March 6, 2020

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: Rule Certification: Nadex Adds Gold and Crude Oil Touch Bracket™ Contracts - Submission Pursuant to Commission Regulation §40.6(a)

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (the "Act"), and §40.6(a) of the regulations promulgated by the Commodity Futures Trading Commission (the "Commission") under the Act, North American Derivatives Exchange, Inc. ("Nadex" or the "Exchange") hereby submits to the Commission its intent to add Gold and Crude Oil Touch Bracket Variable Payout Contracts to Nadex Rules 12.4 and 12.8, respectively.

As you may recall, Nadex began listing Touch Bracket Contracts in December 2018 in its US Indices and certain Foreign Currency markets. Over the last several months, Touch Bracket Contracts represent about 7% of the overall volume at Nadex. The Touch Bracket Contracts are currently listed on only eight different markets (four major currency pairs and four major US stock index futures markets), but have contributed significantly to overall volume. Since the launch of the original eight Touch Bracket Contracts, numerous Nadex members have requested Touch Bracket Contracts on commodities, specifically Gold and Crude Oil.

The Gold and Crude Oil Touch Bracket Contracts will function the same as those Touch Bracket Contracts already listed on the Exchange. The Gold and Crude Oil Touch Brackets will have a Ceiling and a Floor and will be listed with a stated expiration time. If the underlying market equals or moves through (i.e., "touches") either the Ceiling or Floor level of a Gold or Crude Oil Touch Bracket Contract at any time prior to the listed expiration time, the Touch Bracket Contract will immediately expire. In the event the underlying market does not touch the

Ceiling or Floor prior to its listed expiration time, the Touch Bracket will expire at the listed expiration time.

The Expiration Value of Touch Brackets will be calculated in the same manner as all contracts. The Expiration Value of a Nadex contract based on an underlying commodity is calculated by taking a collection of underlying market trade prices occurring just before Expiration of the corresponding Nadex contract, removing a set of the highest and the lowest prices from the data set, and using the remaining trade prices to calculate the Expiration Value. The calculation used is a simple average of those remaining trade prices. Nadex has historically calculated and published an indicative underlying index value for each asset class using this same calculation methodology; this value has been released once per second (i.e., 60 times per minute). This indicative index value ("Index Value") is the value which will be used to determine whether the Ceiling or Floor of a particular instrument has been touched. To be clear, a single print in the underlying futures market cannot "knockout" a Touch Bracket Contract by touching the Ceiling or Floor.

The Nadex Touch Bracket Contracts are a type of Variable Payout Contract, and accordingly have a variable payout at settlement. The settlement payout is dependent on the difference between the Opening Trade Value[1] and the Closing Trade Value[2] or Expiration Value[3], as set forth in the Nadex Rulebook. Nadex currently lists Binary and Call Spread Contracts on the underlying Gold and Crude Oil futures markets, which are liquid markets. Additionally, Nadex has at least two dedicated Market Makers who have indicated their intent to make markets in the Gold and Crude Oil Touch Bracket Contracts.

DCM Core Principles

Nadex has identified the following Designated Contract Market ("DCM") Core Principles as potentially being impacted by the addition of Gold and Crude Oil Touch Bracket Contracts: Core Principle 2 Compliance with Rules (Regulation Subparts 38.156 Automated trade surveillance system, 38.157 Real-time market monitoring); Core Principle 3 Contracts Not Readily Subject to Manipulation (Regulation Subparts 38.200, 38.201 Additional sources for compliance); Core Principle 4 Prevention of Market Disruption (Regulation Subparts 38.250 Core Principle 4, 38.251 General requirements, 38.253 Additional requirements for cash-settled contracts, 38.256 Trade reconstruction); Core Principle 7 Availability of General Information (Regulation Subparts 38.400 Core Principle 7, 38.401 General requirements); Core Principle 8 Daily Publication of Trading Information (Regulation Subparts 38.450, 38.451 Reporting of trade information); and Core Principle 18 Recordkeeping (Regulation Subpart 38.951 Additional Sources for Compliance).

[1] "Opening Trade Value" means the rate, level, amount, measure, or other value of a Binary, Call Spread, or Touch Bracket at which the Contract is opened in a Member's account.
[2] "Closing Trade Value" means the rate, level, amount, measure, or other value of a Binary, Call Spread, or Touch Bracket at which the Contract is closed in a Member's or Customer's account.
[3] "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.

Commission Regulations Subparts 38.156 and 38.157, which implement Core Principle 2, require a DCM to maintain an automated trade surveillance system capable of detecting and investigating potential trade practice violations, and to conduct real-time market monitoring of all trading activity. 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 all trading activity on the Exchange in real-time and will be able to monitor activity in the Gold and Crude Oil Touch Bracket Variable Payout Contracts in the same manner, as it currently does for the eight Touch Bracket Contracts already listed on the Exchange. The Nadex surveillance system and its staff currently monitor all trading activity, and this will not change with the addition of Gold and Crude Oil Touch Bracket Contracts. Therefore, the addition of Gold and Crude Oil Touch Bracket Contracts will not negatively impact Nadex's ability to comply with this Core Principle.

