

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-106521; File No. SR-OGM-2026-001]

Self-Regulatory Organizations; North American Derivatives Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Rules Governing Contract Specifications for Perpetual Cash-Settled Single Stock Security Futures

September 29, 2026.

Pursuant to Section 19(b)(7) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-7 under the Act,² notice is hereby given that on September 24, 2026, the North American Derivatives Exchange Inc. (“Nadex” or the “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change described in Items I and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons. Nadex has submitted the proposed rule change to the Commodity Futures Trading Commission (“CFTC”) for approval under Section 5c(c) of the Commodity Exchange Act (“CEA”)³ on September 24, 2026. The CFTC has not yet approved the proposed rule change.

I. Self-Regulatory Organization’s Description and Text of the Proposed Rule Change

Nadex is registered with the CFTC as a designated contract market under the Commodity Exchange Act (“CEA”). Nadex is making this filing in its capacity as a national securities exchange for security futures products (“SFPs”) registered pursuant to the notice registration

¹ 15 U.S.C. 78s(b)(7).

² 17 CFR 240.19b-7.

³ 7 U.S.C. 7a-2(c).

provisions of Section 6(g) of the Act⁴ to establish the framework for the listing of the SFPs it plans to list for trading.

Nadex is adopting new Chapter 16 (Perpetual Security Futures Products) governing the listing, trading, margining, clearing, settlement, and adjustment of cash-settled single security futures, including perpetual single-security futures, each of which is a security futures product (each, a “SFP” and collectively, “SFPs”). Each SFP will represent one share of one eligible underlying stock. Unlike a security futures product that provides for a fixed expiration and a scheduled final settlement, the contracts that Nadex proposes to list are perpetual SFPs that have no fixed expiration date; the contract will not provide for delivery of, or convey ownership in, the underlying security. Each SFP will be cash settled and feature periodic real-time pricing mechanism adjustments, through which the contract will be adjusted throughout its existence to align with its underlying, full corporate-actions, and have no fixed expiration date and no scheduled final settlement. Each perpetual SFP may be terminated and settled in cash only upon an event specified in the Exchange’s rulebook. Further, the Exchange hereby certifies the listing, under a common set of contract specifications, of cash-settled SFPs on a range of eligible equity securities that meet the applicable Nadex listing standards (including, by way of illustration, large-cap securities such as Alphabet Inc. (“GOOGL”), Amazon.com Inc. (“AMZN”), Apple Inc. (“AAPL”), Meta Platforms, Inc. (“META”), Microsoft Corporation (“MSFT”), Nvidia Corporation (“NVDA”), and Tesla Inc. (“TSLA”), among others). The specific instruments to be

⁴ 15 U.S.C. 78f(g). On September 14, 2026, Nadex, in its capacity as a designated contract market under the Commodity Exchange Act, submitted a 1-N notice filing to the Commission to register as a national securities exchange for security futures products pursuant to the notice registration provisions of Section 6(g) of the Act. On September 16, 2026, the Commission issued a notice acknowledging receipt of such written notice and effectiveness of Nadex’s notice registration as a national securities exchange contemporaneously with Nadex’s submission of the 1-N notice. Acknowledgement of Receipt of Notice of Registration as a National Securities Exchange Pursuant to Section 6(g) of the Securities Exchange Act of 1934 by North American Derivatives Exchange Inc. (Sept. 16, 2026) [Release No. 34-106396; File No. 10-255], 91 Fed. Reg. 59823 (published Sept. 21, 2026).

listed will be published on Nadex's website or by notice. The Exchange intends to offer SFPs exclusively on its electronic trading platform.

The text of the proposed rule changes is included in Exhibit 4.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for the, Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for the, Proposed Rule Change

1. Purpose

The Exchange proposes to adopt contract specifications governing cash-settled single stock security futures, referred to in this filing as "SFPs." Each SFP is a perpetual future on one share of its underlying stock, with periodic real-time pricing mechanism cash adjustments that keep the contract aligned with the underlying, full corporate-action handling across the tenor, no fixed expiration date and no scheduled final settlement. Further, the Exchange hereby certifies the listing, under the common contract specifications described in this filing, of cash-settled SFPs on a range of eligible equity securities that meet the applicable Nadex listing standards including, by way of illustration, large-cap securities such as Alphabet Inc. Class A Common Stock ("GOOGL"), Amazon.com Inc. ("AMZN"), Apple Inc. ("AAPL"), Meta Platforms, Inc. ("META"), Microsoft Corporation ("MSFT"), Nvidia Corporation ("NVDA"), and Tesla Inc.

(“TSLA”), among others. The specific instruments to be listed will be published on Nadex’s website or by notice, and a general summary of the terms and conditions of SFPs is below.

SFPs - Summary Terms and Conditions

Contract Size – 1 share (one unit) of the underlying stock. (Rule 16.02(d))

Quotation Specification – Prices are quoted in U.S. dollars to two decimal places, with a minimum tick of \$0.01 and a tick value of \$0.01 for a one-share contract. (Rule 16.02(e))

Position Limits – Position limits will be established and applied in accordance with CFTC Regulation 41.25(b)(3) and the Nadex Rulebook; generally, the position limit for SFPs will be 2,500,000 contracts, and any applicable limit or accountability level will be set forth in the applicable contract specifications or on Nadex’s website. This 2,500,000 contract limit with a 1 share contract size is consistent with other currently listed security futures, which have a 25,000 contract limit applicable to a 100 share contract for securities with less than 20 million in estimated deliverable shares. (Rule 16.02(g), (h))

