

# NADEX CLEARING, LLC

## Form DCO: Exhibit A-1

CORE PRINCIPLE	RELATED RULES/DOCUMENTS	APPLICANT COMMENTS
<p>(A) COMPLIANCE.—</p> <p>(i) IN GENERAL.—To be registered and to maintain registration as a derivatives clearing organization, a derivatives clearing organization shall comply with each core principle described in this paragraph and any requirement that the Commission may impose by rule or regulation pursuant to section 8a(5).</p> <p>(ii) DISCRETION OF DERIVATIVES CLEARING ORGANIZATION.—Subject to any rule or regulation prescribed by the Commission, a derivatives clearing organization shall have reasonable discretion in establishing the manner by which the derivatives clearing organization complies with each core principle described in this paragraph.</p>	<p>Exhibit A-2 (Rules of Nadex Clearing (“<b>Rules</b>”))</p> <p>Exhibit A-8 (LLC Agreement)</p> <p>Exhibit P-a(2) (Committee Charters)</p>	<p>The application of Nadex Clearing, LLC (“<b>Nadex Clearing</b>” or “<b>Clearinghouse</b>”), including the Exhibits thereto, demonstrates that Nadex Clearing complies with each of the derivatives clearing organization Core Principles.</p>
<p>(B) FINANCIAL RESOURCES.—</p> <p>(i) IN GENERAL.—Each derivatives clearing organization shall have adequate financial, operational, and managerial resources, as determined by the Commission, to discharge each responsibility of the derivatives clearing organization.</p> <p>(ii) MINIMUM AMOUNT OF FINANCIAL RESOURCES.—Each derivatives clearing organization shall possess financial resources that, at a minimum, exceed the total amount that would—</p> <p>(I) enable the organization to meet its financial obligations to its members and participants notwithstanding a default by the member or participant creating the largest financial exposure for that organization in extreme but plausible market conditions; and</p> <p>(II) enable the derivatives clearing organization to cover the operating costs of the derivatives clearing organization for a period of 1 year (as calculated on a rolling basis).</p>	<p>Exhibit A-2 (Rules)</p> <p>Exhibit A-4 (Business Plan)</p> <p>Exhibit A-8 (Organizational Documents)</p> <p>Exhibit A-11 (Nadex Clearing Compliance Manual (“<b>Compliance Manual</b>”))</p> <p>Exhibit B-1(4) (Financial Resources Agreement)</p> <p>Exhibit D-1 (Clearing House Manual of Operations)</p> <p>Exhibit P-a(2) (Committee Charters)</p>	<p>Nadex Clearing is organized as a Delaware limited liability company and is wholly owned by North American Derivatives Exchange, Inc., which is wholly owned by IG US Holdings Inc. (“<b>IG US Holdings</b>”), which in turn is indirectly wholly owned by IG Group Holdings plc (“<b>IG Group Holdings</b>”). The Limited Liability Company Agreement of Nadex Clearing, LLC (the “<b>LLC Agreement</b>”), the Rules of Nadex Clearing (the “<b>Rules</b>”), and the Charters of Nadex Clearing’s Committees (including its Risk Management and Audit Committee) and its Clearing House Manual of Operations (“<b>Operating Manual</b>”) govern the management and operation of Nadex Clearing.</p> <p>Nadex Clearing will be initially capitalized with \$5.5 million of subordinated debt, consisting of \$2.5 million to ensure that Nadex Clearing has cash on hand at all times equal to no less than one year of operating requirements, considered on a rolling basis, and a \$3 million Guaranty Fund deposit. (Capitalized terms used but not defined in this <u>Exhibit A-1</u> have the meanings ascribed thereto in the Rules of Nadex Clearing.)</p> <p>In particular, Nadex Clearing will maintain a Guaranty Fund consisting of an initial contribution of \$3 million from Nadex Clearing and mandatory contributions from Clearing Members. Clearing Members must make an initial contribution to the Guaranty Fund of \$500,000. Nadex Clearing also will have the ability to levy assessments against Clearing Members in the unlikely event that the</p>