Core Principles 3 and 4 require a DCM to list only contracts that are not readily susceptible to manipulation and to prevent market disruption. Nadex is currently listing Gold and Crude Oil Daily and Intraday Variable Payout Contracts, as well as Weekly, Daily, and Intraday Binary Gold and Crude Oil Contracts, which are based on underlying markets that are highly liquid and are traded in real-time, thereby eliminating the possibility of an early release of an underlying trade price. The same underlying markets will continue to be used for the Gold and Crude Oil Touch Bracket Contracts.

Additionally, the Expiration Value calculation method of removing the top 20% and lowest 20% of underlying trade prices from the collected Gold and Crude Oil data set and averaging the remaining trade prices further mitigates the possibility of manipulation in the underlying markets. With respect to the trading activity in the Touch Brackets themselves, Nadex has at least two of its existing Market Makers that have indicated a willingness to providing liquidity in these contracts, which market making activity should limit opportunities for the Gold and Crude Oil Touch Bracket markets to be manipulated. As previously stated, Nadex also uses the SMARTS surveillance system to assist with market monitoring and has a staff dedicated to market surveillance to detect potential market manipulation.

Regulation 38.253 requires a DCM to have rules in place that allow the DCM access to information about the activities of its traders in a reference market if the contracts listed on the DCM are settled by reference to the price of a contract in another venue. Nadex Gold and Crude Oil Call Spread Variable Payout Contracts are currently, and will continue to be, settled based on data from the relevant underlying markets upon which those contracts are based. Nadex Rule 3.3(a) specifically requires each Member and Authorized Trader to cooperate in "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". This obligation is applicable to any contract traded on Nadex, and will therefore apply to the Gold and Crude Oil Touch Bracket Contracts as well. In addition, Nadex is a signatory to both the International Information Sharing Memorandum of Understanding and Agreement and the Joint Compliance Committee's Agreement for Sharing Regulatory Data and Information.

Regulation 38.256 requires a DCM to have the ability to comprehensively and accurately reconstruct all trading on its trading facility. Nadex is currently able to reconstruct trading in its contracts based on the data stored in the database, the Nadex SMARTS surveillance system, as well as the Exchange log files. Trade data will continue to be stored in this same manner following the addition of the Gold and Crude Oil Touch Bracket Contracts. Therefore, the addition of these contracts will not negatively impact Nadex's ability to comply with these Core Principles.

Core Principles 7 and 8, implemented by Regulations Subsections 38.400, 38.401, 38.450, and 38.451, require a DCM to make available to the public accurate information regarding the contract terms and conditions, as well as daily information on contracts such as settlement price, volume, open interest, and opening and closing ranges. Nadex makes the Exchange Rulebook available on its website, as well as the Daily Bulletin which contains the preceding required information. The Results page on the website also publishes the Expiration Value and Settlement Value for all Nadex contracts settled during that week. Contract specifications for the Gold and Crude Oil Touch Bracket Contracts will likewise be set forth in the Rulebook and on the Nadex website. Daily settlement prices, volume, open interest, and opening and closing ranges for the new contracts will be included on the Daily Bulletin and posted on the Nadex website. The Nadex Market Maker Agreement is also available on the Nadex website, and will identify when Market Makers are allowed to modify their quoting obligations in the Gold and Crude Oil Touch Bracket Contracts. Therefore, the addition of Gold and Crude Oil Touch Bracket Contracts will not negatively impact Nadex's ability to comply with these Core Principles.

Finally, Core Principle 18, implemented by Regulation Subsection 38.951, requires a DCM to maintain records in accordance with part 45, Swap Data Recordkeeping and Reporting Requirements. In early 2013, Nadex and CFTC staff engaged in discussions regarding the classification of its Binary Contracts and Variable Payout Contracts following the Dodd-Frank amendments to the Act. The review resulted in the determination that Nadex Binary Contracts and Variable Payout Contracts were deemed to be "swaps" under Section 1a(47) of the Act. On June 30, 2017, Nadex was granted relief in CFTC Letter No. 17-31 (the "Letter") from Commission Regulations 38.8(b), 38.10, 38.951 (in part), 39.20(b)(2) and Parts 43 and 45. In the Letter, the Division of Market Oversight ("DMO") and Division of Clearing and Risk ("DCR") (collectively, the "Divisions") referred to the Nadex contracts as "binary options" and "spread contracts", as the Nadex Variable Payout Contracts were commonly known. During conversations with CFTC staff prior to the initial listing of Touch Bracket Contracts in December 2018, CFTC staff indicated the Letter was intended to cover Variable Payout Contracts, and hence, include both Call Spreads and Touch Bracket Contracts. Nadex will continue to meet the requirements for which it has not been granted relief, as well as the conditional requirements set forth in the Letter.

