**Jaime M. Walsh**
+1 (312) 884-0927
Jaime.walsh@nadex.com

April 16, 2015

Via CFTC Portal Submissions

Mr. Christopher Kirkpatrick
Secretary of the Commission
Office of the Secretariat
Commodity Futures Trading Commission
3 Lafayette Centre
1155 21st Street, N.W.
Washington D.C. 20581

**RE:     Self-Certification of Rule Amendments:  Nadex Adds New Order Types, Amends Tick Value and Range for US Tech 100 Variable Payout, and Amends Member Obligations – Submission Pursuant to Commission Regulation §40.6(a)**

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended ("Act"), and section §40.6(a) of the regulations promulgated by the Commodity Futures Trading Commission (the "Commission") under the Act (the "Regulations"), North American Derivatives Exchange, Inc. ("Nadex", the "Exchange") hereby submits to the Commission its intent to add new order types "Fill or Kill" ("FOK") and "Immediate or Cancel" ("IOC").  Additionally, this filing provides notice that it will be amending the floor/cap range of the US Tech 100 Variable Payout contracts, as well as the minimum tick value for those contracts from 1.0 to 0.10.  Finally, Nadex is amending the language in its Rule 3.3(d) (Member Obligations) regarding termination of an inactive account.

Nadex currently offers three types of orders, Limit Good 'Til Cancel ("GTC"), Limit Post-Only (Reject), and Limit Post-Only (Adjust).  While Market Makers may submit any of these order types, the only orders available to non-Market Maker Members and participants trading through a futures commission merchant are GTC orders.  A GTC order is a request to buy or sell the number of Contracts at the specified price, or a better price if a better price is available.  Once the GTC is submitted, it will remain on the market until it is filled, cancelled or the contract expires.  If the order is partially filled, the remainder will stay on the market until it is filled, cancelled or the contract expires.  Unlike a GTC, a FOK order is a request to fill the

order immediately in its entirety, at the specified price or a better price if a better price is available; if that order cannot be filled according to those terms, the order is cancelled. An IOC order is a request to fill the order in whole or in part at the price specified, or a better price if a better price is available, with any remaining quantity cancelled. Providing market participants with two new order types will afford traders greater flexibility in their trading strategies and the potential to minimize risk.

Initially, the FOK and IOC orders will only be available on the NadexPro platform. NadexPro was launched in September 2014 and is an 'advanced' downloadable version of Nadex's browser-based trading platform. NadexPro is available to all Nadex Members and is popular among traders familiar with Nadex's products or trading in general. As FOK and IOC orders are already commonplace in the industry, these traders will likely already be acquainted with the orders types.

FOK and IOC orders will be stored in SMARTS®, Nadex's surveillance system which also stores all quotes submitted to the Exchange. The orders will include an indicator code in order to identify the type of order the trader submitted. The order indicator type will also appear in the database, and will assist Nadex Customer Service staff when answering questions a trader may have regarding a transaction.

Nadex is also amending the minimum tick value for its US Tech 100 Variable Payout contracts from 1.00 to 0.10, as well as the spread between each contract's cap and floor. The underlying market upon which the Nadex US Tech 100 contracts are based is the CME E-mini NASDAQ 100 Futures contracts, which has a tick value of 0.25. Due to the difference in tick value, the Nadex contracts are slow moving relative to the futures contracts. Currently, it requires a 4 tick movement in the underlying market in order to move the US Tech 100 $1. Amending the value to 0.10 would allow the US Tech 100 to move $2.50 for each tick change in the underlying market. Changing the tick value from 1.0 to 0.10 will better calibrate the movement in the US Tech 100 with the underlying market upon which it is based and provide more trading opportunities. Along with this change, Nadex is amending the cap/floor range in its US Tech 100 Variable Payout contracts such that the Daily contracts have a value of $800 and $400, the 8.25-hour Intraday contract has a value of $300, and the 2-hour Intraday contract has a value of $100. The change in contract range will bring the US Tech 100 Variable Payout contracts in-line with the US 500 Variable Payout contracts, which like the amended US Tech 100 contracts, have a tick value of 0.10 and are based upon an underlying market which also moves by a tick value of 0.25.

Finally, Nadex is amending the language in its Rule 3.3(d) (Member Obligations). Currently, this Rule states that while a Member is not required to engage in trading activity or maintain a positive balance for one year, that Member's account *will* be terminated if either scenario occurs. Nadex is amending the language such that a Member's account *may* be terminated if the account has been inactive or did not carry a positive balance for one year. This change is being made to remove the obligation of terminating inactive accounts.

# DCM Core Principle Compliance: FOK and IOC Orders

Nadex has identified the following Designated Contract Market ("DCM") Core Principles as potentially being impacted by the addition of FOK and IOC Orders: Core Principle 2 (Compliance with Rules: Real-time Market Monitoring and Ability to Obtain Information); Core Principle 4 (Prevention of Market Disruption: General Requirements, Trade Reconstruction); Core Principle 7 (Availability of General Information); Core Principle 10 (Trade Information: Audit Trail Required).