Underlying Index Price - Median of the national best bid, national best offer and last sale price published by the securities information processor (“SIP”) for the underlying (and during non-regular market hours, several different SEC-approved after hour market trading centers and inclusive of a secondary backup data vendor for SIP and non-regular market hours data). (Rule 16.03(a))

Trading Schedule – Continuous trading, subject to the trading hours, holiday schedules, underlying-market availability, and other limitations permitted by the Nadex Rulebook and applicable listing standards; the current product specifications contemplate trading pursuant to Nadex Rule 5.18. Notwithstanding Rule 5.18, SFP trading occurs 24 hours a day, 5 days a week. (Rule 16.02(c))

No Expiration and No Final Settlement – Perpetual SFPs have no fixed expiration date and no scheduled final settlement and a perpetual SFP may be terminated and settled in cash only upon an event specified in the Rulebook and applicable contract specifications. Convergence between the price of a Contract and the price of the Underlying Security is effected through the funding mechanism described in Rule 16.14 or the applicable contract specification. (Rule 16.02(b)) Nadex plans to use the final settlement price.

Real-time Pricing Mechanism – Periodic real-time pricing mechanism cash adjustments, currently contemplated at 00:00, 08:00, and 16:00 UTC, will be exchanged between long and short holders to keep each SFP's price aligned with its underlying stock, as specified in Rule 16.14 or the applicable contract specification. When funding is positive, longs pay shorts; when negative, shorts pay longs.

Trading Halts – Trading in a SFP will be halted at all times that a regulatory halt has been instituted for the underlying security, as provided in Rule 16.02(l) and CFTC Regulation 41.25(b)(2),⁵ and may be halted or otherwise restricted under the Nadex Rulebook and applicable listing standards. (Rule 16.02(l); Rule 16.12)

Termination – Upon termination pursuant to the Rule 16.15, the termination price for a perpetual SFP shall be the official opening price of the underlying security on its primary listing exchange on the Termination Date (as defined below) or, in the event the market for the underlying security closes without any trading activity that would permit the calculation of the termination price, such termination price will be calculated using the most recent regular session price or the next available opening price. This complies with SEC Rule 240.6h-1(b) and CFTC

⁵ 17 CFR 41.25(b)(2).

Regulation 41.25(c)⁶. The SFP will be terminated in USD cash with no physical delivery.

Terminating positions will be settled pursuant to a three-tier waterfall approach. (Rule 16.08(a) and (b)).

Daily Settlement – Open positions are settled twice each business day. A midday settlement at 12:00 ET and an end-of-day settlement of 17:00 ET (business days follow the exchange holiday calendar). At each daily settlement, the position's average open price is reset to the settlement price, so any unrealized profit or loss becomes realized. Realized profit is then available for withdrawal. Open positions will be settled daily pursuant to a three-tier waterfall approach. (Rule 16.08(a)).

Termination Date – The date on which a participant terminates or otherwise exits its SFP position in accordance with Rule 16.15.

Compliance with Listing Standards – The Exchange will list only SFPs based on eligible equity securities that satisfy the applicable Nadex listing standards, including the requirements in Rule 16.02 and the initial and maintenance listing standards in Rules 16.04 and 16.05. The specific instruments and their contract specifications will be published on Nadex's website or by notice.

The proposed rule changes are described below.

Rule 16.01 provides that Chapter 16 applies to the listing, trading, clearing, pricing, settlement, and adjustment of any Contract listed by Nadex that is a perpetual security future. The rule further provides that, except as expressly provided in Chapter 16, all other Rules of Nadex apply to perpetual security futures. Any change in instructions, order, ruling, directive, or law issued or enacted by any court or agency of the Federal Government of the United States that

⁶ 17 CFR 240.6h-1(b); 17 CFR 41.25(c).

conflicts with the Rules contained in this Chapter shall take precedence, immediately become a part of these Rules, and be effective for all currently traded and newly listed security futures.

Rule 16.02 provides that each security future based on a single equity security (each, a "Single Stock Future" or an "SSF") shall be based on an underlying single equity security listed in Schedule A of Chapter 16 (the "Underlying Security"), which satisfies the requirements set forth in CFTC Rule 41.21(a) and the initial and maintenance listing standards in Rules 16.04 and 16.05, as may be determined from time to time by the Exchange.

Rule 16.02 specifies that each SSF shall have no specified dated tenor, shall remain listed and tradable until otherwise terminated pursuant to the Rulebook, shall be cash-settled based on its opening price, and will not expire. SSF trading occurs 24 hours a day, 5 days a week, and SSFs will not be traded during holidays and other periods when the underlying markets for the securities are not open; however, trading during the market close is permitted based on available liquidity in the order book. SSF trading is subject to any applicable halt, suspension, Emergency Rule, or product-specific restriction, and SSFs settle on a daily basis during market hours.

Rule 16.02 further provides that each SSF represents a contract for 1 share of the Underlying Security, with a minimum trade size of 0.01 contract. Prices shall be quoted in U.S. dollars per share to two decimal places, with a minimum price fluctuation of \$0.01 per share. SSFs are not subject to daily price limits unless otherwise specified by Nadex or by notice. Position limits for each SSF shall be 2,500,000 contracts, subject to the cap prescribed by CFTC Regulation 41.25(b)(3).

Rule 16.03 defines "Underlying Index Price" to mean the median of the national best bid, national best offer, and last sale price published by the securities information processor ("SIP") for the Underlying Security (and during non-regular market hours, several different SEC-

approved after hour market trading centers and inclusive of a secondary backup data vendor for SIP and non-regular market hours data).