<u>DCO Core Principles</u>

Nadex has identified the following Derivatives Clearing Organization ("DCO") Core Principles as potentially being impacted by these amendments: C Participant and Product Eligibility, E Settlement Procedures, K Recordkeeping, and L Public Information.

Core Principle C, implemented by Regulation 39.12, requires a DCO to determine the eligibility of contracts for clearing. Nadex has determined the Gold and Crude Oil Touch Bracket Variable Payout Contracts will be eligible for clearing as the contracts will be listed based upon the same liquid underlying futures markets as Nadex's currently listed Gold and Crude Oil Binary and Call Spread Contracts. Moreover, as required by Nadex's Order of Designation, trading in the Gold and Crude Oil Touch Bracket Contracts will be conducted on a fully-collateralized basis, thereby mitigating any credit risk of a particular member to Nadex or any other market participant.

Core Principle E, implemented by Regulation 39.14, requires a DCO to effect a settlement with each member at least once each business day. Nadex's Gold and Crude Oil Touch Bracket Contracts will settle in a timely manner after expiration. Also, in accordance with this Core Principle, Nadex will continue to maintain an accurate record of the flow of funds associated with each settlement of its Gold and Crude Oil Touch Bracket Contracts. Therefore, the amendments discussed herein will not negatively impact Nadex's ability to comply with this Core Principle.

Core Principle K, implemented by Regulation 39.20, requires a DCO that clears swaps maintain swap data in accordance with the requirements of part 45. As indicated above, Nadex has been granted relief from Commission Regulations 38.8(b), 38.10, 38.951 (in part), 39.20(b)(2) and Parts 43 and 45 in CFTC Letter No. 17-31 with respect to its binary option and spread contracts. In discussions with DMO and DCR, staff have indicated that the relief was intended for Variable Payout Contracts, and accordingly, would be extended to Touch Bracket contracts, a type of Variable Payout Contract. Nadex will continue to meet the requirements for which it has not been granted relief, as well as the conditional requirements set forth in the Letter.

Core Principle L, implemented by Regulation 39.21, requires a DCO to make available to the public the terms and conditions of each contract, as well as the daily settlement prices, volume, and open interest of the contract. As stated previously, the Rulebook contains the contract specifications for all contracts listed on the Exchange, and is made available to the public on the Nadex website. All settlement values are listed on the Nadex website on the 'Results Page', as well as the Daily Bulletin which also shows volume and open interest. Therefore, the amendments discussed herein will not negatively impact Nadex's ability to comply with this Core Principle.

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.

Nadex hereby certifies that the additions contained herein comply with the Act, as amended, and the Commission Regulations adopted thereunder. No substantive opposing views were expressed to Nadex with respect to any of these actions.

Nadex hereby certifies that notice of these amendments was posted on its website at the time of this filing.

In accordance with the 10-day review period set forth in Commission Regulation 40.6(b), Nadex plans to implement these Rule changes and begin listing Gold and Crude Oil Touch Bracket Contracts for the start of business on trade date March 23, 2020. In the event Nadex delays listing the new Gold and Crude Oil Touch Bracket Contracts it will post a notice on its website of the delay and the planned launch date.

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 M. Walsh
Legal Counsel

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EXHIBIT A

Rule	Asset	Duration/Close Time	Action	Effective Date
12.4	Gold Variable Payout Contracts	Touch Bracket, 1:30pm ET Close or earlier as explained in Rule	Add Touch Bracket Contracts	3/23/2020
12.8	Crude Oil Variable Payout Contracts	Touch Bracket, 2:30pm ET Close or earlier as explained in Rule	Add Touch Bracket Contracts	3/23/2020

EXHIBIT B

Amendment of Rules 12.4, 12.8

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

RULES 1.1 – 12.3 [UNCHANGED]

RULE 12.4 GOLD VARIABLE PAYOUT CONTRACTS

RULE 12.4.1 GOLD "CALL SPREAD" VARIABLE PAYOUT CONTRACTS

(a) SCOPE –These Rules shall apply to the Class of Contracts referred to as the Gold Variable Call Spread Payout Contracts issued by Nadex.