Core Principle 2 (Compliance with Rules: Real-time Market monitoring and Ability to Obtain Information), implemented by regulations 38.157 and 38.159, require the DCM to conduct real-time market monitoring of all trading activity on its electronic trading platform to identify disorderly trading and any market or system anomalies, and to have the ability to obtain any necessary information to perform any function required by the Commission's regulations including to carry out international information-sharing agreements. Nadex uses the automated SMARTS® surveillance system to aid in the ongoing monitoring of all trading activity, and has the capability of detecting potential trade practice violations based on the parameters set by the DCM. This surveillance system monitors activity real-time and as with all activity on the Nadex market, day or night, the system will continue to monitor trade activity when the new order types are implemented. Orders will be identifiable by type in the SMARTS system. Additionally, SMARTS stores all activity on the Exchange, including unexecuted orders, and will continue to do so for the new order types. Nadex retains this data in accordance with its record keeping obligations as required by Commission regulation, and therefore will have the ability to obtain any necessary information within that recordkeeping period. Therefore, the addition of the new FOK and IOC order types will not negatively impact Nadex's ability to comply with this Core Principle.

Core Principle 4 (Prevention of Market Disruption: General Requirements, Trade Reconstruction), implemented by regulations 38.251 and 38.256, require the DCM to monitor and evaluate general market data in order to detect and prevent manipulative activity, demonstrate an effective program for conducting real-time monitoring of market conditions, and comprehensively and accurately reconstruct daily trading activity for the purposes of detecting trading abuses. As stated above, Nadex uses the automated SMARTS® surveillance system to aid in the ongoing monitoring of all trading activity, and has the capability of detecting potential trade practice violations based on the parameters set by the DCM. Additionally, because all Exchange activity is stored in the SMARTS system, Nadex is able to use this tool to comprehensively and accurately reconstruct daily trading activity. Therefore, the addition of the new FOK and IOC order types will not negatively impact Nadex's ability to comply with this Core Principle.

Core Principle 7 (Availability of General Information), implemented by regulation 38.401, requires the DCM to ensure its Rulebook is accurate and available on its website. Nadex

currently makes its Rulebook available on its website and will continue to do so after the new order types are added.  Therefore, Nadex's ability to comply with this Core Principle will not be negatively impacted by the addition of the new order types.

Core Principle 10 (Trade Information: Audit Trail Required), implemented by regulation 38.551, requires the DCM to capture and retain all audit trail data necessary to detect, investigate, and prevent customer and market abuses. Such data must be sufficient to reconstruct all transactions within a reasonable period of time and to provide evidence of any violations of the Exchange Rules and permit the DCM to track a customer order from the time of receipt through fill, allocation, or other disposition, and must include both order and trade data.  All data, including the new order types, are captured and stored in the SMARTS system in order to retain a complete audit trail.  Orders will be identified by order type, and will enable the Exchange to track a trader's order from the time it is submitted through its execution. Therefore, Nadex's ability to comply with this Core Principle will not be negatively impacted by the addition of the new order types.

## DCO Core Principle Compliance: FOK and IOC Orders

Nadex has identified the following Derivatives Clearing Organization ("DCO") Core Principle as potentially being impacted by the addition of FOK and IOC Orders: Core Principle L (Public Information).

Core Principle L, implemented by regulation 39.21, requires the DCO to make its Rulebook readily available to the general public.  Nadex currently makes its Rulebook available on its website and will continue to do so after the new order types are added.  Therefore, Nadex's ability to comply with this Core Principle will not be negatively impacted.

## DCM Core Principle Compliance: US Tech 100 Tick Size and Range

Nadex has identified the following Designated Contract Market ("DCM") Core Principles as potentially being impacted by the change in tick value and floor/cap range for the US Tech 100 Variable Payout contracts: Core Principle 7 (Availability of General Information).

Core Principle 7 (Availability of General Information), implemented by regulation 38.401, requires the DCM to ensure its Rulebook is accurate with respect to the terms and conditions of the contracts listed on the contract market, and make the Rulebook publicly available.  Chapter 12 of the Nadex Rulebook sets forth the terms and conditions of all contracts listed on the Exchange, and will be appropriately updated to reflect the change in tick value and floor/cap range for the US Tech 100 Variable Payout contracts.  Nadex currently makes its Rulebook available on its website and will continue to do so after the terms of the US Tech 100 are amended.  Therefore, Nadex's ability to comply with this Core Principle will not be

negatively impacted by the amendment of the tick value or floor/cap range in the US Tech 100 Variable Payout contracts.

## DCO Core Principle Compliance: US Tech 100 Tick Size and Range

Nadex has identified the following Derivatives Clearing Organization ("DCO") Core Principle as potentially being impacted by the amendment of the tick size and floor/cap range of the US Tech 100 Variable Payout contracts: Core Principle L (Public Information).

Core Principle L, implemented by regulation 39.21, requires the DCO to make its Rulebook readily available to the general public. Nadex currently makes its Rulebook available on its website and will continue to do so after the terms of the US Tech 100 are amended. Therefore, Nadex's ability to comply with this Core Principle will not be negatively impacted by the amendment of the tick value or floor/cap range in the US Tech 100 Variable Payout contracts.

## DCM Core Principle Compliance: Member Obligations

Nadex has identified the following Designated Contract Market ("DCM") Core Principles as potentially being impacted by the amendment to Rule 3.3 Member Obligations: Core Principle 7 (Availability of General Information).

Core Principle 7 (Availability of General Information), implemented by regulation 38.401, requires the DCM to ensure its Rulebook is accurate, complete, and readily accessible. As stated previously, the Nadex Rulebook is made publicly available on the Nadex website, and will continue to be made available on the website after the changes to the rule regarding termination of inactive accounts is made. Therefore, Nadex's ability to comply with this Core Principle will not be negatively impacted by the amendment of this Rule.

