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April 7, 2010

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[®] Amendment to its Rulebook to include new rules pertaining to intermediation, and to amend the language in several other rules— 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 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 its intent to amend its rules to implement its ability to offer intermediated trading pursuant to the Commission’s Orders dated March 30, 2010. These rule amendments will be effective at the start of business on trading day Monday, April 12, 2010.

Nadex intends to add the following rules pertaining to intermediation:

RULE 3.2 FCM MEMBERS – APPLICATIONS, CLASSIFICATIONS, AND PRIVILEGES
RULE 3.4 FCM MEMBER OBLIGATIONS
RULE 3.5 AUTHORIZED TRADERS
RULE 3.6 REJECTION OF APPLICANT
RULE 5.4 TRADING CONTRACTS – CUSTOMERS OF FCM MEMBERS
RULE 5.6 RECORDKEEPING OF FCM CUSTOMER ORDERS
RULE 5.7 HANDLING CUSTOMER ORDERS
RULE 5.8 TRANSFER TRADES
RULE 5.15 INVALIDATION OF ORDERS UPON SUSPENSION OR REVOCATION OF FCM MEMBER STATUS

RULE 5.16 INVALIDATION OF TRADES UPON SUSPENSION OR
REVOCATION OF FACM MEMBER STATUS
RULE 10.4 ARBITRATION OF FCM MEMBER-CUSTOMER DISPUTES

Additionally, Nadex intends to amend the language in the following rules:

RULE 1.1 DEFINITIONS
RULE 2.5 COMMITTEES AND SUBCOMMITTEES
RULE 2.8 PROHIBITION ON USE OF MATERIAL, NON-PUBLIC
INFORMATION
RULE 2.9 LIMITATION ON TRADING BY AFFILIATES
RULE 3.1 TRADING MEMBERS – APPLICATIONS, CLASSIFICATIONS, AND
PRIVILEGES
RULE 3.3 MEMBER OBLIGATIONS
RULE 3.7 (formerly 3.3) COMMUNICATIONS BETWEEN NADEX AND
MEMBERS
RULE 3.8 DUES, FEES, AND EXPENSES PAYABLE BY MEMBERS
RULE 4.1 REGISTRATION OF MARKET MAKERS
RULE 4.2 MARKET MAKER REPRESENTATIVES
RULE 4.4 BENEFITS OF BECOMING A MARKET MAKER
RULE 5.1 PRIOR REVIEW OF RISK DISCLOSURE STATEMENT AND THESE
RULES AND ACCEPTANCE OF TERMS OF MEMEBRSHIP
AGREEMENT IS REQUIRED
RULE 5.2 TRADING MEMBER ACCESS TO NADEX
RULE 5.3 TRADING CONTRACTS – TRADING MEMBERS
RULE 5.5 ORDER ENTRY
RULE 5.9 DISPUTED ORDERS
RULE 5.10 ACCEPTABLE ORDERS
RULE 5.12 FILING ORDERS TO TRADE CONTRACTS
RULE 5.13 MODIFICATION AND CANCELLATION OF ORDERS
RULE 5.17 VIEWING THE MARKET AND EXECUTED ORDERS
RULE 5.19 PROHIBITED TRANSACTIONS AND ACTIVITIES
RULE 5.20 SPECULATIVE POSITION LIMITS
RULE 6.1 SETTLING CONTRACT TRADES
RULE 6.2 SETTLING CONTRACTS AT EXPIRATION
RULE 6.3 SETTLING MEMBER WITHDRAWAL REQUESTS
RULE 9.1 MONITORING THE MARKET
RULE 9.2 INVESTIGATIONS, HEARINGS, AND APPEALS
RULE 9.6 SUMMARY SUSPENSION
RULE 9.7 REPRESENTATION BY COUNSEL
RULE 10.1 LIMITATION OF LIABILITY
RULE 10.2 ARBITRATION OF MEMBER-MEMBER DISPUTES

Nadex intends to implement these rule additions at the start of business on trading day
Monday, April 12, 2010.

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

Nadex hereby certifies that the revisions contained herein, comply with the Act 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
Lois Gregory - CFTC

Yossi Beinart - Nadex

EXHIBIT A

| Rule | Asset | Duration/ Close Time | Action | Effective Date |
|--------------------------|--|---------------------------------|--|---------------------------|
| Introduction | Introduction | | Change to 3 rd person | 4/12/2010 |
| 1.1 | Definitions | | Add definitions | 4/12/2010 |
| 2.5 | Committees/ Subcommittees | | Add clarification language | 4/12/2010 |
| 2.8 | Use of Material | | Add new subsection 2.8(e) and correct grammar | 4/12/2010 |
| 2.9 | Trading by Affiliates | | Add clarification language | 4/12/2010 |
| 3.1 | Trading Member Applications, Classifications, Privileges | | Change to 3 rd person, add clarification language | 4/12/2010 |
| 3.2 | FCM Members Applications, Classifications, Privileges | | Add new rule | 4/12/2010 |
| 3.3 | Member Obligations | | Change to 3 rd person, add intermediation language | 4/12/2010 |
| 3.4 | FCM Member Obligations | | Add new rule | 4/12/2010 |
| 3.5 | Authorized Traders | | Add new rule | 4/12/2010 |
| 3.6 | Rejection of Applicant | | Add new rule | 4/12/2010 |
| 3.7 (formerly 3.3) | Communication between Nadex and Members | | Change to 3 rd person | 4/12/2010 |
| 3.7 | Authorized Representatives | | Remove Rule | 4/12/2010 |

| | | | | |
|------|--|--|---|-----------|
| 3.8 | Dues, Fees, Expenses | | Change to 3 rd person, change fee language | 4/12/2010 |
| 4.1 | Registration Market Makers | | Add clarification language | 4/12/2010 |
| 4.2 | Market Maker Representatives | | Remove rule | 4/12/2010 |
| 4.4 | Benefits of Becoming Market Maker | | Renumber as 4.3, add clarification language | 4/12/2010 |
| 5.1 | Review of Risk Disclosure and Membership Terms | | Change to 3 rd person, add intermediation language | 4/12/2010 |
| 5.2 | Trading Member Access to Nadex | | Change to 3 rd person, add clarification language | 4/12/2010 |
| 5.3 | Trading Contracts Trading Members | | Change to 3 rd person, add clarification language | 4/12/2010 |
| 5.4 | Trading Contracts FCM Members | | Add new rule | 4/12/2010 |
| 5.5 | Order Entry | | Change to 3 rd person, add intermediation language | 4/12/2010 |
| 5.6 | Recordkeeping FCM Customer Orders | | Add new rule | 4/12/2010 |
| 5.7 | Handling Customer Orders | | Add new rule | 4/12/2010 |
| 5.8 | Transfer Trades | | Add new rule | 4/12/2010 |
| 5.9 | Disputed Orders | | Change to 3 rd person | 4/12/2010 |
| 5.10 | Acceptable Orders | | Change to 3 rd person | 4/12/2010 |
| 5.12 | Filing Orders | | Change to 3 rd person, add clarification language | 4/12/2010 |
| 5.13 | Modification/ Cancellation of Orders | | Change to 3 rd person, add clarification language | 4/12/2010 |

| | | | | |
|------|---|--|---|-----------|
| 5.15 | Invalidation of Orders/FCM Member Status Revoked or Suspended | | Add new rule | 4/12/2010 |
| 5.16 | Invalidation of Trades/FCM Member Status Revoked or Suspended | | Add new rule | 4/12/2010 |
| 5.17 | Viewing Market and Executed Orders | | Add clarification language | 4/12/2010 |
| 5.19 | Prohibited Transactions and Activities | | Change to 3 rd person, add intermediation language | 4/12/2010 |
| 5.20 | Speculative Position Limits | | Add intermediation language | 4/12/2010 |
| 6.1 | Settling Contract Trades | | Add intermediation language | 4/12/2010 |
| 6.2 | Settling Contracts at Expiration | | Add intermediation language, add clarification language | 4/12/2010 |
| 6.3 | Settling Member Withdrawal Requests | | Add intermediation language | 4/12/2010 |
| 9.1 | Monitoring the Market | | Amend rule number reference | 4/12/2010 |
| 9.2 | Investigations, Hearings, Appeals | | Add clarification language | 4/12/2010 |
| 9.6 | Summary Suspension | | Add clarification language | 4/12/2010 |
| 9.7 | Representation by Counsel | | Add clarification language | 4/12/2010 |
| 10.1 | Limitation of Liability | | Change to 3 rd person | 4/12/2010 |
| 10.2 | Arbitration of Member-Member Disputes | | Add clarification language | 4/12/2010 |
| 10.4 | Arbitration of FCM Member | | Add new rule | 4/12/2010 |

EXHIBIT B

Amendment of Rules Introduction, 1.1, 2.5, 2.8-2.9, 3.1, 3.3, 3.7, 3.8, 4.1-4.2, 4.4, 5.1-5.3, 5.5, 5.9-5.10, 5.12-5.13, 5.17, 5.19-5.20, 6.1-6.3, 9.1-9.2, 9.6-9.7, 10.1-10.2 and addition of Rules 3.2, 3.4-3.6, 5.4, 5.6-5.8, 5.15-5.16, 10.4

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

INTRODUCTION

The Commodity Exchange Act ("CEA") requires that North American Derivatives Exchange, Inc. ("Nadex") and other contract markets and derivatives clearing organizations adopt rules governing the way they conduct their business. Those rules generally must be filed with the Commodity Futures Trading Commission ("Commission") and generally cannot be amended without giving notice to the Commission, which can reject proposed rules and proposed amendments to existing rules. The following rules are the rules of Nadex ("Rules") that inform you Members and others of how the Nadex market (the "Market") operates and of your each Member's rights and obligations ~~as a Member of the Market~~. Please remember that these Rules may be amended in the future, and if they are amended, Members will be required to abide by the Rules as amended. Nadex will notify all Members any time there is an amendment to the Rules.