(b) UNDERLYING – The Underlying for this Class of Contracts is the price, per troy ounce (in US dollars), of the Gold Futures Contracts ("GFC") traded on the COMEX® Division of the New York Mercantile Exchange ("NYMEX"®)[4]. The GFC trade prices that will be used for the Underlying will be taken from the February, April, June, August, or December GFC delivery months (each a "GFC Delivery Month"). The Start and End Date for which Nadex will use a specific delivery month as the Underlying will be set based on the Settlement date of the Underlying futures contract. 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 third to last business day of the month preceding the month of the Underlying futures contracts Expiration Date. For example, the Comex Gold April 2014 futures have an Expiration Date of April 28, 2014. The last day on which the Gold April 2014 futures prices will be used as the Underlying for Nadex contracts and to calculate the Expiration Value on the Expiration Date for the relevant Gold contracts will be the third to last business day of the preceding month, March. Therefore, the End Date for using Comex Gold April 2014 futures will be March 27, 2014 and the Start Date for the next delivery month, Comex Gold June 2014 futures, will be March 28, 2014.

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

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

(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.

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[4] *Supra, at fn 4.*

(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 Gold Variable Payout Contract, the Payout Criteria for the Contracts will be set as follows:

(i) DAILY GOLD CALL SPREAD VARIABLE PAYOUT CONTRACTS, 1:30 PM ET CLOSE - At the commencement of trading in a Daily Gold Call Spread Variable Payout Contract, referred to as a 'Call Spread', Nadex shall list one (1) Call Spread Contract, which conforms to the Payout Criteria listed below:

(1) DAILY GOLD CALL SPREAD CONTRACT

(aa) CEILING – The Ceiling shall be X + 50.00.

(bb) FLOOR – The Floor shall be X – 50.00.

(cc) DOLLAR MULTIPLIER – The Dollar Multiplier shall be 10.

(2) In each case, "X" equals the last Gold price, as reported by the Source Agency, rounded to the nearest 50.

(ii) DAILY GOLD CALL SPREAD CONTRACTS, 1:30 PM ET CLOSE - Nadex shall list a set of three (3) Call Spread Contracts with overlapping ranges, which conform to the Payout Criteria listed below:

(1) CONTRACT 1: The Ceiling shall be X; The Floor shall be X – 50.

(2) CONTRACT 2: The Ceiling shall be X + 25; The Floor shall be X – 25.

(3) CONTRACT 3: The Ceiling shall be X + 50; The Floor shall be X.

(4) DOLLAR MULTIPLIER – The Dollar Multiplier shall be 10.

(5) In each case, "X" equals the last Gold price, as reported by the Source Agency, rounded to the nearest 50.

(iii) INTRADAY GOLD CALL SPREAD CONTRACTS, 8AM ET to 1:30 PM ET CLOSE - Nadex shall list a set of three (3) Call Spread Contracts with overlapping ranges, which conform to the Payout Criteria listed below:

(1) CONTRACT 1: The Ceiling shall be X; The Floor shall be X – 40.

(2) CONTRACT 2: The Ceiling shall be X + 20; The Floor shall be X – 20.

(3) CONTRACT 3: The Ceiling shall be X + 40; The Floor shall be X.

(4) DOLLAR MULTIPLIER – The Dollar Multiplier shall be 10.

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

(iv) INTRADAY 2-HOUR GOLD CALL SPREAD CONTRACTS, 10:00AM, 11:00AM, 12:00PM, and 1:00PM ET CLOSE - Nadex shall list a set of three (3) Call Spread 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 Ceiling shall be X; The Floor shall be X – 15.

(2) CONTRACT 2: The Ceiling shall be X + 7.5; The Floor shall be X – 7.5.

(3) CONTRACT 3: The Ceiling shall be X + 15; The Floor shall be X.

(4) DOLLAR MULTIPLIER – The Dollar Multiplier shall be 10.

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

(v) Nadex may list additional Call Spread 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 Gold Call Spread Contracts shall be 0.10.

(h) POSITION LIMIT – The Position Limits for Gold Call Spread Contracts shall be 60,000 Contracts.

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

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

(k) EXPIRATION DATE – The Expiration Date of the Contract shall be the date on which the Gold Expiration Value is released by the Source Agency.

(l) 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.

(m) EXPIRATION VALUE – The Expiration Value is the price or value of Gold released by the Source Agency on the Expiration Date. The Expiration Value is calculated by the Source Agency by taking all GFC trade prices occurring in the ten (10) seconds leading up to the close of trading of the Gold Call Spread Contract, provided at least twenty-five (25) trade prices are captured during the ten (10) second period, removing the highest twenty (20) percent of GFC trade prices and the lowest twenty (20) percent of GFC trade prices from the data set[5], and using the remaining GFC trade prices to calculate the Expiration Value. The calculation used is a simple average of the remaining GFC trade prices in the data set, rounded to one decimal point past the precision of the underlying market. In the event the time it takes to collect at least twenty-five (25) GFC trade prices exceeds the ten (10) seconds just prior to the close of trading of the Gold Call Spread Contract, the Expiration Value is calculated by the Source Agency by taking the last twenty-five (25) GFC trade prices just prior to the close of trading of the Gold Call Spread Contract removing the highest five (5) GFC trade prices and the lowest five (5) GFC trade prices, and using the remaining fifteen (15) GFC trade prices to calculate the Expiration Value. The calculation used is a simple average of all fifteen (15) GFC trade prices, rounded to one decimal point past the precision of the underlying market.

