NADEX

June 2, 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 Adds Additional Foreign Currencies 5-Minute Intraday Binary Contracts and Specifies Certain Strike Ending Values– 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 add new Intraday 5-Minute Binary Contracts to its current listing of USD/CAD, EUR/JPY, and GBP/JPY Binary Contracts. Additionally, Nadex is specifying the endings Daily and Intraday contracts in these products will be rounded to in order to avoid duplicate strike levels. Nadex plans to implement these changes for the open of business on trade date June 19, 2017.

Nadex first launched its 5-Minute Intraday Binary contracts in its most actively traded currency products in December 2014, namely the EUR/USD, GBP/USD, USD/JPY, and AUD/USD currency pairs. The 5-Minute Binary contracts proved highly popular, and accordingly, to satisfy demand, Nadex has decided to add 5-Minute Binary contracts to its USD/CAD, EUR/JPY, and GBP/JPY listings as well. Based on volume observations, it appears market participants are most interested in trading contracts with shorter durations, with the highest trading activity occurring at the beginning of the contract and as the contract approaches expiration. The listing of five additional contracts (i.e. five strikes) in each of three additional different currency pairs every five minutes (180 additional contracts per hour) will provide significantly more trading opportunities throughout the day for Nadex's market participants.

The new 5-Minute Intraday Binary Contracts will have *at least* one dedicated market maker who is required to make a two-sided market to provide liquidity. Like its current 5-Minute listings, Nadex will specify in the contract specifications for the new 5-Minute currency contracts that Nadex may, in its discretion, temporarily halt the listing of any 5-Minute Binary Contract due to the unavailability of the underlying market upon which the Contract is based, or any other condition Nadex determines may be detrimental to the listing of the Contract. In the event that any 5-Minute Binary Contract is unable to be settled using data from the NadexFX feed[1], Nadex will obtain suitable pricing data for settlement purposes from a backup source deemed appropriate under the circumstances. In such a situation the Expiration Value will be calculated manually using the backup data. Nadex currently obtains data from Bloomberg in order to manually calculate an Expiration Value when underlying Reuters data is unavailable, and therefore the process of obtaining data from a secondary source in the event NadexFX data is unavailable does not differ from present procedures.

Additionally, as is the case with its current contract listing, offering a 5-Minute Binary Contract will enable the strike levels of each currency pair to be more tightly aligned with the expected price range in the underlying leading to expiration. Contracts of shorter duration with strike levels closer to the underlying currency's value means less movement in the underlying market is needed for the contract to be active. This will prove beneficial for traders, offering trading opportunities when the overall market is not active.

Finally, in order to avoid the potential for duplication of a strike level for a 5-Minute contract having the same expiration time as a corresponding Daily or 2-Hour Intraday contract, Nadex is specifying the ending value to which a Daily or 2-Hour Intraday USD/CAD, EUR/JPY, or GBP/JPY strike level will be rounded.

DCM Core Principles

Nadex has identified the following Designated Contact Market ("DCM") Core Principles as potentially being impacted by the addition of the new 5-Minute USD/CAD, EUR/JPY, and GBP/JPY Binary contracts: Core Principle 2 Compliance with Rules (Regulation Subparts 38.156 Automated trade surveillance system, and 38.157 Real-time market monitoring); Core Principle 3 Contracts Not Readily Subject to Manipulation (Regulation Subparts 38.200 Core Principle 3 and 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, and 38.256 Trade reconstruction); Core Principle 7 Availability of General Information (Regulation Subparts 38.400 Core Principle 7 and 38.401 General requirements); and Core Principle 8 Daily Publication of Trading Information (Regulation Subparts 38.450 Core Principle 8 and 38.451 Reporting of trade information).

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[1] The NadexFX feed is a proprietary data feed comprised of quotes from well-known banking institutions.

Commission Regulations Subparts 38.156 and 38.157, which implement Core Principle 2, require the 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, day or night, and will continue to monitor activity in the new 5-Minute USD/CAD, EUR/JPY, and GBP/JPY Binary contracts in the same manner. The Nadex surveillance system and its staff currently monitor all trading activity, and this will not change with the addition of the new contracts. Therefore, the addition of the new 5-Minute USD/CAD, EUR/JPY, and GBP/JPY Binary Contracts will not negatively impact Nadex's ability to comply with this Core Principle.