Rule 16.04⁷ sets out the standards pursuant to which the Exchange will list Contracts. The proposed listing standards require, among other things, that the Underlying Security must be a common stock registered under Section 12 of the Securities Exchange Act of 1934, listed on a national securities exchange or traded as an NMS security, and must have at least seven million publicly owned shares. Further, the Underlying Security must have at least 2,000 security holders.

Rule 16.04 also includes interpretations addressing the application of these requirements to Restructure Securities, including a Look-Back Test that permits the Exchange to consider the trading volume and market price history of the Original Equity Security prior to the ex-date of the Restructuring Transaction, subject to specified conditions.

Rule 16.05 establishes maintenance standards for the continued listing of SSFs. Under the maintenance standards, the Underlying Security must remain registered under Section 12 of the Exchange Act; must have at least 6,300,000 publicly owned shares outstanding; must have at least 1,600 shareholders; must have had a minimum average daily value of transactions of at least \$200 million for the prior calendar quarter (or \$1 billion for securities listed for less than a quarter); and must have a minimum market capitalization of at least \$50 billion. The market price per share of the Underlying Security must not have closed below \$3.00 on the previous trading day.

Rule 16.06 provides that SSF orders shall be matched and allocated in accordance with Nadex 's Trading System functionalities and Chapter 5. Crossing transactions and pre-execution

⁷ The Exchange notes that Rule 16.04(a)(5), (6), (7), and (9) are marked as “Reserved.”

communications for SSFs must comply with Nadex 's order handling, exposure, and crossing requirements under Chapter 5.

Rule 16.07 provides that each SSF shall be cleared by the Clearinghouse. Upon acceptance for clearing, Nadex 's and Members' rights and obligations shall be as provided under the applicable clearing arrangements, and novation shall occur in accordance with the rules of the Clearinghouse. Delivery shall be by cash settlement in accordance with the rules and procedures of the Clearinghouse; no physical delivery of the Underlying Security shall occur.

Rule 16.08 provides that the daily settlement price of an SSF shall be determined based upon a three-tier waterfall approach: (1) a 1-minute VWAP of the futures contract; (2) a 1-minute TWAP of the futures contract midpoint of the Bid/Ask; and (3) index net change, where no transaction in the SSF contract occurs within the applicable window and no sampling point is complete, the daily settlement price shall be the prior daily settlement price adjusted by the net change in the Underlying Index Price over the intervening period. The termination price shall be based on the official opening price of the Underlying Security on the Termination Date.

Rule 16.10⁸ provides that, throughout the full tenor of an SSF, Nadex may adjust or settle SSFs in accordance with the Clearinghouse based on its judgment as to what is appropriate for the protection of investors and the public interest. Adjustments to SSFs to account for corporate actions or other events affecting the Underlying Security - including dividends, stock splits, reverse splits, spin-offs, mergers, consolidations, reorganizations, delistings, and other events - shall be made in accordance with the standards set out in the Rule. As a general rule, there will be no adjustments to reflect ordinary cash dividends or distributions.

⁸ The Exchange notes that Rule 16.09 is marked as “Reserved.”

Rule 16.11 provides that order entry, modification, cancellation, and recordkeeping for SSFs shall comply with Chapter 5 and CFTC Regulation 1.31. The rule establishes cross-market surveillance procedures to detect, investigate, and deter manipulation, insider trading, and other prohibited conduct. Certain persons, including directors and officers of the issuer of the Underlying Security and persons in possession of material non-public information, are prohibited from trading in SSFs.

Rule 16.12 provides that Nadex may halt trading in SSFs to prevent or reduce the risk of price distortions or market disruptions, including where the underlying market is halted or subject to a limit state. Nadex will coordinate regulatory trading halts between the Exchange and the markets on which any Underlying Security is traded.

Rule 16.13 provides that each Member with access to the Trading System to trade SSFs must be registered with the CFTC as an FCM and registered with the Securities and Exchange Commission as either a broker-dealer under Section 15(b)(1) of the Exchange Act or as a notice-registered broker-dealer under Section 15(b)(11) of the Exchange Act. Trading in SSFs is subject to Nadex's market surveillance under Chapter 9, and violations are subject to disciplinary action.

Rule 16.14 provides that the Funding Rate for perpetual SSFs shall be a periodic cash adjustment exchanged directly between Customers of long and short open positions at each Funding Time. When the Funding Rate is positive, Customers with long positions shall pay Customers with short positions; when the Funding Rate is negative, Customers with short positions shall pay Customers with long positions. Funding Times shall be 00:00, 08:00, and 16:00 UTC, or such other times as Nadex may specify by notice. The Funding Rate is calculated using a formula that incorporates the Premium (the time-weighted average premium of the SSF over its Underlying Index Price), an Interest component, Asset Multiplier, Cap, and Floor

parameters, with an outer clamp function limiting the Funding Rate within the range established by the Floor and Cap.

Rule 16.14 further provides that perpetual SSFs shall be cash settled in U.S. dollars, and that the Exchange shall list only one perpetual SSF per Underlying Security at any given time. The perpetual SSF shall have no expiration date and no final settlement date. Margin calculations shall follow the Exchange's three-tier approach, with margin at least 15.05% of the position value, or such other amount as specified in the applicable product specifications or as required by CFTC Regulations 41.42 through 41.49 (without exceptions for offsets permitted under those regulations).

Rule 16.15 provides that the procedures for termination of each SSF shall be set out in the final contract specifications.

