



June 23, 2017

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 Amends Various Rules - 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”) hereby submits to the Commission its intent to make amendments to its Rule 5.5 (Order Entry), and minor clarifications to its Membership Agreement and Risk Disclosure Agreement. Nadex plans to implement these changes for the open of business on trade date July 11, 2017.

Nadex plans to make the following amendments:

- 1) Rule 5.5 Order Entry: Rule will reflect that order rate limiter functionality will cap the maximum number of orders that may be submitted to the Exchange per second (or per a specific time period expressed in seconds) per Trading Member or Authorized Trader of a Trading Member, in order to prevent a risk of harm to the Exchange;
- 2) Membership Agreement: Under the Electronic Communications with Members Section of the Agreement, the statement “All Communications between You and Nadex shall be via electronic mail (“email”) to the email address registered with Your account,” will be amended as “Communications between You and Nadex via electronic mail (“email”) shall be to the email address registered with Your Account.” This change is being made to more clearly express the intent of the term – that email

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communication will only be sent to the Member's email address that is registered with his/her Nadex account. Communication with members is not solely restricted to email.

- 3) Risk Disclosure Agreement: The paragraph entitled "Risks Inherent in Trading Through the Internet" will be renamed as "Risks Inherent in Electronic Trading" to more accurately describe the contents of that section, which in addition to noting the risks of trading through the Internet, also identify other risks of electronic trading such as a hardware or software failure, power generation malfunction, etc.

DCM Core Principles

Changes to the Membership Agreement and Risk Disclosure Agreement are not substantive, and therefore will not affect Nadex's ability to comply with the Core Principles. Nadex has identified the following Designated Contract Market ("DCM") Core Principles as potentially being impacted by the Rule amendments discussed herein: Core Principle 7 (Availability of General Information); Core Principle 12 (Protection of Markets and Market Participants).

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, as well as the Membership Agreement and Risk Disclosure Agreement, available on its website and will continue to do so after the amendments are implemented. Therefore, Nadex's ability to comply with this Core Principle will not be negatively impacted by the amendments discussed herein.

Core Principle 12 (Protection of Markets and Market Participants), implemented by Regulations 38.650 and 38.651, requires the DCM to have and enforce rules that are designed to promote fair and equitable trading on the contract market. Nadex is amending its Rule 5.5 to indicate that an order rate limiter will cap the number of orders that may be submitted per trader during a specific time period, which will apply to all traders, in order to prevent any one trader from monopolizing the orderbook and the operational capacity of the Exchange, and reducing liquidity in the market. Accordingly, a cap on the number of orders a trader may submit within a specific period of time is further promoting fair and equitable trading on the market for all of its participants. Nadex's ability to comply with this Core Principle will not be negatively impacted by the amendments discussed herein.

DCO Core Principles

Changes to the Membership Agreement and Risk Disclosure Agreement are not substantive, and therefore will not affect Nadex's ability to comply with the Core Principles. Nadex has identified the following Derivatives Clearing Organization ("DCO") Core Principle as potentially being impacted by the Rule amendments discussed herein: Core Principle L (Public Information).

Core Principle L (Public Information), implemented by Regulation 39.21, requires the DCO to make its Rulebook readily available to the general public. Nadex currently makes its Rulebook, as well as the Membership Agreement and Risk Disclosure Agreement, available on its website and will continue to do so after the amendments discussed herein are implemented. Therefore, Nadex's ability to comply with this Core Principle will not be negatively impacted.

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These Rule changes have been outlined in Exhibit A. The amendments to the Rulebook are set forth in Exhibit B, amendments to the Membership Agreement are set forth in Exhibit C, and amendments to the Risk Disclosure Agreement are contained in Exhibit D. 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 events 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 for the start of business on trade date July 11, 2017.

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
5.5	Order Entry	N/A	Include order rate limiter to cap maximum orders	7/11/2017
	Membership Agreement	N/A	Reword electronic communications description	7/11/2017
	Risk Disclosure Agreement	N/A	Reword Internet risks section	7/11/2017

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EXHIBIT B

Amendment of Rules 5.5

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

RULES 1.1 – 5.4 [UNCHANGED]

RULE 5.5 ORDER ENTRY

(b) Trading Member Orders

(i) A Trading Member, who is not engaged in activity pursuant to a Market Maker Agreement, will enter orders to trade Contracts by electronic transmission over the Internet. Order rate limiter functionality will cap the maximum number of orders that may be submitted to the Exchange per second (or per a specific time period expressed in seconds) per Trading Member or Authorized Trader of a Trading Member, in order to prevent a risk of harm to the Exchange.