Core Principles 3 and 4 require the DCM to list only contracts that are not readily susceptible to manipulation and to prevent market disruption. Nadex is currently listing Weekly, Daily, and Intraday 2-hour Binary Contracts in the USD/CAD, EUR/JPY, and GBP/JPY currencies, 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 new 5-Minute Binary contracts.

Additionally, the Expiration Value calculation method of removing the highest 30% and lowest 30% of underlying midpoint prices from the data set collected in the 10 seconds preceding the expiration during periods of high activity, or alternatively, the highest 3 and lowest 3 midpoint prices from the data set of underlying 10 midpoints leading to expiration during periods of low activity[2] further mitigates the possibility of manipulation. Nadex has at least one designated market maker who is obligated to provide liquidity in these contracts, limiting opportunities for the market 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. The same methods used to detect and prevent potential contract manipulation or market disruption Nadex has historically used can be applied to the additional Intraday 5-Minute Binary Contracts in order to effectively monitor these contracts.

Regulation 38.253 requires the 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's foreign currency binary contracts are currently, and will continue, to be settled based on data from the relevant underlying markets upon which those contracts are based, which are in venues other than Nadex. 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

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[2] Nadex recently implemented new "fast market" expiration value and settlement calculation procedures. Specific descriptions of the process can be found in the contract specifications for each product class in the Nadex Rulebook, and a summary of the process can be found on the Notices page of the website, in Notice 855.060117.

and/or Authorized Trader in any referenced market that provides the underlying prices for any Nadex market".

Regulation 38.256 requires the 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 new 5-Minute USD/CAD, EUR/JPY, and GBP/JPY Binary 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 the 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 "Market Data" page on the website also publishes the "Results", which includes the expiration and settlement values for all Nadex contracts settled. Contract specifications for the Intraday 5-Minute Binary Contracts will continue to be set forth in the Rulebook and likewise 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 made available on the Market Data page of the Nadex website. Therefore, the addition of Intraday 5-Minute Binary Contracts will not negatively impact Nadex's ability to comply with these Core Principles.

DCO Core Principles

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, L Public Information.

Core Principle C, implemented by Regulation 39.12, requires the DCO to determine the eligibility of contracts for clearing. Nadex has determined the new 5-Minute USD/CAD, EUR/JPY, and GBP/JPY Binary contracts will be eligible for clearing as the contracts will continue to be listed based upon the same liquid underlying markets as the current offering of Weekly, Daily, and 2-Hour Intraday USD/CAD, EUR/JPY, and GBP/JPY contracts. Additionally, all trading in these contracts, like all Nadex contracts, is conducted on a fully-collateralized basis, thereby mitigating any credit risk of a particular member to Nadex or other market participant.

Core Principle E, implemented by Regulation 39.14, requires the DCO to effect a settlement with each member at least once each business day. Nadex's new 5-Minute Binary contracts, like all contracts listed on the Exchange, will continue to settle in a timely manner shortly after the contract's 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 5-Minute Binary contracts. Therefore, the amendments discussed herein will not negatively impact Nadex's ability to comply with this Core Principle.

Core Principle L, implemented by Regulation 39.21, requires the 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 Results, which include expiration and settlement values, are listed on the Nadex website on the Market Data 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.

Pursuant to the 10-day filing period under Regulation 40.6(a) (3), this submission would become effective June 19, 2017, and Nadex plans to make the changes discussed herein on that date.

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

No substantive opposing views were expressed to Nadex with respect to these amendments.

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

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

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

Sincerely,

Jaime Walsh
Legal Counsel

EXHIBIT A

Rule	Asset	Duration/Close Time	Action	Effective Date
12.33	Currency Exchange USD/CAD Binary Contracts	Daily 3am, 7am, 11am, 3pm, 7pm, 11pm ET Close; Intraday 10am, 11am, 12pm, 1pm, 2pm, 3pm ET close; 5-Minute Intraday, expirations every 5 minutes	Specify Daily and Intraday contract strike endings, add 5-Minute USD/CAD Binary contracts	6/19/2017
12.39	Currency Exchange EUR/JPY Binary Contracts	Daily 3am, 7am, 11am, 3pm, 7pm, 11pm ET Close; Intraday 8pm, 9pm, 10pm, 11pm, 12am, 1am, 2am, 3am, 4am, 5am, 6am, 7am, 8am, 9am, 10am, 11am, 12pm, 1pm , 2pm, 3pm, 4pm, 5pm ET close; 5-Minute Intraday, expirations every 5 minutes	Specify Daily and Intraday contract strike endings, add 5-Minute EUR/JPY Binary contracts	6/19/2017
12.41	Currency Exchange GBP/JPY Binary Contracts	Daily 3am, 7am, 11am, 3pm, 7pm, 11pm ET Close; Intraday 10am, 11am, 12pm, 1pm, 2pm, 3pm ET close; 5-Minute Intraday, expirations every 5 minutes	Specify Daily and Intraday contract strike endings, add 5-Minute GBP/JPY Binary contracts	6/19/2017