(n) 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 that Series.

RULE 12.4.2 GOLD "TOUCH BRACKET" VARIABLE PAYOUT CONTRACTS

(a) SCOPE –These Rules shall apply to the Class of Contracts referred to as the Gold Touch Bracket Variable Payout Contracts issued by Nadex.

(b) UNDERLYING – The Underlying for this Class of Contracts is the price, per troy ounce (in US dollars), of the Gold Futures Contracts ("GFC") traded on the COMEX® Division of the New York Mercantile Exchange ("NYMEX"®)[6]. The GFC trade prices that will be used for the Underlying will be taken from the February, April, June, August, or December GFC delivery months (each a "GFC Delivery Month"). The Start and End Date for which Nadex will use a specific delivery month as the Underlying will be set based on the Settlement date of the Underlying futures contract. 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 third to last business day of the month preceding the month of the Underlying futures contracts Expiration Date. For example, the Comex Gold April 2014 futures have an Expiration Date of April 28, 2014. The last day on which the Gold April 2014 futures prices will be used as the Underlying for Nadex contracts and to calculate the Expiration Value on the Expiration Date for the relevant Gold contracts will be the third to last business day of the preceding month, March. Therefore, the End Date for using Comex Gold April 2014 futures will be March 27, 2014 and the Start Date for the next delivery month, Comex Gold June 2014 futures, will be March 28, 2014.

[5] If 20% of the data set would result in a non-integer number of trade prices, the number of trade prices to be removed from the set will be rounded down. For example, if the number of trade prices collected during the last 10 seconds prior to the close of trading was 31, 20% of the data set would be 6.2 trade prices. As 6.2 is a non-integer number, the value will be rounded down, and the 6 highest and 6 lowest trade prices will be removed from the data set.

[6] *Supra, at fn 4.*

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

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

(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 Gold Touch Bracket Contracts, the Payout Criteria for the Contracts will be set as follows:

(i) WEEKLY GOLD TOUCH BRACKET VARIABLE PAYOUT CONTRACTS, Close Time is the earlier of 1:30 PM ET on the last Trade Day of the contract listing, or when the Gold Index Value is equal to or greater than the Ceiling, or equal to or less than the Floor. Nadex shall list a set of four (4) Touch Bracket Variable Payout Contracts, referred to as a "Touch Bracket", that open at 6:00PM ET on the first Trade Day of the week, with overlapping ranges, which conform to the Payout Criteria listed below.

(1) CONTRACT 1: The Ceiling shall be X + 40; The Floor shall be X – 10.

(2) CONTRACT 1: The Ceiling shall be X + 30; The Floor shall be X – 20.

(3) CONTRACT 1: The Ceiling shall be X + 20; The Floor shall be X – 30.

(4) CONTRACT 1: The Ceiling shall be X + 10; The Floor shall be X – 40.

(5) DOLLAR MULTIPLIER – The Dollar Multiplier shall be 10.

(6) In each case, "X" equals the last Gold price, as reported by the Source Agency, rounded to the nearest 1.

(ii) Upon the early Expiration of a Touch Bracket, Nadex may list a new Touch Bracket with a Ceiling of X + 40 (or 10) and a Floor of X – 10 (or 40) where X equals the Ceiling (or Floor) of the Touch Bracket that expired early. The newly listed Touch Bracket will have the same Last Trade Day as originally established for the expired Touch Bracket and the same Dollar Multiplier as the expired Touch Bracket.

(g) MINIMUM TICK – The Minimum Tick size for Gold Touch Bracket Variable Payout Contracts shall be 0.1.

(h) POSITION LIMIT – The Position Limit for Gold Touch Bracket Variable Payout Contracts shall be 100 Contracts.

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

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

(k) EXPIRATION DATE – The Expiration Date of the Contract shall be the date on which the Gold Touch Bracket Contract Expiration Value is released by the Source Agency.

(l) 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.

(m) GOLD INDEX VALUE – The Source Agency shall calculate and produce a Gold Index Value once each second throughout the life of the Gold Variable Payout Contracts. That is, each second the Source Agency will calculate a Gold Index Value by taking all GFC trade prices occurring in the ten (10) seconds leading up to the close of trading of the Gold Call Spread Contract, provided at least twenty-five (25) trade prices are captured during the ten (10) second period, removing the highest twenty (20) percent of GFC trade prices and the lowest twenty (20) percent of GFC trade prices from the data set[7], and using the remaining GFC trade prices to calculate the Expiration Value. The calculation used is a simple average of the remaining GFC trade prices in the data set, rounded to one decimal point past the precision of the underlying market. In the event the time it takes to collect at least twenty-five (25) GFC trade prices exceeds the ten (10) seconds just prior to the close of trading of the Gold Call Spread Contract, the Expiration Value is calculated by the Source Agency by taking the last twenty-five (25) GFC trade prices just prior to the close of trading of the Gold Call Spread Contract removing the highest five (5) GFC trade prices and the lowest five (5) GFC trade prices, and using the remaining fifteen (15) GFC trade prices to calculate the Expiration Value. The calculation used is a simple average of all fifteen (15) GFC trade prices, rounded to one decimal point past the precision of the underlying market.