(ii) A Trading Member will enter an order to trade one or more Contracts by indicating to Nadex in the manner required by Nadex: (1) order direction (i.e., buy or sell); (2) order type (e.g., Limit Order or Market Order); (3) duration of the order (e.g., Fill or Kill, Immediate or Cancel, Good 'Til Cancel); (4) the Series of Contract; (5) the limit price at which the Trading Member wants to buy or sell the Contract, in the case of Limit Orders; (6) the number of Contracts the Trading Member want to buy or sell, and (7) the Tolerance Protection in the case of Market Orders With Protection.

(iii) In order to enter an order to trade one or more Contracts, a Trading Member will be required to submit the order to Nadex. Once the order is accepted by Nadex, Nadex will assign to the order an order confirmation number. This confirmation number will appear next to the associated order on the Trading Member's Order Ticket and Order History account pages. The Trading Member will be responsible for any and all order entries confirmed for its account and accepted by Nadex.

(c) FCM Customer Orders

(i) A FCM Customer may not submit orders directly to the Exchange and all such order must be submitted by that Customer's FCM Member.

(ii) FCM Members may submit FCM Customer Orders by electronic transmission over a FIX Connection by Internet (SSL only), in accordance with Nadex's applicable policies and procedures.

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(iii) FCM Members will submit a FCM Customer Order to trade one or more Contracts by indicating to Nadex in the manner required by Nadex: (1) order direction (i.e., buy or sell); (2) order type (e.g., Limit Order or Market Order); (3) duration of the order (e.g., Fill or Kill, Immediate or Cancel, Good 'Til Cancel); (4) the Series of Contract; (5) the limit price at which the FCM Customer wants to buy or sell the Contract, in the case of Limit Orders; (6) the number of Contracts the FCM Customer wants to buy or sell; (7) the Tolerance Protection in the case of Market Orders With Protection; (8) the FCM Customer Position Account identifier; and (8) the user identifier for the person who directed the submission of the order to the Exchange.

(iv) Upon receipt of a FCM Customer Order to trade one or more Contracts, a FCM Member will be required to ensure that the FCM Customer has on deposit with the FCM Member enough funds to cover the FCM Customer's maximum loss under the Contract(s) it is attempting to enter into before the order is submitted to Nadex. When the order has been submitted to and accepted by Nadex, Nadex will assign to the order an order confirmation number. This confirmation number will appear next to the associated order on the FCM Member's Order and Order History account pages. The FCM Member will be responsible for any and all order entries confirmed for its FCM Customer Position Accounts and its settlement accounts and accepted by Nadex.

(d) Nadex's trading system will keep an electronic record of all orders to trade Contracts, and all executed Contract trades. The records kept by Nadex will include all of the terms identified in paragraphs (a)(ii) – (iii) and (b)(iii) – (iv) of this Rule as well as the date and time that the transaction was completed to the nearest tenth of a second, for all executed Contract trades and to the nearest second for all orders to trade Contracts.

RULE 5.6 – 12.78 [UNCHANGED]

End of Rulebook

EXHIBIT C

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MEMBERSHIP AGREEMENT

PLEASE CAREFULLY READ AND MAKE SURE YOU UNDERSTAND THIS ENTIRE MEMBERSHIP AGREEMENT, INCLUDING ALL DOCUMENTS INCORPORATED BY REFERENCE, BEFORE CLICKING "I ACCEPT" TO INDICATE YOUR AGREEMENT TO BE BOUND BY THIS MEMBERSHIP AGREEMENT. CLICKING THE "I ACCEPT" BUTTON IS THE LEGAL EQUIVALENT OF YOU MANUALLY SIGNING THIS MEMBERSHIP AGREEMENT.

INTRODUCTION

Welcome to North American Derivatives Exchange, Inc. ("Nadex"), the first fully electronic, retail-focused financial trading platform in the United States. Before You can become a Member and trade on Nadex, You must read and accept this Membership Agreement, including all documents incorporated by reference.

DEFINITIONS

Access Materials: The unique Username and Password chosen by You to enable You to access Your Nadex Account.

Account: This term refers to the relationship between You and Nadex established to provide You with access to trade on Nadex as well as to deposit funds and engage in other financial transactions associated with said relationship. The Account is in the name of the approved Member, whether it be a natural person or entity.

Affiliates: This includes all of Nadex's Officers, Directors, Agents, Subsidiaries, Joint Ventures and Employees.

