nadex.com
north american derivatives exchange

RECEIVED
CFTC
2011 JAN 28 PM 3:07
OFFICE OF THE
SECRETARIAT

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

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

January 27, 2011

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

RE: Rule Certification: Nadex's Amendment to Rule 1.1(l) (Definition of "Expiration Value") and to Rule 12.1 (Terms that are Uniform Across 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 ("Act"), and section 40.6(a) of the regulations promulgated by the Commodity Futures Trading Commission (the "Commission") under the Act (the "Regulations"), North American Derivatives Exchange, Inc. ("Nadex") hereby submits to the Commission an amendment to its definition of "Expiration Value" as set forth in Rule 1.1(l), and adds to the Terms that are Uniform Across Contracts, set forth in Rule 12.1, a provision to prevent duplicate Payout Criterion levels within the same Class of Contracts and having the same Expiration time. In Exhibit A, Nadex has outlined the amendments to the Rules. Rule additions and deletions are presented in Exhibit B. Nadex has included in Exhibit C charts describing the pre-determined adjustment to be made to newly issued contracts to avoid duplicative strike levels, as provided in Rule 12.1(e). The charts will appear on the Nadex website on the appropriate corresponding Contract Specifications ("Contract Specs") page. Nadex intends to implement these rule amendments and additions effective for the start of business on trading day Monday, January 31, 2011.

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

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

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

Rule	Asset	Duration/ Close Time	Action	Effective Date
1.1	Definitions		Amend definition of "Expiration Value"	01/31/2011
12.1	Terms that are Uniform Across Contracts		Add provision in the event of duplicate strike levels in the same class having same expiration time	01/31/2011

EXHIBIT B

Amendment of Rule 1.1(l) and Rule 12.1

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

RULE 1.1 DEFINITIONS

(a) - (k) [Unchanged]

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

(m) - (ii) [Unchanged]

RULE 1.2 – RULE 11.3 [Unchanged]

RULE 12.1 TERMS THAT ARE UNIFORM ACROSS CONTRACTS

There are certain terms that are uniform across Contracts.

(b) The minimum unit of trading for each Contract is one Contract.

(c) All Contract prices are quoted in U.S. dollars and cents per Contract.

(d) The minimum quote increment for each Contract is $.01 per Contract.

(e) All Expiration Values will be posted on Nadex's website no later than the close of business of the Expiration Date of a Contract Series.

<u>(e) At the time Nadex sets the Payout Criterion for any Binary Contract, Nadex will review its then-existing Binary Contracts in the same Class having the same Expiration time. No new Binary Contract in that same Class and having the same Expiration time will be offered with the same Payout Criterion. Instead, in instances where a duplicate Payout Criterion would be generated under the applicable product rule, the Payout Criterion for that Contract will be adjusted by pre-determined levels which shall be published on the Nadex website.</u>

~~(e)~~ <u>(f)</u> DAILY CONTRACTS means a Series of Contracts that have an Expiration Date within 24 hours after they are issued.

~~(f)~~ <u>(g)</u> MONTHLY CONTRACTS mean a Series of Contracts that have a Payout Criterion based on the last reported level of the Underlying by the Source Agency. Monthly Contracts have an Expiration Date that is no less than twenty one calendar days and no greater than thirty five calendar days from the date on which the last reported level of the Underlying is released by the Source Agency. Unless otherwise specified in these rules, this

Series shall have an Expiration Date that is equal to the Last Trading Date of the current month.

~~(g)~~ (h) WEEKLY CONTRACTS mean a Series of Contracts that have an Expiration Date that is no less than four calendar days and no greater than seven calendar days from the date on which the contracts are issued. Unless otherwise specified in these rules, this Series shall have an Expiration Date that is equal to the Last Trading Date of the current week.

~~(h)~~ (i) QUARTERLY CONTRACTS mean a Series of Contracts that have a Payout Criterion based on the last reported level of the Underlying during the previous quarter as released by the Source Agency. Unless otherwise specified in these rules, this Series shall have an Expiration Date that is equal to the Last Trading Date of the current quarter as defined by the Source Agency.

~~(i)~~ (j) BI-ANNUAL CONTRACTS mean a Series of Contracts that have a Payout Criterion based on the last reported level of the Underlying from two quarters back as released by the Source Agency. Unless otherwise specified in these rules, this Series shall have an Expiration Date that is equal to the Last Trading Date of the current quarter as defined by the Source Agency. For example, if the Source Agency reports a level for the Underlying every February, May, August and November, a Bi-Annual Contract will have a Payout Criterion based on the level reported in May with the Expiration Value based on the level of the Underlying scheduled to be released in November.