CHAPTER 1 DEFINITIONS

RULE 1.1 DEFINITIONS

When used in these Rules:

(a) "Authorized Trader" means an individual employed by a Member who is authorized by that Member to have direct access to Nadex, provided the Member maintain supervisory authority over such individual(s) trading activities.

(b) [Unchanged]

(c) **"Cap"** means the maximum rate, level, amount, measure or other value of the Underlying of a Variable Payout Contract that may be the Expiration Value or the Closing Trade Value. If the actual rate, level, amount, measure, or other value of the Underlying meets or exceeds the Cap ~~on the~~ at Expiration Date, the Cap will be the Expiration Value.

(d) [Unchanged]

(e) **"Closing Trade Value"** means the rate, level, amount, measure, or other value of the Underlying of a Variable Payout Contract at which the Contract is closed in a Member's or Customer's account.

(f) "Commodity Futures Trading Commission" or "Commission" means the Federal regulatory agency established by the Commodity Futures Trading act of 1974 to administer the Commodity Exchange Act.

(g) “Contract” means a Variable Payout Contract or a Binary Contract.

(h) “Customer” has the meaning set forth in Commission Regulation 1.3(k).

(i) [Unchanged]

(j) “Expiration” or “Expiration Date” means the date time on the Expiration Date established by these Rules on at which a Contract expires and the Expiration Value of each that Contract is determined.

(k) “Expiration Date” means the date established by these Rules on which the Expiration Value of each Contract is determined.

(l) [Unchanged]

(m) “FCM Member” means any Member that is registered with the Commission as a Futures Commission Merchant and is authorized by Nadex to intermediate customer orders on the Market.

(n) - (o) [Unchanged]

(p) “Contract” means a Variable Payout Contract or a Binary Contract. “Last Trading Day” means, for a particular Contract, the last date on which a that Member may trade a Contract may be traded on the Market.

(q) [Unchanged]

(r) “Market Maker” means a Member that is granted certain the privileges in exchange for assuming certain responsibilities as set forth in Chapter 4 of these Rules for the purpose of creating liquidity for certain Classes of Contracts.

(s) “Member” means an individual or entity which has been a Person who is approved by Nadex to trade on the Market be a Trading Member or a FCM Member and which who is bound by these Rules as they may be amended from time to time.

(t) - (u) [Unchanged]

(v) “Person” means an individual, sole proprietorship, corporation, limited liability company, partnership, trust, or any other entity.

(w) - (y) [Unchanged]

(z) “Settlement Value” means the amount paid to the accounts of holders of in-the-money Contracts. The minimum Settlement Value of a Binary Contract is \$100. The Settlement Value of a Variable Payout Contract is determined as described in the definition for Long and Short Variable Payout Contracts.

(aa) – (bb) [Unchanged]

(cc) **“Speculative Position Limits,”** or **“Position Limit”** means the maximum position, either net long or net short, in one Series or a combination of various Series of a particular Class that may be held or controlled by one Member as prescribed by Nadex and/or the CFTC-Commission.

(dd) [Unchanged]

(ee) **“Trading Member”** means a Person who has been approved by Nadex to trade on the Market.

(ff) – (gg) [Unchanged]

(hh) **“Variable Payout Contract”** means a Long Variable Payout Contract and/or a Short Variable Payout Contract (such Variable Payout Contracts are also referred to as **“Spread(s)”** Contracts or **“Narrow Spread(s)”**).

(ii) [Unchanged]

CHAPTER 2 MARKET GOVERNANCE

RULE 2.1 - 2.2 [Unchanged]

RULE 2.3 OFFICERS OF NADEX

(a) Nadex has a five-member board of directors elected by a majority vote of all shareholders of Nadex. Each director serves a one year term. Each director, including a director elected to fill a vacancy, shall hold office until his successor is elected and qualified or until his earlier resignation or removal.

(b) Nadex has a chief executive officer, chief operating officer, secretary, treasurer, and chief regulatory officer (collectively, the **“Management Team”**). These officers are appointed and may be dismissed (with or without cause) by majority vote of the board of directors or the shareholders.

(c) The chief executive officer of Nadex must be a member of the board of directors. In the absence of the chairman, the chief executive officer will perform the chairman’s duties. In the event of a disagreement between the chief executive officer and the board or the chairman of the board as to an exchange matter, the chairman and/or board shall control.

(d) Subject to the direction of the board of directors, the chief executive officer will manage the overall business of the exchange. In the absence of the chief executive officer, the chief operating officer will perform the chief executive officer’s duties.

(e) The chief operating officer is responsible for managing the corporation's day-to-day activities and operations, including issues related to marketing, sales, production and personnel.

(f) The treasurer of Nadex will be responsible for all funds and stock of Nadex and in general perform all duties incident to the office of treasurer and such other duties as from time to time may be assigned by the chief executive officer or the board of directors. If the function of the office of the treasurer is outsourced to a service provider, the chief executive officer shall be responsible for oversight of this function.

(g) The secretary of Nadex will keep the minutes of the meetings of the board and in general perform all duties incident to the office of secretary and such other duties as from time to time may be assigned by the chief executive officer or the board of directors.

(h) The chief regulatory officer of Nadex will be responsible for managing the day-to-day regulatory functions of the Exchange.

RULE 2.4 [Unchanged]

RULE 2.5 COMMITTEES AND SUBCOMMITTEES

(a) The Nadex board of directors may create, appoint members of the board to serve on, and delegate powers to, committees and subcommittees.

(b) A majority of any committee or subcommittee will constitute a quorum, and a majority of a quorum is necessary for committee or subcommittee action. A committee or subcommittee may act by unanimous consent in writing, including by electronic mail, without a meeting.

(c) Nadex's board of directors shall appoint a Regulatory Oversight Committee comprised of board members who are "public directors" as defined in the Acceptable Practices under Core Principle 15 in Commission Regulation Part 38, Appendix B. The ROC shall oversee Nadex's regulatory program on behalf of the board. The board shall delegate sufficient authority, dedicate sufficient resources, and allow sufficient time for the ROC to fulfill its mandate. The ROC shall:

(i) Monitor Nadex's regulatory program for sufficiency, effectiveness, and independence;

(ii) Oversee all facets of the program, including trade practice and market surveillance; audits, examinations, and other regulatory responsibilities with respect to member firms (including ensuring compliance with financial integrity, financial reporting, sales practice, recordkeeping, and other requirements); and the conduct of investigations;

(iii) Review the size and allocation of the regulatory budget and resources; and the number, hiring and termination, and compensation of regulatory personnel;

(iv) Supervise Nadex's chief regulatory officer, who will report directly to the ROC;

(v) Prepare an annual report assessing Nadex's self-regulatory program for the board of directors and the Commission, which sets forth the regulatory program's expenses, describes its staffing and structure, catalogues disciplinary actions taken during the year, and reviews the performance of disciplinary committees and panels;

(vi) Recommend changes that would ensure fair, vigorous, and effective regulation; and

(vii) Review significant regulatory proposals and advise the board as to whether and how such changes may impact regulation.

RULE 2.6 – 2.7 [Unchanged]

RULE 2.8 PROHIBITION ON USE OF MATERIAL, NON-PUBLIC INFORMATION

(a) Commission Regulation 1.59 prohibits employees and members of the board of directors of Nadex from using or disclosing material, ~~non-public~~ nonpublic information gained through their employment or board service in certain circumstances. This Rule prohibits the use and disclosure forbidden by Commission Regulation 1.59. In this regard, Nadex has adopted provisions of Regulation 1.59 as a Rule of Nadex in Chapter 11 of these Rules.

(b) No member of the board of directors or any committee established by the board of directors or these Rules will use or disclose material, ~~non-public~~ nonpublic information obtained as a result of participation on the board of directors or such committee for any purpose other than the performance of official duties as a board or committee member.

(c) No employee, consultant, or member of the board of directors or any committee of Nadex will disclose to any other person material, nonpublic information obtained as a result of such person's employment for purposes inconsistent with such person's official duties.

(d) No employee, consultant, or member of the board of directors or any committee of Nadex will trade for such person's account, or for or on behalf of any other account, in any commodity interest on the basis of any material, non-public information obtained through special access related to the performance of such person's duties as an employee, consultant, or member of the board of directors or committee.

(e) No Member who inadvertently or otherwise comes into possession of any material, non-public information held by Nadex or any employee, consultant, or member of the board of directors or any committee of Nadex gained through their employment by or service to Nadex will disclose to anyone such material, non-public information or trade for such person's account, or for or on behalf of any other account, in any commodity interest on the basis of such material, non-public information.

