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February 24, 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: Add New Binary and Variable Contracts – Submission pursuant to Commission Regulations §§40.2 and 40.6(a)

Dear Mr. Stawick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (“Act”), and sections 40.2 and 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 the terms and conditions for new US SmallCap 2000 Binary and Variable Payout Contracts as represented in the following new Rules:

RULE 12.98 US SMALLCAP 2000 VARIABLE PAYOUT CONTRACTS
RULE 12.99 US SMALLCAP 2000 BINARY CONTRACTS

The US SmallCap 2000 Binary and Variable Payout Contracts, which are cash-settled contracts, will have an Expiration Value that is calculated based on an average of the most recent trade prices in the underlying futures contract, the ICE Russell 2000[®] Index Mini Futures (the “RUFC”), immediately prior to the Contract’s expiration.¹

In Exhibit A, Nadex has set forth the text of its new Rules 12.98 to 12.99 to reflect all of the terms and conditions of the new Contracts in accordance with Commission Regulations §§40.2 and 40.6.

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The RUFC is traded on ICE Futures US (ICE Futures), which currently lists RUFCs with quarterly expirations (March, June, September, and December). The RUFC is currently a deep and liquid futures market. The index that underlies the RUFC is the Russell 2000[®]. According to the index publisher, “[t]he Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe... [and] includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership.” Furthermore, “[t]he Russell 2000 is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.” http://www.russell.com/indexes/data/fact_sheets/us/russell_2000_index.asp

Nadex has no ownership or other interest in either the cash markets for the securities that comprise the cash index or the RUFC. In addition, Nadex is not affiliated with ICE Futures, and neither ICE Futures nor any of its respective affiliates sponsors or endorses Nadex or its products in any way. Nadex, however, is a signatory to the International Information Sharing Memorandum of Understanding & Agreement (“MOU”), as is ICE Futures (by its predecessor NYFE, Division of New York Board of Trade). In addition, Nadex and ICE Futures are members of the Intermarket Surveillance Group (“ISG”). Both the MOU and the ISG Agreement provide for information sharing among the parties thereto.

The US SmallCap 2000 Binary Contracts will be offered with intraday, one-day and one-week durations and the Variable Payout Contracts will be offered with one-day durations. With respect to each Contract listed, the underlying futures contract will be the nearest RUFC, up to and including the last Friday of the month immediately preceding the month in which the final settlement of that particular RUFC. On the business day that immediately succeeds such a Friday, the underlying futures contract for each Contract will roll over to the next quarterly RUFC. Because the RUFC that provides the underlying prices for the Expiration Value of the Contract “rolls over” to the prices of the next-to-expire RUFC approximately one week before the expiration the underlying RUFC, the Contracts will never have an Expiration Value based upon the final settlement price (or an average of trade prices) at a RUFC maturity when those futures contracts converge with their respective cash index values. Thus, the Binary and Variable Contract Expiration Values will be linked to the trade prices of the relevant futures contract, the RUFC, rather than to the specific cash index.

Nadex, as the Source Agency, will calculate an Expiration Value for each Contract by taking the last twenty-five (25) RUFC trade prices immediately prior to the expiration of the US SmallCap 2000 Contracts, removing the highest five (5) RUFC prices and the lowest five (5) RUFC prices, using the remaining fifteen (15) RUFC prices to calculate the Expiration Value. The calculation is a simple average of all fifteen (15) remaining RUFC prices.

The calculation methodology for the Expiration Values mitigates the possibility of manipulation or any party trading with advance knowledge of the Expiration Value prior to expiration of the Contract. The underlying RUFCs are traded in real-time; it is not possible for an “early” release of RUFC trade prices or the relevant Expiration Value for the Contract to occur, as trading in the Contract on the Nadex exchange ceases concurrently with the

fixing of the relevant prices that will be used in calculating the Expiration Value. On the Expiration Date, Nadex will publish on its website the Expiration Value for each listed Contract as soon as practicable after the expiration of that Contract.

As explained above, the Contracts are Binary Options or Variable Payout Contracts on an actively traded broad-based securities index futures contract, the RUFC, and its pricing will be based solely upon RUFC prices. Because the RUFC is based upon an index that is not a "narrow-based security index" as defined in Section 1a(25) of the Act, the Binary Options and Variable Payout Contracts are within the Commission's exclusive regulatory jurisdiction.