Rule 16.16 sets forth provisions regarding margin requirements. Rule 16.16(a) provides that customer margin shall be established at levels no lower than those prescribed by SEC Rule 242.403⁹ and CFTC Regulation 41.45¹⁰ or any successor regulations. Rule 16.16(a) elaborates by establishing the requisite margin level for each long or short position in a perpetual security future product at 15.05% of the current market value of such security futures contract, or such other requirement as may be established by the SEC and CFTC for purposes of SEC Rule 242.403(b)(1)¹¹ and CFTC Regulation 41.45(b)(1).¹²

Rule 16.16(b)(1) identifies “exempted persons” and “market makers” as non-customers for purposes of the proposed rule amendments. Those non-customers are, therefore, exempt from

⁹ 17 CFR 242.403.

¹⁰ 17 CFR 41.45.

¹¹ 17 CFR 242.403(b)(1).

¹² 17 CFR 41.45(b)(1).

the application of such provisions. Exempted persons are specifically identified by reference to applicable SEC and CFTC Regulations.

SEC Rule 242.400(c)(2)(v)¹³ and CFTC Regulation 41.42(c)(2)(v)¹⁴ permit exchanges to adopt rules containing specified requirements for security futures dealers, on the basis of which the financial relations between security futures intermediaries, on the one hand, and qualifying security futures dealers, on the other, are excluded from the margin requirements for perpetual security futures. Rules so adopted by an exchange must meet the criteria set forth in Section 7(c)(2)(B) of the Act.¹⁵ Nadex proposes a market maker exclusion in its Rule 16.16(b)(2) consistent with the requirements of those provisions. To qualify for the market maker exclusion, a person must be a member of Nadex and registered as a dealer with the SEC under Section 15(b) of the Act.¹⁶ A proposed market maker must also hold itself out as willing to buy and sell perpetual security futures for its own account on a regular or continuous basis. The proposed market maker exclusion provides three alternative ways for a person to satisfy this requirement. Under the first alternative, the market maker must (1) provide continuous two-sided quotations throughout the trading day for all perpetual security futures contracts representing a meaningful proportion of the total trading volume of security futures contracts on the Exchange, subject to relaxation during unusual market conditions as determined by Nadex (such as a fast market in either a perpetual security futures contract or a security underlying a perpetual security futures contract) at which times the market maker must use its best efforts to quote continuously and competitively; and (2) when providing quotations, quote with a maximum bid/ask spread of no

¹³ 17 CFR 242.400(c)(2)(v).

¹⁴ 17 CFR 41.42(c)(2)(v).

¹⁵ 15 U.S.C. 78g(c)(2)(B).

¹⁶ 15 U.S.C. 78o(b).

more than the greater of \$0.20 or 150% of the bid/ask spread in the primary market for the security underlying each perpetual security futures contract. Beginning on the 181st calendar day after the commencement of trading of security futures contracts on the Exchange, a “meaningful proportion of the total trading volume of security futures contracts on the Exchange from time to time” shall mean a minimum of 20% of such trading volume.

Under the second alternative, the market maker must (1) respond to at least 75% of the requests for quotation for all perpetual security futures contracts representing a meaningful proportion of the total trading volume of perpetual security futures contracts on the Exchange, subject to relaxation during unusual market conditions as determined by the Exchange (such as a fast market in either a perpetual security futures contract or a security underlying a perpetual security futures contract) at which times the Market Maker must use its best efforts to quote competitively; and (2) when responding to requests for quotation, quote within five seconds with a maximum bid/ask spread of no more than the greater of \$0.20 or 150% of the bid/ask spread in the primary market for the security underlying each security futures contract. As with the first alternative, beginning on the 181st calendar day after the commencement of trading of security futures contracts on the Exchange, a “meaningful proportion of the total trading volume of security futures contracts on the Exchange from time to time” shall mean a minimum of 20% of such trading volume.

Under the third alternative, the market maker is assigned to a group of perpetual security futures contracts listed on the Exchange that is either unlimited in nature (“Unlimited Assignment”) or is assigned to no more than 20% of the security futures contracts listed on the Exchange (“Limited Assignment”). In addition, this alternative provides that: (a) At least 75% of the market maker’s total trading activity in Exchange perpetual security futures contracts is in its

assigned perpetual security futures contracts, measured on a quarterly basis; (b) during at least 50% of the trading day, the market maker has bids or offers in the market that are at or near the best market, except in unusual market conditions (such as a fast market in either a perpetual security futures contract or a security underlying a perpetual security futures contract), with respect to at least 25% (in the case of an Unlimited Assignment) or at least one (in the case of a Limited Assignment) of its assigned security futures contracts; and (c) the first two requirements are satisfied on at least 90% (in the case of an Unlimited Assignment) or 80% (in the case of a Limited Assignment, or in the case of either an Unlimited or Limited Assignment but where the Exchange is listing four or fewer security futures contracts) of the trading days in each calendar quarter.

Under the proposed revisions, market makers are required to maintain books and records including trading statements and other financial records that would evidence compliance with these standards. This recordkeeping requirement includes, without limitation, such trading statements and other financial records as may be necessary specifically to verify compliance. Failure on the part of a market maker to comply with these standards may result in revocation of security futures dealer status or other sanctions provided under Exchange Rules.

Rule 16.16(d)(1¹⁷) identifies the types of margin that a security futures intermediary may accept from a customer. Consistent with SEC Rule 242.404(b)¹⁸ and CFTC Regulation 41.46(b),¹⁹ acceptable types of margin are limited to: deposits of cash, margin securities (subject to specified restrictions), exempted securities, any other assets permitted under Regulation T of the Board of Governors of the Federal Reserve System to satisfy a margin deficiency in a

¹⁷ The Exchange notes new Rule 16.16(c) is marked as “Reserved.”