(f) For purposes of this Rule, the terms “material information,” “~~non-public~~ nonpublic information,” “linked exchange,” “commodity interest,” and “related commodity interest” have the same meanings as they do in Commission Regulation 1.59.

(g) Any director, officer, or employee of Nadex who violates any provision of this Rule will be required to indemnify Nadex for any losses, damages, or costs caused by that violation.

RULE 2.9 LIMITATION ON TRADING BY AFFILIATES

Except for any duly authorized Market Maker, no affiliate of Nadex nor any employee thereof may trade on any Nadex Market for such affiliate’s or employee’s own account. This rule does not prohibit an affiliate of Nadex properly registered as a Futures Commission Merchant from becoming a FCM Member of the Exchange and acting as an intermediary for its customers on the Exchange.

CHAPTER 3 MEMBERS

RULE 3.1 TRADING MEMBERS - APPLICATIONS, CLASSIFICATIONS, AND PRIVILEGES

(a) To be eligible to become a ~~Nadex~~ Trading Member:

(i) An applicant who is an individual, ~~if you are an individual~~, you must:

- 1) reside in the United States;
- 2) provide Nadex with a valid Social Security Number;
- 3) have an account or accounts in the Trading Member’s name and have an account or accounts with a Financial Institution that you the Trading Member will use to fund your its Nadex account at the Nadex settlement bank and to receive funds from your its Nadex account; and
- 4) ~~you must~~ certify that

(i) ~~you the applicant is~~ are old enough to enter into a legally enforceable contract;

(ii) ~~that you have~~ the applicant has read and understands the Nadex Risk Disclosure Statement and Membership Agreement;

(iii) ~~that you the applicant~~ agrees to be bound by these Rules;

and

(iv) ~~that you~~ the applicant will trade only for ~~your~~ itself and will not trade as an intermediary for any other person or entity.

(ii) ~~if you are~~ An applicant that is an entity, you must

(1) be organized in the United States;

(2) provide Nadex with a valid Taxpayer Identification Number;

(3) have an account or accounts in the Trading Member's name with a Financial Institution that ~~you~~ the Trading Member will use to fund ~~your~~ its Nadex account at the Nadex settlement bank and to receive funds from ~~your~~ its Nadex account;

(4) designate Authorized Trader(s) to trade its account and agree that such Authorized Trader(s) will trade only for it and will not trade for him/herself or as an intermediary for any other entity or person;

(5) designate at least one officer who is responsible for supervising all activities of its employees relating to transactions effected on Nadex or subject to Nadex Rules and provide any information Nadex may request regarding such officer(s);

(6) agree to be bound by these Rules; and

(7) ~~and you must~~ certify that

(i) ~~you are~~ the applicant is validly organized, in good standing, in the United States;

(ii) ~~and the applicant is~~ authorized by ~~your~~ its governing body and, if relevant, documents of organization, to trade commodities, futures and options contracts, and

(iii) ~~that you have~~ the applicant has read and understands the Nadex Risk Disclosure Statement and Membership Agreement. ~~that you agree to be bound by these Rules, and that the individual(s) authorized to trade your account will trade only for you and will not trade for him/herself or as an intermediary for any other entity or person.~~

(b) In order to become a Trading Member, ~~you an applicant~~ must complete and submit the Nadex on-line membership application, provide Nadex with any other information Nadex may request, and fund ~~your~~ its Nadex account by transferring to the customer segregated funds account at Nadex's settlement bank an initial deposit of no less than \$100 in funds from ~~your~~ its account at a Financial Institution. ~~If you are a Member applicant but not an individual, you must designate an individual or individuals who are authorized to trade in your account.~~

(c) Submission of ~~your~~ a membership application to Nadex constitutes ~~you're~~ the applicant's agreement to be bound by these Rules and other policies of Nadex.

(d) If ~~your~~ an application is approved by Nadex and the Nadex settlement bank confirms to Nadex that ~~you~~ the applicant ~~have~~ has deposited with it the funds required in paragraph (b) of this Rule, ~~you~~ the applicant will be a Trading Member of Nadex and will have the following privileges, which Nadex may revoke, amend, or expand in accordance with, or by amending, these Rules:

(i) to maintain a Nadex account;

(ii) to buy Contracts on the Market using the funds in ~~your~~ its Nadex account;

(iii) to sell Contracts ~~in your Nadex account~~ on the Market using the funds in its Nadex account;

(iv) to view "real-time" the same best bids to buy and offers to sell the Contracts traded on the Market as are available to all other Members;

(v) to receive access to the Market via the FIX Gateway at your request, ~~as long as t you are willing~~ provided the Trading member agrees to pay any and all trading and other fees or charges incurred for such access and must comply with any requirements or restrictions established by Nadex in connection with the amount of messaging traffic generated by such Trading Member;

(vi) to view the current trading volume and open interest for the Contracts traded on the Market; and

(vii) to view all non-secure parts of the Nadex website, including these Rules, and descriptions of Contracts traded on the Market as well as all secure parts of the Nadex website outlined above in Rule 3.1(d)(i) – (vi).

(e) Nadex may in its sole discretion approve, deny, or condition any Member application as Nadex deems necessary or appropriate.

(f) ~~If you are a~~ A Trading Member that is an individual, ~~you may not maintain and/or trade more than one Nadex account. If you are a~~ The Authorized Trader(s) of a Trading Member that is an entity, your authorized representative(s) may not maintain a separate Nadex account and/or trade more than one Nadex account any Nadex account other than that entity's account.

RULE 3.2 FCM MEMBERS – APPLICATIONS, CLASSIFICATIONS, AND PRIVILEGES

(a) To be eligible to become a FCM Member, an applicant must:

- (i) be validly organized, in good standing, in the United States;
 - (ii) be registered as a Futures Commission Merchant by the National Futures Association;
 - (iii) have adequate financial resources and credit as determined by Nadex;
 - (iv) have an account or accounts with a Financial Institution designation as a settlement bank by Nadex;
 - (v) designate at least one officer who is responsible for supervising all activities of its employees relating to transactions effected on the Nadex or subject to Nadex Rules and provide any information Nadex may request regarding such officer(s);
 - (vi) submit to Nadex a letter confirming that the applicant will maintain all Customer funds deposited with it in appropriately labeled customer segregated funds accounts separated from funds of Non-Customers, as required by Commission regulations;
 - (vii) agree to be bound by these Rules; and
 - (viii) meet any other criteria or complete any additional applications that Nadex may request.
- (b) Prior to becoming a FCM Member, FCM Member applicants must submit to Nadex:
 - (i) a guarantee agreement on a form prescribed by Nadex defining the FCM Member's obligation to guarantee the applicant's transactions and those of the applicant's Customers, signed by the FCM Member; and
 - (ii) an agreement authorizing Nadex to unilaterally debit any accounts identified per Rule 3.2(a)(4) in accordance with Nadex's rules, policies and procedures and in amounts solely determined by Nadex.
- (c) Nadex may in its sole discretion approve, deny, or condition any FCM Member application as Nadex deems necessary or appropriate.
- (d) If an FCM Member application is approved by Nadex, the applicant will be a FCM Member of Nadex and will have the following privileges:
 - (i) to intermediate customer transactions on Nadex;
 - (ii) to distribute Nadex data to its Customers pursuant to any data distribution agreement with Nadex; and

(iii) to access Nadex's trading systems electronically via a FIX connection.

RULE 3.3 MEMBER OBLIGATIONS

(a) ~~As a Member, you and/or your authorized representative(s)~~ Each Member and any Authorized Trader(s) thereof, must comply with these Rules, ~~relevant applicable~~ provisions of the Commodity Exchange Act, and relevant Commission regulations. ~~You~~ Each Member and any Authorized Trader(s) thereof must also cooperate promptly and fully with Nadex, its agents, and/or the Commission in any investigation, call for information, inquiry, audit, examination, or proceeding. Additionally, ~~you~~ each Member must update ~~your~~ its e-mail address within 24 hours after it ~~has~~ any changed and update all other information provided in ~~your~~ its application for membership within five days after that information has changed. If ~~you~~ any Member or Authorized Trader(s) thereof fail to satisfy these obligations, Nadex may revoke or suspend ~~you're~~ the Member's privileges in full or in part. ~~You~~ Each Member may also be subject to civil or criminal prosecution.

(b) ~~As a Member, you~~ Each Member consents to allow Nadex to provide all information Nadex has about ~~you~~ the Member, including ~~you're~~ the Member's trading activity, to the Commission or any other Regulatory Agency, law enforcement authority, or judicial tribunal, including (as may be required by information sharing agreements or other contractual, regulatory, or legal provisions) foreign regulatory or self-regulatory bodies, law enforcement authorities, or judicial tribunals.

(c) ~~As a Member, you and/or your authorized representative(s)~~ Each Member and each Member's Authorized Trader(s) are required to review the "Exchange Notices" section of the Nadex website to make ~~yourself~~ itself aware of material changes to these Rules or other notices that may affect your rights and obligations as a Member of Nadex.