Nadex: A centralized market place, designated as a contract market and derivatives clearing organization by the U.S. Commodity Futures Trading Commission ("CFTC"), where Nadex Members can trade certain derivative instruments with each other.

Nadex, Inc.: A Delaware corporation with its principal place of business in Chicago, Illinois.

Nadex System: This is the entire Nadex System which gives authorized Members access to the Nadex electronic trading system for trading certain derivative instruments under the terms and conditions stated in this Membership Agreement and in the Nadex Rules. This term includes the Nadex website and any services offered by Nadex, Inc. and its third party service providers.

Member: An individual or entity which has been approved as a Trading Member by Nadex to trade on Nadex and is bound by this Membership Agreement and subsequent amendments hereto.

Membership Agreement: This document and the following documents incorporated herein by reference: Nadex Rules, Nadex Privacy Policy, Nadex Risk Disclosure Statement, Nadex Terms of Use, and any amendments to these documents. For Members who are entities, the Membership Agreement also incorporates the applicable certification or authorization forms that authorizes certain persons to trade on the entity's behalf.

Membership Application: The on-line or paper form by which an applicant provides his/her/its personal information, including, but not limited to, social security number/ national identification number, name, address, date of birth, principal occupation, U.S. bank account information (if applicant is an entity), email address, and any subsequent updates or changes to said personal information. The Membership Application also includes all of the terms and conditions incorporated into this Membership Agreement.

You, Your: These terms refer to the individual or entity who is the Member or applicant for membership on Nadex. For entities applying for membership, each authorized representative trading on behalf of said entity is also incorporated into the definition of these terms.

Other capitalized terms are defined in the text below.

In consideration of Nadex, Inc. providing a market to enable You to trade for Your own Account, You hereby agree as follows:

MEMBER ACKNOWLEDGEMENTS AND AUTHORIZATIONS

(a) You authorize Nadex to take whatever actions are necessary to execute, clear, and settle orders entered into the Nadex System for Your Account. You authorize Nadex to rely upon any instruction received through use of Your Access Materials without further inquiry, and Nadex shall not be liable to You even if such orders were not authorized by You. You accept full responsibility for monitoring Your Account to ensure that trades have been executed correctly and to ensure that no unauthorized trading is occurring in Your Account. Nadex is not responsible for any Member errors or negligent use of the Nadex System and will not cover losses relating to such improper or negligent use. You may not give control over Your account to any other person or entity and You may not control the account of any other Member. You shall maintain the confidentiality of Your Access Materials and prevent the unauthorized use of Your Access Materials at all times. If You become aware of any deliberate or inadvertent disclosure, loss, theft or unauthorized use of Your Access Materials, You must notify Nadex immediately and request a new password. You may not access or attempt to access the Nadex System using the Access Materials of any other Member, or permit any other person or entity to access or attempt to access the Nadex System using Your Access Materials. Any and all materials that Nadex provides to You in connection with the Nadex System are the property of Nadex and are intended for Your sole and individual use.

(b) You agree that any amounts owed to You by Nadex will be deemed to have been paid when deposited by any form of electronic payment or wire transfer into the bank account on file with Your Account.

(c) You agree that all communications with Nadex, including keystrokes entered by You on the Nadex System and any telephone calls between You and Nadex may be recorded without further notice, and such recordings may be provided to regulatory authorities (in conformance with applicable laws and regulations) and used as evidence in the event of any dispute. Such recordings will be and remain the sole property of Nadex and will, in the absence of manifest error, be accepted by You as evidence of the communications so recorded. The period of retention of such recordings shall be at the sole discretion of Nadex, which will act in conformity with applicable laws and regulations.

(d) You acknowledge that any amounts owed to Nadex that remain unpaid in excess of 30 days may be submitted to a third party collection agency. Nadex reserves the right to pursue any and all allowable legal action, whether criminal or civil, against You to recover losses incurred as the result of fraud or misconduct, including attorneys fees and other legal expenses, and any other remedies permitted by law.

(e) You acknowledge and agree that Nadex does not and will not provide You with any legal, tax, estate planning or accounting advice or advice regarding the suitability, profitability or appropriateness for You of any investment, financial product, investment strategy or other matter. Specifically, You acknowledge and agree that Nadex has not undertaken and will not undertake an independent evaluation of whether derivatives trading or each transaction entered into by You is appropriate for You. You are solely responsible for all determinations in this regard.