EXHIBIT B

North American Derivatives Exchange, Inc., 311 South Wacker Drive, Suite 2675, Chicago, IL 60606

US Toll-Free +1 (877) 77 NADEX   info@nadex.com   www.nadex.com

Amendment of Rules 12.33, 12.39, and 12.41

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

RULES 1.1 – 12.32 [UNCHANGED]

RULE 12.33 CURRENCY EXCHANGE USD/CAD BINARY CONTRACTS

(a) SCOPE – These Rules shall apply to the Class of Contracts referred to as the Currency Exchange USD/CAD ("USD/CAD") Binary Contract issued by Nadex.

(b) UNDERLYING – The Underlying for this Class of Contracts is the US Dollar/ Canadian Dollar herein referred to as "USD/CAD" as quoted in Canadian Dollars per US dollars obtained from the spot USD/CAD foreign currency market.

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

(d) TYPE – The type of Contract is a Binary 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 Binary Contracts are initially issued. For the USD/CAD Binary Contract, the Payout Criteria for the Contracts will be set as follows:

(i) WEEKLY USD/CAD BINARY CONTRACTS

(1) EXPIRATION TIME – 3 PM ET CLOSE

(2) STRIKE INTERVAL WIDTH – The interval width between each strike level shall be 0.0050.

(3) NUMBER OF STRIKE LEVELS LISTED - Fourteen (14) strike levels will be listed for each Weekly USD/CAD Binary Contract Series.

(4) STRIKE LEVELS GENERATED - Strike levels will be generated such that Binary Contract "~~X~~W" is valued 'at-the-money' in relation to the Underlying market as determined by the Source Agency, immediately before the issuance of these Contracts, and shall be measured in U.S. cents rounded to the nearest value ending in 0.0025 or 0.0075 as reported by the Source Agency. Six (6) strike levels will be generated above Binary Contract ~~X~~W at an interval of 0.0050, and seven (7) strike levels will be generated below Binary Contract

~~X~~W

at an interval of 0.0050 (e.g. ~~X~~W – 0.0050; ~~X~~W; ~~X~~W + 0.0050). The Contract will

have a Payout Criterion of greater than the strike level value.

(ii) DAILY USD/CAD BINARY CONTRACTS

(1) EXPIRATION TIME – 3 AM, 7 AM, 11 AM, 3 PM, 7 PM, 11 PM ET CLOSE

(2) STRIKE INTERVAL WIDTH – The interval width between each strike level shall be 0.0020.

(3) NUMBER OF STRIKE LEVELS LISTED – Twenty-one (21) strike levels will be listed for each Daily USD/CAD Binary Contract Series.

(4) STRIKE LEVELS GENERATED - Strike levels will be generated such that Binary Contract "~~Y~~X" is valued 'at-the-money' in relation to the Underlying market as determined by the Source Agency, immediately before the issuance of these Contracts, and shall be measured in U.S. cents rounded to the nearest value ending in <u>0.000, 0.0020, 0.0040, 0.0060, or 0.0080</u> ~~0.0020~~ as reported by the Source Agency. Ten (10) strike

levels will be generated above Binary Contract ~~Y~~X at an interval of 0.0020, and

ten (10) strike levels will be generated below Binary Contract ~~Y~~X at an interval

of 0.0020 (e.g. ~~Y~~X – 0.0020; ~~Y~~X; ~~Y~~X + 0.0020). The Contract will have a Payout

Criterion of greater than the strike level value.

(iii) INTRADAY USD/CAD BINARY CONTRACTS

(1) EXPIRATION TIME – 10 AM, 11 AM, 12 PM, 1PM, 2 PM, 3 PM ET CLOSE

(2) STRIKE INTERVAL WIDTH – The interval width between each strike level shall be 0.0010.

