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May 30, 2014

Via E-Mail: submissions@cftc.gov

Ms. Melissa Jurgens
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 Limits the Number of Orders Trading Members May Submit via FIX Connection – Submission Pursuant to Commission Regulation §40.6(a)

Dear Ms. Jurgens:

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 Rule 5.5 to limit the number of orders a Trading Member that is not acting as a market maker may submit to the Exchange via FIX Connection.

Pursuant to Nadex Rule 5.5, a Nadex Trading Member may elect to enter into a FIX Connection Agreement with Nadex in order to gain access to the market via the FIX Gateway. Currently, Nadex does not impose a limit as to the number of orders a Trading Member that is not acting as a market maker may submit to the Exchange via such connection. As Nadex’s active customer base has continued to grow, and with the recent addition of two new market makers, order and quote messaging traffic to the Exchange has increased accordingly. In order to ensure the efficient operation of the Exchange and to limit the potential for disruptive trade practices, Nadex intends to limit the number of orders a Trading Member that is not acting as a market maker may submit to the Exchange via FIX Connection; initially, this limit will be set at one order every five seconds. Imposing such limits will prevent excessive messaging that has the potential to slow the processing of orders.

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In order to limit the number of orders submitted to the Exchange from a Trading Member that is not acting as a market maker, an automated ‘limiter’ is being developed which will prevent orders that exceed the maximum set by the Exchange. It is projected that the automated limiter will be deployed in the summer of 2014. At this time there are no non-market maker Trading Members connected to the Exchange via FIX Gateway. Should any candidate for a FIX connection complete the necessary requirements and connect to the Exchange before the automated limiter is implemented, order submission will be manually monitored by the Nadex Operations Department. Any current market maker that submits an order to the Exchange *not* in its capacity as a market maker will be subject to the limitation and manually monitored by the Operations Department. This monitoring activity by Nadex staff will be supported by scripted alerts and order submission reports analyzing order entry activity through FIX Gateways.

DCM Core Principles

Nadex has identified the following Designated Contract Market (“DCM”) Core Principles as potentially being impacted by these amendments: Core Principle 2 §38.152 Abusive Trading Practices Prohibited; Core Principle 4 §38.255 Risk Controls for Trading; and Core Principle 7 Availability of General Information.

Core Principle 2 §38.152 (Abusive Trading Practices Prohibited) requires the DCM to prohibit disruptive trading practices. As explained above, Nadex intends to implement technology that limits the number of orders Trading Member that is not acting as a market maker may submit to the Exchange through the FIX Gateway in order to prevent excessive messaging which may cause a backlog in the system, and consequently slow or otherwise disrupt the processing of orders. Additionally, limiting the number of orders that may be submitted by a non-market maker Trading Member through the FIX Gateway will prevent Members from utilizing high frequency trading programs to trade Nadex products, which could give those Members an unfair advantage, as well as adversely impact liquidity in the market. Therefore, imposing limits on the number of orders submitted via the FIX Gateway will assist in the prevention of disruptive trading practices and will not have a negative impact on Nadex’s ability to comply with this Core Principle.

Core Principle 4 §38.255 (Risk Controls for Trading) requires the DCM to establish and maintain risk control mechanisms to prevent and reduce the potential risk of market disruptions. Nadex is implementing limitations on order submission via the FIX Gateway for the purpose of preventing and reducing the risk of market disruptions. As previously described, Nadex is in the process of developing a ‘limiter’ which will identify orders submitted via the FIX Gateway from non-market maker Trading Members that exceed the Exchange-set limit and prevent those orders from reaching the Exchange. This limit will be set at one order per 5 seconds initially. In the event that a Trading Member meets the requirements to obtain a FIX connection and is able to connect to the Exchange prior to the implementation of the limiter, the Nadex Operations

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Department will monitor the activity of each user submitting order via the FIX Gateway, using alerts and reports, to ensure compliance with this Rule.

Core Principle 7 requires the DCM to make its Rulebook available to the public. Nadex makes its Rulebook public on its website, and it will continue to be made available after the amendments to the limitations on FIX Gateway order submission described herein are implemented. Therefore, the amendments discussed herein will not negatively impact Nadex's ability to comply with these Core Principles.