(f) You acknowledge that any information provided by Nadex will not be used or considered by You as a recommendation, offer or a solicitation of an offer, to buy, sell or hold a particular investment or pursue any investment strategy.

(g) You acknowledge that Nadex neither assumes responsibility for nor guarantees the accuracy, completeness or usefulness of information, commentary, recommendations, advice, investment ideas or other materials that may be accessed by You through the Nadex System. This includes, but is not limited to, bulletin boards, website links, quotes, message boards, chat services or other online conference or telecast by third-party providers through the Nadex System. If You rely on such information, You do so solely at Your own risk.

(h) You acknowledge and agree that You will, following a request by Nadex, promptly provide to Nadex financial or other information as Nadex may reasonably request or as may be required for Nadex to respond to a request for information from the Commodity Futures Trading Commission ("CFTC") or



other regulatory or judicial bodies.

(i) You acknowledge and agree that all activity on the Nadex System and all services performed by Nadex, including but not limited to any clearing service, take place in the United States and are subject to the jurisdiction of the United States.

(j) Before clicking "I Accept", You will have read and understood all Nadex Rules.

(k) Before clicking "I Accept", You will have read and understood the website Terms of Use governing the use of the Nadex System.

(l) Before clicking I Accept, You will have read and understood Nadex's Privacy Policy. The Privacy Policy can be found [here](#). If You object to Your information being transferred or used in any of the ways stated in the Privacy Policy, please do not apply for membership on Nadex.

(m) Before clicking "I Accept", You will have read and understood Nadex's Risk Disclosure Statement. The Risk Disclosure Statement can be found [here](#).

(n) You acknowledge and agree that once you have completed the online Membership Application, click "I accept" to all of the documentation contained therein, you will have electronically signed the entire Membership Application and are legally bound by all of the terms and conditions contained therein.

FEES AND OTHER CHARGES

You agree to pay, and authorize Nadex to withdraw from Your Account:

(a) any fees or charges associated with any transactions executed on the Nadex System for Your Account at such rate as is posted on Nadex's website or as incorporated into the Nadex Rules at the time the transaction is executed; (b) any costs or expenses incurred by Nadex in connection with Your Account, including, but not limited to, any non-sufficient funds charges or charges imposed by Nadex's settlement bank; and (c) any other charges agreed upon between You and Nadex.

NADEX INVESTMENT OF MEMBER'S FUNDS

Except as prohibited by the regulations of the CFTC, all cash and other property in Your Account or otherwise held by Nadex on Your behalf may, from time to time, without notice to You, be co-mingled with the property of other Members or be invested by Nadex, separately or with any other property, consistent with Commission Regulation 1.25.

THE NADEX ELECTRONIC TRADING SYSTEM

(a) Nadex is making available to You access to the Nadex System for trading certain derivative instruments under the terms and conditions stated in this Membership Agreement and in the Nadex Rules.

(b) You understand that the Nadex System may be accessed only electronically.

(c) No Liability. You understand that while electronic access generally is dependable, technical problems or other conditions may delay or prevent You from accessing Your Account or entering or canceling an order on the Nadex System, or may delay or prevent an order transmitted to the Nadex System from being executed. NADEX, ITS AFFILIATES, AND ITS SOFTWARE, HARDWARE, AND SERVICE PROVIDERS SHALL NOT BE LIABLE TO YOU FOR, AND YOU AGREE NOT TO HOLD OR SEEK TO HOLD ANY OF THEM LIABLE FOR, ANY TECHNICAL PROBLEMS; NADEX SYSTEM FAILURES OR MALFUNCTIONS; NADEX SYSTEM ACCESS OR CAPACITY PROBLEMS; HIGH INTERNET TRAFFIC; INTERRUPTIONS DUE TO SCHEDULED OR UNSCHEDULED MAINTENANCE, UPGRADING OR REPAIRS; SECURITY BREACHES OR UNAUTHORIZED ACCESS BEYOND THE REASONABLE CONTROL OF NADEX; ANY FORCE MAJEURE EVENT; AND OTHER SIMILAR PROBLEMS AND DEFECTS. NOTHING IN THIS SECTION IS INTENDED TO LIMIT THE LIABILITY OF ANY PERSON AS MAY BE PROVIDED IN THE COMMODITY EXCHANGE ACT, THE REGULATIONS OF THE CFTC, OR ARISING FROM ACTS OF WILLFUL OR WANTON MISCONDUCT.