(3) NUMBER OF STRIKE LEVELS LISTED – Nine (9) strike levels will be listed for each Intraday USD/CAD Binary Contract Series.

(4) STRIKE LEVELS GENERATED - Strike levels will be generated such that Binary Contract "~~Z~~Y" is valued 'at-the-money' in relation to the Underlying market as determined by the Source Agency, immediately before the issuance of these Contracts, and shall be measured in U.S. cents rounded to the nearest

value ending in either <u>0.0002, 0.0004, 0.0007, or 0.0009</u>~~0.0001~~ as reported by the Source Agency. Four (4) strike

levels will be generated above Binary Contract <u>Z</u>~~Y~~ at an interval of 0.0010, and

four (4) strike levels will be generated below Binary Contract <u>Z</u>~~Y~~ at an interval

of 0.0010 (e.g. <u>Z</u>~~Y~~ – 0.0010; <u>Z</u>~~Y~~; <u>Z</u>~~Y~~ + 0.0010). The Contract will have a Payout

Criterion of greater than the strike level value.

(iv) <u>INTRADAY 5-MINUTE USD/CAD BINARY CONTRACTS</u>

(1) <u>EXPIRATION TIME</u> – 5-Minute Binary Contracts will expire every 5 minutes beginning Sunday at 6:05pm ET and ending Friday at 4:00pm ET.

(2) <u>STRIKE INTERVAL WIDTH</u> – The interval width between each strike level shall be 0.0005.

(3) <u>NUMBER OF STRIKE LEVELS LISTED</u> – Five (5) strike levels will be listed for each Intraday 5-Minute USD/CAD Binary Contract Series.

(4) <u>STRIKE LEVELS GENERATED</u> - Strike levels will be generated such that Binary Contract "Z" is valued 'at-the-money' in relation to the Underlying market as determined by the Source Agency, immediately before the issuance of these Contracts, and shall be measured in U.S. cents rounded to the nearest value ending in either 0.0001, 0.0006, 0.0003, or 0.0008 as reported by the Source Agency. Two (2) strike levels will be generated above Binary Contract Z at an interval of 0.0005, and two (2) strike levels will be generated below Binary Contract Z at an interval of 0.0005 (e.g. Z – 0.0005; Z; Z + 0.0005). The Contract will have a Payout Criterion of greater than the strike level value.

(5) <u>Nadex may, in its discretion, temporarily refrain from the listing of any 5-Minute Binary Contract due to the unavailability of the underlying market upon which the Contract is based, or any other condition Nadex determines may be detrimental to the listing of the Contract.</u>

~~(iv)~~(v) Nadex may list additional USD/CAD Binary 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 the USD/CAD Binary Contracts shall be $0.25.

(h) POSITION LIMIT – There are currently no Position Limits for USD/CAD Binary Contract.

(i) LAST TRADING DATE – The Last Trading Date in a Series is the same date as the Expiration Date.

(j) SETTLEMENT DATE – The Settlement Date will be the date on which the USD/CAD Settlement Price is released by the Source Agency.

(k) EXPIRATION DATE – The Expiration Date of the Contract will be the date on which the USD/CAD Settlement Price is released by the Source Agency.

(l) SETTLEMENT VALUE – The Settlement Value is the amount paid to the holder of the in the money Contract on the Settlement Date. The Settlement Value for an in the money USD/CAD Binary Contract is $100.

(m) EXPIRATION VALUE – The Expiration Value is the price or value of USD/CAD released by the Source Agency on the Expiration Date. The Expiration Value is calculated by the Source Agency by taking all Midpoints between the bid/ask spread (ten pips wide or less) occurring in the ten (10) seconds leading up to the close of trading of the USD/CAD Binary Contract, provided at least ten (10) Midpoints are captured during the ten (10) second period, removing the highest thirty (30) percent of Midpoints and the lowest thirty (30) percent of Midpoints from the data set[3], using the remaining USD/CAD Midpoints to calculate the Expiration Value. The calculation used is a simple average of the remaining USD/CAD Midpoints, rounded to one decimal point past the precision of the underlying market. In the event the time it takes to collect at least ten (10) Midpoints (ten pips wide or less) exceeds the ten (10) second time period, the Expiration Value is calculated by the Source Agency by taking the last ten (10) Midpoints between the bid/ask spread (ten pips wide or less) just prior to the close of trading of the USD/CAD Binary Contract and removing the highest three (3) Midpoints and the lowest three (3) Midpoints, using the remaining four (4) USD/CAD Midpoints to calculate the Expiration Value. The calculation used is a simple average of all four (4) USD/CAD Midpoints, 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.