## DCO Core Principle Compliance: Member Obligations

Nadex has identified the following Derivatives Clearing Organization ("DCO") Core Principle as potentially being impacted by the amendment to Rule 3.3 Member Obligations: Core Principle L (Public Information).

Core Principle L, implemented by regulation 39.21, requires the DCO to make its Rulebook readily available to the general public. Nadex currently makes its Rulebook available on its website and will continue to do so after the changes to the rule regarding termination of inactive accounts is made. Therefore, Nadex's ability to comply with this Core Principle will not be negatively impacted by the amendment of this Rule.

In accordance with the 10-day review period set forth in Commission Regulation 40.6(b), Nadex plans to implement these Rule changes no earlier than April 30, 2015.

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

No substantive opposing views were expressed to Nadex with respect to this submission.

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

Nadex hereby certifies that a copy of these additions was posted on its website at the time of this filing.

Should you have any questions regarding the above, please do not hesitate to contact me by telephone at (312) 884-0927 or by email at Jaime.walsh@nadex.com.

Sincerely,

Jaime Walsh
Legal Counsel

# EXHIBIT A

| Rule | Asset | Duration/Close Time | Action | Effective Date |
|------|-------|---------------------|--------|----------------|
| 1.1 | Definitions | N/A | Add new order types | 4/30/15 |
| 3.3 | Member Obligations | N/A | Amend language regarding termination of dormant accounts. | 4/30/2015 |
| 4.4 | Market Maker Obligations | N/A | Clarifies type of orders Market Makers may submit | 4/30/2015 |
| 5.10 | Acceptable Orders | N/A | Clarifies type of orders Market Makers may submit | 4/30/2015 |
| 12.62 | US Tech 100 Variable Payout Contracts | Daily close time 4:15pm ET; Intraday 8.25 Hour close time 4:15pm ET; Intraday 2 Hour close times 10am, 11am, 12pm, 1pm, 2pm, 3pm, 4pm ET | Change tick value and range. | 4/30/2015 |

# EXHIBIT B

Amendments of 1.1, 3.3, 4.4, 5.10, and 12.62

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

RULE 1.1  DEFINITIONS

When used in these Rules:

**"Authorized Trader"** means an individual employed by a Member who is authorized by that Member to have direct access to Nadex, provided the Member maintains supervisory authority over such individual's trading activities.

**"Binary Contract"** means the right to receive a fixed Settlement Value per contract, from Nadex on the Settlement Date dependent upon whether you are holding a long position or short position in a Binary Contract.  If you are holding a long position in a Binary Contract, you have the right to receive a fixed Settlement Value from Nadex on the Settlement Date, if, and only if, the Binary Contract's Payout Criteria encompasses the Expiration Value at Expiration.  Conversely, if you are holding a short position in a Binary Contract, you have the right to receive a fixed Settlement Value if, and only if, the Binary Contract's Payout Criteria does NOT encompass the Expiration Value at Expiration.

**"Cap"** means the maximum rate, level, amount, measure or other value of the Underlying of a Variable Payout Contract that may be the Expiration Value or the Closing Trade Value.  If the actual rate, level, amount, measure, or other value of the Underlying meets or exceeds the Cap at Expiration, the Cap will be the Expiration Value.

**"Class"** means all Contracts of the same Type with the same Underlying.

**"Closing Trade Value"** means the rate, level, amount, measure, or other value of the Underlying of a Variable Payout Contract at which the Contract is closed in a Member's or Customer's account.

**"Commodity Futures Trading Commission" or "Commission"** means the Federal regulatory agency established by the Commodity Futures Trading act of 1974 to administer the Commodity Exchange Act.

**"Contract"** means a Variable Payout Contract or a Binary Contract.

**"Correspondent Account"** means an account as that term is defined in 31 CFR 1010.605(c).

**"Customer"** means a Commodity Customer, a Cleared Swap Customer, a FCM Member or a Trading member of Nadex, as the context requires. In this regard,

        (i) "Commodity Customer" has the meaning set forth in Commission Regulation 1.3(k);

        (ii) "Cleared Swap Customer" has the meaning set forth in Commission regulation 22.1;

        (iii) "DCO Customer" has the same meaning as the definition "customer" set forth in Commission Regulation 190.01(l) and section 761(9) of the Bankruptcy Code and includes FCM Members and Trading Members of Nadex.

**"Dollar Multiplier"** means the monetary amount by which the rate, level, amount, measure, or other value of an Underlying of a Variable Payout Contract is multiplied to determine the Settlement Value.

**"End Date"** means the last day on which a delivery month will be used as the Underlying for Nadex contracts.

**"Expiration"** means the time on the Expiration Date established by these Rules at which a Contract expires and the Expiration Value of that Contract is determined.

**"Expiration Date"** means the date established by these Rules on which the Expiration Value of each Contract is determined.

**"Expiration Value"** means the rate, level, amount, measure, or other value of the Underlying at Expiration as calculated and/or published by the Source Agency.

**"FCM Member"** means any Member that is registered with the Commission as a Futures Commission Merchant and as a swap firm and is authorized by Nadex to intermediate orders of Commodity Customers or Cleared Swap Customers on the Market.

**"Financial Institution"** means a financial institution as that term is defined in 31 CFR 1010.100(t) that is required to comply with the regulations issued by the United States Department of Treasury under the Bank Secrecy Act including, but not limited to, the anti-money laundering program and customer identification program rules.

**"Floor"** means the minimum rate, level, amount, measure, or other value of the Underlying of a Variable Payout Contract that may be the Expiration Value or the Closing Trade Value. If the actual rate, level, amount, measure or other value of the Underlying meets or falls below the Floor on the Expiration Date, the Floor will be the Expiration Value.