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		<p>assets of a defaulting Clearing Member that have been pledged to Nadex Clearing (including the defaulting Clearing Member’s Margin deposits and Guaranty Fund contribution) and the remaining resources in the Guaranty Fund are not sufficient to cover the obligations of a defaulting Clearing Member.</p> <p>Clearing Members will be required to provide guarantees of their obligations to Nadex Clearing from owners of 5% or more of the Clearing Member. In addition, a Clearing Member of which 10% or more is owned by a person that also owns 10% or more of another Clearing Member must cross-guaranty the obligations of that other Clearing Member to Nadex Clearing.</p> <p>Nadex Clearing will have access to liquidity from the cash component of Clearing Members’ Original Margin and Guaranty Fund deposits. Clearing Members also may deposit U.S. Treasury securities with Nadex Clearing in satisfaction of Original Margin and Guaranty Fund requirements. Nadex Clearing intends to establish a \$3 million committed credit facility. Nadex Clearing additionally expects to be able to obtain cash from the securities deposited by Clearing Members in satisfaction of Original Margin requirements pursuant to repurchase arrangements with third-party counterparties in the event that it requires additional liquidity.</p>
<p><b>(C) PARTICIPANT AND PRODUCT ELIGIBILITY.—</b></p> <p>(i) <b>IN GENERAL.</b>—Each derivatives clearing organization shall establish—</p> <p>(I) appropriate admission and continuing eligibility standards (including sufficient financial resources and operational capacity to meet obligations arising from participation in the derivatives clearing organization) for members of, and participants in, the derivatives clearing organization; and</p> <p>(II) appropriate standards for determining the eligibility of agreements, contracts, or transactions submitted to the derivatives clearing organization for clearing.</p> <p>(ii) <b>REQUIRED PROCEDURES.</b>—Each derivatives clearing organization shall establish and implement procedures to verify, on an ongoing basis, the compliance of each participation and membership</p>	<p>Rules 301 (General Eligibility Requirements of Clearing Members)</p> <p>Rule 302 (Application and Approval of Clearing Member Status)</p> <p>Rule 310 (Financial Requirements)</p> <p>Exhibit A-11 (Compliance Manual), Section IV (Accepting Products for Clearing and Implementing New Rules and Rule Amendments)</p> <p>Exhibit C-1(1) (Clearing Member Application and Agreement)</p> <p>Exhibit D-1 (Operating Manual), Section 3 (Risk Management)</p>	<p>The admission standards for Clearing Members will ensure that each Clearing Member has sufficient financial resources and adequate personnel and systems to function as a Clearing Member.</p> <p>Each Clearing Member must: (i) be engaged in or demonstrate its capacity to engage in the conduct of the business of a Clearing Member; (ii) have received all necessary government approvals; (iii) demonstrate such fiscal integrity as would justify Nadex Clearing’s assumption of the risk inherent in clearing its contracts; (iv) demonstrate financial capitalization commensurate with requirements established by Nadex Clearing; (v) have an established relationship with a Nadex Clearing-approved bank; (v) be a corporation, limited liability company, partnership or other entity approved by Nadex Clearing, duly organized and in good standing in its state of organization; (vi) be qualified to do business in the State of Illinois or have an agency agreement in place with an entity qualified to do business in the State of Illinois that provides an agent for service of process and other communications from Nadex Clearing in connection with the business of the Clearing Member; and (vii) maintain back-office facilities staffed with experienced and competent personnel or</p>

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<p>requirement of the derivatives clearing organization.</p> <p>(iii) REQUIREMENTS.—The participation and membership requirements of each derivatives clearing organization shall—</p> <p>(I) be objective;</p> <p>(II) be publicly disclosed; and</p> <p>(III) permit fair and open access.</p>		<p>have entered into a facilities management agreement in form and substance acceptable to Nadex Clearing.</p> <p>Each Clearing Member must continuously satisfy any minimum commercial, integrity, financial, credit, operational capability and competence standards, as may be established by Nadex Clearing from time to time.</p> <p>Each Clearing Member will be required to comply with the Rules, act in a manner consistent with the Rules and be responsible to Nadex Clearing for any violation of the Rules caused by the Clearing Member or its customers or authorized traders.</p> <p>All Clearing Members must maintain minimum regulatory capital in excess of the greater of (i) \$5,000,000 and (ii) any applicable capital requirements imposed by the Commodity Futures Trading Commission (the “<b>Commission</b>”), another governmental agency or self-regulatory organization.</p> <p>Each Clearing Member must submit to Nadex Clearing: (i) monthly financial statements, on Form 1-FR-FCM or a FOCUS Report (as applicable), reflecting such Clearing Member’s net capital computation, calculated in accordance with Commission or Securities and Exchange Commission (“<b>SEC</b>”) regulations applicable thereto; (ii) information relating to capital scheduled to be withdrawn within six months; (iii) information relating to subordinated debt maturing within six months; and (iv) with respect to Clearing Members that are registered with the SEC as broker-dealers, information relating to additional capital requirements for excess margin on reverse repurchase agreements. Clearing Members are additionally required annually to submit audited financial statements to Nadex Clearing that have been certified by an independent public accountant in accordance with regulations of the Commission or the SEC, as applicable. A Clearing Member may be required to provide additional reports in such form and at such times as Nadex Clearing may require, including without limitation, submission of daily or weekly capital computations and segregated funds statements.</p> <p>Nadex Clearing initially intends to clear six margined spot equivalent futures contracts (EUR/USD, GBP/USD, USD/CAD, AUD/USD, USD/CHF and USD/JPY). (The fully collateralized contracts currently traded on Nadex Exchange will continue to be traded on, and cleared by, Nadex Exchange which is both a designated contract market and a registered derivatives clearing organization.) Following</p>