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[3] If 30% of the data set would result in a non-integer number of Midpoints, the number of Midpoints to be removed from the set will be rounded down. For example, if the number of Midpoints collected during the last 10 seconds prior to the close of trading was 14, 30% of the data set would be 4.2 Midpoints. As 4.2 is a non-integer number, the value will be rounded down, and the 4 highest and 4 lowest Midpoints will be removed from the data set.

RULES 12.34 – 12.38 [UNCHANGED]

RULE 12.39 CURRENCY EXCHANGE EUR/JPY BINARY CONTRACTS

(a) SCOPE – These Rules shall apply to the Class of Contracts referred to as the Currency Exchange EUR/JPY ("EUR/JPY") Binary Contract issued by Nadex.

(b) UNDERLYING – The Underlying for this Class of Contracts is the Euro/ Japanese Yen, herein referred to as "EUR/JPY" as quoted in the Japanese Yen per Euro obtained from the spot EUR/JPY foreign currency market.

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

(d) TYPE – The type of Contract is a Binary 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 Binary Contracts are initially issued. For the EUR/JPY Binary Contract, the Payout Criteria for the Contracts will be set as follows:

(i) WEEKLY EUR/JPY BINARY CONTRACTS

(1) EXPIRATION TIME – 3 PM ET CLOSE

(2) STRIKE INTERVAL WIDTH – The interval width between each strike level shall be 0.50.

(3) NUMBER OF STRIKE LEVELS LISTED - Fourteen (14) strike levels will be listed for each Weekly EUR/JPY Binary Contract Series.

(4) STRIKE LEVELS GENERATED - Strike levels will be generated such that Binary Contract "X̶W" is valued 'at-the-money' in relation to the Underlying market as determined by the Source Agency, immediately before the issuance of these Contracts, and shall be measured in U.S. cents rounded to the nearest value ending in 0.25 or 0.75 as reported by the Source Agency. Six (6) strike levels will be generated above Binary Contract X̶W at an interval of 0.50, and seven (7) strike levels will be generated below Binary Contract X̶W at an interval of 0.50 (e.g. X̶W – 0.50; X̶W; X̶W + 0.50). The Contract will have a Payout

Criterion of greater than the strike level value.

(ii) DAILY EUR/JPY BINARY CONTRACTS

(1) EXPIRATION TIME – 3 AM, 7 AM, 11 AM, 3 PM, 7 PM, 11 PM ET CLOSE

(2) STRIKE INTERVAL WIDTH – The interval width between each strike level shall be 0.20.

(3) NUMBER OF STRIKE LEVELS LISTED – Twenty-one (21) strike levels will be listed for each Daily EUR/JPY Binary Contract Series.

(4) STRIKE LEVELS GENERATED - Strike levels will be generated such that Binary Contract "~~Y~~X" is valued 'at-the-money' in relation to the Underlying market as determined by the Source Agency, immediately before the issuance of these Contracts, and shall be measured in U.S. cents rounded to the nearest value ending in value ending in <u>either 0.00, 0.20, 0.40, 0.60, or 0.80 as reported by the Source Agency.</u> ~~0.20 as reported by the Source Agency.~~ Ten (10) strike levels
will be generated above Binary Contract ~~Y~~X at an interval of 0.20, and ten

(10)

0.20

of

strike levels will be generated below Binary Contract ~~Y~~X at an interval of

(e.g. ~~Y~~X – 0.20; ~~Y~~X; ~~Y~~X + 0.20). The Contract will have a Payout Criterion

greater than the strike level value.

(iii) INTRADAY EUR/JPY BINARY CONTRACTS

(1) EXPIRATION TIME – 8 PM, 9 PM, 10 PM, 11 PM, 12 AM, 1 AM, 2 AM, 3 AM, 4 AM, 5 AM, 6 AM, 7 AM, 8 AM, 9 AM, 10 AM, 11 AM, 12 PM, 1 PM , 2 PM, 3 PM, 4 PM, 5 PM ET CLOSE

(2) STRIKE INTERVAL WIDTH – The interval width between each strike level shall be 0.10.

(3) NUMBER OF STRIKE LEVELS LISTED – Nine (9) strike levels will be listed for each Intraday EUR/JPY Binary Contract Series.