¹⁸ 17 CFR 242.404(b).

¹⁹ 17 CFR 41.46(b).

securities margin account, and any combination of the foregoing. Proposed Rule 16.16(d)(1) further provides that the different types of eligible margin are to be valued in accordance with the applicable principles set forth in SEC Rules 242.404(c)²⁰ and 242.404(e)²¹ and CFTC Regulations 41.46(c)²² and 41.46(e).²³ Proposed Rule 16.16(d)(2) provides that a security futures intermediary shall not accept as margin from any customer securities that have been issued by that customer or an affiliate of that customer unless the intermediary files a petition with and receives permission from the Exchange for such purpose. Proposed Rule 16.16(d)(3) provides that all assets deposited by a customer to meet margin requirements must be and remain unencumbered by third-party claims against that customer.

Rule 16.16(e)(1) requires a security futures intermediary to take the deduction required with respect to an underfunded account in computing its net capital under applicable SEC and CFTC Regulations if the customer has failed to comply with a required margin call within a reasonable period of time. This requirement is consistent with SEC Rule 242.406(a)²⁴ and CFTC Regulation

²⁰ 17 CFR 242.404(c).

²¹ 17 CFR 242.404(e).

²² 17 CFR 41.46(c).

²³ 17 CFR 41.46(e).

²⁴ 17 CFR 242.406(a).

41.48(a).²⁵ Further, Rule 16.16(e)(2) requires the liquidation of an account where there is a liquidating deficit, in accordance with SEC Rule 242.406(b)²⁶ and CFTC Regulation 41.48(b).²⁷

2. Statutory Basis

Section 6(h)(3) of the Act²⁸ contains listing standards and conditions for trading SFPs. The Exchange believes that the proposed amendments to Chapter 16 are consistent with Section 6(h)(3),²⁹ and that they are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and in general to protect investors and the public interest. Below is a summary of each requirement or condition under Section 6(h)(3) of the Act, followed by a brief explanation of how Nadex would comply with it, whether by particular provisions in Nadex's listing standards or otherwise.

Clause (A) of Section 6(h)(3) of the Act³⁰ requires that any security underlying a SFP be registered pursuant to Section 12 of the Act.³¹ This requirement is addressed by Nadex Rule 16.04(a)(2). Further, under Rule 16.02(j), contract specifications will be published on Nadex's website.

Clause (B) of Section 6(h)(3) of the Act³² requires that a market on which a physically settled SFP is traded, have arrangements in place with a registered clearing agency for the payment and delivery of the securities underlying the SFP. This requirement is applicable only to

²⁵ 17 CFR 41.48(a).

²⁶ 17 CFR 242.406(b).

²⁷ 17 CFR 41.48(b).

²⁸ 15 U.S.C. 78f(h)(3).

²⁹ Id.

³⁰ 15 U.S.C. 78f(h)(3)(A).

³¹ 15 U.S.C. 78l.

³² 15 U.S.C. 78f(h)(3)(B).

physically delivered security futures products. Nadex is only offering cash-settled SFPs, and, therefore, the requirement in Section 6(h)(3) of the Act is not germane to the proposed products.

Clause (C) of Section 6(h)(3) of the Act³³ provides that listing standards for SFPs must be no less restrictive than comparable listing standards for options traded on a national securities exchange or national securities association registered pursuant to Section 15A(a) of the Act.³⁴ Nadex believes that its listing standards for perpetual SFPs are no less restrictive than the sample listing standards (“Sample Listing Standards”) included in the Commission’s Staff Legal Bulletin No. 15,³⁵ which were “sample security futures listing standards, which the Division of Market Regulation considers to be comparable to listing standards for options,”³⁶ except that they:

- Provide for the trading of perpetual, cash-settled single security futures contracts for trading as SFPs;
- Include more stringent listing requirements, as described below; and
- Provide for a real-time pricing mechanism intended to align the SFP’s price with the price of the underlying security.

Nadex’s initial listing standards require that each Underlying Security satisfy the following requirements set forth in Rule 16.04(a):

- (1) It must be a common stock.

³³ 15 U.S.C. 78f(h)(3)(C).

³⁴ 15 U.S.C. 78o-3(a).

³⁵ Division of Market Regulation: Staff Legal Bulletin No. 15 (Sept. 5, 2001), *available at* <https://www.sec.gov/interps/legal/mrslb15.htm>.

³⁶ Id.

(2) It must be registered under Section 12 of the Act,³⁷ and its issuer must be in compliance with any applicable requirements of the Act.

(3) It must be listed on a national securities exchange or traded through the facilities of a national securities association and reported as a “national market system” security as set forth in Rule 11Aa3-1 under the Act (“NMS security”).³⁸

(4) There must be at least seven million shares or receipts evidencing the Underlying Security outstanding that are owned by persons other than those required to report their security holdings pursuant to Section 16(a) of the Act.³⁹

(5) There must be at least 2,000 security holders.

(6) The Exchange will not list for trading any SSF where the Underlying Security is a Restructure Security that is not yet issued and outstanding, regardless of whether the Restructure Security is trading on a “when issued” basis or on another basis that is contingent upon the issuance or distribution of securities. In addition, the proposed SFPs are perpetual with no expirations, which are operationally feasible for Nadex.