(n) EXPIRATION VALUE – The Expiration Value is the Gold Index Value as released by the Source Agency at Expiration.

(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.

[7] If 20% of the data set would result in a non-integer number of trade prices, the number of trade prices to be removed from the set will be rounded down. For example, if the number of trade prices collected during the last 10 seconds prior to the close of trading was 31, 20% of the data set would be 6.2 trade prices. As 6.2 is a non-integer number, the value will be rounded down, and the 6 highest and 6 lowest trade prices will be removed from the data set.

RULES 12.5 – 12.7 [UNCHANGED]

RULE 12.8 CRUDE OIL VARIABLE PAYOUT CONTRACTS

RULE 12.8.1 CRUDE OIL "CALL SPREAD" VARIABLE PAYOUT CONTRACTS

(a) SCOPE –These Rules shall apply to the Class of Contracts referred to as the Crude Oil Call Spread Variable Payout Contracts issued by Nadex.

UNDERLYING – The Underlying for this Class of Contracts is WTI Light, Sweet Crude Oil price per barrel (in US dollars), obtained from the WTI Light, Sweet Crude Oil Futures contracts ("CFC") traded on the New York Mercantile Exchange ("NYMEX®"[8]). The CFC trade prices that will be used for the Underlying will be taken from all twelve CFC delivery months: January, February, March, April, May, June, July, August, September, October, November, or December (each a "CFC 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. If the Underlying futures contracts Expiration Date falls on a Monday, the End Date for that specific delivery month will be the Friday of the week preceding the week of the Underlying futures contracts Expiration Date, i.e. not the Friday that is one business day prior to the Monday Expiration Date. For example, the Nymex Crude Oil March 2012 futures have an Expiration Date of February 21, 2012. The last day on which the Crude Oil 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 Crude Oil contracts will be the Friday of the preceding week. Therefore, the End Date for using Nymex Crude Oil March 2012 futures will be February 17, 2012 and the Start Date for the next delivery month, Nymex Crude Oil April 2012 futures, will be February 18, 2012. The Nymex Crude Oil November 2012 futures, however, have an Expiration Date of Monday, October 22, 2012. The last day on which the Crude Oil November 2012 futures prices will be as the Underlying for Nadex contracts and to calculate the Expiration Value on the Expiration Date for the relevant Crude Oil contracts will be October 12, 2012, rather than October 19, 2012, and the Start Date for the next delivery month, Nymex Crude Oil December 2012 futures will be October 13, 2012.

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

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

(d) 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.

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[8] *Supra, at fn 4.*

(e) 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 Crude Oil Variable Payout Contract, the Payout Criteria for the Contracts will be set as follows;

(i) DAILY CRUDE OIL CALL SPREAD VARIABLE PAYOUT CONTRACTS, 2:30 PM ET CLOSE - At the commencement of trading in a Daily Crude Oil Call Spread Variable Payout Contract, referred to as a 'Call Spread', Nadex shall list one (1) Call Spread Contract, which conforms to the Payout Criteria listed below:

(1) DAILY CRUDE OIL CALL SPREAD CONTRACT

(aa) CEILING – The Ceiling shall be X + 5.

(bb) FLOOR – The Floor shall be X – 5.

(cc) DOLLAR MULTIPLIER – The Dollar Multiplier shall be 100.

(2) In each case, "X" equals the last Crude Oil price, as reported by the Source Agency, rounded to the nearest 1.

(ii) DAILY CRUDE OIL CALL SPREAD CONTRACTS, 2:30 PM ET CLOSE - Nadex shall list a set of three (3) Call Spread Contracts with overlapping ranges, which conform to the Payout Criteria listed below:

(1) CONTRACT 1: The Ceiling shall be X; The Floor shall be X – 5.

(2) CONTRACT 2: The Ceiling shall be X + 2.50; The Floor shall be X – 2.50.

(3) CONTRACT 3: The Ceiling shall be X + 5; The Floor shall be X.

(4) DOLLAR MULTIPLIER – The Dollar Multiplier shall be 100.

(5) In each case, "X" equals the last Crude Oil price, as reported by the Source Agency, rounded to the nearest 1.