(4) STRIKE LEVELS GENERATED - Strike levels will be generated such that Binary Contract "~~Z~~Y" is valued 'at-the-money' in relation to the Underlying market as determined by the Source Agency, immediately before the issuance of these Contracts, and shall be measured in U.S. cents rounded to the nearest value ending in <u>either 0.02, 0.04, 0.07, or 0.09 as reported by the Source Agency</u> ~~in 0.01 as reported by the Source Agency~~. Four (4) strike levels will be generated above Binary Contract ~~Z~~Y at an interval of 0.10, and four

(4)

strike levels will be generated below Binary Contract ~~Z~~Y at an interval of
0.10

of

(e.g. ~~Z~~Y – 0.10; ~~Z~~Y; ~~Z~~Y + 0.10). The Contract will have a Payout Criterion of

greater than the strike level value.

(iv) INTRADAY 5-MINUTE EUR/JPY BINARY CONTRACTS

(1) EXPIRATION TIME – 5-Minute Binary Contracts will expire every 5 minutes beginning Sunday at 6:05pm ET and ending Friday at 4:00pm ET.

(2) STRIKE INTERVAL WIDTH – The interval width between each strike level shall be 0.05.

(3) NUMBER OF STRIKE LEVELS LISTED – Five (5) strike levels will be listed for each Intraday 5-Minute EUR/JPY Binary Contract Series.

(4) STRIKE LEVELS GENERATED - Strike levels will be generated such that Binary Contract "Z" is valued 'at-the-money' in relation to the Underlying market as determined by the Source Agency, immediately before the issuance of these Contracts, and shall be measured in U.S. cents rounded to the nearest value ending in either 0.01, 0.06, 0.03, or 0.08 as reported by the Source Agency. Two (2) strike levels will be generated above Binary Contract Z at an interval of 0.05, and two (2) strike levels will be generated below Binary Contract Z at an interval of 0.05 (e.g. Z – 0.05; Z; Z + 0.05). The Contract will have a Payout Criterion of greater than the strike level value.

(5) Nadex may, in its discretion, temporarily refrain from the listing of any 5-Minute
Binary Contract due to the unavailability of the underlying market upon which the Contract is based, or any other condition Nadex determines may be detrimental to the listing of the Contract.

(v)~~(iv)~~ Nadex may list additional EUR/JPY Binary Contract 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 EUR/JPY Binary Contracts shall be $0.25.

(h) POSITION LIMIT – There are currently no Position Limits for EUR/JPY Binary Contract.

(i) LAST TRADING DATE – The Last Trading Date in a Series is the same date as the Expiration Date. No trading in the EUR/JPY Binary Contracts shall occur after its Last Trading Date.

(j) SETTLEMENT DATE – The Settlement Date will be the date the EUR/JPY number is released by the Source Agency.

(k) EXPIRATION DATE – The Expiration Date of the Contract will be the date on which the EUR/JPY number is scheduled to be released.

(l) SETTLEMENT VALUE – The Settlement Value is the amount paid to the holder of the in the money Contract on Settlement Date. The Settlement Value of an in the money EUR/JPY Binary Contract is $100.

(m) EXPIRATION VALUE – The Expiration Value is the price or value of EUR/JPY released by the Source Agency on the Expiration Date. The Expiration Value is calculated by the Source Agency by taking all Midpoints between the bid/ask spread (ten pips wide or less) occurring in the ten (10) seconds leading up to the close of trading of the EUR/JPY Binary Contract, provided at least ten (10) Midpoints are captured during the ten (10) second period, removing the highest thirty (30) percent of Midpoints and the lowest thirty (30) percent of Midpoints from the data set[4], using the remaining EUR/JPY Midpoints to calculate the Expiration Value. The calculation used is a simple average of the remaining EUR/JPY Midpoints, rounded to one decimal point past the precision of the underlying market. In the event the time it takes to collect at least ten (10) Midpoints (ten pips wide or less) exceeds the ten (10) second time period, the Expiration Value is calculated by the Source Agency by taking the last ten (10) Midpoints between the bid/ask spread (ten pips wide or less) just prior to the close of trading of the EUR/JPY Binary Contract and removing the highest three (3) Midpoints and the lowest three (3) Midpoints, using the remaining four (4) EUR/JPY Midpoints to calculate the Expiration Value. The calculation used is a simple average of all four (4) EUR/JPY Midpoints, 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 12.40 [UNCHANGED]

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[4] If 30% of the data set would result in a non-integer number of Midpoints, the number of Midpoints to be removed from the set will be rounded down. For example, if the number of Midpoints collected during the last 10 seconds prior to the close of trading was 14, 30% of the data set would be 4.2 Midpoints. As 4.2 is a non-integer number, the value will be rounded down, and the 4 highest and 4 lowest Midpoints will be removed from the data set.