**"Foreign Bank"** means a bank as that term is defined in 31 CFR 1010.100(u).

**"Last Trading Day"** means, for a particular Contract, the last date on which that Contract may be traded on the Market.

**"Limit Order"** means a request submitted to the Exchange to buy or sell a set number of contracts, in a particular product offered by Nadex, at a specified price or better price if a better price is available. The following are permissible Nadex Limit Order types, although certain order types may only be available on particular platforms or to particular Member types:

>   **"Fill or Kill Order" or "FOK"** is a Limit Order that will be cancelled if the Order cannot be immediately filled in its entirety.

>   **"Immediate or Cancel Order" or "IOC"** is a Limit Order that can be filled in whole or in part, with any remaining quantity cancelled.

>   **"Good 'Til Cancel Order" or "GTC"** is a Limit Order which will remain on the market until it is filled, cancelled, or the contract expires. Any remainder of a partially filled GTC Order will stay on the market until it is filled, cancelled, or the contract expires.

>   **"Post-Only (Price Adjustment) Order"** is a Limit Order that will be cancelled by the Exchange in whole or in part to the extent that, at the time it is submitted to the Exchange, it would be immediately executable opposite another Post-Only Order; the Exchange will automatically submit an amended quotation for the unfilled balance of the cancelled Post-Only (Price Adjustment) Order at a price level that is adjusted (a) for Binary Contracts to four minimum tick increments, and (b) for Variable Payout Contracts to one minimum tick increment lower (for bids) or higher (for offers) than the price level of the existing opposite Post-Only Order.

>   **"Post-Only (Reject) Order"** is a Limit Order that will be cancelled by the Exchange in whole or in part to the extent that, at the time it is submitted to the Exchange, it would be immediately executable opposite another Post-Only Order.

**"Long Variable Payout Contract"** means (i) the right to receive at the time the Contract is closed or on the Settlement Date any positive number resulting from subtracting the Opening Trade Value from (A) the Closing Trade Value, if the Variable Payout Contract was closed by an offsetting transaction before Expiration, or (B) the Expiration Value, if the Variable Payout Contract was held to Expiration, and then multiplying the resulting figure by the Dollar Multiplier and (ii) the obligation to pay at the time the contract is closed or on the Settlement Date any positive number resulting from subtracting from the Opening Trade Value (A) the Closing Trade Value, if the Variable Payout Contract was closed by an offsetting transaction before Expiration, or (B) the Expiration Value, if the Variable Payout Contract was held to Expiration, and then multiplying the resulting figure by the Dollar Multiplier.

**"Market Maker"** means a Member that is granted certain privileges in exchange for assuming certain responsibilities as set forth in Chapter 4 of these Rules for the purpose of creating liquidity for certain Classes of Contracts.

**"Member"** means a Person who is approved by Nadex to be a Trading Member or a FCM Member and who is bound by these Rules as they may be amended from time to time.

**"Opening Trade Value"** means the rate, level, amount, measure, or other value of the Underlying of a Variable Payout Contract at which the Contract is opened in a Member's account.

**"Order"** means a request submitted to the Exchange to buy or sell a set number of contracts, in a particular product offered by Nadex in accordance with the requirements established by the Exchange.

"**Payout Criterion**" of a Contract means the Expiration Value or range of Expiration Values that will cause that Contract to pay a Settlement Value to the holder of a long position or the holder of a short position in such Contract. The holder of a long or short position in a Contract that receives a Settlement Value is considered to be "in-the-money" while the holder of either a long or short position in a Contract that does NOT receive a Settlement Value is considered to be "out-of-the-money".

**"Person"** means an individual, sole proprietorship, corporation, limited liability company, partnership, trust, or any other entity.

**"Regulatory Agency"** means any government body, including the Commission and Securities and Exchange Commission, and any organization, whether domestic or foreign, granted authority under statutory or regulatory provisions to regulate its own activities and the activities of its members, and includes Nadex, any other clearing organization or contract market, any national securities exchange or clearing agency, the National Futures Association ("NFA") and the Financial Industry Regulatory Authority ("FINRA").

**"Series"** means all Contracts of the same Class having identical terms, including Payout Criterion and Expiration Date.

**"Settlement Date"** means the date on which money is paid to the account of a Member who has the right to receive money pursuant to a Variable Payout Contract or Binary Contract held until Expiration, and on which money is paid from the account of a Member who is obligated to pay money pursuant to a Variable Payout Contract held until Expiration. Unless otherwise specified in these Rules, the Settlement Date is the same day as the Expiration Date.

**"Settlement Value"** means the amount paid to the holders of in-the-money Contracts. The minimum Settlement Value of a Binary Contract is $100. The Settlement Value of a Variable Payout Contract is determined as described in the definition for Long and Short Variable Payout Contracts.

**"Short Variable Payout Contract"** means (i) the right to receive at the time the Contract is closed or on the Settlement Date any positive number resulting from subtracting from the Opening Trade Value (A) the Closing Trade Value, if the Variable Payout Contract was closed by an offsetting transaction before Expiration, or (B) the Expiration Value, if the Variable Payout Contract was held to Expiration, and then multiplying the resulting figure by the Dollar Multiplier and (ii) the obligation to pay at the time the Contract is closed or on the Settlement Date any positive number resulting from subtracting the Opening Trade Value from (A) the Closing Trade Value, if the Variable Payout Contract was closed by an offsetting transaction before Expiration, or (B) the Expiration Value, if the Variable Payout Contract was held to Expiration, then multiplying the resulting figure by the Dollar Multiplier.