These amendments and additions will be effective for the start of business on trading day Monday, February 28, 2011.

In Exhibit A, Nadex has set forth the amendments to the Rules to add the foregoing US SmallCap 2000 contracts. In Exhibit B, Nadex has set forth the text of its new Rules 12.98 and 12.99 to reflect all of the terms and conditions of the new Contracts in accordance with Commission Regulations §§40.2 and 40.6(a).

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
12.98	US SmallCap 2000	Daily 4:15pm ET Close	Add US SmallCap 2000 Variable Payout Contracts	02/28/2011
12.99	US SmallCap 2000	Daily & Weekly 4:15pm ET Close; Intraday 10am, 11am, 12pm, 1pm, 2pm, 3pm, 4pm ET Close	Add US SmallCap 2000 Binary Contracts	02/28/2011

EXHIBIT B

Addition of New Rules 12.98 and 12.99

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

RULE 1.1 -12.97 [Unchanged]

RULE 12.98 US SMALLCAP 2000 VARIABLE PAYOUT CONTRACTS

(a) SCOPE – These Rules shall apply to the Class of Contracts referred to as the US SmallCap 2000 Variable Payout Contracts issued by Nadex.

(b) UNDERLYING – The Underlying for this Class of Contracts is the price of the Russell 2000[®] Mini Futures contracts (“RUFC”) traded on the ICE Futures US[®] (ICE Futures)². The RUFC trade prices that will be used for the Underlying will be taken from four (4) RUFC delivery months: March, June, September, or December (each a “RUFC Delivery Month”); The specific RUFC Delivery Month that will be used as the Underlying will be based on the RUFC represented in the following schedule of dates for 2011:

<u>Start Date</u>	<u>End Date</u>	<u>RUFC Delivery Month Used for the Underlying and to Calculate the Expiration Value</u>	<u>Futures Expiration Date</u>
<u>9/11/2010</u>	<u>12/10/2010</u>	<u>ICE Russell 2000 Mini December 2010 Future</u>	<u>12/17/2010</u>
<u>12/11/2010</u>	<u>3/11/2011</u>	<u>ICE Russell 2000 Mini March 2011 Future</u>	<u>3/18/2011</u>
<u>3/12/2011</u>	<u>6/10/2011</u>	<u>ICE Russell 2000 Mini June 2011 Future</u>	<u>6/17/2011</u>
<u>6/11/2011</u>	<u>9/9/2011</u>	<u>ICE Russell 2000 Mini September 2011 Future</u>	<u>9/16/2011</u>
<u>9/10/2011</u>	<u>12/9/2011</u>	<u>ICE Russell 2000 Mini December 2011 Future</u>	<u>12/16/2011</u>

On the dated listed in the ‘Start Date’ column above, the RUFC trade prices to be used for the Underlying and to calculate the Expiration Value will be the RUFC trade prices for the corresponding RUFC Delivery Month listed. For instance, beginning on June 11, 2011, Nadex will use the ICE Russell 2000 Mini September 2011 future prices as the Underlying and will use trade prices for the September 2011 Russell 2000 Mini futures contract to calculate the Expiration Value on the Expiration Date for the relevant US SmallCap 2000 Variable Payout Contract.

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

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

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(e) ISSUANCE – For each planned release by the Source Agency of the Underlying, Nadex will issue various Contracts, each of a different Series. A new issuance of Contracts will commence no later than two (2) business days following the Expiration Date.

(f) PAYOUT CRITERION – The Payout Criterion for each Contract will be set by Nadex at the time the Variable Payout Contracts are initially issued. For the US SmallCap 2000 Variable Payout Contract, the Payout Criteria for the Contracts will be set as follows:

(i) DAILY VARIABLE US SMALLCAP 2000 CONTRACTS, 4:15 PM ET CLOSE SPREAD - At the commencement of trading in a Daily Spread US SmallCap 2000 Variable Payout Contract, Nadex shall list one (1) Variable Payout Contract, referred to as a 'Spread', which conforms to the Payout Criteria listed below:

(1) DAILY VARIABLE PAYOUT CONTRACT 'SPREAD'

(aa) CAP – The Cap shall be $X + 25$.

(bb) FLOOR – The Floor shall be $X - 25$.