RULE 12.41 CURRENCY EXCHANGE GBP/JPY BINARY CONTRACTS

(a) SCOPE – These Rules shall apply to the Class of Contracts referred to as the Currency Exchange GBP/JPY ("GBP/JPY") Binary Contract issued by Nadex.

(b) UNDERLYING – The Underlying for this Class of Contracts is the British Pound/ Japanese Yen, herein referred to as "GBP/JPY" as quoted in the Japanese Yen per British Pounds obtained from the spot GBP/JPY foreign currency market.

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

(d) TYPE – The type of Contract is a Binary 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 Binary Contracts are initially issued. For the GBP/JPY Binary Contract, the Payout Criteria for the Contracts will be set as follows:

(i) WEEKLY GBP/JPY BINARY CONTRACTS

(1) EXPIRATION TIME – 3 PM ET CLOSE

(2) STRIKE INTERVAL WIDTH – The interval width between each strike level shall be 0.50.

(3) NUMBER OF STRIKE LEVELS LISTED - Fourteen (14) strike levels will be listed for each Weekly GBP/JPY Binary Contract Series.

(4) STRIKE LEVELS GENERATED - Strike levels will be generated such that Binary Contract "XW" is valued 'at-the-money' in relation to the Underlying market as determined by the Source Agency, immediately before the issuance of these Contracts, and shall be measured in U.S. cents rounded to the nearest value ending in 0.25 or 0.75 as reported by the Source Agency. Six (6) strike levels will be generated above Binary Contract XW at an interval of 0.50, and seven (7) strike levels will be generated below Binary Contract XW at an interval of 0.50 (e.g. XW – 0.50; XW; XW + 0.50). The Contract will have a Payout
Criterion of greater than the strike level value.

(ii) DAILY GBP/JPY BINARY CONTRACTS

(1) EXPIRATION TIME – 3 AM, 7 AM, 11 AM, 3 PM, 7 PM, 11 PM ET CLOSE

(2) STRIKE INTERVAL WIDTH – The interval width between each strike level shall be 0.20.

(3) NUMBER OF STRIKE LEVELS LISTED – Twenty-one (21) strike levels will be listed for each Daily GBP/JPY Binary Contract Series.

(4) STRIKE LEVELS GENERATED - Strike levels will be generated such that Binary Contract "~~Y~~X" is valued 'at-the-money' in relation to the Underlying market as determined by the Source Agency, immediately before the issuance of these Contracts, and shall be measured in U.S. cents rounded to the nearest value ending in <u>either 0.0, 0.20, 0.40, 0.60, or 0.80</u> ~~0.20~~ as reported by the Source Agency. Ten (10) strike levels
will be generated above Binary Contract ~~Y~~X at an interval of 0.20, and ten (10)
strike levels will be generated below Binary Contract ~~Y~~X at an interval of 0.20
(e.g. ~~Y~~X – 0.20; ~~Y~~X; ~~Y~~X + 0.20). The Contract will have a Payout Criterion of

greater than the strike level value.

(iii) INTRADAY GBP/JPY BINARY CONTRACTS

(1) EXPIRATION TIME – 10 AM, 11 AM, 12 PM, 1 PM, 2 PM, 3 PM ET CLOSE

(2) STRIKE INTERVAL WIDTH – The interval width between each strike level shall be 0.10.

(3) NUMBER OF STRIKE LEVELS LISTED – Nine (9) strike levels will be listed for each Intraday GBP/JPY Binary Contract Series.

(4) STRIKE LEVELS GENERATED - Strike levels will be generated such that Binary Contract "~~Z~~Y" is valued 'at-the-money' in relation to the Underlying market as determined by the Source Agency, immediately before the issuance of these Contracts, and shall be measured in U.S. cents rounded to the nearest value ending in <u>either 0.02, 0.04, 0.07, or 0.09.</u> ~~0.01~~ as reported by the Source Agency. Four (4) strike levels
will be generated above Binary Contract ~~Z~~Y at an interval of 0.10, and four (4)
strike levels will be generated below Binary Contract ~~Z~~Y at an interval of 0.10
(e.g. ~~Z~~Y – 0.10; ~~Z~~Y; ~~Z~~Y + 0.10). The Contract will have a Payout Criterion of

greater than the strike level value.

