

NADEX CLEARING, LLC

BY AIR COURIER

December 21, 2011

Mr. David A. Stawick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st St., N.W.
Washington, D.C. 20581

Re: Nadex Clearing, LLC –Application for Registration as a Derivatives Clearing Organization

Dear Mr. Stawick:

Nadex Clearing, LLC, a Delaware limited liability company (“**Nadex Clearing**”), hereby submits this application (this “**Application**”) for registration as a derivatives clearing organization (“**DCO**”) pursuant to Section 5b of the Commodity Exchange Act (the “**Act**”) and Part 39 of the Regulations of the Commodity Futures Trading Commission (the “**Commission**”). Applicant respectfully requests that the Commission issue an order granting the Application and registering Nadex Clearing as a DCO. Nadex Clearing represents that it will operate consistent with the definition of a “derivatives clearing organization” contained in the Act and in compliance with the DCO Core Principles.

Nadex Clearing is affiliated with North American Derivatives Exchange, Inc. (“**Nadex Exchange**”). Nadex Exchange is registered with the Commission as a designated contract market (“**DCM**”) and as a DCO, and historically has listed for trading and cleared only fully collateralized binary option and spread option contracts. Nadex Exchange will continue to do so but now intends, subject to Commission approval, additionally to list traditional, micro-sized futures contracts that would be cleared by Nadex Clearing.

Nadex Clearing is requesting approval as a DCO at this time in order to begin providing clearing services for margined retail foreign exchange futures contracts that will be traded on Nadex Exchange. These contracts, known as spot-equivalent futures, were previously reviewed by the Commission with respect to the similar offering on the U.S. Futures Exchange, L.L.C. that was cleared by The Clearing Corporation. The spot-equivalent futures contracts that would be cleared through Nadex Clearing are based upon highly liquid foreign currency pairs, including EUR/USD, GBP/USD, AUD/USD, USD/CAD, USD/CHF and USD/JPY. Currency markets have a long demonstrated history of deep liquidity even during times of financial market stress, and there is ample data available to establish sound risk management policies and operating procedures for these products. Nadex Clearing believes that these products satisfy all regulatory criteria for trading and clearing.

Nadex Clearing will develop a robust clearing solution that is suitable for clearing a variety of standard futures products. Nadex Clearing does not intend to clear swaps or other over-the-counter products. Nadex Clearing will focus on clearing cash-settled contracts with notional values and economic characteristics that are targeted at retail customers (“micro”-sized

contracts). Nadex Clearing does not intend to clear any physically settled contracts. All futures contracts cleared by Nadex Clearing will be margined using traditional futures margining methodologies for calculating and collecting original and variation margin.

Nadex Clearing intends to focus on clearing contracts that are smaller versions of contracts that have previously been reviewed by the Commission and have been offered for trading on a DCM. Over time, Nadex Clearing may expand its operations to products beyond currencies, to include, for example, metals, indexes, interest rates, energy, and agricultural futures contracts. Nadex Clearing will not clear any such contracts without first making the submission required by Part 39 of the Commission's Regulations.

The eligibility to clear any particular instrument would require that the following conditions can be met:

- The product must be a futures contract traded on a designated contract market;
- The contract must be traded on an established futures market or a similar product must have been previously listed on a DCM;
- The market must be of sufficient depth and liquidity that Nadex Clearing can manage the economic risk resulting from a default by a clearing member by engaging in a sale of the instrument or its proxy in a cash or futures market; and
- Sufficient historical market data must be available to allow Nadex Clearing to perform the analysis required to establish appropriate risk management policies and parameters.

In general, each product will follow the same clearing process and clearing timeline. Matched trades will be sent to Nadex Clearing by the exchange being cleared. Nadex Clearing will review and accept or reject the trades for clearing. Confirmations of accepted trades will be sent to clearing members in real time, and rejected trades will be sent to the DCM in real time. At the end of each trading day, Nadex Clearing will provide a complete register of all open positions, along with daily settlement prices and original margin calculations, to each clearing member to allow the clearing members to reconcile their books with Nadex Clearing and assess their risk exposures to their customers. Original margin will be collected on positions that are open at the end of each trading day, and variation margin will be collected on a twice-daily basis.

Nadex Clearing will, however, customize its basic clearing processes as necessary to accommodate each cleared product. This will include establishing specific timelines, settlement procedures and margin collateral for each cleared product. Nadex Clearing anticipates that it would begin operations as soon as possible after Nadex Clearing's approval by the Commission as a DCO and Nadex Exchange's listing of the above-referenced foreign currency futures contracts after approval from the Commission. Based on productions schedules, the anticipated start date for clearing would be approximately October 1, 2012.

Mr. David A. Stawick

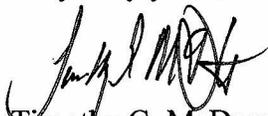
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The attached Application for DCO registration follows the format of Commission Form DCO, and is being filed in the form of two CD-ROMs. One CD-ROM contains documents that are intended to be made publicly available pursuant to Commission Regulation 39.3(a)(5); the second CD-ROM contains all of the documents that comprise this Application. As a courtesy, we are also providing Commission staff with two hard copies of the Application, as well as a printed set of the documents that are intended to be made publicly available pursuant to Regulation 39.3(a)(5).

Please contact the undersigned at 312-884-0171 or Tim.McDermott@nadex.com with any questions regarding this Application.

Very truly yours,



Timothy G. McDermott
General Counsel
Nadex Clearing, LLC

Enclosure

cc: Ananda K. Radhakrishnan
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