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		the launch of the aforementioned spot-equivalent futures, Nadex Clearing may clear other cash-settled futures contracts. Nadex Clearing will consult with the Commission and will modify its risk modeling methodologies as appropriate prior to clearing other futures contracts.
<p>(D) RISK MANAGEMENT.—</p> <p>(i) IN GENERAL.—Each derivatives clearing organization shall ensure that the derivatives clearing organization possesses the ability to manage the risks associated with discharging the responsibilities of the derivatives clearing organization through the use of appropriate tools and procedures.</p> <p>(ii) MEASUREMENT OF CREDIT EXPOSURE.— Each derivatives clearing organization shall—</p> <p>(I) not less than once during each business day of the derivatives clearing organization, measure the credit exposures of the derivatives clearing organization to each member and participant of the derivatives clearing organization; and</p> <p>(II) monitor each exposure described in subclause (I) periodically during the business day of the derivatives clearing organization.</p> <p>(iii) LIMITATION OF EXPOSURE TO POTENTIAL LOSSES FROM DEFAULTS.—Each derivatives clearing organization, through margin requirements and other risk control mechanisms, shall limit the exposure of the derivatives clearing organization to potential losses from defaults by members and participants of the derivatives clearing organization to ensure that—</p> <p>(I) the operations of the derivatives clearing organization would not be disrupted; and</p> <p>(II) nondefaulting members or participants would not be exposed to losses that nondefaulting members or participants cannot anticipate or control.</p> <p>(iv) MARGIN REQUIREMENTS.—The margin required from each member and participant of a derivatives clearing organization shall be sufficient to</p>	<p>Exhibit P-a(2) (Risk Management and Audit Committee Charter)</p> <p>Rule 304 (Duties and Responsibilities of Clearing Members)</p> <p>Rule 310 (Financial Requirements)</p> <p>Rule 403 (Original Margin)</p> <p>Rule 404 (Variation Margin)</p> <p>Rule 504 (Guaranty Fund)</p> <p>Exhibit A-11 (Compliance Manual), Section III (DCO Compliance)</p> <p>Exhibit D-1 (Operating Manual), Section 3 (Risk Management)</p>	<p>The Risk Management and Audit Committee of the Board and the Chief Risk Officer are responsible for monitoring Nadex Clearing’s risk exposures.</p> <p>Nadex Clearing will monitor its financial resources on an ongoing basis to ensure that they are sufficient to operate in accordance with the Core Principles. Nadex Clearing’s testing of overall financial resources is described in the Operating Manual.</p> <p>Nadex Clearing will require Clearing Members to deposit Original and Variation Margin in connection with contracts cleared by Nadex Clearing in amounts sufficient to cover potential exposures to Nadex Clearing in normal market conditions. Original Margin requirements will be back-tested on a daily basis and will be collected at the beginning of the following business day. Variation Margin requirements will be calculated and collected twice daily.</p> <p>Clearing Members will be required to provide monthly and audited annual financial reports to allow Nadex Clearing to monitor their financial status.</p> <p>On a daily basis, the Chief Risk Officer will compare the Guaranty Fund requirements of each Clearing Member to its deposits in the Guaranty Fund. On at least a quarterly basis, each Clearing Member will be required to deposit additional resources into the Guaranty Fund if the Clearing Member’s deposit is less than the amount it is required to maintain on deposit with Nadex Clearing. In addition, if at any time, a Clearing Member’s deposit falls below 75% of the required amount, the Clearing Member will be required to deposit additional resources into the Guaranty Fund promptly upon demand by Nadex Clearing.</p> <p>Stress testing will be used to assess the adequacy of the Guaranty Fund and the overall effectiveness of Nadex Clearing’s risk management policies and procedures. Stress tests will be performed daily, using current Clearing Member portfolios and historically observed extreme price movements. The Chief Risk Officer will calculate the largest losses that would occur if the market were to experience various extreme price moves (e.g., a move of greater than 5</p>