(d) Each Member must immediately notify Nadex in writing upon becoming aware:

(i) that the Member, any of the Member's officers or any of the Member's Authorized Traders has had trading privileges suspended, access to, or membership or clearing membership in, any Regulatory Agency denied;

(ii) that the Member, any of the Member's officers or any of the Member's Authorized Traders has been convicted of, pled guilty or no contest to, or entered a plea agreement to, any felony in any domestic, foreign or military court;

(iii) that the Member, any of the Member's officers or any of the Member's Authorized Traders has been convicted of, plead guilty or no contest to, or entered a plea agreement to a misdemeanor in any domestic, foreign or military court which involves:

(1) embezzlement, theft, extortion, fraud, fraudulent conversion, forgery, counterfeiting, false pretenses, bribery, gambling, racketeering, or misappropriation of funds, securities or properties; or

(2) any transaction in or advice concerning futures, options on futures, leveraged transactions or securities;

(iv) that the Member, any of the Member's officers or any of the Member's Authorized Traders has been subject to, or associated with a firm that was subject to regulatory proceedings before any Regulatory Agency;

(v) that the Member, any of the Member's officers or any of the Member's Authorized Traders is currently a party to any investigation or proceeding, the resolution of which could result in an event described in Rule 3.3(d)(i)-(iv);

(vi) of any other material change in any information contained in the Member's membership application;

(vii) of any failure to maintain segregated funds as required by the Commission when the Member is a FCM Member;

(viii) of becoming subject to early warning reporting under Commission Regulation 1.12; and

(ix) of becoming the subject of a bankruptcy proceeding or being unable to meet any financial obligation as it becomes due.

(e) Each Member must diligently supervise all activities of the Member's employees and/or agents, including all Authorized Traders, relating to transactions effected on Nadex. Any violation of these Rules by any employee of a Member shall constitute a violation of the Rules by such Member.

RULE 3.4 FCM MEMBER OBLIGATIONS

In addition to the obligations applicable to all Members, FCM Members shall have the following obligations:

(a) Each FCM Member must at all times maintain the financial resources at or in excess of the amount prescribed by Nadex from time to time as a FCM Member of Nadex.

(i) As futures commission merchants, all FCM Members must comply with the financial requirements set forth by the Commission and the National Futures Association.

(ii) Each FCM Member shall be required to make an initial deposit of at least \$100,000 of funds into its FCM Member segregated funds account for excess collateral with Nadex ("FCM Member's settlement account").

(iii) If the available balance of the FCM Member's settlement account falls below \$50,000, the FCM Member must promptly deposit additional funds into the account to increase the available balance to at least \$100,000.

(b) Each FCM Member must submit statements of financial condition at such times and in such manner as shall be prescribed from time to time.

(c) Each FCM Member must maintain a separately identifiable position account for each Customer and provide the identifier for such account with every order submitted to Nadex.

(d) Each FCM Member must use due diligence in receiving and handling orders from Customers, submitting such orders onto Nadex on behalf of such Customers, responding to inquiries from Customers about their orders and reporting back to Customers the execution of such orders.

(e) Each FCM Member must maintain policies and procedures acceptable to Nadex that:

(i) with respect to each FCM Customer who is an individual, restricts access to any system through which such individual Customer submits orders to the FCM Member for transmission to Nadex to that individual Customer; and

(ii) with respect to each FCM Customer who is not an individual:

(1) restricts access to any system through which the Customer's orders may be submitted to the FCM Member for transmission to Nadex to such individuals authorized to enter orders on behalf of such Customer;

(2) identifies each individual authorized to enter orders on behalf of such Customer by a distinct user identification code, which user identification code shall be provided to the FCM Member and Nadex with each order message submitted by such Person; and

(3) requires the customer to maintain and provide to the FCM Member or Nadex upon request by the FCM Member or Nadex information identifying any individual who has entered orders on behalf of such Customer's account, including but not limited to the individual's name, taxpayer or other identification number, affiliation to the Customer, address and contact information.

(f) No FCM Member may maintain a proprietary trading account for Nadex contracts and no Authorized Trader of any FCM Member may maintain a personal trading account for Nadex contracts. No FCM Member or Authorized Trader may have an interest in any trading account for Nadex contracts. Notwithstanding the foregoing, an FCM Member or Authorized Trader may maintain an error account.

(g) Prior to accepting any orders from a Customer for submission, a FCM Member must first have provided such Customer with the Nadex Risk Disclosure Statement.

(h) Prior to accepting any orders from a Customer for submission, Nadex will require certification by each a FCM Member to Nadex that its system has the capacity to block customer funds in accordance with the requirements of Rule 5.5(b) and demonstrate that

capacity to Nadex. In addition, on an annual basis or as otherwise required by Nadex, each FCM Member must represent to Nadex that the portion of the FCM Member's system that blocks customer funds has not been changed in any material respect or, if the system has been changed, the FCM Member must identify any such changes and recertify the system's capacity to block customer funds in accordance with the requirements of Rule 5.5(b). Finally, each FCM Member agrees to submit to any compliance review by Nadex of its systems in this regard.

(i) Each FCM Member must make and file reports in accordance with Commission Regulations in a manner and form and at such times as may be prescribed by the Commission.

(j) Each FCM Member must make and file reports with Nadex at such times, in such manner and form, and containing such information as Nadex may prescribe from time to time.

(k) Each FCM Member, upon a request of Nadex or any Regulatory Agency, must promptly respond to any requests for information.

(l) Each FCM Member may invest Customer Funds only in accordance with Commission Regulation 1.25.

(m) Each FCM Member must prepare, maintain and keep current those books and records required by the rules of Nadex, the CEA and/or the Commission's Regulations. Such books and records shall be open to inspection and promptly provided to Nadex, its Designated Self Regulatory Organization ("DSRO"), the Commission and/or the U.S. Department of Justice, upon request.

RULE 3.5 AUTHORIZED TRADERS

(a) A Trading Member other than a natural person must register one or more individuals who will be Authorized Trader(s) for the Trading Member's account, which Authorized Traders are subject to approval by Nadex. The Trading Member and the Authorized Trader must provide Nadex with any information it requests in connection with this registration process. Before an Authorized Trader may enter orders or execute trades on the Market, he/she must acknowledge having read and understood these Rules and agree to comply with these Rules. Only those individuals authorized by the Trading Member and approved by Nadex may enter and execute transactions on the Market for the Trading Member's account.

(b) Nadex may withdraw or suspend the registration of any Authorized Trader if Nadex determines that:

(i)an Authorized Trader has caused the Trading Member to fail to comply with the Rules of Nadex;

(ii)an Authorized Trader is not properly performing the responsibilities of an authorized representative of a Trading Member;

(iii)an Authorized Trader has failed to comply with the conditions set forth in paragraph (a) of this Rule; or

(iv)it is the best interests of maintaining a fair and orderly market to do so.

(c) If the Trading Member withdraws or Nadex suspends the registration of any Authorized Trader, the Trading Member must ensure that such Authorized Trader does not submit any quotes or orders into the Nadex system.

(d) The registration of an Authorized Trader will be withdrawn upon the written request of the Trading Member for which an Authorized Trader is registered. Such written request shall be submitted in a manner prescribed by Nadex. Until such written request is received and processed by Nadex, or an Authorized Trader's registration is suspended or withdrawn pursuant to paragraph (c) of this Rule, a Trading Member will be responsible for all activity of such Authorized Trader(s) related to Nadex.

RULE 3.6 REJECTION OF APPLICANT

(a) If Nadex denies the membership application of any Person, the applicant may appeal the decision by filing with the CEO of Nadex a petition for review of such membership denial. The petition should describe in detail the reasons why the membership application should be granted. The petition must be filed within thirty (30) calendar days from the date upon which the denial of membership was received by the applicant. The decision of the CEO will be final. A Person that has been denied membership by the CEO will not be eligible for reapplication during the six months immediately following such denial.

RULE 3.7 COMMUNICATIONS BETWEEN NADEX AND MEMBERS

~~You~~ Each Member must provide Nadex with ~~your~~ its current electronic mail address and immediately (and in any event within 24 hours) update that address whenever it changes. All communications between Nadex and ~~you~~ its Members, including confirmation of all transactions executed in your account, ~~will~~ may be transmitted by electronic mail and/or posted on the Nadex website. ~~You~~ A Member is ~~will~~ be responsible for promptly reviewing and, if necessary, responding to all electronic communications from Nadex.

~~RULE 3.7 AUTHORIZED REPRESENTATIVES~~

~~Members other than natural persons must apply for authorization for all representative(s) who will access their accounts. Only Member representatives authorized by Nadex and the Member may enter and execute transactions on the Market. Before Member representative(s) may enter orders or execute trades on the Market, they must acknowledge having read and understood these Rules and agree to comply with these Rules.~~

RULE 3.8 DUES, FEES, AND EXPENSES PAYABLE BY MEMBERS

(a) Members are not required to pay dues.

~~(b) Members are~~ may be charged fees for in connection with the trading of Contracts. ~~The fees for trading Contracts are charged~~ in an amount to be reflected from time to time on Nadex's website.

~~(c) Members are~~ may be charged fees for settlement of all Contracts at Expiration. ~~Fees for settlement of Contracts will be charged~~ in an amount to be reflected from time to time on Nadex's website.