The Exchange also may prohibit any opening purchase transactions in SFPs already trading to the extent it deems such action necessary or appropriate, unless the underlying security meets each of the maintenance listing requirements for SFPs in Rule 16.05, which meet the maintenance listing standards provided for in the Commission’s Staff Legal Bulletin No. 15.

Specifically, the maintenance listing standards in Rule 16.05(a) require that the Underlying Security meet each of the following:

³⁷ 15 U.S.C. 78l.

³⁸ 15 U.S.C. 78k-1; 17 CFR 240.601.

³⁹ 15 U.S.C. 78p(a)

- (1) It must be registered under Section 12 of the Act.⁴⁰
- (2) There are at least 6,300,000 shares outstanding that are owned by persons other than those who are required to report their security holdings under Section 16(a) of the Act.⁴¹
- (3) There are at least 1,600 shareholders.
- (4) It must have had a minimum average daily value of transactions of at least \$200 million for the prior calendar quarter, except where the underlying security has been listed for trading for less than a quarter, in which case the underlying security must have had a minimum average daily value of transactions of at least \$1 billion over the period traded during the calendar quarter.
- (5) It must have a minimum market capitalization of at least \$50 billion.
- (6) The market price per share or receipt of the Underlying Security has not closed below \$3.00 on the previous trading day to the expiration day of the nearest expiring SSF contract on the Underlying Security. The market price per share of the Underlying Security will be measured by the closing price reported in the primary market in which the Underlying Security traded.

Further, Rule 16.14's real-time pricing mechanism with respect to SFPs keeps the applicable SFP aligned with its underlying in the same manner. The real-time pricing mechanism recreates the put-call parity that holds equity options to their underlying by requiring an explicit interest-rate (financing) component in the rate, which mirrors the cost-of-carry term built into option prices. While an option's time decay is slow until expiration approaches, the real-time

⁴⁰ 15 U.S.C. 78l.

⁴¹ 15 U.S.C. 78p(a)

pricing mechanism is applied every eight hours for the entire life of the SFP, so potential value drift is addressed promptly and repeatedly.

For the reasons discussed herein, notwithstanding specified differences between the Sample Listing Standards and Nadex's listing standards, Nadex believes that the latter are no less restrictive than comparable listing standards for exchange-traded options.

Clause (D) of Section 6(h)(3) of the Act⁴² requires that each SFP be based upon common stock and such other equity securities as the Commission and the CFTC jointly determine appropriate. This requirement is addressed in Rule 16.04(a)(1).

Clause (E) of Section 6(h)(3) of the Act⁴³ requires that each SFP be cleared by a clearing agency that has in place provisions for linked and coordinated clearing with other clearing agencies that clear SFPs. This provision is inapplicable. The SEC and CFTC have not adopted rules implementing this part of the statute, and no other clearing agency currently clears the proposed cash-settled SFPs. Section 6(h)(7) of the Act⁴⁴ defers this requirement until the "compliance date," as defined in that Section. Nadex, in its capacity as a registered derivatives clearing organization, will serve as the clearinghouse for SFPs traded through the Exchange's facilities.

Clause (F) of Section 6(h)(3) of the Act⁴⁵ requires that only a broker or dealer subject to suitability rules comparable to those of a national securities association registered pursuant to Section 15A(a) of the Act⁴⁶ effect transactions in an SFP. An intermediary acting on behalf of

⁴² 15 U.S.C. 78f(h)(3)(D).

⁴³ 15 U.S.C. 78f(h)(3)(E).

⁴⁴ 15 U.S.C. 78f(h)(7).

⁴⁵ 15 U.S.C. 78f(h)(3)(F).

⁴⁶ 15 U.S.C. 78o-3(a).

customers trading SFPs must be registered with the CFTC as a futures commission merchant (“FCM”) and registered or notice registered with the SEC as a broker-dealer. Any such intermediary that is fully registered as a broker-dealer will be a member of FINRA, which is a national securities association registered pursuant to Section 15A(a) of the Act,⁴⁷ and will thus be subject to FINRA’s suitability rules. In addition, all Nadex clearing members authorized to handle SFPs and their correspondents are bound by the applicable sales practice rules of National Futures Association (“NFA”), which is a national securities association. As such, the sales practice rules of NFA are generally comparable to those of a national securities association registered pursuant to Section 15A(a) of the Act.⁴⁸ Moreover, the application of NFA sales practice rules is extended beyond the Nadex clearing membership to the extent that NFA Bylaw 1101 provides that “[n]o Member may carry an account, accept an order or handle a transaction in commodity futures contracts for or on behalf of any non-Member of NFA.”⁴⁹

Clause (G) of Section 6(h)(3) of the Act⁵⁰ requires that each SFP be subject to the prohibition against dual trading in Section 4j of the CEA.⁵¹ This prohibition applies to a contract market operating an electronic trading system if such market provides participants with a time or place advantage or the ability to override a predetermined matching algorithm. The Exchange intends to offer SFPs on Nadex exclusively on its electronic trading platform, as described further in Rule 16.11. Because the conditions described above do not exist in Nadex’s electronic

⁴⁷ 15 U.S.C. 78o-3(a).

⁴⁸ 15 U.S.C. 78o-3(a).

⁴⁹ NFA Bylaw 1101(a).

⁵⁰ 15 U.S.C. 78f(h)(3)(G).

⁵¹ 7 U.S.C. 6j

trading platform system, the Nadex Rulebook contains no specific rule relating to dual trading in an electronic forum.