**"Source Agency"** means the agency that publishes the Underlying economic indicator and/or Expiration Value for any Contract.

"**Speculative Position Limits," or "Position Limit"** means the maximum position, either net long or net short, in one Series or a combination of various Series of a particular Class that may be held or controlled by one Member as prescribed by Nadex and/or the Commission.

**"Start Date"** means the date on which a new delivery month will be used as the Underlying for Nadex contracts.

"**Trade Day**" means the regular trading session on any given calendar date and the evening session, if any, on the immediately preceding calendar date, as specified in Rule 5.11.

**"Trading Member"** means a Person who has been approved by Nadex to trade directly and not through a FCM Member on the Market, and does not include any FCM Member.

**"Type"** means the classification of a Contract as a Variable Payout Contract or a Binary Contract.

**"Underlying"** means the index, rate, risk, measure, instrument, differential, indicator, value, contingency, occurrence, or extent of an occurrence the Expiration Value of which determines whether (and, in the case of a Variable Payout Contract, to what extent) a Contract is in-the-money.

**"Variable Payout Contract"** means a Long Variable Payout Contract and/or a Short Variable Payout Contract (such Variable Payout Contracts are also referred to as "Spread(s)" or "Narrow Spread(s)").

"**12PM**" or "**12:00 PM**" means 12:00 Noon

RULES 1.2 – 3.2 [UNCHANGED]

RULE 3.3  MEMBER OBLIGATIONS

(a)  Each Member and any Authorized Trader(s) thereof, must comply with these Rules, applicable provisions of the Commodity Exchange Act, and relevant Commission regulations. Each Member and any Authorized Trader(s) thereof must also cooperate promptly and fully with Nadex, its agents, and/or the Commission in any investigation, call for information, inquiry, audit, examination, or proceeding.  Such cooperation shall include providing Nadex with access to information on the activities of such Member and/or Authorized Trader in any referenced market that provides the underlying prices for any Nadex market.  Additionally, each Member must update its e-mail address within 24 hours after any change and update all other information provided in its application for membership within five days after that information has changed. If any Member or Authorized Trader(s) thereof fail to satisfy these obligations, Nadex may revoke or suspend the Member's privileges in full or in part.  Each Member may also be subject to civil or criminal prosecution.

(b)  Each Member consents to allow Nadex to provide all information Nadex has about the Member, including the Member's trading activity, to the Commission or any other Regulatory Agency, law enforcement authority, or judicial tribunal, including (as may be required by information sharing agreements or other contractual, regulatory, or legal provisions) foreign regulatory or self-regulatory bodies, law enforcement authorities, or judicial tribunals.

(c)  Each Member and each Member's Authorized Trader(s) are required to review the "Notices" section of the Nadex website to make itself aware of material changes to these Rules or other notices that may affect your rights and obligations as a Member of Nadex.

(d)  Each Member must immediately notify Nadex in writing upon becoming aware:

(i) that the Member, any of the Member's officers or any of the Member's Authorized Traders has had trading privileges suspended, access to, or membership or clearing membership in, any Regulatory Agency denied;

(ii) that the Member, any of the Member's officers or any of the Member's Authorized Traders has been convicted of, pled guilty or no contest to, or entered a plea agreement to, any felony in any domestic, foreign or military court;

(iii) that the Member, any of the Member's officers or any of the Member's Authorized Traders has been convicted of, plead guilty or no contest to, or entered a plea agreement to a misdemeanor in any domestic, foreign or military court which involves:

(1)  embezzlement, theft, extortion, fraud, fraudulent conversion, forgery, counterfeiting, false pretenses, bribery, gambling, racketeering, or misappropriation of funds, securities or properties; or

(2)  any transaction in or advice concerning swaps, futures, options on futures, leveraged transactions or securities;

(iv) that the Member, any of the Member's officers or any of the Member's Authorized Traders has been subject to, or associated with a firm that was subject to regulatory proceedings before any Regulatory Agency;

(v) that the Member, any of the Member's officers or any of the Member's Authorized Traders is currently a party to any investigation or proceeding, the resolution of which could result in an event described in Rule 3.3(d)(i)-(iv);

(vi) of any other material change in any information contained in the Member's membership application;

(vii) of any failure to segregate or maintain adequate Customer funds as required by the Commission when the Member is a FCM Member;

(viii) of becoming subject to early warning reporting under Commission Regulation 1.12;

(ix) of becoming the subject of a bankruptcy petition, receivership proceeding, or the equivalent, or being unable to meet any financial obligation as it becomes due; or

(x) of information that concerns any financial or business developments that may materially affect the Members' ability to continue to comply with participation requirements.

(e) Each Member must diligently supervise all activities of the Member's employees and/or agents, including all Authorized Traders, relating to transactions effected on Nadex. Any violation of these Rules by any employee of a Member may constitute a violation of the Rules by such Member.

(f) A Member is not required to engage in trading activity or maintain a minimum balance in its account after initial funding. If a Member does not engage in any trading activity or maintain a positive balance for a period of one year, however, that Member's account and membership ~~will~~may be terminated. A Person whose membership is terminated pursuant to this provision may re-apply for membership at any time following such termination.