~~(d) Nadex or its settlement bank will~~ may also deduct from your the Member's account fees or expenses incurred in connection with your the Member's trading or account activity or Nadex's administration in connection with that activity, such as fees for wire transfers, check processing via electronic check. All such fees will be charged in an amount to be reflected from time to time on Nadex's website.

~~(e) If Nadex determines in the future to impose dues or additional fees, Nadex will notify you~~ the Member of any dues or additional fees that will be imposed at least 30 days before they take effect.

CHAPTER 4 MARKET MAKERS

RULE 4.1 REGISTRATION OF MARKET MAKERS

(a) Only Trading Members in good standing who are not individuals may become a Market Maker of Nadex. A Member shall file a written Market Maker Application with Nadex. Nadex shall consider such factors as business reputation, financial resources and trading activity in relevant futures, options or related cash markets in determining whether to approve a Market Maker Application.

(b) The designation of any Market Maker may be suspended or terminated by Nadex at any time and for any reason.

RULE 4.2 MARKET MAKER REPRESENTATIVES

~~(a) Like other Members that are not natural persons, quotations and orders for entity Market Makers may be submitted to Nadex only by the Market Maker's authorized representative(s), and such authorized representative(s) may not trade for his or her own account or the account of any other Member.~~

~~(b) A Market Maker may be required to submit evidence of the authority of an authorized representative to act on behalf of the Market Maker and such other information about any authorized representative as Nadex may request. A person may be conditionally approved as an authorized representative of a Market Maker subject to any conditions Nadex may consider appropriate in the interests of promoting a fair and orderly market.~~

~~(c) Nadex may withdraw or suspend the registration of any authorized representative of any Market Maker if Nadex determines that;~~

~~(i) an authorized representative has caused the Market Maker to fail to comply with the Rules of Nadex;~~

~~(ii) an authorized representative is not properly performing the responsibilities of an authorized representative of a Market Maker;~~

~~(iii) an authorized representative has failed to comply with the conditions set forth in paragraph (b) of this Rule; or~~

~~(iv) it is the best interests of maintaining a fair and orderly market to do so.~~

~~(d) If Nadex suspends the registration of any authorized representative, the Market Maker must ensure that the suspended authorized representative or representatives do not submit any quotes or orders into the Nadex system.~~

~~(e) The registration of an authorized representative will be withdrawn upon the written request of the Market Maker for which an authorized representative is registered. Such written request shall be submitted in a manner prescribed by Nadex. Until such written request is received and processed by Nadex, or an authorized representative's registration is suspended or withdrawn pursuant to paragraph (c) of this Rule, a Market Maker will be responsible for all order entry and trading activity of such authorized representative(s).~~

RULE 4.32 APPOINTMENT OF MARKET MAKERS

(a) Nadex shall appoint Market Makers to certain Classes of Contracts ("Designated Classes") traded on Nadex. In making such appointments, Nadex shall consider (i) the financial resources available to the Market Maker, and (ii) the Market Maker's experience in market making in futures, options and other derivative products.

(b) No appointment of a Market Maker to a Designated Class shall be made without the Market Maker's consent to such appointment, provided that refusal to accept appointment to a Designated Class may be deemed sufficient cause for denial, suspension, or termination of registration as a Market Maker.

(c) Nadex may suspend or terminate any appointment of a Market Maker to a Designated Class and may appoint more than one Market Maker to the same Designated Class.

(d) Nadex may periodically conduct an evaluation of any Market Maker to determine whether it has fulfilled performance standards relating to, among other things, quality of the markets, competitive market making, observance of ethical standards, and administrative soundness. If the Market Maker fails to meet minimum performance standards, Nadex may, among other things, (i) suspend, terminate or restrict the Market Maker's appointment to a particular Designated Class, (ii) restrict the Market Maker from appointments to additional Designated Class(es), or (iii) suspend, terminate or restrict the Market Maker's registration as such.

RULE 4.43 BENEFITS OF BECOMING A MARKET MAKER

(a) Market Makers will have access to Nadex via the FIX gateway for an additional fee to be determined by Nadex on a case-by-case basis. Nadex will provide a guaranteed throughput per day with a specified peak amount of orders that may be entered per second to all Market Makers.

(b) Market Makers may receive reduced trading fees as an incentive for fulfilling the obligations of a market maker. For example, trading fees for Market Maker transactions via the FIX gateway may be less than other Trading Member fees via the FIX gateway.

(c) Market Makers shall have access to a designated group of operational and technical specialists at Nadex who handle issues relating to Market Makers.

RULE 4.54 OBLIGATIONS OF MARKET MAKERS

(a) General – Transactions of Market Makers should constitute a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and Market Makers shall not make bids or offers or enter into transactions that are inconsistent with such a course of dealings. Ordinarily, Market Makers shall be obligated to do the following:

(i) trade for the proprietary account of the Market Maker only;

(ii) maintain at least the minimum capital on deposit with Nadex in accordance with the terms of the applicable Market Maker Agreement;

(iii) comply with all other terms of the applicable Market Maker Agreement; and

(iv) maintain two-sided displayed quotes of a minimum designated quantity (“Size”) within at a predefined spread (“Bid/Ask Spread”) for a Series of Contracts for a certain period of time throughout the trading day in accordance with the terms of the applicable Market Maker Agreement.

(1) In ordinary market conditions, quotes must be made within a maximum Bid/Ask Spread.

(2) In fast market conditions, Market Makers will be permitted to reduce their size or widen their Bid/Ask Spreads.

(3) Market Makers also will be permitted to reduce their size or widen their Bid/Ask Spreads:

(i) in any Binary Contract within a Designated Class that is so deep in-the-money as to be valued at \$100 offer or so deep out-of-the-money as to be valued at zero bid and

(ii) in any Variable Payout Contract within a Designated Class when the underlying for that Variable Payout Contract is outside the range of the Variable Payout Contract.

(b) A Market Maker has a continuous obligation to engage, to a reasonable degree under the existing circumstances, in dealings for the account of the Market Maker when there exists, or it is reasonably anticipated that there will exist, a lack of price continuity or a temporary disparity between the supply of and demand for quotations in a Series of a Designated Class to which the Market Maker is appointed. Without limiting the foregoing, a Market Maker is expected to perform the following activities in the course of maintaining a fair and orderly market;

(i) To post bid and ask quotations in all Designated Classes to which the Market Maker is appointed that, absent changed market conditions, will be honored by the Market Maker.

(ii) To update quotations in response to changed market conditions in all Designated Classes to which the Market Maker is appointed.

(c) Like other Members of Nadex, a Market Maker may not place an order to buy or sell a Contract in a Designated Class for which it has not been appointed a Market Maker unless it has the excess funds in its Nadex account necessary to fulfill its obligations under that order.

CHAPTER 5 METHOD FOR MEMBERS TO TRADE CONTRACTS

RULE 5.1 PRIOR REVIEW OF RISK DISCLOSURE STATEMENT AND THESE RULES AND ACCEPTANCE OF TERMS OF MEMBERSHIP AGREEMENT IS REQUIRED

(a) You Trading Member Applicants: No Person may become a Trading Member of Nadex or not-trade any Contracts on the Market unless such Person has until you have received, read, understood, and accepted the Nadex Risk Disclosure Statement, these Rules, and the Nadex membership agreement for Trading Members, and have has certified that you having have done so.

(b) FCM Member Applicants: No entity may become a FCM Member of Nadex or intermediate the trading of any Contracts on the Market unless such entity has received, read, understood, and accepted these Rules and the Nadex membership agreement for FCM Members, and has certified having done so.

(c) Customers of FCM Members: No Person may be permitted by a FCM Member to enter orders or otherwise engage in any Nadex trading activity as a customer of that FCM Member unless such FCM Member has obtained certification from the customer that the customer has received, read, understood, and accepted these Rules.

RULE 5.2 TRADING MEMBER ACCESS TO NADEX

(a) During the Nadex membership application process, ~~you~~ an applicant to become a Trading Member will be required to choose a user identification ("ID") and password. ~~You~~ The applicant will be required to enter the ID and password to log onto and access secure portions of the Nadex website. Each time ~~you~~ the applicant submits ~~its~~ your unique user ID and password to Nadex in order to log onto Nadex, ~~you~~ the applicant affirms that ~~you~~ it understands and agrees to be bound by these Rules and other policies of Nadex, as amended.

(b) After ~~your~~ an applicant's membership application has been approved by Nadex and ~~you~~ the applicant ~~have~~ has deposited the requisite amount of funds into ~~your~~ its account as specified under Rule 3.1(b), ~~you~~ the applicant becomes a Trading Member. As a Trading Member, ~~you~~ such Person will be able to access the Market, execute trades, and otherwise access information regarding, or perform functions in, ~~your~~ such Person's account using ~~your~~ its ID and unique password.

(c) For account security and audit trail purposes, each Trading Member agrees that Nadex will may maintain logs of ~~your~~ its IP address when ~~you~~ it is are logged into the Nadex website.

