valuable price information and can allow for efficiency risk-sharing."

Nadex is designed to provide retail traders with a regulated, transparent alternative to unregulated markets such as Intrade or over-the-counter dealing markets such as the retail forex market. Nadex's proposed Political Event Derivatives would, in fact, provide such retail market participants with the type of hedging opportunity described by Professor Porter.

Additional Issues Raised in the Public Comments

While it appears the majority of public comments and all of the academic comments favored the approval of Nadex's proposed Political Election Contracts, the comments in opposition raised a few issues that should be addressed. None of the issues raised by the negative comments would support the Commission finding that the proposed contracts violate the CEA or the regulations.

Douglas A. Kellner, one of four Commissioners of the New York State Board of Elections, submitted a letter reflecting his personal opinion opposing Nadex's proposed political contracts. Mr. Kellner's opinion is misguided.

Mr. Kellner cites a New York constitutional provision that "No person ... who shall make or become directly or indirectly interested in any bet or wager depending upon the result of any election, shall vote at such election". (N.Y. Const. Art. II, sec. 3). He further asserts, without citation, that New York statutes make such conduct a criminal offense. Presumably, Mr. Kellner is referring to the New York statutory provision that sets forth a procedure for the

administration of an oath to voters whereby a voter may affirm that he or she has “not made, or become directly or indirectly interested in any bet or wager depending upon the result of this election.” NY Elec. Law §8-504. This section does not make betting or wagering on an election a criminal offense; rather, it makes perjury in that affirmation a misdemeanor: “a false statement is perjury and you [the voter] will be guilty of a misdemeanor.” Id.

More specifically, however, Mr. Kellner’s opposition to the proposed Political Election Contracts centers on his assertion that a voter in New York who traded the proposed contracts could be deprived of the right to vote. This assertion flies in the face of the federal jurisdiction over futures markets and the clear statutory distinction between futures trading and gambling.

Because (as explained above) a person who trades a Political Election Contract on Nadex (or any other designated contract market) has not engaged in a “bet or wager”, Nadex believes such person can, if asked, truthfully affirm that he or she has “not made, or become directly or indirectly interested in any bet or wager depending upon the result of this election.” NY Code sec. 8-504.

Nadex also notes the two Comments submitted by Dr. John Nafeh. The bulk of Mr. Nafeh’s submissions are devoted to hyperbolic comments about derivatives and his stated understanding that Nadex (when formerly known as HedgeStreet, Inc.) had committed not to pursue listing political election contracts.³ As the Commission staff undoubtedly is aware, in 2007 (when Mr. Nafeh remained on its board of directors), then-HedgeStreet was actively pursuing permission to list political election contracts that were almost identical to the contracts

³ Presumably, Mr. Nafeh is referring to his recollection of the process leading up to HedgeStreet’s original designation as a contract market in 2004. Significantly, in the Staff’s Memorandum in support of that application, Staff noted:

“Division of Market Oversight staff understands that the contracts HedgeStreet intends to list for trading would be similar in design to contracts offered by “event markets.” In this regard, as discussed above, the contracts are binary options. HedgeStreet has stated, however, that it intends to list only contracts that have a legitimate economic purpose and does not intend to list for trading contracts based on terrorist activity or gambling activities, such as the outcome of sporting events.”

Designation Memorandum re: Application of HedgeStreet, Inc. for Designation as a Contract Market (CFTC Div. of Market Oversight Feb. 10, 2004), http://www.cftc.gov/files/opa/press04/opahedgestreetdesignationmemo_web.pdf. Obviously, the proposed contracts have an economic purpose and are not based on terrorist activity or gambling activities, such as the outcome of sporting events. More importantly, since 2004, the CEA and the Commission regulations have been amended to clarify what are appropriate and inappropriate event contracts and Nadex certainly believes the proposed contracts comply with the statute and regulations as currently in force.

currently proposed by Nadex. Presumably, as a sitting director of the company, Mr. Nafeh was aware of this fact. The relevant point, of course, is whether the proposed contracts comply with the CEA and the regulations. Mr. Nafeh's comments provide no relevant information addressing that point and ignore the significant developments in this area – including the amendment of the CEA – in the years since he was involved with then-HedgeStreet.

Finally, a few negative comments attempt to raise an ominous specter that, by allowing these proposed Political Election Contracts, the Commission would be opening Pandora's Box and allowing a stream of gambling products into the market. This is not the case. First and most obviously, the CEA and the Commission's regulations effectively prohibit the listing of contracts based on gaming, so there will be no contracts on sporting events or poker games or other types of gaming contracts. Second, as previously noted, with respect to election contracts, these markets (albeit unregulated) already exist. Nadex is simply seeking to provide a regulated alternative to markets like the IEM and Intrade. Third, Nadex presents a unique model that provides special structures for this type of market:

- small-sized contracts that are affordable to "Main Street" market participants, not just large institutions;
- fully collateralized trading of products with capped risk/reward profiles that preclude market participants from becoming exposed to additional margin calls or unlimited losses; and
- relatively low initial deposit requirements (i.e., \$100) which allows wide access to the market for participants through Nadex's non-intermediated access (in addition to the availability of intermediated access), unlike more typical futures accounts that require even retail participants to deposit a minimum of \$10,000 to \$15,000.

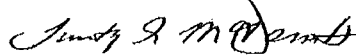
As it considers any futures proposed event contracts, the Commission could determine that other DCMs seeking to offer election contracts provide the same or similar protections and accessibility in place.

Ultimately, whether these Political Election Contracts comply with the CEA and Commission regulations should be evaluated on the merits of these proposed contracts. The Commission should reserve for the future the question of whether some other, as-yet-unidentified event contracts may or may not comply with the CEA and the regulations.

Nadex appreciates the opportunity to follow up on the Public Comments submitted to the Commission.

Should you have any questions regarding the above, please do not hesitate to contact me.

Sincerely,



Timothy G. McDermott
General Counsel

cc: Chairman Gary Gensler
Commissioner Bart Chilton
Commissioner Jill Sommers
Commissioner Scott O'Malia
Commissioner Mark Wetjen

Dan Berkovitz – CFTC
Tom Leahy – CFTC
David Van Wagner – CFTC
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