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<p>cover potential exposures in normal market conditions.</p> <p>(v) REQUIREMENTS REGARDING MODELS AND PARAMETERS.—Each model and parameter used in setting margin requirements under clause (iv) shall be—</p> <p>(I) risk-based; and</p> <p>(II) reviewed on a regular basis.</p>		<p>standard deviations or a move equal to the most extreme move over the last 10 years) and multiple Clearing Members (including the Clearing Member with the largest exposure to Nadex Clearing) were to default on their open positions. The size of the potential defaults will be compared against the current Guaranty Fund to determine the adequacy of the Fund to sustain such defaults. The results of the stress tests will be used to adjust the size of the Guaranty Fund and allocate the contributions as appropriate when indicated.</p> <p>Nadex Clearing’s methods of evaluating the sufficiency of the Guaranty Fund are described in the Operating Manual.</p>
<p>(E) SETTLEMENT PROCEDURES.—Each derivatives clearing organization shall—</p> <p>(i) complete money settlements on a timely basis (but not less frequently than once each business day);</p> <p>(ii) employ money settlement arrangements to eliminate or strictly limit the exposure of the derivatives clearing organization to settlement bank risks (including credit and liquidity risks from the use of banks to effect money settlements);</p> <p>(iii) ensure that money settlements are final when effected;</p> <p>(iv) maintain an accurate record of the flow of funds associated with each money settlement;</p> <p>(v) possess the ability to comply with each term and condition of any permitted netting or offset arrangement with any other clearing organization;</p> <p>(vi) regarding physical settlements, establish rules that clearly state each obligation of the derivatives clearing organization with respect to physical deliveries; and</p> <p>(vii) ensure that each risk arising from an obligation described in clause (vi) is identified and managed.</p>	<p>Rule 312 (General Recordkeeping and Reporting Requirements)</p> <p>Rule 402 (Clearance and Substitution)</p> <p>Rule 403 (Original Margin)</p> <p>Rule 404 (Variation Margin)</p> <p>Rule 406 (Approved Financial Institutions)</p> <p>Rule 412 (Cash Settlement)</p> <p>Exhibit A-11 (Compliance Manual), Section III (DCO Compliance)</p> <p>Exhibit E-a(4) (Cash Settlement Agreement)</p> <p>Exhibit D-1 (Operating Manual)</p>	<p>Clearing Members will be required to provide Original Margin on newly opened positions at the beginning of the following business day. Variation Margin will be paid and collected on the basis of the mark-to-market of open positions (and positions that have been closed since the immediately preceding mark-to-market) twice per day. Payments of Variation Margin will be made through Approved Financial Institutions. All payments of Variation Margin are final and irrevocable.</p> <p>In accordance with the Commodity Exchange Act and Commission Regulations, Nadex Clearing will maintain records of all activities related to its business as a derivatives clearing organization, including flow of funds records, in a form and manner set forth in accordance with Commission Regulation 1.31 for a period of at least five years.</p> <p>As central counterparty, Nadex Clearing is responsible for the performance of all cash-settled contracts until final settlement. All contracts will be cash-settled and settlement will occur with a final Variation Margin payment.</p>

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<p>(F) TREATMENT OF FUNDS.—</p> <p>(i) REQUIRED STANDARDS AND PROCEDURES.—Each derivatives clearing organization shall establish standards and procedures that are designed to protect and ensure the safety of member and participant funds and assets.</p> <p>(ii) HOLDING OF FUNDS AND ASSETS.—Each derivatives clearing organization shall hold member and participant funds and assets in a manner by which to minimize the risk of loss or of delay in the access by the derivatives clearing organization to the assets and funds.</p> <p>(iii) PERMISSIBLE INVESTMENTS.—Funds and assets invested by a derivatives clearing organization shall be held in instruments with minimal credit, market, and liquidity risks.</p>	<p>Rule 311 (Customer Accounts)</p> <p>Rule 315 (Segregation of Customer Funds and Assets)</p> <p>Rule 406 (Approved Financial Institutions)</p> <p>Rule 506 (Investment of Customer Funds)</p> <p>Exhibit A-11 (Compliance Manual), Section III (DCO Compliance)</p> <p>Exhibit F-2(b)(1) (Segregation Letter)</p>	<p>Clearing Members will be required to maintain separate accounts for proprietary and customer accounts with an Approved Financial Institution approved by Nadex Clearing. An Approved Financial Institution will be required to acknowledge that the funds and securities in customer accounts belong to customers and are being held in accordance with the Act and Commission regulations.</p> <p>In accordance with its Rules, Nadex Clearing will invest customer funds only in instruments with significant liquidity and little or no risk to principal or with entities that provide limited credit exposure to Nadex Clearing, in each case consistent with the requirements of Commission Regulation 1.25.</p>
<p>(G) DEFAULT RULES AND PROCEDURES.—</p> <p>(i) IN GENERAL.—Each derivatives clearing organization shall have rules and procedures designed to allow for the efficient, fair, and safe management of events during which members or participants—</p> <p>(I) become insolvent; or</p> <p>(II) otherwise default on the obligations of the members or participants to the derivatives clearing organization.</p> <p>(ii) DEFAULT PROCEDURES.—Each derivatives clearing organization shall—</p> <p>(I) clearly state the default procedures of the derivatives clearing organization;</p> <p>(II) make publicly available the default rules of the derivatives clearing organization; and</p> <p>(III) ensure that the derivatives clearing organization may take timely action—</p> <p>(aa) to contain losses and liquidity pressures; and</p> <p>(bb) to continue meeting each obligation of the</p>	<p>Chapter 5 of Rules (Obligations of Nadex Clearing)</p> <p>Exhibit A-11 (Compliance Manual), Section III (DCO Compliance)</p> <p>Exhibit D-1 (Operating Manual), Section 9 (Default Management Plan)</p>	<p>Nadex Clearing has established rules, policies and procedures designed to assure efficient, fair and safe management of events if Clearing Members become Insolvent or Default on their obligations to Nadex Clearing.</p> <p>A Member will be in “Default” if such Clearing Member: (i) fails to satisfy any of its obligations to Nadex Clearing; (ii) fails to deliver funds or securities within the time established therefor by Nadex Clearing; (iii) is expelled or suspended from any self-regulatory organization; (iv) fails to meet the capital or other financial requirements of Nadex Clearing; or (v) is Insolvent.</p> <p>Upon a Default, the Clearing Member’s Margin and Guaranty Fund deposits and any other assets held by, pledged to or otherwise available to Nadex Clearing, including any parent guaranty or cross-ownership guaranty, will be applied by Nadex Clearing to discharge the obligations of such Clearing Member to Nadex Clearing (including costs and expenses associated with the liquidation, transfer or management of contracts held in or for the accounts of such Clearing Member, and any fees, assessments or fines imposed by Nadex Clearing on such Clearing Member). In addition, Nadex Clearing may cause all contracts of the defaulting Clearing Member</p>