RULES 3.4 – 4.3 [UNCHANGED]

RULE 4.4 OBLIGATIONS OF MARKET MAKERS

(a) General – Transactions of Market Makers should constitute a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and Market Makers shall not make bids or offers or enter into transactions that are inconsistent with such a course of dealings. Ordinarily, Market Makers shall be obligated to do the following:

(i) trade for the proprietary account of the Market Maker only;

(ii)  maintain at least the minimum capital on deposit with Nadex in accordance with the terms of the applicable Market Maker Agreement;

(iii)  comply with all other terms of the applicable Market Maker Agreement; and

(iv)  maintain two-sided displayed quotes of a minimum designated quantity ("Size") within a predefined spread ("Bid/Ask Spread") for a Series of Contracts for a certain period of time throughout the trading day in accordance with the terms of the applicable Market Maker Agreement.

(1)  In ordinary market conditions, quotes must be made within a maximum Bid/Ask Spread.

(2)  In fast market conditions, Market Makers will be permitted to refrain from quoting binding bid and offer prices, in accordance with the Market Maker Agreement.

(3)  Market Makers will be permitted to reduce their size:

(A) in any Binary Contract within a Designated Class that is so deep in-the-money as to be valued at $100 offer or so deep out-of-the-money as to be valued at zero bid and

(B) in any Variable Payout Contract within a Designated Class when the underlying for that Variable Payout Contract is outside the range of the Variable Payout Contract.

(b)  A Market Maker has a continuous obligation to engage, to a reasonable degree under the existing circumstances, in dealings for the account of the Market Maker when there exists, or it is reasonably anticipated that there will exist, a lack of price continuity or a temporary disparity between the supply of and demand for quotations in a Series of a Designated Class to which the Market Maker is appointed.  Without limiting the foregoing, a Market Maker is expected to perform the following activities in the course of maintaining a fair and orderly market;

(i)To post bid and ask quotations in all Designated Classes to which the Market Maker is appointed that, absent changed market conditions, will be honored by the Market Maker.

(ii)To update quotations in response to changed market conditions in all Designated Classes to which the Market Maker is appointed.

(iii)All such Market Maker quotations shall be submitted as "Post-Only oOrders". In the event a Market Maker has built a position size equal to or greater than 90% of any applicable position limit in a particular Class or Contract, then that Market

Maker may submit non-Post-Only oOrders (that is, <u>any other acceptable Order other than a Post-Only Order as set forth in the definition of "Order" in Section 1.1 of this Rulebook</u><s>traditional limit orders</s>) in lieu of its quoting obligation for such Class or Contract until the Market Maker's position in such Class or Contract has been reduced to 75% of the applicable position limit, at which point the Market Maker's obligation to submit Post-Only oOrders will resume.

(iv) A Market Maker may submit non-Post-Only oOrders in markets to which the Market Maker has not been appointed and, provided the Market Maker continues to meet its obligations to continuously quote a two-sided market under the Market Maker Agreement and these Rules, in Designated Classes to which the Market Maker is appointed.

(c) Like other Members of Nadex, a Market Maker may not place an order to buy or sell a Contract in a Class unless it has the excess funds in its Nadex account necessary to fulfill its obligations under that order.

(d) Alternative Position Limits for Certain Binary Contracts

(i) Approved market makers who are engaged in bona fide market-making activity shall be exempt from the position limits for those Binary Contracts defined in

(1) Rules 12.55 (Japan 225), 12.65 (Wall Street 30), 12.63 (US Tech 100), 12.59 (US 500) and 12.61 (US SmallCap 2000) of these Rules. Instead, such market makers shall be subject to Alternative Position Limits of twice the limit identified for such Binary Contract in Chapter 12. In addition, such Alternative Position Limits shall apply not to the entire class of Binary Contracts, but to each Binary Contract in that Class (i.e., per strike).

(2) Rules 12.3 (Copper), 12.5 (Gold), 12.7 (Silver), 12.9 (Crude Oil), 12.11 (Natural Gas), 12.49 (FTSE 100) and 12.51 (Germany 30) of these Rules. Instead, such market makers shall be subject to Alternative Position Limits of the limit identified for such Binary Contract in Chapter 12, which limit shall apply not to the entire class of Binary Contracts, but to each Binary Contract in that Class (i.e., per strike).

(ii) A market maker taking advantage of this exemption and an Alternative Position Limit must, within 1 business day following a request by Nadex's Compliance Department, provide the Nadex Compliance Department with a trade register detailing all futures trading activity in any account owned or controlled by the market maker in the futures contract underlying a Binary Contract during the 15 minutes immediately before and after any expiration time identified by Nadex's Compliance Department in the request.

RULES 5.1 – 5.9 [UNCHANGED]

RULE 5.10 ACCEPTABLE ORDERS

(d)  A Member who is not a Market Maker may enter only non-Post Only Orders (that is, any acceptable Order other than a Post-Only Order as set forth in the definition of "Order" in Section 1.1 of this Rulebook) ~~limit orders~~ to trade Contracts on the Market.  ~~For the purpose of this Rule, a "limit order" is an order to buy or sell the number of Contracts specified at the price specified, or a better price if a better price is available.~~

(e)  Duly appointed Market Makers who are making markets pursuant to such appointment shall submit market maker quotations as Post-Only ~~o~~Orders.  "Post-Only ~~o~~Orders" are orders that provide liquidity to a market in that they can be matched opposite any non-Post Only Order~~limit order~~ submitted by a Member, but cannot be matched opposite another Post-Only Order submitted by another Market Maker.  For example, like a Good 'Til Cancel Order a ~~A~~ Post-Only ~~o~~Order~~, like a limit order,~~ is an order to buy or sell the number of Contracts specified at the price specified, or a better price if a better price is available.  However, unlike a ~~limit~~Good 'Til Cancel ~~o~~Order, Post-Only Orders will not be matched opposite another Post-Only ~~o~~Order.  Post-Only ~~o~~Orders can be submitted in one of two forms:  Post-Only (~~r~~Reject) and Post-Only (~~p~~Price ~~a~~Adjustment).