Further, the prohibition of dual trading in SFPs under Regulation 41.27,⁵² adopted pursuant to Section 4j(a) of the CEA,⁵³ applies to a contract market operating an electronic trading system if such market provides participants with a time or place advantage or the ability to override a predetermined matching algorithm. The Exchange intends to offer SFPs on Nadex exclusively on its electronic trading platform. Because those conditions do not exist in Nadex's electronic trading platform system, the Nadex Rulebook contains no specific rule relating to dual trading in an electronic forum.

Clause (H) of Section 6(h)(3) of the Act⁵⁴ provides that trading in a SFP must not be readily susceptible to manipulation of the price of such SFP, nor to causing or being used in the manipulation of the price of any underlying security, option on such security, or option on a group or index including such securities. Nadex believes that its listing and contract specifications in Rule 16.02 are designed to ensure that Nadex SFPs and the underlying securities would not be readily susceptible to price manipulation. Nadex intends initially to list SFPs on highly liquid securities as measured by average daily trading volume, which must meet the listing standards outlined in Rules 16.04 and 16.05. In addition, Rule 5.19 (m) of the Nadex Rulebook states that no participant "shall engage in any activity that violates any anti-fraud provision, any anti-manipulation provision, or any other provision of the CEA or the Commission's Regulations" and Chapter 9 of the Nadex Rulebook (Rule Enforcement) will generally apply to all transactions in SFPs.

⁵² 17 CFR 41.27.

⁵³ 7 U.S.C. 6j(a).

⁵⁴ 15 U.S.C. 78f(h)(3)(H).

In addition, under Nadex Rule 5.19(x), “No Participant shall, intentionally or recklessly, directly or indirectly, engage or attempt to engage in any fraudulent act or intentionally or recklessly, directly or indirectly, use or employ, or attempt to use or employ, any manipulative device, scheme or artifice to defraud, deceive, trick or mislead or intentionally or recklessly, directly or indirectly, engage, or attempt to engage in any other activity prohibited by CFTC Regulation 180.1(a), or (b) engage, or attempt to engage, in any other activity prohibited by CEA section 9(a)(2), in each case of (a) and (b) in connection with or related to any activities on the Exchange or clearinghouse.” The position limit standards set forth in Rule 16.02(g) are also designed to prevent market manipulation with respect to SFPs, as the position limits will be no greater than those prescribed by CFTC Regulation 41.25.⁵⁵

With respect to termination prices, Rule 16.08(b) establishes how the termination price is determined for cash-settled SFPs. For each SFP, the Termination Price will be the official opening price of the underlying security on its primary listing exchange on the expiration date. If the official opening price is unavailable because the underlying market did not open, remained halted, or otherwise did not publish an opening price, the applicable rule will provide for a reasonable alternative determination, such as the last preceding closing price, the next available opening price, an average of prices during an appropriate period, or another reasonable measure as required by SEC Rule 6h-1(b) and CFTC Regulation 41.25(c).

Rule 16.10 provides that the Clearinghouse will implement adjustments to SFPs when corporate actions or similar events affect the underlying security, pursuant to its established rules and procedures for the entire existence of the SFP position. Depending on the event, adjustments

⁵⁵ 17 CFR 41.25.

may include modifying the contract multiplier, unit of trading, settlement price, underlying security, or other contract terms.

Consistent with the Exchange's insider-trading controls, Nadex proposes that the following persons be prohibited from trading in the relevant SFPs: (1) any person who is a director or officer subject to Section 16 of the Act of a corporation that is the issuer of an underlying security; and (2) any person in possession of material non-public information regarding such issuer (Rule 16.11(i)). Nadex Rule 5.19(u) already prohibits an Insider with access to material non-public information regarding an Underlying, or a person able to influence the outcome of an Underlying, from attempting to enter into or entering into any trade, directly or indirectly, in the relevant Contracts, and prohibits soliciting or inducing another person to disclose material non-public information.

Clause (I) of Section 6(h)(3) of the Act⁵⁶ requires that procedures be in place for coordinated surveillance amongst the market on which a SFP is traded, any market on which any security underlying the SFP is traded, and other markets on which any related security is traded to detect manipulation and insider trading. The Exchange has surveillance procedures in place to detect manipulation on a coordinated basis with other markets. In particular, Nadex is an affiliate member of the Intermarket Surveillance Group ("ISG") and is party to an affiliate agreement and an agreement to share market surveillance and regulatory information with the other ISG members. Under Rule 16.11(f), Nadex will maintain and implement written procedures for coordinated cross-market surveillance to detect, investigate, and deter manipulation, insider trading, and other prohibited conduct in connection with trading in any SFP listed on the Exchange. Finally, Nadex Rule 3.4(b) notes that Nadex may provide any information about any

⁵⁶ 15 U.S.C. 78f(h)(3)(I).

Member in connection with information sharing agreements or other contractual, regulatory or legal provisions, in addition to sharing information with foreign regulatory or self-regulatory bodies, law enforcement authorities, or judicial tribunals.