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

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

(i) DAILY VARIABLE US SMALLCAP 2000 CONTRACTS, 4:15 PM ET CLOSE NARROW SPREAD – At the commencement of trading in a Daily Narrow Spread US SmallCap 2000 Variable Payout Contract, Nadex shall list a set of three (3) Variable Payout Contracts with overlapping ranges referred to as 'Narrow Spreads', which conform to the Payout Criteria listed below:

(1) DAILY VARIABLE PAYOUT CONTRACT 'NARROW SPREAD'

(aa) CONTRACT 1: The Cap shall be X ; The Floor shall be $X - 25$.

(bb) CONTRACT 2: The Cap shall be $X + 12.5$; The Floor shall be $X - 12.5$.

(cc) CONTRACT 3: The CAP shall be $X + 25$; The Floor shall be X .

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

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

(ii) Nadex may list additional Variable Payout 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 US SmallCap 2000 Variable Payout Contracts shall be 0.1.

(h) REPORTING LEVEL – The Reporting Level for the US SmallCap 2000 Variable Payout Contracts shall be 2,500 Contracts.

(i) POSITION LIMIT – The Position Limits for US SmallCap 2000 Variable Payout Contracts shall be 50,000 Contracts.

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

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

(l) EXPIRATION DATE – The Expiration Date of the Contract shall be the date on which the US SmallCap 2000 Expiration Value is released by the Source Agency.

(m) SETTLEMENT VALUE – The Settlement Value is the amount paid to the holder of either a Short or Long Variable Payout Contract on Settlement Date. The Settlement Value of a Variable Payout Contract is determined as described in the definition for Long and Short Variable Payout Contracts.

(n) EXPIRATION VALUE – The Expiration Value is the level of US SmallCap 2000 as calculated by the Source Agency on the Expiration Date. The Expiration Value is calculated by the Source Agency by taking the last twenty-five (25) RUFC trade prices just prior to the close of trading of the US SmallCap 2000 Variable Contract and removing the highest five (5) RUFC trade prices and the lowest five (5) RUFC trade prices, using the remaining fifteen (15) RUFC trade prices to calculate the Expiration Value. The Calculation used is a simple average of all fifteen (15) RUFC trade prices.

(o) CONTINGENCIES – If no daily settlement price of the relevant RUFC is announced by the Source Agency, the Settlement Date will be delayed until such daily settlement price for that Series is released and publicly available.

RULE 12.99 NADEX US SMALLCAP 2000 BINARY CONTRACTS

(a) SCOPE – These Rules shall apply to the Class of Contracts referred to as the US SmallCap 2000 Binary Contracts issued by Nadex.

(b) UNDERLYING – The Underlying for this Class of Binary Contracts is the price of the Russell 2000[®] Mini Futures contracts (“RUFC”) traded on ICE Futures US[®] (ICE

Futures)³. The RUFC trade prices that will be used to calculate the Underlying will be taken from four (4) RUFC delivery months: March, June, September, or December (each a "RUFC Delivery Month"). The specific RUFC Delivery Month that will be used as the Underlying will be based on the RUFC represented in the following schedule of dates for 2011:

<u>Start Date</u>	<u>End Date</u>	<u>RUFC Delivery Month Used for the Underlying and to Calculate the Expiration Value</u>	<u>Futures Expiration Date</u>
<u>9/11/2010</u>	<u>12/10/2010</u>	<u>ICE Russell 2000 Mini December 2010 Future</u>	<u>12/17/2010</u>
<u>12/11/2010</u>	<u>3/11/2011</u>	<u>ICE Russell 2000 Mini March 2011 Future</u>	<u>3/18/2011</u>
<u>3/12/2011</u>	<u>6/10/2011</u>	<u>ICE Russell 2000 Mini June 2011 Future</u>	<u>6/17/2011</u>
<u>6/11/2011</u>	<u>9/9/2011</u>	<u>ICE Russell 2000 Mini September 2011 Future</u>	<u>9/16/2011</u>
<u>9/10/2011</u>	<u>12/9/2011</u>	<u>ICE Russell 2000 Mini December 2011 Future</u>	<u>12/16/2011</u>

On the dated listed in the 'Start Date' column above, the RUFC trade prices to be used for the Underlying and to calculate the Expiration Value will be the RUFC trade prices for the corresponding RUFC Delivery Month listed. For instance, beginning on June 11, 2011, Nadex will use the ICE Russell 2000 Mini September 2011 future prices as the Underlying and will use trade prices for the September 2011 Russell 2000 Mini futures contract to calculate the Expiration Value on the Expiration Date for the relevant US SmallCap 2000 Binary Contract.