~~(j)~~ (k) YEAR-END CONTRACTS mean a Series of Contracts that have a Payout Criterion based on the last reported level of the Underlying by the Source Agency prior to the issuance date of the Contract. Unless otherwise specified in these rules, this Series of Contracts shall have an Expiration Date that is equal to the Last Trading Date of the current year.

~~(k)~~ (l) TWO MONTH CONTRACTS mean a Series of Contracts that have a Payout Criterion based on the last reported level of the Underlying from two months back as released by the Source Agency. Unless otherwise specified in these rules, this Series shall have an Expiration Date that is equal to the Last Trading Date of the current month as defined by the Source Agency.

~~(l)~~ (m) CYCLICAL CONTRACTS mean a Series of Contracts that have a Payout Criterion based on the last reported level of the Underlying by the Source Agency. Unless otherwise specified in these Rules, this Series shall have an Expiration Date that is equal to the Last Trading Date of the current reporting cycle of the Source Agency.

~~(m)~~ (n) 4TH MEETING CONTRACTS mean a Series of Contracts that have a Payout Criterion based on the last reported level of the Underlying at the time the Contract is listed from four (4) meetings back as released by the Source Agency. Unless otherwise specified in these rules, this Series shall have an Expiration Date that is the last of the FOMC meeting scheduled as defined by the Source Agency. For example, if the Source Agency reports a level for the Underlying on March 21st, a 4th Meeting Contract will have a Payout Criterion based on the level reported on March 21st and will have an Expiration Value based on the level of the Underlying scheduled to be released four (4) scheduled meetings from that date, on September 18th.

~~(n)~~ (o) DAMAGE CONTRACTS mean a Series of Contracts that have a Payout Criterion based upon the amount of damage estimates calculated and released by the Source Agency.

~~(o)~~ (p) BI-WEEKLY CONTRACTS mean a Series of Contracts that have a Payout Criterion based on the last reported level of the Underlying from two weeks back as released by the Source Agency. Unless otherwise specified in these rules, this Series shall have an Expiration Date that is equal to the Last Trading Date.

~~(p)~~ (q) HALTED MARKETS - In the event that any market irregularities are declared by the President of the Exchange, a market may be halted for trading, and an explanation will be posted on the Nadex Notices section of the website within a reasonable amount of time but no later than 24 hours after the initiation of the halt.

~~(q)~~ (r) CONTRACT MODIFICATIONS - Specifications shall be fixed as of the first day of trading of a contract. If any U.S. governmental agency or body issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules, and all open and new contracts shall be subject to such government orders.

~~(r)~~ (s) INTRADAY CONTRACTS means a series of contracts that expire on the same trade date as, and within four hours or less, of issuance.

RULE 12.2 – RULE 12.95 [Unchanged]

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

EXHIBIT C

The following charts describe the pre-determined adjustment to be made to newly issued contracts to avoid duplicative strike levels, as provided in Rule 12.1(e). The charts will appear on the Nadex website on the appropriate corresponding "Contract Specs" page.

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

Commodities Strike Adjustments

CONTRACT NAME	CONTRACT TYPE	STRIKE WIDTH OFFSET VALUE
COPPER INTRADAY	BINARY OPTION	0.1
CRUDE INTRADAY	BINARY OPTION	0.01
GOLD INTRADAY	BINARY OPTION	0.1
NGAS DAILY BINARY	BINARY OPTION	0.1
NGAS INTRADAY	BINARY OPTION	0.01
RBOB INTRADAY	BINARY OPTION	0.01
SILVER INTRADAY	BINARY OPTION	1

Forex Strike Adjustments

CONTRACT NAME	CONTRACT TYPE	STRIKE WIDTH OFFSET VALUE
EUR-USD INTRADAY	BINARY OPTION	0.0001
GBP-USD INTRADAY	BINARY OPTION	0.0001
USD-CAD INTRADAY	BINARY OPTION	0.0001
USD-CHF INTRADAY	BINARY OPTION	0.0001
USD-JPY INTRADAY	BINARY OPTION	0.01

Stock Indices Strike Adjustments

CONTRACT NAME	CONTRACT TYPE	STRIKE WIDTH OFFSET VALUE
FTSE INTRADAY	BINARY OPTION	1
GERMANY 30 INTRADAY	BINARY OPTION	1
US 500 INTRADAY	BINARY OPTION	0.1
US TECH 100 DAILY	BINARY OPTION	1
US TECH 100 INTRADAY	BINARY OPTION	1
WALL ST 30 INTRADAY	BINARY OPTION	1