Clause (J) of Section 6(h)(3) of the Act⁵⁷ requires that a market on which a SFP is traded have in place audit trails necessary or appropriate to facilitate the coordinated surveillance referred to in the preceding paragraph. Under Rule 16.11(g), Nadex will establish an audit trail to facilitate coordinated surveillance among the Exchange and any market on which any underlying security is traded. The Exchange relies upon its Compliance Department and its highly trained staff to actively monitor market participants and their trading practices and to enforce compliance with Nadex rules. Nadex Compliance Department staff is organized into Compliance and Market Surveillance Groups. The Exchange's trading system will capture all audit trail data for trading of SFPs, which is maintained in accordance with Core Principle 10 in CEA Section 5(d)(10)⁵⁸ and CFTC Regulations 38.550,⁵⁹ 38.551⁶⁰ and 38.552.⁶¹ The Exchange retains this highly granular audit trail for a minimum of 5 years, as required by CFTC Regulation 1.31(b).⁶²

Nadex Compliance is responsible for enforcing the trading practice rules of the Exchange through detection, investigation, and prosecution of those who may attempt to violate those Nadex Rules. Further, Nadex Compliance is responsible for handling customer complaints, ensuring the integrity of the Exchange's audit trail, and administering an arbitration program for

⁵⁷ 15 U.S.C. 78f(h)(3)(J).

⁵⁸ 7 U.S.C. 7(d)(10).

⁵⁹ 17 CFR 38.550.

⁶⁰ 17 CFR 38.551.

⁶¹ 17 CFR 38.552.

⁶² 17 CFR 1.31(b).

the resolution of disputes. Nadex Compliance employs investigators, attorneys, trading floor investigators, data analysts, and a computer programming and regulatory systems design staff.

Nadex Compliance Department staff investigates possible misconduct and, when appropriate, initiates disciplinary action. Rule 16.13 and Chapter 9 of the Nadex Rulebook address the Exchange's disciplinary process. Further, per Nadex Rule 3.4(a), the Exchange requires its members to "cooperate promptly and fully" with Nadex, "its agents, any appropriate Self-Regulatory Organization, any appropriate Government Agency, and the Commission in any investigation, call for information, inquiry, audit, examination, or proceeding.

Nadex Rule 5.5 requires that certain information be recorded with respect to each order, including: (1) order direction (i.e., buy or sell); (2) order type (e.g., Limit Order or Market Order); (3) duration of the order (e.g., Fill or Kill, Immediate or Cancel, Good 'Til Cancel); (4) the Series of Contract; (5) the limit price at which the Trading Member wants to buy or sell the Contract, in the case of Limit Orders; (6) the number of Contracts the Trading Member want to buy or sell; (7) the Tolerance Protection in the case of Market Orders With Protection; and (8) the user identifier for the Trading Member. As described above, Nadex Rulebook's "Monitoring the Market" rule requires Nadex's Trading System to record and store, for a period of not less than 5 years in a searchable, read-only database, all data entered into the Trading System, including the Participant's identity and the information in Rule 5.5.

Clause (K) of Section 6(h)(3) of the Act⁶³ requires that a market on which an SFP is traded have in place procedures to coordinate trading halts between such market and any market on which any security underlying the SFP is traded and other markets on which any related security is traded. Rule 16.02(l) would provide, in accordance with Regulation 41.25(b)(2) of

⁶³ 15 U.S.C. 78f(h)(3)(K).

CEA,⁶⁴ that “[t]rading of an [SFP] shall be halted at all times when a regulatory halt has been instituted for the Underlying Security.” In addition, Rule 16.12(c) provides that Nadex will coordinate regulatory trading halts between the Exchange and the markets on which any Underlying Security is traded.

Clause (L) of Section 6(h)(3) of the Act⁶⁵ requires that the margin requirements for a SFP comply with the regulations prescribed pursuant to Section 7(c)(2)(B) of the Act.⁶⁶ Rule 16.16 provides for a minimum margin requirements of not less than 15.05% of the current market value of the security futures,⁶⁷ in accordance with Section 6(h)(3) of the Act and 17 CFR 242.403 and CFTC Regulation 41.45.

Thus, Nadex believes that its proposed margin rules are consistent with the requirements of the Act.

For the reasons described above, Nadex believes that its proposal submitted herewith satisfies the requirements set forth in Section 6(h)(3) of the Act.⁶⁸ The Exchange also believes that its proposed rule changes are consistent with Section 6(b) of the Act,⁶⁹ in general, and furthers the objectives of Section 6(b)(5) of the Act,⁷⁰ in particular, in that it is designed to remove impediments to and perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest.

⁶⁴ 17 CFR 41.25(b)(2).

⁶⁵ 15 U.S.C. 78f(h)(3)(L).

⁶⁶ 15 U.S.C. 78g(c)(2)(B).

⁶⁷ 17 CFR 242.403; 17 CFR 41.45.

⁶⁸ 15 U.S.C. 78f(h)(3).

⁶⁹ 15 U.S.C. 78f(b).

⁷⁰ 15 U.S.C. 78f(b)(5).

B. Self-Regulatory Organization's Statement on Burden on Competition

Nadex does not believe that the proposed rule changes would impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule changes will simply allow Nadex to list certain security futures products. Nothing in the filing restricts or impedes another exchange from offering security futures products for trading subject to its compliance with applicable regulatory requirements under the Act, CEA, and respective rules of the Commission and CFTC governing security futures products.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from members or other interested parties.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The proposed rule change would become effective upon approval by the CFTC pursuant to CFTC Regulations.

Within 60 days of the date of effectiveness of the proposed rule change, the Commission, after consultation with the CFTC, may summarily abrogate the proposed rule change and require that the proposed rule change be refiled in accordance with the provisions of Section 19(b)(1) of the Act.⁷¹

⁷¹ 15 U.S.C. 78s(b)(1).

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-OGM-2026-001 on the subject line.

Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-OGM-2026-001. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection.

All submissions should refer to File Number SR-OGM-2026-001 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁷²

Sherry R. Haywood,
Assistant Secretary.

⁷² 17 CFR 200.30-3(a)(73).