_____ (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 US SmallCap 2000 Binary Contract, the Payout Criteria for the Contracts will be set as follows:

_____ (i) DAILY US SMALLCAP 2000 BINARY CONTRACTS, 4:15 PM ET CLOSE

_____ (1) Binary Contract 1: One Contract will have a Payout Criterion of greater than X - 20.

_____ (2) Binary Contract 2: One Contract will have a Payout Criterion of greater than X - 18.

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(3) Binary Contract 3: One Contract will have a Payout Criterion of greater than X - 16.

(4) Binary Contract 4: One Contract will have a Payout Criterion of greater than X - 14.

(5) Binary Contract 5: One Contract will have a Payout Criterion of greater than X - 12.

(6) Binary Contract 6: One Contract will have a Payout Criterion of greater than X - 10.

(7) Binary Contract 7: One Contract will have a Payout Criterion of greater than X - 8.

(8) Binary Contract 8: One Contract will have a Payout Criterion of greater than X - 6.

(9) Binary Contract 9: One Contract will have a Payout Criterion of greater than X - 4.

(10) Binary Contract 10: One Contract will have a Payout Criterion of greater than X - 2.

(11) Binary Contract 11: One Contract will have a Payout Criterion of greater than X.

(12) Binary Contract 12: One Contract will have a Payout Criterion of greater than X + 2.

(13) Binary Contract 13: One Contract will have a Payout Criterion of greater than X + 4.

(14) Binary Contract 14: One Contract will have a Payout Criterion of greater than X + 6.

(15) Binary Contract 15: One Contract will have a Payout Criterion of greater than X + 8.

(16) Binary Contract 16: One Contract will have a Payout Criterion of greater than X + 10.

(17) Binary Contract 17: One Contract will have a Payout Criterion of greater than X + 12.

(18) Binary Contract 18: One Contract will have a Payout Criterion of greater than X + 14.

(19) Binary Contract 19: One Contract will have a Payout Criterion of greater than X + 16.

(20) Binary Contract 20: One Contract will have a Payout Criterion of greater than X + 18.

(21) Binary Contract 21: One Contract will have a Payout Criterion of greater than X + 20.

(22) In each case above, "X" equals the US SmallCap 2000 reference price, as calculated by the Source Agency, rounded to the nearest one (1).

(ii) WEEKLY US SMALLCAP 2000 BINARY CONTRACTS, 4:15 PM ET CLOSE

(1) Binary Contract 1: One Contract will have a Payout Criterion of greater than X - 36.

(2) Binary Contract 2: One Contract will have a Payout Criterion of greater than X - 24.

(3) Binary Contract 3: One Contract will have a Payout Criterion of greater than X - 12.

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

(5) Binary Contract 5: One Contract will have a Payout Criterion of greater than X + 12.

(6) Binary Contract 6: One Contract will have a Payout Criterion of greater than X + 24.

(7) Binary Contract 7: One Contract will have a Payout Criterion of greater than X + 36.

(14) In each case above, "X" equals the US SmallCap 2000 reference price, as calculated by the Source Agency, rounded to the nearest two (2).

(iii) INTRADAY US SMALLCAP 2000 BINARY CONTRACTS, 8:00 AM to 10:00 AM ET CLOSE

(1) Binary Contract 1: One Contract will have a Payout Criterion of greater than Z1 - 2.

(2) Binary Contract 2: One Contract will have a Payout Criterion of greater than Z1.

(3) Binary Contract 3: One Contract will have a Payout Criterion of greater than Z1 + 2.

(4) In each case above, Z1 equals the strike level determined by the Source Agency immediately before the issuance of these contracts.

(iv) INTRADAY US SMALLCAP 2000 BINARY CONTRACTS,
9:00 AM to 11:00 AM ET CLOSE

(1) Binary Contract 1: One Contract will have a Payout Criterion of greater than Z2 - 2.

(2) Binary Contract 2: One Contract will have a Payout Criterion of greater than Z2.