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<p>derivatives clearing organization.</p>		<p>to be closed, offset or transferred to any other Clearing Member.</p> <p>If the deposits and proceeds described above are insufficient to satisfy all of the defaulting Clearing Member’s obligations to Nadex Clearing, the defaulting Clearing Member will continue to be liable to Nadex Clearing. In such an event, the amount of the deficiency, exclusive of any fees, assessments and fines that may have been imposed by Nadex Clearing, will be met from the following sources of funds, with each such source to be completely exhausted before the next following source is applied:</p> <ul style="list-style-type: none"> <li>(i) The Guaranty Fund deposits of all Clearing Members (other than a Clearing Member that is in Default) and the Nadex Clearing Contribution, <i>pari passu</i> and in direct proportion to the total Guaranty Fund deposits of Nadex Clearing and of each Clearing Member (other than a Clearing Member that is in Default); and</li> <li>(ii) assessments levied by Nadex Clearing upon all Clearing Members (other than a Clearing Member that is in Default) as provided in Rule 504(b).</li> </ul> <p>Nadex Clearing will make all of its Rules, including its default Rules, available to the public on its website.</p>
<p>(H) RULE ENFORCEMENT.—Each derivatives clearing organization shall—</p> <ul style="list-style-type: none"> <li>(i) maintain adequate arrangements and resources for—</li> <li>(I) the effective monitoring and enforcement of compliance with the rules of the derivatives clearing organization; and</li> <li>(II) the resolution of disputes;</li> <li>(ii) have the authority and ability to discipline, limit, suspend, or terminate the activities of a member or participant due to a violation by the member or participant of any rule of the derivatives clearing organization; and</li> <li>(iii) report to the Commission regarding rule enforcement activities and sanctions imposed against</li> </ul>	<p>Rule 208 (Emergencies)</p> <p>Rule 306 (Restriction on or Termination of Clearing Privileges)</p> <p>Rule 307 (Adequate Assurances)</p> <p>Chapter 6 of Rules (Suspension; Disciplinary Proceedings)</p> <p>Exhibit A-11 (Compliance Manual), Section VII (Enforcement of Rules and Board Requirements)</p> <p>Exhibit D-1 (Operating Manual), Section 3 (Risk Management)</p> <p>Exhibit P-a(2) (Risk Management and Audit Committee Charter)</p>	<p>Nadex Clearing will establish adequate arrangements to monitor and enforce compliance with the Rules. If Nadex Clearing has reason to believe that a Clearing Member may fail to comply with any of the Rules, it may require the Clearing Member to provide it, within such timeframe, in such detail, and in such manner as Nadex Clearing shall determine, with adequate assurances that the Clearing Member will not violate any of the Rules. In addition, Nadex Clearing will have the ability to fine, censure, suspend, expel or limit the activities, functions or operations of a Clearing Member that is in violation of the Rules or its agreements with Nadex Clearing. Nadex Clearing will provide prompt notice to the Commission of any Default by a Clearing Member.</p> <p>The Board of Directors or the Risk Management and Audit Committee may summarily suspend any Clearing Member if it is in Default or is in such financial or operating difficulty that the Board of Directors or the Risk Management and Audit Committee determines that</p>