(iv) INTRADAY 5-MINUTE GBP/JPY BINARY CONTRACTS

(1) EXPIRATION TIME – 5-Minute Binary Contracts will expire every 5 minutes beginning Sunday at 6:05pm ET and ending Friday at 4:00pm ET.

(2) STRIKE INTERVAL WIDTH – The interval width between each strike level shall be 0.05.

(3) NUMBER OF STRIKE LEVELS LISTED – Five (5) strike levels will be listed for each Intraday 5-Minute GBP/JPY Binary Contract Series.

(4) STRIKE LEVELS GENERATED - Strike levels will be generated such that Binary Contract "Z" is valued 'at-the-money' in relation to the Underlying market as determined by the Source Agency, immediately before the issuance of these Contracts, and shall be measured in U.S. cents rounded to the nearest value ending in either 0.01, 0.06, 0.03, or 0.08 as reported by the Source Agency. Two (2) strike levels will be generated above Binary Contract Z at an interval of 0.05, and two (2) strike levels will be generated below Binary Contract Z at an interval of 0.05 (e.g. Z – 0.05; Z; Z + 0.05). The Contract will have a Payout Criterion of greater than the strike level value.

(5) Nadex may, in its discretion, temporarily refrain from the listing of any 5-Minute Binary Contract due to the unavailability of the underlying market upon which the Contract is based, or any other condition Nadex determines may be detrimental to the listing of the Contract.

(iv)(v) Nadex may list additional GBP/JPY Binary 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 GBP/JPY Binary Contracts shall be $0.25.

(h) POSITION LIMIT – There are currently no Position Limits for GBP/JPY Binary Contract.

(i) LAST TRADING DATE – The Last Trading Date in a Series is the same date as the Expiration Date. No trading in the GBP/JPY Binary Contracts shall occur after its Last Trading Date.

(j) SETTLEMENT DATE – The Settlement Date will be the date the GBP/JPY number is released by the Source Agency.

(k) EXPIRATION DATE – The Expiration Date of the Contract will be the date on which the GBP/JPY number is scheduled to be released.

(l) SETTLEMENT VALUE – The Settlement Value is the amount paid to the holder of the in the money Contract on Settlement Date. The Settlement Value of an in the money GBP/JPY Binary Contract is $100.

(m) EXPIRATION VALUE – The Expiration Value is the price or value of GBP/JPY released by the Source Agency on the Expiration Date. The Expiration Value is calculated by the Source Agency by taking all Midpoints between the bid/ask spread (ten pips wide or less) occurring in the ten (10) seconds leading up to the close of trading of the GBP/JPY Binary Contract, provided at least ten (10) Midpoints are captured during the ten (10) second period, removing the highest thirty (30) percent of Midpoints and the lowest thirty (30) percent of Midpoints from the data set[5], using the remaining GBP/JPY Midpoints to calculate the Expiration Value. The calculation used is a simple average of the remaining GBP/JPY Midpoints, rounded to one decimal point past the precision of the underlying market. In the event the time it takes to collect at least ten (10) Midpoints (ten pips wide or less) exceeds the ten (10) second time period, the Expiration Value is calculated by the Source Agency by taking the last ten (10) Midpoints between the bid/ask spread (ten pips wide or less) just prior to the close of trading of the GBP/JPY Binary Contract and removing the highest three (3) Midpoints and the lowest three (3) Midpoints, using the remaining four (4) GBP/JPY Midpoints to calculate the Expiration Value. The calculation used is a simple average of all four (4) GBP/JPY Midpoints, 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.

RULES 12.42 – 12.79 [UNCHANGED]

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End of Rulebook.

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[5] If 30% of the data set would result in a non-integer number of Midpoints, the number of Midpoints to be removed from the set will be rounded down. For example, if the number of Midpoints collected during the last 10 seconds prior to the close of trading was 14, 30% of the data set would be 4.2 Midpoints. As 4.2 is a non-integer number, the value will be rounded down, and the 4 highest and 4 lowest Midpoints will be removed from the data set.