(d) Some of the information available on the Nadex System is produced by Nadex, and some is provided by various independent sources believed by Nadex to be reliable ("Information Providers"). You acknowledge that

the accuracy, completeness, timeliness, and correct sequencing of the information concerning Your trading and Account activity, the quotes, market and trading news, charts, trading analysis and strategies, and other information that may be provided from time to time, (collectively referred to as the "Information,") is the property of Nadex and/or the Information Providers or others and may be protected by copyright. You agree not to reproduce, retransmit, disseminate, sell or distribute the Information in any manner without the express written consent of Nadex and the relevant Information Provider(s) and not to use the Information for any unlawful purpose. Although Nadex believes the Information provided by the Information Providers through the Nadex System is complete and correct, the accuracy of the Information cannot be guaranteed and any reliance by You on such information is done solely at Your own risk.

(e) You shall be responsible for providing and maintaining the means by which You will access the Nadex System, which may include a personal computer, modem and telephone or other access line. You are responsible for all access and service fees necessary for You to connect to the Nadex System and You are responsible for all charges incurred by You in accessing the Nadex System.

ELECTRONIC COMMUNICATION WITH MEMBERS

All communications between You and Nadex shall be via electronic mail ("email") shall be to the email address registered with Your Account. In addition, Nadex may communicate with You by posting information on the Nadex website. You consent to receive all communications from Nadex by email or through the Nadex website, including confirmations, amendments to this Membership Agreement, amendments to the Nadex Rules and policies, notices, and any correspondence relating to Your Nadex Account or membership and You agree to be bound by all communications contained therein.

You shall be deemed to have received any such communications sent to Your current email address and/or posted on the Nadex website under the "Nadex Notices" section of the website. It is your responsibility to check the "Nadex Notices" section of the website on a regular basis while maintaining a membership on Nadex. Confirmations of transactions sent to your email address shall be conclusive and final unless You notify Nadex of an error within five (5) days of Nadex sending the email confirmation.

In order to maintain membership on the Nadex System, You are required to maintain an active email account and You may not share said email account with anyone. (For clarification, You must be the only person able to access the email address given to Nadex.) You agree to protect the password and user identification of such email account in order to protect the confidentiality of any correspondence between You and Nadex.

You must inform Nadex of any changes to Your email address within 24 hours of said change.

ELECTRONIC SIGNATURES

Your intentional action in electronically signing this Membership Application is valid evidence of your consent to be legally bound by this Membership Application or governing your relationship with Nadex, Inc. The use of an electronic version of the Membership Application fully satisfies any requirement that such Membership Application be provided to You in writing. You acknowledge that You may access and retain a record of the documents that You electronically sign through the Nadex System. You are solely responsible for reviewing and understanding all of the terms and conditions contained in the Membership Application. You accept as reasonable and proper notice, for the purpose of any and all laws, rules and regulations, notice by electronic means, including, the posting of modifications to this Agreement on the Nadex website. You acknowledge and agree that Nadex may modify this Membership Application, in whole or in part, from time to time and You agree to consult the Nadex website from time to time for the most up-to-date Membership Agreement. The electronically stored copy of this Membership Application is considered to be the true, complete, valid and authentic and enforceable record of the Membership Application, admissible in judicial or administrative proceedings to the same extent as if the documents and records were originally generated and maintained in printed



form. You agree not to contest the admissibility or enforceability of Nadex electronically stored copy of the Membership Application in any proceeding arising out of the terms and conditions of the Membership Application.

SUBMISSION OF IDEAS

Nadex allows Members to submit ideas, concepts, designs or inventions for instruments or any other relevant topic (collectively "Ideas"). However, Members should not reveal to Nadex any Ideas for which a Member wants to receive any compensation or credit. By submitting Ideas to Nadex, You expressly agree to give up any and all rights You may have to such Ideas and You agree to transfer to Nadex all of Your rights pertaining to such Ideas. By submitting any Ideas to Nadex, You expressly authorize Nadex to use and benefit from the Ideas as Nadex may decide. Nadex will not provide You with any compensation or credit for any Ideas You submit. By submitting an Idea to Nadex, You give up all control You might otherwise have concerning such Ideas.