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members and participants as provided in clause (ii).		<p>suspension is necessary for the protection of Nadex Clearing, other Clearing Members or the general public. Upon such suspension, Nadex Clearing may close out or transfer all open positions of such Clearing Member, liquidate assets of such Clearing Member held as Margin, hedge outstanding positions or take such other actions as may be permitted under the Rules.</p> <p>While Clearing Members may appeal disciplinary decisions to Nadex Clearing’s Appeals Panel in accordance with the Rules, Nadex Clearing does not anticipate that there will be significant disputes between Clearing Members. As such, Nadex Clearing does not intend at this time to offer dispute resolution services, but instead expects its members will be able to avail themselves of alternative industry forums (such as arbitration before the National Futures Association) if necessary.</p>
<p>(I) SYSTEM SAFEGUARDS.—Each derivatives clearing organization shall—</p> <p>(i) establish and maintain a program of risk analysis and oversight to identify and minimize sources of operational risk through the development of appropriate controls and procedures, and automated systems, that are reliable, secure, and have adequate scalable capacity;</p> <p>(ii) establish and maintain emergency procedures, backup facilities, and a plan for disaster recovery that allows for—</p> <p>(I) the timely recovery and resumption of operations of the derivatives clearing organization; and</p> <p>(II) the fulfillment of each obligation and responsibility of the derivatives clearing organization; and</p> <p>(iii) periodically conduct tests to verify that the backup resources of the derivatives clearing organization are sufficient to ensure daily processing, clearing, and settlement.</p>	<p>Rule 313 (Disaster Recovery and Business Continuity)</p> <p>Exhibit A-11 (Compliance Manual), Section III (DCO Compliance)</p> <p>Exhibit D-1 (Operating Manual), Section 8 (Business Continuity/Disaster Recovery)</p>	<p>As fully detailed in Exhibit I, Nadex Clearing will utilize the information technology resources of Nadex Exchange.</p> <p>Nadex Clearing will utilize two data centers to provide primary and backup facilities for its operating system. Nadex Clearing will conduct ongoing analysis and oversight of these automated systems to identify and minimize sources of operational risk. This oversight will include weekly production and quality assurance meetings to review performance, discuss problems and implement corrective actions, and regular business continuity and disaster recovery (“<b>BC-DR</b>”) planning and testing.</p> <p>Nadex Clearing will establish a work group to implement and oversee its BC-DR policies and procedures. This work group will include representatives from operations, production, development/test, risk management, treasury, compliance, business management, and customer support, as appropriate. The work group will be chaired by a member of the executive management team.</p> <p>The work group will be supported by the technology management staff of IG Group located in London. The Nadex Clearing Business Manager, who is also located in London, will act as the liaison with the technical staff to leverage their expertise and personnel resources when developing and testing the BC-DR plans.</p>

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<p>(J) REPORTING.—Each derivatives clearing organization shall provide to the Commission all information that the Commission determines to be necessary to conduct oversight of the derivatives clearing organization.</p>	<p>Rule 312 (General Recordkeeping and Reporting Requirements)</p> <p>Rule 410 (Records)</p> <p>Rule 703 (Confidentiality)</p> <p>Exhibit A-11 (Compliance Manual), Section III (DCO Compliance)</p> <p>Exhibit D-1 (Operating Manual), Section 5 (Recordkeeping &amp; Reporting)</p>	<p>Nadex Clearing will provide to the Commission, on request, information necessary for the Commission to conduct its oversight function of Nadex Clearing with respect to its activities as a DCO.</p>
<p>(K) RECORDKEEPING.—Each derivatives clearing organization shall maintain records of all activities related to the business of the derivatives clearing organization as a derivatives clearing organization—</p> <p>(i) in a form and manner that is acceptable to the Commission; and</p> <p>(ii) for a period of not less than 5 years.</p>	<p>Rule 312 (General Recordkeeping and Reporting Requirements)</p> <p>Exhibit A-11 (Compliance Manual), Section III (DCO Compliance)</p> <p>Exhibit D-1 (Operating Manual), Section 5 (Recordkeeping &amp; Reporting)</p>	<p>Nadex Clearing will maintain books and records for the time and in the manner specified by the Act and Commission regulations.</p>
<p>(L) PUBLIC INFORMATION.—</p> <p>(i) IN GENERAL.—Each derivatives clearing organization shall provide to market participants sufficient information to enable the market participants to identify and evaluate accurately the risks and costs associated with using the services of the derivatives clearing organization.</p> <p>(ii) AVAILABILITY OF INFORMATION.—Each derivatives clearing organization shall make information concerning the rules and operating and default procedures governing the clearing and settlement systems of the derivatives clearing organization available to market participants.</p> <p>(iii) PUBLIC DISCLOSURE.—Each derivatives clearing organization shall disclose publicly and to the Commission information concerning—</p> <p>(I) the terms and conditions of each contract, agreement, and transaction cleared and settled by the derivatives clearing organization;</p>	<p>Exhibit C-1(1) (Clearing Member Application and Agreement)</p> <p>Exhibit A-11 (Compliance Manual), Section III (DCO Compliance)</p> <p>Exhibit D-1 (Operating Manual), Section 5 (Recordkeeping &amp; Reporting)</p>	<p>As a condition to admission as a Clearing Member of Nadex Clearing, applicants must certify that they have received, reviewed and agreed to the Rules.</p> <p>Nadex Clearing will maintain a website, on which it will publish and make available:</p> <ul style="list-style-type: none"> <li>• The Rules;</li> <li>• Information concerning the size and composition of Nadex Clearing’s financial resources, its risk management policies and procedures, margin methodology and the size and composition of the Guaranty Fund;</li> <li>• Information concerning the contracts cleared by Nadex Clearing;</li> <li>• Nadex Clearing’s fee structure;</li> <li>• Notices to Clearing Members; and</li> <li>• Other information relevant to participation in the activities of Nadex Clearing.</li> </ul>