(iii) INTRADAY CRUDE OIL CALL SPREAD CONTRACTS, 8AM ET to 2:30 PM ET CLOSE - Nadex shall list a set of three (3) Call Spread Contracts with overlapping ranges, which conform to the Payout Criteria listed below:

(1) CONTRACT 1: The Ceiling shall be X; The Floor shall be X – 3.

(2) CONTRACT 2: The Ceiling shall be X + 1.50; The Floor shall be X – 1.50.

(3) CONTRACT 3: The Ceiling shall be X + 3; The Floor shall be X.

(4) DOLLAR MULTIPLIER – The Dollar Multiplier shall be 100.

(5) In each case, “X” equals the last Crude Oil price, as reported by the Source Agency, rounded to the nearest 0.50.

(iv) INTRADAY 2-HOUR CRUDE OIL CALL SPREAD CONTRACTS, 10:00AM, 11:00AM, 12:00PM, 1:00PM and 2:00PM ET CLOSE - Nadex shall list a set of five (5) Call Spread 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 Ceiling shall be X – 0.75; The Floor shall be X – 2.25.

(2) CONTRACT 2: The Ceiling shall be X; The Floor shall be X – 1.50.

(3) CONTRACT 3: The Ceiling shall be X + 0.75; The Floor shall be X – 0.75.

(4) CONTRACT 4: The Ceiling shall be X + 1.50; The Floor shall be X.

(5) CONTRACT 5: The Ceiling shall be X + 2.25; The Floor shall be X + 0.75.

(6) DOLLAR MULTIPLIER – The Dollar Multiplier shall be 100.

(7) In each case, “X” equals the last Crude Oil price, as reported by the Source Agency, rounded to the nearest 0.25.

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

(f) MINIMUM TICK – The Minimum Tick size for Crude Oil Call Spread Contracts shall be 0.01.

(g) POSITION LIMIT – The Position Limits for Crude Oil Call Spread Contracts shall be 25,000 Contracts.

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

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

(j) EXPIRATION DATE – The Expiration Date of the Contract will be the date on which the Crude Oil Expiration Value is released by the Source Agency.

(k) 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.

(l) EXPIRATION VALUE – The Expiration Value is the price or value of Crude Oil released by the Source Agency on the Expiration Date. The Expiration Value is calculated by the Source Agency by taking all CFC trade prices occurring in the ten (10) seconds leading up to the close of trading of the Crude Oil Call Spread Contract, provided at least twenty-five (25) trade prices are captured during the ten (10) second period, removing the highest twenty (20) percent of CFC trade prices and the lowest twenty (20) percent of CFC trade prices in the data set[9], and using the remaining CFC trade prices in the data set, to calculate the Expiration Value. The calculation used is a simple average of the remaining CFC trade prices in the data set, rounded to one decimal point past the precision of the underlying market. In the event the time it takes to collect at least twenty-five (25) CFC trade prices exceeds the ten (10) seconds just prior to the close of trading of the Crude Oil Call Spread Contract, the Expiration Value is calculated by the Source Agency by taking the last twenty-five (25) CFC trade prices just prior to the close of trading of the Crude Oil Call Spread Contract removing the highest five (5) CFC trade prices and the lowest five (5) CFC trade prices, and using the remaining fifteen (15) CFC trade prices to calculate the Expiration Value. The calculation used is a simple average of all fifteen (15) CFC trade prices, rounded to one decimal point past the precision of the underlying market.

(m) 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 that Series.

RULE 12.8.2 CRUDE OIL "TOUCH BRACKET" VARIABLE PAYOUT CONTRACTS

(a) SCOPE –These Rules shall apply to the Class of Contracts referred to as the Crude Oil Touch Bracket Variable Payout Contracts issued by Nadex.

UNDERLYING – The Underlying for this Class of Contracts is WTI Light, Sweet Crude Oil price per barrel (in US dollars), obtained from the WTI Light, Sweet Crude Oil Futures contracts ("CFC") traded on the New York Mercantile Exchange ("NYMEX®"[10]). The CFC trade prices that will be used for the Underlying will be taken from all twelve CFC delivery months: January, February, March, April, May, June, July, August, September, October, November, or December (each a "CFC 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. If the Underlying futures contracts Expiration Date falls on a Monday, the End Date for that specific delivery month will be the Friday of the week preceding the week of the Underlying futures contracts Expiration

[9] If 20% of the data set would result in a non-integer number of trade prices, the number of trade prices to be removed from the set will be rounded down. For example, if the number of trade prices collected during the last 10 seconds prior to the close of trading was 31, 20% of the data set would be 6.2 trade prices. As 6.2 is a non-integer number, the value will be rounded down, and the 6 highest and 6 lowest trade prices will be removed from the data set.

[10] *Supra, at fn 4*.