(3) Binary Contract 3: One Contract will have a Payout Criterion of greater than Z2 + 2.

(4) In each case above, Z2 equals the strike level determined by the Source Agency immediately before the issuance of these contracts.

(v) INTRADAY US SMALLCAP 2000 BINARY CONTRACTS,
10:00 AM to 12:00 PM ET CLOSE

(1) Binary Contract 1: One Contract will have a Payout Criterion of greater than Z3 - 2.

(2) Binary Contract 2: One Contract will have a Payout Criterion of greater than Z3.

(3) Binary Contract 3: One Contract will have a Payout Criterion of greater than Z3 + 2.

(4) In each case above, Z3 equals the strike level determined by the Source Agency immediately before the issuance of these contracts.

(vi) INTRADAY US SMALLCAP 2000 BINARY CONTRACTS,
11:00 AM to 1:00 PM ET CLOSE

(1) Binary Contract 1: One Contract will have a Payout Criterion of greater than Z4 - 2.

(2) Binary Contract 2: One Contract will have a Payout Criterion of greater than Z4.

(3) Binary Contract 3: One Contract will have a Payout Criterion of greater than Z4 + 2.

(4) In each case above, Z4 equals the strike level determined by the Source Agency immediately before the issuance of these contracts.

(vii) INTRADAY US SMALLCAP 2000 BINARY CONTRACTS,
12:00 PM to 2:00 PM ET CLOSE

(1) Binary Contract 1: One Contract will have a Payout Criterion of greater than Z5 - 2.

(2) Binary Contract 2: One Contract will have a Payout Criterion of greater than Z5.

(3) Binary Contract 3: One Contract will have a Payout Criterion of greater than Z5 + 2.

(4) In each case above, Z5 equals the strike level determined by the Source Agency immediately before the issuance of these contracts.

(viii) INTRADAY US SMALLCAP 2000 BINARY CONTRACTS,
1:00 PM to 3:00 PM ET CLOSE

(1) Binary Contract 1: One Contract will have a Payout Criterion of greater than Z6 - 2.

(2) Binary Contract 2: One Contract will have a Payout Criterion of greater than Z6.

(3) Binary Contract 3: One Contract will have a Payout Criterion of greater than Z6 + 2.

(4) In each case above, Z6 equals the strike level determined by the Source Agency immediately before the issuance of these contracts.

(ix) INTRADAY US SMALLCAP 2000 BINARY CONTRACTS,
2:00 PM to 4:00 PM ET CLOSE

(1) Binary Contract 1: One Contract will have a Payout Criterion of greater than Z7 - 2.

(2) Binary Contract 2: One Contract will have a Payout Criterion of greater than Z7.

(3) Binary Contract 3: One Contract will have a Payout Criterion of greater than Z7 + 2.

(4) In each case above, Z7 equals the strike level determined by the Source Agency immediately before the issuance of these contracts.

(x) Nadex may list additional US SmallCap 2000 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 US SmallCap 2000 Binary Contracts shall be \$0.25.

(h) REPORTING LEVEL – The Reporting Level for the US SmallCap 2000 Binary Contracts shall be 1,750 Contracts.

(i) POSITION LIMIT – The Position Limits for the US SmallCap 2000 Binary Contracts shall be 2,500 Contracts.

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

(k) SETTLEMENT DATE – The Settlement Date in a Series is the same date as the Expiration Date.

(l) EXPIRATION DATE – The Expiration Date of the Contract will be the date on which the 500 Expiration Value is released by the Source Agency.

(m) 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 of an in-the-money US SmallCap 2000 Binary Contract is \$100.

(n) EXPIRATION VALUE – The Expiration Value is the price or value of US SmallCap 2000 released by the Source Agency on the Expiration Date. The Expiration Value is calculated by the Source Agency by taking the last twenty-five (25) RUFC trade prices just prior to the close of trading of the US SmallCap 2000 Binary Contract and removing the highest five (5) RUFC trade prices and the lowest five (5) RUFC trade prices, using the remaining fifteen (15) RUFC trade prices to calculate the Expiration Value. The calculation used is a simple average of all fifteen (15) remaining RUFC trade prices.

(o) CONTINGENCIES – If no daily settlement price of the relevant RUFC is announced by the Source Agency, the Settlement Date will be delayed until such daily settlement price for that Series is released and publicly available.

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