Pursuant to the 10-day filing period under Regulation 40.6(a)(3), Nadex intends to implement these amendments on trade date June 16, 2014.

These Rule changes have been outlined in Exhibit A. The amendments to the Rulebook are set forth in Exhibit B. Any deletions to the Rulebook have been stricken out while the amendments and/or additions are underlined.

No substantive opposing views were expressed to Nadex with respect to these amendments.

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

Nadex hereby certifies that a copy of these amendments 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,



Donald L. Horwitz
General Counsel and Chief Regulatory Officer

cc: Thomas Leahy – CFTC
Riva Adriance – CFTC
Nancy Markowitz - CFTC
Eileen Donovan - CFTC

Tim McDermott – Nadex

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EXHIBIT A

Rule	Asset	Duration/ Close Time	Action	Effective Date
5.5	Order Entry	N/A	Limit Number of Orders Submitted via FIX Connection	6/16/2014

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EXHIBIT B

Amendment of Rule 5.5

(The following Rule amendments are underlined and deletions are stricken out)

RULES 1.1 – 5.4 [UNCHANGED]

RULE 5.5 ORDER ENTRY

(a) Trading Member Orders

(i) A Trading Member will enter orders to trade Contracts by electronic transmission over the Internet. A Trading Member may elect to enter into a FIX Connection agreement with Nadex, which will provide for specific FIX Connection fees, ~~and certain approved Entity Trading Members, such as market makers, and if approved by Nadex,~~ may submit orders over a FIX Connection in accordance with Nadex's applicable policies and procedures. A Trading Members that is not acting as a market maker who elects to submit orders via FIX Connection is limited to the submission of no more than one order per five seconds.

(ii) A Trading Member will enter an order to trade one or more Contracts by indicating to Nadex in the manner required by Nadex: (1) order direction (i.e., buy or sell); (2) order type (e.g., limit order); (3) the Series of Contract; (4) the limit price at which the Trading Member wants to buy or sell the Contract; and (5) the number of Contracts the Trading Member want to buy or sell.

(iii) In order to enter an order to trade one or more Contracts, a Trading Member will be required to submit the order to Nadex. Once the order is accepted by Nadex, Nadex will assign to the order an order confirmation number. This confirmation number will appear next to the associated order on the Trading Member's Order Ticket and Order History account pages. The Trading Member will be responsible for any and all order entries confirmed for its account and accepted by Nadex.

(b) FCM Customer Orders

(i) A FCM Customer may not submit orders directly to the Exchange and all such order must be submitted by that Customer's FCM Member.

(ii) FCM Members may submit FCM Customer Orders by electronic transmission over a FIX Connection, in accordance with Nadex's applicable policies and procedures.

(iii) FCM Members will submit a FCM Customer Order to trade one or more Contracts by indicating to Nadex in the manner required by Nadex: (1) order direction (i.e., buy or sell); (2) order type (e.g., limit order); (3) the Series of Contract; (4) the limit price at which the FCM Customer wants to buy or sell the Contract; (5) the number of Contracts the FCM Customer wants to buy or sell; (6) the FCM Customer Position Account identifier; and (7) the user identifier for the person who directed the submission of the order to the Exchange.

(iv) Upon receipt of a FCM Customer Order to trade one or more Contracts, a FCM Member will be required to ensure that the FCM Customer has on deposit with the FCM Member enough funds to cover the FCM Customer's maximum loss under the Contract(s) it is attempting to enter into before the order is submitted to Nadex. When the order has been submitted to and accepted by Nadex, Nadex will assign to the order an order confirmation number. This confirmation number will appear next to the associated order on the FCM Member's Order and Order History account pages. The FCM Member will be responsible for any and all order entries confirmed for its FCM Customer Position Accounts and its settlement accounts and accepted by Nadex.

(c) Nadex's trading system will keep an electronic record of all orders to trade Contracts, and all executed Contract trades. The records kept by Nadex will include all of the terms identified in paragraphs (a)(ii) – (iii) and (b)(iii) – (iv) of this Rule as well as the date and time that the transaction was completed to the nearest tenth of a second, for all executed Contract trades and to the nearest second for all orders to trade Contracts.

RULES 5.6 – 12.78 [UNCHANGED]

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