

Timothy G. McDermott
+1 (312) 884-0171
tim.mcdermott@nadex.com

July 29, 2009

Via E-Mail: submissions@cftc.gov

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

2009 JUL 29 PM 5 08
OFFICE OF THE SECRETARIAT
C.F.T.C.

RE: Rule Certification: Nadex[®] Amendment to the Payout Criteria for Fed Funds Binary Contracts – Submission pursuant to Commission Regulation §40.6(a)

Dear Mr. Stawick:

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”) hereby submits to the Commission its intent to amend the payout criteria for the Fed Funds Binary Contracts as represented in Rule 12.25.

The aforementioned amendments are summarized in Exhibit A. The applicable rule amendments are defined in Exhibit B. Any rule deletions are stricken out while the amendments and/or additions are underlined.

No contracts that have open interest will be affected by these amendments.

Nadex intends to implement these rule amendments provided for herein effective at the start of business on Monday, August 3, 2009.

No substantive opposing views were expressed to Nadex with respect to any of these actions.

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



nadex.com
north american derivatives exchange

Nadex, Inc.
311 South Wacker Drive
Suite 2675
Chicago, IL 60606

Should you have any questions regarding the above, please do not hesitate to contact me by telephone at (312) 884-0171 or by email at tim.mcdermott@nadex.com.

Sincerely,

Timothy G. McDermott
General Counsel and Chief Regulatory Officer

cc: DMOSubmission@cftc.gov
Jon Hultquist – CFTC (Acting Branch Chief, DMO, Chicago)
Tom Leahy - CFTC
Riva Adriance – CFTC
Nancy Markowitz – CFTC

Yossi Beinart - Nadex

EXHIBIT A

| Nadex Rule | Binary Asset | Duration/ Close Time | Action | Effective Date |
|------------|---------------|-------------------------|-----------------------------------------------------------------|----------------|
| 12.25 | Federal Funds | Cyclical (5:00pm ET) | Amend Payout Criteria and other provisions for Binary contracts | 8/3/2009 |

EXHIBIT B

Amendments to Rule 12.25

(The following new Rule additions are underlined and deletions are stricken out)

RULE 1.1 – RULE 12.24

RULE 12.25 FEDERAL FUNDS BINARY CONTRACTS

(a) - (e) Unchanged

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

(i) CYCLICAL FEDERAL FUNDS BINARY CONTRACTS

(1) At the commencement of trading in a Federal Funds Binary Contract, Nadex shall list all eligible Payout Criteria in a range of three (3) consecutive increments of .25% with the maximum value of the Payout Criteria not to exceed 10% and the minimum value of the Payout Criteria not to fall below zero (0). For example, Nadex may list the following range of Payout Criteria: 0.25%, 0.50%, and 0.75%. For the following release, Nadex may list the following range of Payout Criteria: 1.00%, 1.25%, and 1.50%. The payout criteria will be as follows:

(2) Binary Contract 1: One Contract will have a Payout Criterion less than or equal to X1.

(3) Binary Contract 2: One Contract will have a Payout Criterion of equal to X2.

(4) Binary Contract 3: One Contract will have a Payout Criterion of greater than or equal to X3.

(5) In each case above, “X1” equals the first Payout Criteria listed, “X2” equals the second Payout Criteria listed, and “X3” equals the third Payout Criteria listed. In the first example above, X1 is 0.25%, X2 is 0.50%, and X3 is 0.75%.

(ii) ~~FEDERAL FUNDS BINARY CONTRACTS, THAT HAVE AN EXPIRATION DATE ON THE FOLLOWING FOMC MEETING DATES: MAY 9TH 2007, JUNE 27TH 2007 AND JUNE 28TH 2007¹~~

¹ The Target Fed Funds Rate is publicly released by the Federal Open Market Committee (“FOMC”) on a set calendar of release dates coinciding with scheduled FOMC meetings. These release dates can be found by visiting the Federal Open Market Committee’s Calendar at <http://www.federalreserve.gov/fomc/#calendars>.



~~(1) Binary Contract 1: One Contract will have a Payout Criterion of greater than $X - 0.50\%$.~~

~~(2) Binary Contract 2: One Contract will have a Payout Criterion of greater than $X - 0.25\%$.~~

~~(3) Binary Contract 3: One Contract will have a Payout Criterion of greater than X .~~

~~(4) Binary Contract 4: One Contract will have a Payout Criterion of greater than $X + 0.25\%$.~~

~~(5) Binary Contract 5: One Contract will have a Payout Criterion of greater than $X + 0.50\%$.~~

~~(6) In each case, "X" is measured as a percentage and equals the last reported Federal Funds Rate reported by the Source Agency at the time the contracts are listed.~~

~~(iii) FEDERAL FUNDS BINARY CONTRACTS, THAT HAVE AN EXPIRATION DATE ON THE AUGUST 7TH 2007 FOMC MEETING DATE²~~

~~(1) Binary Contract 1: One Contract will have a Payout Criterion of greater than $X - 0.75\%$.~~

~~(2) Binary Contract 2: One Contract will have a Payout Criterion of greater than $X - 0.50\%$.~~

~~(3) Binary Contract 3: One Contract will have a Payout Criterion of greater than $X - 0.25\%$.~~

~~(4) Binary Contract 4: One Contract will have a Payout Criterion of greater than X .~~

~~(5) Binary Contract 5: One Contract will have a Payout Criterion of greater than $X + 0.25\%$.~~

~~(6) Binary Contract 6: One Contract will have a Payout Criterion of greater than $X + 0.50\%$.~~

~~(7) Binary Contract 7: One Contract will have a Payout Criterion of greater than $X + 0.75\%$.~~

~~(8) In each case, "X" is measured as a percentage and equals the last reported Federal Funds Rate reported by the Source Agency at the time the contracts are listed.~~

² *Supra*, at fn 6.

~~-(iv) FEDERAL FUNDS BINARY 4th MEETING CONTRACTS~~

~~(1) Binary Contract 1: One Contract will have a Payout Criterion of greater than X - 0.75%.~~

~~(2) Binary Contract 2: One Contract will have a Payout Criterion of greater than X - 0.50%.~~

~~(3) Binary Contract 3: One Contract will have a Payout Criterion of greater than X - 0.25%.~~

~~(4) Binary Contract 4: One Contract will have a Payout Criterion of greater than X.~~

~~(5) Binary Contract 5: One Contract will have a Payout Criterion of greater than X + 0.25%.~~

~~(6) Binary Contract 6: One Contract will have a Payout Criterion of greater than X + 0.50%.~~

~~(7) Binary Contract 7: One Contract will have a Payout Criterion of greater than X + 0.75%.~~

~~(8) In each case, "X" is measured as a percentage and equals the last reported Federal Funds Rate reported by the Source Agency at the time the contracts are listed.~~

~~(ii)-(v)~~ Nadex may list additional Federal Funds Rate Binary Contracts with different ranges of Payout Criteria on a discretionary basis in accordance with the CEA and Commission Regulations.

(g) - (m) Unchanged

(n) EXPIRATION VALUE – The Expiration Value is the last announced level of the Target Federal Funds Rate by the Source Agency on the Expiration Date. If the level is announced as a range between X and Y %, Nadex will use the upper value of the range, Y%, as the expiration value. For example, if the Target Federal Funds Rate is announced as "0% to 0.25%", the expiration value used by Nadex will be 0.25%.

(o) Unchanged

RULE 12.26 – RULE 12.91 [Unchanged]

[the remainder of this page is intended to be blank]