(d) ~~You~~ Each Trading Member will be responsible for protecting ~~your~~ its ID and password, and with respect to an entity Trading Member, the ID(s) and password(s) of its Authorized Trader(s), from improper disclosure. In addition, a Trading Member and ~~you~~ may not knowingly or negligently permit any Person not authorized by Nadex and by ~~you~~ the Trading Member to use ~~your~~ the ID and password to access the secure portion of the Nadex website. ~~You~~ Each Trading Member ~~is~~ are required to immediately notify Nadex if ~~you~~ it knows, or if ~~you~~ have has reason to believe, that ~~your~~ its ID and/or the ID and/or password of any Authorized Trader have been disclosed to any Person not authorized by Nadex and ~~you~~ the Trading Member to use ~~your~~ such ID and/or password. Under any circumstances, the Trading Member ~~You~~ will be deemed to know that such ~~have reason to believe that your~~ ID and/or password have been disclosed to an unauthorized person 12 hours after any order is entered ~~trade is executed~~ by that unauthorized person in your account

(e) Each Trading Member ~~You~~ will be liable for all costs and any losses that ~~you~~ it may incur from transactions executed on Nadex by any person, authorized or not, using ~~your~~ its ID and password or the ID and/or password of any Authorized Trader. Nadex will not be responsible in any way for unauthorized transactions in ~~your~~ a Trading Member's account.

(f) ~~You~~ Each Trading Member ~~is~~ are responsible for contracting with an Internet service provider through which ~~you~~ it will access the Nadex website and for having a backup service provider if ~~you~~ the Trading Member thinks it is necessary. ~~You~~ Each Trading Member ~~is~~ are also responsible for maintaining an Internet connection speed adequate for ~~your~~ its needs. Nadex will not be responsible in any way for any orders delayed or trades missed or not executed in a timely fashion because of failure of ~~your~~ the Trading Member's Internet service provider or slowness of ~~your~~ its Internet connection speed. No communication from ~~you~~ a Trading Member will be deemed to have been received by Nadex until that communication is logged by the Nadex server.

RULE 5.3 TRADING CONTRACTS – TRADING MEMBERS

(a) ~~You~~ Trading Members will be able to trade (1) Variable Payout Contracts by entering bids or offers at prices based on the values or levels of the Underlying at which ~~you~~ they are willing to open a Long Variable Payout Contract or a Short Variable Payout Contract and (2) Binary Contracts by entering bids to purchase or offers to sell those Contracts at which ~~you~~ Trading Members are willing to open or close a long position in a Binary Contract or open or close a short position in a Binary Contract. After logging into the secure portion of the Nadex website, ~~you~~ the Trading Member will input ~~your~~ its orders into the Nadex trading system.

(b) When ~~your~~ a Trading Member's order is matched by an order from another Member(s);

(i) If ~~your~~ the Trading Member's order is to enter into one or more Variable Payout Contracts for which ~~you~~ that Trading Member does ~~do~~ not have an offsetting position in ~~your~~ its account, Nadex will check ~~your~~ its account to ensure ~~you~~ it ~~have~~ has enough funds to cover ~~your~~ its maximum loss under the Variable Payout Contract(s) ~~you~~ it is ~~are~~ attempting to enter into. If ~~you~~ the Trading Member does ~~do~~ not have the necessary funds in ~~your~~ its account, Nadex will cancel ~~your~~ its order prior to trade execution. If ~~you~~ the Trading member does ~~do~~ have the necessary funds in ~~your~~ its account, Nadex will execute the trade. Upon trade execution, Nadex will: (1) debit the funds from ~~your~~ the Trading Member's account in an amount necessary to cover the maximum loss, (2) ~~credited~~ that amount to the Nadex settlement account, and (3) place the Variable Payout Contracts that were the subject of the ~~order~~ executed trade into ~~you're~~ the Trading Member's account and (4) notify ~~you~~ the Trading Member by electronic mail that the trade has been executed. The maximum amount that ~~you~~ the Trading Member can lose under a Long Variable Payout Contract (and, therefore, the amount that will be debited from ~~your~~ its account and then paid into the Nadex settlement account) is determined by subtracting the Floor from the Opening Trade Value and then multiplying the resulting figure by the Dollar Multiplier. The maximum amount that ~~you~~ a Trading Member can lose under a Short Variable Payout Contract is determined by subtracting the Opening Trade Value from the Cap and then multiplying the resulting figure by the Dollar Multiplier.

(ii) If the transaction involves entering into one or more Variable Payout Contracts for which ~~you~~ the Trading Member has ~~have~~ an offsetting position in ~~your~~ its account (for example, entering into a Short Variable Payout Contract of a Series when ~~you~~ the Trading Member has ~~have~~ a Long Variable Payout Contract of that same Series in ~~your~~ its account), upon execution of the trade Nadex will: (1) close the offsetting position in ~~your~~ the Trading Member's account; (2) debit the Nadex settlement account in the amount of (A) any gains realized by the offsetting transaction; and (B) any funds that were debited from ~~your~~ the Trading Member's account at the time the Variable Payout Contract(s) that is being closed was entered into and that were not also used to pay any

losses on such Contract(s); (3) credit those amounts to you're the Trading Member's account; and (4) notify you the Trading Member by electronic mail that the trade has been executed.

(iii) If your the Trading Member's order is to enter into one or more Binary Contracts for which you it does ~~de~~ not have an offsetting position in your its account, Nadex will check your the Trading Member's account to ensure you it has ~~have~~ enough funds to cover your its maximum loss under the Binary Contract(s) you are it is attempting to enter into. If you the Trading Member does ~~de~~ not have the necessary funds in your its account, Nadex will cancel your its order prior to trade execution. If you the Trading Member does ~~de~~ have the necessary funds in your its account, Nadex will execute the trade. Upon trade execution, Nadex will: (1) debit the funds from your the Trading Member's account in an amount necessary to cover the maximum loss, (2) credit those funds to the Nadex settlement account, and (3) place the Binary Contracts that were the subject of the order into your the Trading Member's account and (4) notify you the Trading Member by electronic mail that the trade has been executed. The maximum amount that you a Trading Member can lose under a long position in a Binary Contract (and, therefore, the amount that will be debited from your the Trading Member's account and then paid into the Nadex settlement account) is determined by the price at which you the Trading Member entered into the long Binary Contract. The maximum amount that you the Trading Member can lose under a short position in a Binary Contract is determined by subtracting the price at which you it sold the position short from the Binary Contract's Settlement Value. \$10. For example, if you a Trading Member enters into a short position in a Binary Contract with a \$100 settlement Value position to open at a trade price of \$40, the Trading Member's your maximum loss on that position would be \$60 ($\$100 - \$40 = \60).

(iv) If the transaction involves entering into one or more Binary Contracts for which you a Trading Member has ~~have~~ an offsetting position in your its account (for example, selling a position in a Binary Contract of a Series when you the Trading Member is ~~are~~ long a Binary Contract of that same Series in your its account), upon execution of the trade Nadex will: (1) close the offsetting position in your the Trading Member's account; (2) debit the Nadex settlement account in the amount of (A) any gains realized by the offsetting transaction; and (B) any funds that were debited from your the Trading Member's account at the time the Binary Contract(s) that is being closed was entered into and that were not also used to pay any losses on such Contract(s); (3) credit those amounts to your the Trading Member's account; and (4) notify you the Trading Member by electronic mail that the trade has been executed.

(c) If your a Trading Member's order is placed on the market and not immediately matched by an order from another Member, it will rest on the market until it is matched and executed in accordance with the procedures outlined above in this Rule, until you the Member cancels it, or until it is cancelled by Nadex upon the Expiration of the Series or otherwise in accordance with these Rules.

RULE 5.4 TRADING CONTRACTS – CUSTOMERS OF FCM MEMBERS

(a) Nonmembers of Nadex will be able to trade Nadex Contracts only as Customers of an FCM Member and all Customer orders must be transmitted to Nadex from each Customer's FCM Member. Each FCM Member shall maintain a secure connection to Nadex and comply with all technical and other requirements established by Nadex for this purpose.

(b) Each FCM Member shall maintain a separate Nadex Position Account for the positions of each of its Customers and will indicate, when submitting any orders to Nadex, the Customer Position Account for which the order is submitted, as well as any other information required by Nadex.

(c) FCM Members will be able to submit orders for their customers ("FCM Customer Orders") to trade (1) Variable Payout Contracts by submitting bids or offers at prices at which the Customer is willing to open a Long Variable Payout Contract or a Short Variable Payout Contract and (2) Binary Contracts by entering bids to purchase or offers to sell those Contracts at which the Customer is willing to open or close a long position in a Binary Contract or open or close a short position in a Binary Contract.

(d) When a FCM Customer Order is matched by an order from another Member(s):

(i) If the FCM Customer Order is to enter into one or more Variable Payout Contracts for which that Customer does not have an offsetting position in its FCM Customer Position Account, Nadex will check the FCM settlement account to ensure it has enough funds to cover the maximum loss under the Variable Payout Contract(s) that the FCM Customer is attempting to enter into. If the FCM settlement account does not have the necessary funds for that trade, Nadex will cancel the FCM Customer Order prior to trade execution. If the FCM settlement account does have the necessary funds, Nadex will execute the trade. Upon trade execution, Nadex will: (1) debit the funds from the FCM settlement account in an amount necessary to cover the maximum loss, (2) credit that amount to the Nadex settlement account, (3) place the Variable Payout Contracts that were the subject of the executed trade into the FCM Customer Position Account, and (4) notify the FCM Member by FIX message that the trade has been executed. The maximum amount that the FCM Customer can lose under a Long Variable Payout Contract (and, therefore, the amount that will be debited from the FCM settlement account and then paid into the Nadex settlement account) is determined by subtracting the Floor from the Opening Trade Value and then multiplying the resulting figure by the Dollar Multiplier. The maximum amount that the FCM Customer can lose under a Short Variable Payout Contract is determined by subtracting the Opening Trade Value from the Cap and then multiplying the resulting figure by the Dollar Multiplier.