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<b>CORE PRINCIPLE</b>	<b>RELATED RULES/DOCUMENTS</b>	<b>APPLICANT COMMENTS</b>
<p>(II) each clearing and other fee that the derivatives clearing organization charges the members and participants of the derivatives clearing organization;</p> <p>(III) the margin-setting methodology, and the size and composition, of the financial resource package of the derivatives clearing organization;</p> <p>(IV) daily settlement prices, volume, and open interest for each contract settled or cleared by the derivatives clearing organization; and</p> <p>(V) any other matter relevant to participation in the settlement and clearing activities of the derivatives clearing organization.</p>		<p>Nadex Clearing will make available daily settlement prices, volume and open interest figures for each contract cleared by Nadex Clearing.</p>
<p>(M) INFORMATION-SHARING.—Each derivatives clearing organization shall—</p> <p>(i) enter into, and abide by the terms of , each appropriate and applicable domestic and international information-sharing agreement; and</p> <p>(ii) use relevant information obtained from each agreement described in clause (i) in carrying out the risk management program of the derivatives clearing organization.</p>	<p>Rule 704 (Information-Sharing Agreements)</p> <p>Exhibit A-11 (Compliance Manual), Section III (DCO Compliance)</p> <p>Exhibit D-1 (Operating Manual), Section 5 (Recordkeeping &amp; Reporting)</p>	<p>Nadex Clearing will, as appropriate, enter into information-sharing agreements or other arrangements to coordinate surveillance with Nadex Exchange and other markets or clearing organizations.</p> <p>As part of any information-sharing agreements or other arrangements or procedures adopted, Nadex Clearing may, among other things: (i) provide market surveillance reports to markets and other clearing organizations; (ii) share information and documents concerning current and former Clearing Members with markets and other clearing organizations; (iii) share information and documents concerning ongoing and completed investigations with markets and other clearing organizations; and/or (iv) require its Clearing Members to provide information and documents to Nadex Clearing at the request of markets or other clearing organizations with which Nadex Clearing has an information-sharing agreement or other arrangements or procedures.</p>
<p>(N) ANTITRUST CONSIDERATIONS.—Unless necessary or appropriate to achieve the purposes of this Act, a derivatives clearing organization shall not—</p> <p>(i) adopt any rule or take any action that results in any unreasonable restraint of trade; or</p> <p>(ii) impose any material anticompetitive burden.</p>	<p>Exhibit A-11 (Compliance Manual), Section III (DCO Compliance)</p>	<p>Nadex Clearing will not adopt rules or take other actions that result in an unreasonable restraint of trade or impose any material anticompetitive burden unless such action is appropriate to achieve the purposes of the Act. Prior to adopting any new or revised rule, or when taking other actions, Nadex Clearing will consider, as appropriate, whether such rule or action is the least anticompetitive means of achieving its objective.</p>