MEMBER REPRESENTATIONS

Member hereby represents and warrants as follows:

(a) If You are a natural person, You (i) reside in the United States or one of the acceptable regions identified on the Nadex website, (ii) maintain a bank account in your name that you will use to fund your Nadex account, and (iii) are at least the age of majority if you reside in the United States or its territories, or 21 if you reside in a region other than the United States;

(b) If You are anything other than a natural person (e.g., a corporation, partnership, sole proprietorship, or trust), You are duly organized in the United States, in good standing, maintain a United States bank account in the name of the entity applicant, and have the legal authority and are duly authorized and empowered to execute and deliver this Membership Agreement on behalf of such entity and to open accounts and effect transactions in commodities, futures, options, and swaps on the Nadex System on behalf of such entity;

(c) Placing orders on the Nadex System does not and will not violate any governing documents, applicable law, or any judgment, decree, order or agreement to which You or Your property is subject, and this Membership Agreement is binding on and enforceable against You in accordance with its terms;

(d) You and, if relevant, Your employees and agents will not trade or otherwise act on behalf of any other person or entity (whether or not a Member) in placing orders on the Nadex System, including by allowing any person not disclosed on the Membership Application to have an economic interest in the trades placed by the Member;

(e) You have determined that the trading of commodities, futures, options, and swaps is appropriate for You; and

(f) You shall promptly notify Nadex in writing if any of the representations in this Agreement materially change or cease to be true and correct.

NO WARRANTY

YOU UNDERSTAND THAT NADEX, ITS AFFILIATES, AND ITS SOFTWARE, HARDWARE, AND SERVICE PROVIDERS PROVIDE THE NADEX SYSTEM "AS IS" AND WITHOUT ANY WARRANTY OR CONDITION, EXPRESS, IMPLIED OR STATUTORY. NADEX, ITS AFFILIATES AND ITS SOFTWARE, HARDWARE AND SERVICE PROVIDERS SPECIFICALLY DISCLAIM ANY IMPLIED WARRANTY OF TITLE, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, AND NON-INFRINGEMENT.

MANDATORY ARBITRATION

Any controversy or claim arising out of or in connection with this Membership Agreement or the performance or breach hereof, or relating to Your Account, including any claim against Nadex, a Nadex settlement bank, or any other Nadex Member, shall be settled by arbitration as set forth in the Nadex Rules.

TERMINATION

This Membership Agreement may be terminated by You or Nadex at any time by giving written notice to the other party. In the event of such termination, Nadex will immediately liquidate all outstanding positions in Your Account

in such manner as Nadex sees fit and instruct Nadex's settlement bank to remit the proceeds from such liquidation along with all other funds in Your Account to Your bank account identified in Your Nadex account by means of electronic payment or wire transfer. The termination of this Agreement will not prejudice any accrued rights or obligations relating to any transaction effected prior to termination, or any right or remedy available to Nadex. If, at the time of termination of this Membership Agreement, You owe any amount to Nadex, Nadex may retain or keep possession of the portion of any balances or instruments in Your Account in satisfaction of such amounts owed by You to Nadex or until You otherwise pay all amounts owing to Nadex. The obligations of confidentiality, the warranty exclusions, the limitations of liability, the assignment of Ideas provision, the mandatory arbitration provision, and choice of law provision stated in this Agreement will survive termination.

Nadex reserves the right to terminate Your Account or block access to Nadex for any reason allowable under applicable law.

CHOICE OF LAW

THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH, AND ALL DISPUTES HEREUNDER SHALL BE GOVERNED BY, THE LAWS OF THE STATE OF ILLINOIS AS APPLIED TO CONTRACTS MADE AND TO BE PERFORMED IN ILLINOIS, WITHOUT APPLYING CONFLICT OF LAW RULES.

MISCELLANEOUS.

(a) **Order of Precedence.** In the event of any conflict among this Membership Agreement and any of the documents incorporated herein by reference, the following order of precedence will apply: Nadex Rules; entity certification or authorization that is supplemental to this Membership Agreement; this Membership Agreement itself (excluding documents incorporated herein by reference); Terms of Use; and the Privacy Policy.

(b) **Assignment.** Member may not assign (directly, by operation of law, or otherwise) this Membership Agreement or any of its rights or obligations under this Agreement. Subject to the foregoing, this Membership Agreement shall be binding upon and inure to the benefit of Nadex, its successors and assigns, You and Your legal representatives, executors, trustees, administrators, and (if an assignment cannot be prohibited) Your successors and assigns.

(c) **Severability.** If any part, term, or provision of this Membership Agreement is held by any body of competent jurisdiction to be illegal or in conflict with any laws or regulations, a modified provision shall be substituted which carries out as nearly as possible the original intent of the parties and the validity of the remaining portions or provisions shall not be affected or impaired.