(ii) If the transaction involves entering into one or more Variable Payout Contracts for which the FCM Customer has an offsetting position in its FCM Customer Position Account (for example, entering into a Short Variable Payout Contract of a Series when the FCM Customer has a Long Variable Payout

Contract of that same Series in its FCM Customer Position Account), upon execution of the trade Nadex will: (1) close the offsetting position in the FCM Customer Position Account; (2) debit the Nadex settlement account in the amount of (A) any gains realized by the offsetting transaction; and (B) any funds that were debited from the FCM settlement account at the time the Variable Payout Contract(s) that is being closed was entered into and that were not also used to pay any losses on such Contract(s); (3) credit those amounts to the FCM settlement account; and (4) notify the FCM Member by FIX message that the trade has been executed.

(iii)If the FCM Customer Order is to enter into one or more Binary Contracts for which that Customer does not have an offsetting position in its FCM Customer Position Account, Nadex will check the FCM settlement account to ensure it has enough funds to cover its maximum loss under the Binary Contract(s) it is attempting to enter into. If the FCM settlement account does not have the necessary funds for that trade, Nadex will cancel the FCM Customer Order prior to trade execution. If the FCM settlement account does have the necessary funds, Nadex will execute the trade. Upon trade execution, Nadex will: (1) debit the funds from the FCM settlement account in an amount necessary to cover the maximum loss, (2) credit those funds to the Nadex settlement account, (3) place the Binary Contracts that were the subject of the order into the FCM Customer Position Account and (4) notify the FCM Member by FIX message that the trade has been executed. The maximum amount that the FCM Customer can lose under a long position in a Binary Contract (and, therefore, the amount that will be debited from the FCM settlement account and then paid into the Nadex settlement account) is determined by the price at which the FCM Customer entered into the long Binary Contract. The maximum amount that the FCM Customer can lose under a short position in a Binary Contract is determined by subtracting the price at which it sold the position short from the Binary Contract's Settlement Value. For example, if a FCM Customer enters into a short position in a Binary Contract with a \$100 Settlement Value at a trade price of \$40, the FCM Customer's maximum loss on that position would be \$60 ($\$100 - \$40 = \60).

(iv)If the transaction involves entering into one or more Binary Contracts for which that Customer has an offsetting position in its FCM Customer Position Account (for example, selling a position in a Binary Contract of a Series when the Customer is long a Binary Contract of that same Series in its FCM Customer Position Account), upon execution of the trade Nadex will: (1) close the offsetting position in the FCM Customer Position Account; (2) debit the Nadex settlement account in the amount of (A) any gains realized by the offsetting transaction; and (B) any funds that were debited from the FCM settlement account at the time the Binary Contract(s) that is being closed was entered into and that were not also used to pay any losses on such Contract(s); (3) credit those amounts to the FCM settlement account; and (4) notify the FCM Member by FIX Message that the trade has been executed.

(e) If a FCM Customer Order is placed on the market and not immediately matched by an order from another Member, it will rest on the market until it is matched and executed in accordance with the procedures outlined above in this Rule, until the FCM Customer cancels it, or until it is cancelled by Nadex upon the Expiration of the Series or otherwise in accordance with these Rules.

RULE 5.5 ORDER ENTRY

(a) Trading Member Orders

(i) You A Trading Member will enter orders to trade Contracts by electronic transmission over the Internet, and Nadex will maintain an electronic record of your order entries. A Trading Member may elect to enter into a FIX Connection agreement with Nadex, which will provide for specific FIX Connection fees, and certain approved Entity Trading Members, such as market makers, may submit orders over a FIX Connection in accordance with Nadex's applicable policies and procedures.

(ii) A Trading Member will enter an order to trade one or more Contracts by indicating to Nadex in the manner required by Nadex: (i) order type (i.e., buy or sell); (ii) the Series of Contract; (iii) the price at which you the Trading Member wants to buy or sell the Contract; and (iv) the number of Contracts you the Trading Member want to buy or sell.

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

(b) 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, in accordance with Nadex's applicable policies and procedures.

(iii) FCM Members will submit a FCM Customer Orders to trade one or more Contracts by indicating to Nadex in the manner required by Nadex: (i) order type (i.e., buy or sell); (ii) the Series of Contract; (iii) the limit price at which the FCM Customer wants to buy or sell the Contract; (iv) the number of Contracts the FCM Customer wants to buy or sell; (v) the FCM Customer Position Account identifier; and (vi) 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 account and accepted by Nadex.

(c) 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 ~~(b)–(e)~~ (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 RECORDKEEPING OF FCM CUSTOMER ORDERS

(a) FCM Members shall maintain an electronic record of all FCM Customer Orders to trade Contracts received by the FCM Member, and all order, trade and expiration confirmations received by the FCM Member regarding its customer's accounts.

(b) Other than the electronic record required in subpart (a) of this rule, no FCM Member is required to create or maintain any separate record for FCM Customer Orders received by a Member or Authorized Trader which are immediately entered onto the Nadex system, unless otherwise required by these Rules. However, if a FCM Member receives a Customer order that cannot be immediately entered into the Nadex system, such Member or Authorized Trader must prepare a written record of the order and include the account designation, date and time of receipt and order instructions, including price, quantity and order type information. The written record of the order shall be time-stamped when received and appropriately indicate when (i) the order was submitted, (ii) confirmation of execution or cancellation after expiration and/or (iii) the order was cancelled in whole or in part.

(c) All time-stamps required under this Rule 5.6(b) must show the time to the nearest minute.

(d) All written orders and any other original records pertaining to orders entered through the Nadex system must be retained by the FCM Member for no less than five years. For orders that were entered immediately upon receipt into the Nadex system, the electronic records required in subpart (a) of this rule shall be deemed the original records of the transaction.

RULE 5.7 HANDLING CUSTOMER ORDERS

(a) Withholding Orders Prohibited. No FCM Member may withhold or withdraw from the market any order or any part of an order for the benefit of any Person other than the Person placing the order.

(b) Disclosing Orders Prohibited

(i) It is a violation of this Rule 5.7 for any Person to disclose another Person's order to buy or sell any Contracts except as may be requested by Nadex or the Commission.

(ii) It is a violation of this Rule 5.7 for any Person to take action or direct another Person to take action based on non-public order information, however acquired.

(c) Trading Against Customer Orders Is Prohibited

(i) No FCM Member or Associated Person thereof in possession of a FCM Customer Order may knowingly enter into a transaction opposite such FCM Customer Order directly or indirectly for him/herself or any other Person with whom such FCM Member or Associated Person has a direct or indirect financial interest.

RULE 5.8 TRANSFER TRADES

(a) A FCM Member may transfer a trade in any Contracts on the Exchange from one FCM Customer account to another account i) within the same FCM Member or ii) to another FCM Member, provided that the transfer would not result in a change in beneficial ownership in any Contract, unless the transfer is made in order to:

(i) correct an error in a previously executed transaction, in which case the FCM Member must be able to provide evidence of such error in a form prescribed by Nadex;

(ii) reflect a change in ownership occurring by operation of law due to the death or bankruptcy of a Person having an ownership interest in such Contract; or

(iii) facilitate a merger, consolidation, disposition of a line of business, reorganization, or similar event affecting such Person.

(b) A Member that transfers a Contract trade shall notify Nadex of the transfer in a manner and form as prescribed by Nadex.

(c) Transfers of FCM Customer trades shall be made at the historic price at which such transactions were executed.

RULE 5.9 DISPUTED ORDERS

(a) If you a Member or a FCM Customer believes that an order to trade one or more Contracts was incorrectly executed or rejected by Nadex you that Member or FCM Customer may request review of the order by providing the confirmation number for the order and stating the grounds for your its disagreement with the handling of the order.

(b) Upon receipt of a request for review of an order and the accompanying confirmation number, Nadex will review its electronic audit trail to determine if the Nadex trading system correctly interpreted and executed ~~you~~ the order.

(c) If the review described in paragraph (b) of this Rule reveals that the Nadex trading system made a mistake, the order will be cancelled and the accounts of all Members, including any FCM Customer Position Accounts, that were party to the order will be returned to their state before the trade was executed.

(d) If the review described in paragraph (b) of this Rule reveals that the Nadex trading system did not make a mistake, Nadex will inform ~~you~~ the Person who requested the review of its determination that the order was properly handled, the evidence supporting that determination, and that an adjustment will not be made.

(e) ~~You~~ A Trading Member or an FCM Member on behalf of a Customer may appeal a determination under paragraph (d) of this Rule to a Nadex compliance officer through the electronic mail address provided on the Nadex website. ~~You~~ The Member making the appeal will be required to provide a response to the evidence described in paragraph (d) of this Rule that the order was properly handled, and ~~you~~ the Member may provide any other information ~~you~~ it wishes to disclose. If ~~you~~ the Member's appeal does not contain a response to the evidence described in paragraph (d), it will be rejected. The compliance officer will decide ~~you~~ the appeal no later than 10 days after its receipt, and that decision will be final.