## NADEX CLEARING, LLC

CORE PRINCIPLE	RELATED RULES/DOCUMENTS	APPLICANT COMMENTS
<p>(O) GOVERNANCE FITNESS STANDARDS.—</p> <p>(i) GOVERNANCE ARRANGEMENTS.—Each derivatives clearing organization shall establish governance arrangements that are transparent—</p> <p>(I) to fulfill public interest requirements; and</p> <p>(II) to permit the consideration of the views of owners and participants.</p> <p>(ii) FITNESS STANDARDS.—Each derivatives clearing organization shall establish and enforce appropriate fitness standards for—</p> <p>(I) directors;</p> <p>(II) members of any disciplinary committee;</p> <p>(III) members of the derivatives clearing organization;</p> <p>(IV) any other individual or entity with direct access to the settlement or clearing activities of the derivatives clearing organization; and</p> <p>(V) any party affiliated with any individual or entity described in this clause.</p>	<p>Exhibit A-8 (LLC Agreement), Article III (Management of the Company)</p> <p>Exhibit O-b (Board of Directors Code of Ethics)</p> <p>Chapter 3 of Rules (Clearing Members)</p> <p>Exhibit A-11 (Compliance Manual), Section VII (Enforcement of Rules and Board Requirements)</p> <p>Exhibit D-1 (Operating Manual), Section 10 (Business Management &amp; Administration)</p>	<p>The business and affairs of Nadex Clearing are managed by a Board of Directors acting pursuant to the LLC Agreement of Nadex Clearing. The Board of Directors has delegated certain responsibilities to committees of directors, including the Risk Management and Audit Committee. The day-to-day business and affairs of Nadex Clearing are managed by the principal officers of Nadex Clearing, including the Chief Executive Officer, the Chief Operating Officer, the Chief Risk Officer and the Chief Compliance Officer.</p> <p>All Nadex Clearing officers, employees and consultants are subject to a Code of Ethics that establishes standards of conduct for such individuals. Independent Directors of Nadex Clearing are subject to a Board Code of Ethics that establishes standards of conduct appropriate to independent directors.</p> <p>Pursuant to the Rules, Clearing Members are subject to initial qualification and on-going reporting requirements and compliance obligations.</p>
<p>(P) CONFLICTS OF INTEREST.—Each derivatives clearing organization shall—</p> <p>(i) establish and enforce rules to minimize conflicts of interest in the decision-making process of the derivatives clearing organization; and</p> <p>(ii) establish a process for resolving conflicts of interest described in clause (i).</p>	<p>Rule 207 (Conflicts of Interest)</p> <p>Exhibit A-11 (Compliance Manual), Section I (Chief Compliance Officer)</p> <p>Exhibit O-b (Board of Directors Code of Ethics)</p>	<p>Employees and consultants of Nadex Clearing are subject to the conflict of interest policy contained in Nadex Clearing’s Code of Ethics. Independent Directors are subject to the conflicts of interest policy contained in the Board Code of Ethics. Furthermore, members of the Board of Directors, officers, committee members and other individuals authorized to exercise authority on behalf of Nadex Clearing are prohibited under the Rules from participating in deliberations or votes of the Board of Directors, a committee or any panel of Nadex Clearing involving a disciplinary matter with which they have a material conflict of interest.</p>
<p>(Q) COMPOSITION OF GOVERNING BOARDS.— Each derivatives clearing organization shall ensure that the composition of the governing board or committee of the derivatives clearing organization includes market participants.</p>	<p>Exhibit P-a(2) (Committee Charters)</p> <p>Exhibit A-8 (LLC Agreement), Article III (Management of the Company)</p>	<p>The Board of Directors and Committees of Nadex Clearing will include Directors who are independent in accordance with Commission requirements for director independence. Nadex Clearing will ensure that one or more of the Directors are market participants or representatives of market participants consistent with regulations that may be adopted by the Commission.</p>

**NADEX CLEARING, LLC**

<b>CORE PRINCIPLE</b>	<b>RELATED RULES/DOCUMENTS</b>	<b>APPLICANT COMMENTS</b>
<p>(R) LEGAL RISK.—Each derivatives clearing organization shall have a well-founded, transparent, and enforceable legal framework for each aspect of the activities of the derivatives clearing organization.</p>	<p>Rule 505(e) (Interpretation in Relation to FDICIA)</p>	<p>The rights and obligations of Nadex Clearing, Clearing Members and customers of Clearing Members are supported by a well-founded legal framework. Operative provisions of the Rules and the agreements between Nadex Clearing and its Clearing Members are effective under the Act and Commission Regulations, as well as relevant provisions of the Bankruptcy Code, the Federal Deposit Insurance Corporation Improvement Act of 1991 (“<b>FDICIA</b>”) and the Uniform Commercial Code as they apply to derivatives clearing organizations and futures commission merchants in their capacities as “commodity brokers” under the Bankruptcy Code, “clearing organizations” and “members” of a “clearing organization” under FDICIA and “secured creditors” under the Uniform Commercial Code.</p>