(d) **Entire Agreement.** This Membership Agreement, including all documents incorporated herein by reference, is intended as the complete, final and exclusive statement of the terms of the agreement between the parties and supersedes all prior understandings, writings, proposals, representations or communications, oral or written, relating to the subject matter hereof. There are no terms, conditions or obligations other than those contained herein and those incorporated by reference. Notwithstanding the above, You acknowledge that from time to time, You may enter into certain additional agreements with, or receive certain disclosure documents from, Nadex, and such other agreements or documents shall be valid and binding upon You as a Member of Nadex.

(e) **Amendment.** This Membership Agreement may be amended unilaterally by Nadex upon written notice to You. You will be deemed to agree to each such amendment if You do not terminate this Membership Agreement prior to the effective date of the amendment.

(f) **Waiver.** Failure of either party to enforce compliance with any provision of this Membership Agreement shall not constitute a waiver of such provision unless accompanied by a clear written statement that such provision is waived. A waiver of any default hereunder or of any of the terms and conditions of this Agreement shall not be deemed to be a continuing waiver or



herein shall be cumulative, and the exercise of any right or remedy provided herein or at law or equity shall not preclude the exercise of additional rights and remedies provided by law or equity.

BY CLICKING "I ACCEPT" YOU HEREBY AGREE TO THE TERMS OF THIS MEMBERSHIP AGREEMENT AND EXPRESSLY ACKNOWLEDGE THAT YOU HAVE RECEIVED, READ AND UNDERSTOOD ALL DOCUMENTS INCORPORATED HEREIN BY REFERENCE.

North American Derivatives Exchange, Inc.
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RISK DISCLOSURE STATEMENT

THE RISK OF LOSS IN TRADING INSTRUMENTS ON NADEX CAN BE SUBSTANTIAL. YOU SHOULD, THEREFORE, CAREFULLY CONSIDER WHETHER SUCH TRADING IS SUITABLE FOR YOU IN LIGHT OF YOUR CIRCUMSTANCES AND FINANCIAL RESOURCES. YOU SHOULD BE AWARE OF ALL THE POINTS CONTAINED WITHIN THIS RISK DISCLOSURE STATEMENT.

North American Derivatives Exchange, Inc. ("Nadex") has attempted to write this risk disclosure statement in plain English so that you have a good understanding of the risks of trading on Nadex's Internet-based, direct access, derivatives trading system and the risks in trading the instruments offered on Nadex. However, no matter how plain this statement is, it and the other information provided by Nadex in its Rules, Membership Agreement and Terms of Use cannot disclose all potential risks and considerations related to derivatives trading. Therefore, you should only trade on Nadex if you understand the nature of the transactions you are entering into and your exposure to risk. Trading in derivatives is simply not appropriate for many members of the public, and you should carefully consider whether trading derivatives is appropriate for you given your experience, objectives, financial resources, and other relevant circumstances.

There are numerous risks associated not only with the derivatives contracts traded through Nadex but also with the trading system itself. Moreover, because Nadex allows direct participation by you, you must ensure that you carefully read and understand this Risk Disclosure Statement, the description of Nadex Instruments (the "Instruments") you may trade-including when a particular Instrument expires and how Nadex determines which Instruments will be "in-the-money" at Expiration-and all other Nadex rules.

INHERENT RISKS IN TRADING THE INSTRUMENTS OFFERED ON NADEX

The Instruments traded on Nadex have a high degree of risk. Currently, there are two types of Instrument that trade on Nadex.

1) The first type of Instrument is similar to a cash-settled binary European-style call option contract and is referred to as a Binary contract. Such Instruments offered through Nadex are comprised of one contract that has a defined Payout Criterion covering all possible outcomes dependent upon whether you enter into a long or short position in such Binary contract. This means that if you purchase and hold a long position in a Binary contract until expiration, and the Expiration Value of the Underlying is not within the Payout Criterion for the long position you have chosen to hold, that contract will expire worthless. Similarly, if you hold a short position in a Binary contract until expiration, and the Expiration Value of the Underlying is within the Payout Criteria, you will lose all of your original investment.

2) The second type of Instrument is a Variable Payout Contract and is referred to as a Spread contract. Such Instruments offered through Nadex are comprised of one contract that has a value varying between an upper and lower range which defines the Payout Criterion. This means that if you hold a long position in a Variable contract until expiration, and the Expiration Value of the Underlying is not within the Payout Criterion for the position that you have chosen to hold, you may lose all of your original investment. Similarly, if you hold a short position (which has a value that moves inversely to a long position) in a Variable contract until expiration, and the Expiration Value of the Underlying is not within the Payout Criterion for the position that you have chosen to hold, you may lose all of your original investment.