(i) A "Post-Only (~~r~~Reject) ~~o~~Order" is an order that will be cancelled by the Exchange in whole or in part to the extent that, at the time it is submitted to the Exchange, it would be immediately executable opposite another Post-Only ~~o~~Order.  If, however, some portion of such submitted Post-Only (~~r~~Reject) ~~o~~Order would be immediately executable opposite any resting non-Post Only Order(s)~~limit order(s)~~, that part of such submitted Post-Only (~~r~~Reject) ~~o~~Order will be matched opposite such resting non-Post Only Order(s)~~limit order(s)~~ by the Exchange.  The remaining portion of the submitted Post-Only (~~r~~Reject) ~~o~~Order will be cancelled by the Exchange, leaving the opposite Post-Only ~~o~~Order in the order book.

(ii) A Post-Only (~~p~~Price ~~a~~Adjustment) ~~o~~Order is an order that will be cancelled by the Exchange in whole or in part to the extent that, at the time it is submitted to the Exchange, it would be immediately executable opposite another Post-Only ~~o~~Order.  If, however, some portion of such submitted Post-Only (~~p~~Price ~~a~~Adjustment) ~~o~~Order would be immediately executable opposite any resting non-Post Only Order(s)~~limit order(s)~~, that part of such submitted Post-Only (~~p~~Price ~~a~~Adjustment) ~~o~~Order will be matched opposite such resting non-Post Only Order(s)~~limit order(s)~~ by the Exchange.  The remaining portion of the submitted Post-Only (~~p~~Price ~~a~~Adjustment) ~~o~~Order will be cancelled by the Exchange, leaving the opposite Post-Only ~~o~~Order in the order book.  Unlike a Post-Only (~~r~~Reject) ~~o~~Order, however, upon cancellation of the submitted Post-Only (~~p~~Price ~~a~~Adjustment) ~~o~~Order, the Exchange will automatically submit an amended quotation

for the unfilled balance of the cancelled Post-Only (~~p~~Price ~~a~~Adjustment) ~~o~~Order at a price level that is adjusted (a) for Binary Contracts to four minimum tick increments, and (b) for Variable Payout Contracts to one minimum tick increment lower (for bids) or higher (for offers) than the price level of the existing opposite Post-Only ~~o~~Order.

(f)  In addition to the quotations described in subparagraph (b) above, duly appointed Market Makers may submit non-Post Only Orders~~limit orders~~.  Such ~~o~~Orders will be charged trading and settlement fees at the applicable Direct Trading Member API rates as set forth in the fee schedule.

RULES 5.11 – 12.61 [UNCHANGED]

RULE 12.62 US TECH100 VARIABLE PAYOUT CONTRACTS

(a)  SCOPE – These Rules shall apply to the Class of Contracts referred to as the US Tech 100 Variable Payout Contracts issued by Nadex.

(b)  UNDERLYING – The Underlying for this Class of Contracts is the price of the E-mini NASDAQ 100® Futures contracts ("NQFC") traded on the Chicago Mercantile Exchange (CME®)[1].  The NQFC trade prices that will be used to calculate the Underlying will be taken from four (4) NQFC delivery months:  March, June, September, or December (each a "NQFC Delivery Month").  The date on which a new delivery month will be used as the Underlying for Nadex contracts (i.e. "Start Date") is one calendar day after the End Date for the previous delivery month contract.  The last day on which a delivery month will be used as the Underlying for Nadex contracts (i.e. "End Date") is the Friday of the week preceding the Underlying futures contracts Expiration Date.  For example, the CME e-mini NASDAQ 100 March 2012 futures have an Expiration Date of March 16, 2012.  The last day on which the e-mini NASDAQ 100 March 2012 futures prices will be used as the Underlying for Nadex contracts and to calculate the Expiration Value on the Expiration Date for the relevant e-mini NASDAQ 100 contracts will be the Friday of the preceding week.  Therefore, the End Date for using CME e-mini NASDAQ 100 March 2012 futures will be March 9, 2012 and the Start Date for the next delivery month, CME e-mini NASDAQ 100 June 2012 futures, will be March 10, 2012.

(c)  SOURCE AGENCY – The Source Agency is Nadex.

(d)  TYPE – The Type of Contract is a Variable Payout Contract.

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[1] CME® is a registered mark of the Chicago Mercantile Exchange.  NASDAQ-100 are registered marks of the Nasdaq Stock Market, Inc.  Nadex is not affiliated with the Chicago Mercantile Exchange or Nasdaq Stock Market and neither the Chicago Mercantile Exchange, the Nasdaq Market, nor its affiliates, sponsor or endorse Nadex or its products in any way.  In particular, the Nadex US Tech 100 Contracts are not sponsored, endorsed, sold or promoted by CME or the Nasdaq Stock Market.

(e) ISSUANCE – For each planned release by the Source Agency of the Underlying, Nadex will issue various Contracts, each of a different Series.   A new issuance of Contracts will commence no later than two (2) business days following the Expiration Date.