Date, i.e. not the Friday that is one business day prior to the Monday Expiration Date. For example, the Nymex Crude Oil March 2012 futures have an Expiration Date of February 21, 2012. The last day on which the Crude Oil 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 Crude Oil contracts will be the Friday of the preceding week. Therefore, the End Date for using Nymex Crude Oil March 2012 futures will be February 17, 2012 and the Start Date for the next delivery month, Nymex Crude Oil April 2012 futures, will be February 18, 2012. The Nymex Crude Oil November 2012 futures, however, have an Expiration Date of Monday, October 22, 2012. The last day on which the Crude Oil November 2012 futures prices will be as the Underlying for Nadex contracts and to calculate the Expiration Value on the Expiration Date for the relevant Crude Oil contracts will be October 12, 2012, rather than October 19, 2012, and the Start Date for the next delivery month, Nymex Crude Oil December 2012 futures will be October 13, 2012.

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

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

(d) 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.

(e) 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 Crude Oil Touch Bracket Contracts, the Payout Criteria for the Contracts will be set as follows:

(i) WEEKLY CRUDE OIL TOUCH BRACKET VARIABLE PAYOUT CONTRACTS, Close Time is the earlier of 2:30 PM ET on the last Trade Day of the contract listing, or when the Crude Oil Index Value is equal to or greater than the Ceiling, or equal to or less than the Floor. Nadex shall list a set of four (4) Touch Bracket Variable Payout Contracts, referred to as a "Touch Bracket", that open at 6:00PM ET on the first Trade Day of the week, with overlapping ranges, which conform to the Payout Criteria listed below.

(7) CONTRACT 1: The Ceiling shall be X + 4; The Floor shall be X – 1.

(8) CONTRACT 1: The Ceiling shall be X + 3; The Floor shall be X – 2.

(9) CONTRACT 1: The Ceiling shall be X + 2; The Floor shall be X – 3.

(10) CONTRACT 1: The Ceiling shall be X + 1; The Floor shall be X – 4.

(11) DOLLAR MULTIPLIER – The Dollar Multiplier shall be 100.

(12) In each case, "X" equals the last Crude Oil price, as reported by the Source Agency, rounded to the nearest 0.25.

(iii) Upon the early Expiration of a Touch Bracket, Nadex may list a new Touch Bracket with a Ceiling of X + 4 (or 1) and a Floor of X – 1 (or 4) where X equals the Ceiling (or Floor) of the Touch Bracket that expired early. The newly listed Touch Bracket will have the same Last Trade Day as originally established for the expired Touch Bracket and the same Dollar Multiplier as the expired Touch Bracket.

(g) MINIMUM TICK – The Minimum Tick size for Crude Oil Touch Bracket Variable Payout Contracts shall be 0.01.

(h) POSITION LIMIT – The Position Limit for Crude Oil Touch Bracket Variable Payout Contracts shall be 100 Contracts.

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

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

(k) EXPIRATION DATE – The Expiration Date of the Contract shall be the date on which the Crude Oil Touch Bracket Contract Expiration Value is released by the Source Agency.

(l) 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) CRUDE OIL INDEX VALUE – The Source Agency shall calculate and produce a Crude Oil Index Value once each second throughout the life of the Crude Oil Variable Payout contracts. That is, each second the Source Agency will calculate a Crude Oil Index Value by taking all CFC trade prices occurring in the ten (10) seconds leading up to the close of trading of the Crude Oil Call Spread Contract, provided at least twenty-five (25) trade prices are captured during the ten (10) second period, removing the highest twenty (20) percent of CFC trade prices and the lowest twenty (20) percent of CFC trade prices in the data set[11], and using the remaining CFC trade prices in the data set, to calculate the Expiration Value. The calculation used is a simple average of the remaining CFC trade prices in the data set, rounded to one decimal point past the precision of the underlying market. In the event the time it takes to collect at least twenty-five (25) CFC trade prices exceeds the ten (10) seconds just prior to the close of trading of the Crude Oil Call Spread Contract, the Expiration Value is calculated by the Source Agency by taking the last twenty-five (25) CFC trade prices just prior to the close of trading of the Crude Oil Call Spread Contract removing the highest five (5) CFC trade prices and the lowest five (5)

[11] If 20% of the data set would result in a non-integer number of trade prices, the number of trade prices to be removed from the set will be rounded down. For example, if the number of trade prices collected during the last 10 seconds prior to the close of trading was 31, 20% of the data set would be 6.2 trade prices. As 6.2 is a non-integer number, the value will be rounded down, and the 6 highest and 6 lowest trade prices will be removed from the data set.

CFC trade prices, and using the remaining fifteen (15) CFC trade prices to calculate the Expiration Value. The calculation used is a simple average of all fifteen (15) CFC trade prices, rounded to one decimal point past the precision of the underlying market.

(n) EXPIRATION VALUE – The Expiration Value is the Crude Oil Index Value as released by the Source Agency at Expiration.

(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 12.9 - 12.73 [UNCHANGED]

End of Rulebook