REMEMBER: YOU MAY SUSTAIN A TOTAL LOSS OF THE FUNDS USED TO ESTABLISH A POSITION IN THE NADEX MARKET.

The unique nature of Nadex Instruments may be confusing to many investors who are familiar with more traditional derivatives contracts. Risks associated with the unique nature of the Nadex Market include a potential lack of liquidity for Nadex Instruments. Other derivatives markets have professional traders who ensure that there are always competitive offers to buy and sell contracts. Nadex may not have such liquidity providers for some or all of its

instruments. Therefore, there is a possibility that you could hold a position in an Instrument from Nadex and be unable to liquidate your position in the Instrument or the portion of the position that you no longer want to hold in the time frame you wish to liquidate it. Additionally, there is a chance that no one will offer to sell you or bid to buy from you an Instrument you want to take a position in or to liquidate due to current market conditions or otherwise. Lack of liquidity in the market could also preclude you from selling large blocks of Instruments at once. If Nadex lacks liquidity in the Instruments you want to trade for any reason, you may be unable to trade at your desired time or price. If that occurs, you may be forced to hold them until they expire, possibly preventing you from hedging the risk to which you are exposed.

A further risk of trading in Nadex Instruments is the risk of a material change in the nature of the Underlying. For instance, you could purchase Instruments on the Nonfarm Payrolls to be published by the Bureau of Labor Statistic at a particular time in the future, but in the interim, the government could change the way the Nonfarm Payrolls is determined or cease publishing that index. In the event of a material change in the nature of any of the Underlyings, or if any of the Underlyings cease to exist, Nadex may adjust the relevant Instruments or the payments to be received under those Instruments based on its best judgment, and its decision shall be final. The decision reached by Nadex could be different than you anticipated when you took a position in the affected Instrument, and as a result, you could suffer significant losses.

Another risk inherent to trading Nadex Instruments is that the Instrument may not settle as expected. For example, the information related to the Payout Criterion may be changed in accordance with the Nadex Rules, the anticipated result may not occur on schedule, or the results of the occurrence may be ambiguous in the way Nadex initially defined the Payout Criterion.

A further risk inherent to trading Nadex Instruments involves Nadex not halting the market in accordance with the underlying market. The specific movements of any underlying market cannot be predicted with exact precision. For example, you could purchase an instrument based on gasoline prices at the pump ("Gasoline"). Prior to expiration of your instrument, the price of Gasoline could be effected by a loss of refinery capacity due to an accident or other incident or for various other reasons unforeseeable to Nadex. However, Nadex may choose not to halt the trading of the Instrument in contrast to the underlying market. This may affect the way the value of your Instrument is calculated and settled.

RISKS INHERENT IN ELECTRONIC TRADING THROUGH THE INTERNET

Electronic trading Trading through the Internet involves many interrelated systems, including hardware, software, telephony, cable, and power generation, all of which are subject to failure or malfunction that may adversely affect your ability to trade. If you have spent any time at all on the Internet, you may have experienced problems with computer crashes, failure of your Internet service provider's access system, site crashes, and many other problems. Therefore, please realize that during any time which you cannot access Nadex for whatever reason, you will not be able to enter, cancel, or modify orders. Additionally, although Nadex and its systems provider(s) have taken precautions, such as redundant systems, to prevent such an occurrence, if the Nadex system suffers a catastrophic failure, there is a chance your orders and their priority in the order queue could be lost. Nadex is not responsible or liable for any effect on your ability to trade caused by any malfunction of the Internet, computing systems, or their related components.

THIRD PARTY SERVICE PROVIDERS

Nadex will provide you with information from Third Party Service Providers ("TPSP") that relates to the instruments traded on Nadex. Such information includes, but is not limited to, website links, quotes, pricing feeds, and any other information provided on the Nadex website (collectively the "Service"). Even though Nadex is providing the Service to you via its website, Nadex does not endorse, warrant, or guarantee



the accuracy or reliability of the information provided by the Service.

Nadex is a designated contract market and registered derivatives clearing organization under the Commodity Exchange Act, as amended, and the regulations of the Commodity Futures Trading Commission. As such, Nadex is a self-regulatory organization, largely responsible for regulating its own activities, including the operation of its market, its Contracts, its sales practices (including promotional material), and its method of managing and protecting your funds and the funds of other members.

THIS BRIEF STATEMENT CANNOT OF COURSE DISCLOSE ALL THE RISKS AND OTHER ASPECTS OF THE NADEX MARKET.