

**UNITED STATES OF AMERICA**

**Before the**

**COMMODITY FUTURES TRADING COMMISSION**

---

**In the Matter of the Application of the North American  
Derivatives Exchange for Registration as a Derivatives  
Clearing Organization**

---

**AMENDED ORDER OF REGISTRATION**

The North American Derivatives Exchange (“Nadex”), formerly known as HedgeStreet, Inc., has submitted, pursuant to Section 5b of the Commodity Exchange Act (“CEA”), 7 U.S.C. §7a-1, a request (the “Request”) that the Commodity Futures Trading Commission (“Commission”) further amend the Amended Order dated December 1, 2004, granting HedgeStreet, Inc. registration as a derivatives clearing organization (“DCO”) (“Previous Order”). Nadex requests that the Commission amend the Previous Order, which provided that no intermediary could handle participants’ funds or orders, to permit Nadex to clear contracts resulting from customer orders intermediated by futures commission merchants. Nadex does not request any other change to the Previous Order, which in pertinent part, limits Nadex to clearing fully collateralized, cash-settled, futures and options contracts listed for trading on the contract market Nadex.

The Commission has considered Nadex’s request. Based on its review of the Request and further submissions of Nadex during the licensing process, the Commission finds that Nadex can comply with the requirements of the CEA and the Commission’s regulations thereunder applicable to it in the context of clearing intermediated transactions. Therefore,

IT IS ORDERED, that the request of Nadex for an amendment of the Previous Order pursuant to Section 5b of the CEA be granted. IT IS FURTHER ORDERED, that the Previous Order is superseded, and replaced with the following:

- (1) Nadex shall, in accordance with its representations, limit its activity as a registered DCO to clearing fully collateralized, cash-settled, futures and options contracts listed for trading on the DCM Nadex;
- (2) Nadex shall, in accordance with its representations, promulgate and maintain rules that require its members that are registered futures commission merchants (“FCMs”) and that qualify pursuant to Nadex Rules to intermediate trades (“FCM Members”) to limit their intermediation of contracts traded on the DCM Nadex (including the acceptance of orders for the purchase or sale of such contracts, and carrying such contracts on behalf of a customer) to those that are fully collateralized;
- (3) In accordance with Nadex’s representations, a contract cleared by Nadex will be considered to be “fully collateralized” if:
  - (A) Nadex holds, at all times, sufficient funds of each member to cover the maximum possible loss that may be sustained by such member upon liquidation of any or all Nadex contracts to which such member is a party; and
  - (B) Nadex holds, at all times, sufficient funds of each FCM Member to cover the maximum possible loss that may be sustained by such FCM Member upon liquidation of any or all Nadex contracts into which any customer of such FCM Member has entered through such FCM intermediary;
- (4) In accordance with Nadex’s representations, a contract cleared by an FCM Member will be considered to be “fully collateralized” if: the FCM Member holds, at all times,

sufficient funds of each customer to cover the maximum possible loss that may be sustained by such customer upon liquidation of any or all Nadex contracts, and pending orders for such contracts, placed or cleared through such FCM Member;

- (5) Pursuant to its representations: (A) Nadex will require each FCM Member, prior to beginning intermediation of any customer orders, to certify and demonstrate the FCM Member's system's capacity to ensure that the FCM Member's treatment of customer orders for Nadex contracts, and carrying of such contracts, complies with all Nadex rules issued or maintained in compliance with Section 2 of this order; (B) Nadex will require re-certifications annually; (C) Nadex or an independent third party will annually review and audit each FCM Member to confirm that such FCM Member is complying with such Nadex rules; and (D) The review of any FCM member that is a business affiliate of Nadex (within the meaning of Commission Regulations §§ 1.3(y)(vii) and (viii)) will be conducted by an independent third party;
- (6) In order to ensure that Nadex continues to comply with Core Principle B and continues to have the ability to comply with all of the Core Principles, Nadex shall maintain, at all times, sufficient financial resources to cover its operating expenses for at least one year subject to the following:
- (A) Current assets must exceed current liabilities in an amount greater than or equal to Nadex's operating expenses for six months;
  - (B) An amount greater than or equal to Nadex's operating expenses for six months must be held in the form of unencumbered, liquid assets (*i.e.*, cash, cash equivalents, or highly-liquid securities); and

(C) Nadex shall calculate both its financial resources and its operating expenses on a rolling basis. Projected revenue, if included in financial resources, shall equal no more than Nadex's aggregate revenue for the year ending with the last complete month immediately preceding the date of calculation. Operating expenses shall equal no less than Nadex's aggregate operating expenses for the year ending with the last complete month immediately preceding the date of calculation;

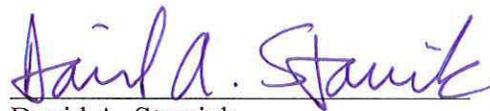
- (7) Pursuant to its representations, Nadex will, by the seventeenth business day of each month, submit to the Commission's Southwestern Regional Office, financial statements computed as of the end of the preceding month sufficient to demonstrate compliance with Section 6 of this order;
- (8) If the Commission promulgates a regulation requiring DCOs to maintain certain levels of financial resources, and to submit financial statements or similar documents on a periodic basis, Sections 6 and 7 of this order will be superseded by such regulation;
- (9) Nadex will remain in compliance with the DCO core principles set forth in Section 5b of the CEA, and shall fulfill each of the various representations made in connection with its application to the Commission for DCO registration and in its request for the Commission to amend the previous Order to allow Nadex to clear intermediated trades; and
- (10) Pursuant to its representations, Nadex shall inform the Commission immediately of any information regarding any event, circumstance, or situation concerning any of its operations as a DCO that detract from its ability to continue to comply with any of the DCO core principles set forth in Section 5b of the CEA as demonstrated in its application materials submitted to the Commission for DCO registration, in its request for the Commission to

amend the previous Order to allow Nadex to clear intermediated trades, or in this Amended Order.

This Order is effective on the first business day of the week following the Commission's issuance of this Amended Order of Registration as a DCO and the corresponding Amended Order of Designation as a DCM. This Order is based upon the representations made and supporting material provided to the Commission by Nadex. In the event of any material changes to or omissions in the facts and circumstances pursuant to which this Order is issued, or for any reason in its own discretion, the Commission may condition, modify, suspend, terminate or otherwise restrict the terms of this Order as appropriate, and as permitted by law.

Issued in Washington, D.C., this 30th day of March, 2010.

By the Commission

A handwritten signature in blue ink that reads "David A. Stawick". The signature is written in a cursive style with a horizontal line underneath the name.

David A. Stawick  
Secretary of the Commission