(f) PAYOUT CRITERION – The Payout Criterion for each Contract will be set by Nadex at the time the Variable Payout Contracts are initially issued.  For the US Tech 100 Variable Payout Contract, the Payout Criteria for the Contracts will be set as follows:

(i) DAILY US TECH 100 VARIABLE PAYOUT SPREAD CONTRACTS, 4:15 PM ET CLOSE - At the commencement of trading in a Daily Spread US Tech 100 Variable Payout Contract, Nadex shall list one (1) Variable Payout Contract, referred to as a 'Spread', which conforms to the Payout Criteria listed below:

(1)  DAILY US TECH 100 VARIABLE PAYOUT 'SPREAD' CONTRACT

(aa) CAP – The Cap shall be X + ~~100~~40.

(bb) FLOOR – The Floor shall be X – ~~100~~40.

(cc) DOLLAR MULTIPLIER – The Dollar Multiplier shall be 1.

(2)  In each case, "X" equals the last NQFC price, as reported by the Source Agency, rounded to the nearest 10.


(ii)  DAILY US TECH 100 VARIABLE PAYOUT SPREAD CONTRACTS, 4:15 PM ET CLOSE - Nadex shall list a set of three (3) Variable Payout Contracts with overlapping ranges, which conform to the Payout Criteria listed below:


(1) CONTRACT 1: The Cap shall be X; The Floor shall be X – ~~100~~40.

(2) CONTRACT 2: The Cap shall be X + ~~50~~20; The Floor shall be X – ~~50~~20.

(3)  CONTRACT 3: The Cap shall be X + ~~100~~40; The Floor shall be X.

(4) DOLLAR MULTIPLIER – The Dollar Multiplier shall be 1.

(5) In each case, "X" equals the last NQFC price, as reported by the Source Agency, rounded to the nearest 10.


(iii)  INTRADAY US TECH 100 VARIABLE PAYOUT SPREAD CONTRACTS, 8AM ET to 4:15 PM ET CLOSE - Nadex shall list a set of three (3)

Variable Payout Contracts with overlapping ranges, which conform to the Payout Criteria listed below:

(1) CONTRACT 1: The Cap shall be X; The Floor shall be X − ~~80~~30.

(2) CONTRACT 2: The Cap shall be X + ~~40~~15; The Floor shall be X − ~~40~~15.

(3) CONTRACT 3: The Cap shall be X + ~~80~~30; The Floor shall be X.

(4) DOLLAR MULTIPLIER − The Dollar Multiplier shall be 1.

(5) In each case, "X" equals the last NQFC price, as reported by the Source Agency, rounded to the nearest 10.

(iv) INTRADAY 2-HOUR US TECH 100 VARIABLE PAYOUT SPREAD CONTRACTS, 10:00AM, 11:00AM, 12:00PM, 1:00PM, 2:00PM, 3:00PM and 4:00PM ET CLOSE - Nadex shall list a set of three (3) Variable Payout Contracts that open 2 hours prior to the stated closing time(s) above with overlapping ranges, which conform to the Payout Criteria listed below:

(1) CONTRACT 1: The Cap shall be X; The Floor shall be X − ~~30~~10.

(2) CONTRACT 2: The Cap shall be X + ~~1~~5; The Floor shall be X − ~~1~~5.

(3) CONTRACT 3: The Cap shall be X + ~~30~~10; The Floor shall be X.

(4) DOLLAR MULTIPLIER − The Dollar Multiplier shall be 1.

(5) In each case, "X" equals the last NQFC price, as reported by the Source Agency, rounded to the nearest 5.

(v) Nadex may list additional Variable Payout Contracts with different ranges of Payout Criteria on a discretionary basis in accordance with the CEA and Commission Regulations.

(g) MINIMUM TICK − The Minimum Tick size for US Tech 100 Variable Payout Contracts shall be ~~1~~0.10.

(h) REPORTING LEVEL − The Reporting Level for the US Tech 100 Variable Payout Contracts shall be 6,250 Contracts.

(i) POSITION LIMIT − The Position Limits for US Tech 100 Variable Payout Contracts shall be 125,000 Contracts.

(j)  LAST TRADING DATE – The Last Trading Date of the Contract is the same date as the Settlement Date.

(k)  SETTLEMENT DATE – The Settlement Date of the Contract shall be the same date as the Expiration Date.

(l)  EXPIRATION DATE – The Expiration Date of the Contract shall be the date on which the US Tech 100 Expiration Value is released by the Source Agency.

(m)  SETTLEMENT VALUE – The Settlement Value is the amount paid to the holder of either a Short or Long Variable Payout Contract on Settlement Date.  The Settlement Value of a Variable Payout Contract is determined as described in the definition for Long and Short Variable Payout Contracts.

(n)  EXPIRATION VALUE – The Expiration Value is the price or value of US Tech 100 as calculated by the Source Agency on the Expiration Date.  The Expiration Value is calculated by the Source Agency by taking the last twenty-five (25) NQFC trade prices just prior to the close of trading of the US Tech 100 Variable Contract and removing the highest five (5) NQFC trade prices and the lowest five (5) NQFC trade prices, using the remaining fifteen (15) NQFC trade prices to calculate the Expiration Value.  The Calculation used is a simple average of all fifteen (15) NQFC trade prices, rounded to one decimal point past the precision of the underlying market.

(o)  CONTINGENCIES – If no level is actually announced on the Expiration Date due to a delay, postponement or otherwise in such release announcement by the Source agency, the Settlement Date will be delayed until the Underlying number is released for the Series.

RULES 12.63 – 12.78 [UNCHANGED]


*End of Rulebook.*

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