(f) Nadex will document in writing all requests for review of orders received by Nadex, the time and manner in which Nadex reviewed its electronic audit trail in response to the request, the outcome of that review, and the action or actions taken by Nadex in response to that review, including the results of any appeal filed under paragraph (e) of this Rule and the review conducted by the compliance officer in deciding that appeal.

RULE 5.10 ACCEPTABLE ORDERS

(a) ~~You~~ A Member may ~~only~~ enter only limit orders to trade Contracts on the Market.

(b) For the purpose of this Rule, a "limit order" is an order to buy or sell the number of Contracts ~~you~~ specify at the price ~~you~~ specify, or a better price if a better price is available

RULE 5.11 [Unchanged]

RULE 5.12 FILLING ORDERS TO TRADE CONTRACTS

The Nadex trading system will fill all orders to trade Contracts on an "or better" basis. This means that if ~~you~~ a Member places an order to buy a Contract or Contracts at a price higher than the price of the best sell offer on the market, the system will fill ~~you~~ that order to buy at the better sell offer price(s) until all available sell offers under or equal to ~~you~~ that buy order's limit price are filled or until ~~you~~ that buy order is completely filled. Likewise, if ~~you~~ a Member enters a sell order at a price lower than the price of the best ~~buy offer~~ bid, the

system will fill ~~your~~ that sell order at the better ~~buy offer bid~~ price(s) until all available ~~buy offers bids~~ over ~~your~~ that sell order's limit price are filled or ~~your~~ that sell order is completely filled. If ~~your-an~~ order is only partially filled, the unfilled portion ~~or your~~ of that order will be ~~placed~~ remain in the order book as a resting order at the limit price ~~you~~ specified. Should an opposite order at the same price or better than the original order subsequently be placed in the system, the unfilled portion of ~~your-the~~ the original order will be executed opposite that new order at it-the original order's limit price.

RULE 5.13 MODIFICATION AND CANCELLATION OF ORDERS

(a) ~~You~~ A Member can submit instructions to either cancel or modify an order ~~you have which that Member has~~ placed on the Market if ~~it~~ that order has not yet been executed. Upon submission of instructions to either cancel or modify an order that has not been executed, All your pending orders will be listed on your account page. To modify a pending order, select the order to be changed and, using the prompts, (1) cancel the order, (2) modify the order, or (3) leave the order unchanged. If you choose to cancel the order and the order has not been executed, the Nadex system will withdraw the order from the order book and confirm the cancellation of the order. If you choose a Member seeks to amend the-an order, you will be shown Nadex will provide the Member with the details of the existing order and the Member will be allowed to change any part of the order except the Underlying. You Nadex will then provide will then be given a new order confirmation number and be informed the Member that the system will treat the modified order as a new order, causing the amended order to lose its original time priority.

(b) Nadex will attempt to modify or cancel ~~your-an existing~~ order as soon as possible after ~~you a Member~~ enters a modification or cancellation ~~order~~ instructions. However, the order may be executed before Nadex is able to cancel or modify it. If ~~your-an~~ order has been filled in whole or in part, ~~you-a Member~~ may modify or cancel only that portion of the order (if any) that has not been executed.

RULE 5.14 [Unchanged]

RULE 5.15 INVALIDATION OF TRADES ORDERS UPON SUSPENSION OR REVOCATION OF FCM MEMBER STATUS

(a) Upon suspension or revocation of a FCM Member by Nadex, any open order on the Market for such FCM Member's Customer shall be cancelled by Nadex.

RULE 5.16 INVALIDATION OF TRADES UPON SUSPENSION OR REVOCATION OF FCM MEMBER STATUS

(a) Upon suspension or revocation of a FCM Member by Nadex, any trade subsequently executed on the Market for such FCM Member's Customer shall be invalid. Nadex shall cancel any transaction pursuant to this Rule by entering a counter transaction onto the Market at the price at which the cancelled transaction was effected.

RULE 5.17 VIEWING THE MARKET AND EXECUTED ORDERS

Nadex will allow its Members to view the current best bid and offer on the Market, as well as the depth of the order book up to the fifth level of prices. ~~Nadex will also allow Members to view the last executed order to trade Contracts.~~

RULE 5.18 [Unchanged]

RULE 5.19 PROHIBITED TRANSACTIONS AND ACTIVITIES

(a) ~~You~~ Members are prohibited from entering orders on the Market if there are insufficient funds or Contracts in ~~your~~ the Member's settlement account to satisfy such orders if they are executed. Subject to the conditions set forth in Rule 9.2(f) and Rule 9.6, if you violate this Rule, the following penalties ~~shall~~ may apply:

| Number of Per Incident Violations Within a Calendar Year | Penalty |
|--|---|
| 1. | \$10 fee deducted from your <u>the Member's settlement</u> account. |
| 2. | \$10 fee deducted from your <u>the Member's settlement</u> account, and you <u>the Member</u> will be required to re-certify that you have <u>it has</u> read and agree to be bound by this Rule 5.13(a). |
| 3. | \$15 fee deducted from your <u>the Member's settlement</u> account, and you <u>the Member</u> will be required to give a satisfactory explanation as to why the Rule violation occurred, or (<u>in the case of Trading Members</u>) your trading privileges will <u>may</u> be suspended for 30 days. |
| 4. | \$20 fee deducted from your <u>the Member's settlement</u> account and (<u>in the case of Trading Members</u>) suspension of your trading privileges for 30 days (regardless of explanation). |
| 5. | \$25 fee deducted from your <u>the Member's settlement</u> account and (<u>in the case of Trading Members</u>) suspension of your trading privileges for 6 months (regardless of explanation). |
| 6. | \$30 fee and revocation of trading privileges (regardless of explanation). |

Nadex may, in its discretion, take such other action against a Member or market participant if the circumstances warrant, subject to Rule 9.2(f) and Rule 9.6.

(b) ~~You are prohibited from~~ No Person shall enter into or attempting to enter into any trade on the Market that has been directly or indirectly prearranged. In other words, ~~you a~~ Member may not agree with another Member that one of ~~you the Members~~ will enter a trade and the other will attempt to ~~match that~~ trade against that order by timing the submission of orders or otherwise.

(c) ~~You are prohibited from~~ No Person shall enter into or attempting to enter into or entering into any trade on the Market that does not result in a change in beneficial ownership, that is designed to unnaturally inflate trading volume, that in any way attempts to circumvent the Market's order processing, trade ordering, and trade execution systems, or otherwise to circumvent exposure of the order to open and competitive bidding on the Market, or that has some other illegitimate purpose.

(d) ~~You are prohibited from~~ No Person shall entering into any trade designed or used to cause any price for a Contract other than a true and bona fide price to be reported, registered, or recorded by the Market.

(e) ~~You are prohibited from trading~~ No Person shall trade in, transferring, assigning, or otherwise disposing of Contracts other than as provided for in these Rules.

(f) ~~You are prohibited from~~ No Person shall enter into or agreeing to transfer or from transferring the benefit of any position in any Contract to another person other than through a transaction executed through the Market.

(g) ~~You are prohibited from trading~~ No individual Trading Member shall trade for a person or entity other than yourself itself and no Authorized Trader of an entity Trading Member shall trade for a person or entity other than the entity Trading or the Member for whom you that Person is are an a~~Authorized representative Trader.~~

(h) ~~You are prohibited from~~ No Person shall engaging in any activity that presents a risk of harm to Nadex, its ~~m~~Members, or the public.

(i) ~~You are prohibited from~~ No Person shall engaging in any activity that adversely affects the integrity of the Market or its underlying systems.

(j) ~~You are prohibited from~~ No Person subject to arbitration under these rules shall failing to abide by an arbitration decision or award handed down under Chapter 10 of these Rules.

(k) ~~You are prohibited from~~ No Person shall intentionally providing erroneous or fraudulent information to Nadex on ~~your a~~ membership application or otherwise.

(l) ~~You are prohibited from~~ No Person shall engaging in any activity that is intended to, or has the effect of, manipulating the market in violation of Sections 6(c) and 9(a)(2) of the CEA and ~~from no Person shall~~ engaging in any other activity that would violate the CEA or the Commission's Regulations.

(m) No FCM Member shall enter any bids, offers or transactions on the Market if it knows or should know that it is subject to early warning reporting requirements under Commission Regulation 1.12, is subject to a proceeding in bankruptcy or is otherwise unable to pay its obligations as they become due, without the prior written approval of Nadex.

(n) No FCM Member shall knowingly carry an account, enter an order or effecting any transactions for any employee of Nadex without the prior written consent of the employer.

(o) No Member shall engage in conduct or practices inconsistent with just and equitable principles of trade or conduct or practices detrimental to the best interests of the Exchange, its Members and/or FCM Customers.

(p) No FCM Member that receives an order to buy or sell a Contract for execution on Nadex shall directly or indirectly guarantee the execution of the order or any of its terms, including quantity or price. A Clearing Member may only report to a FCM Customer a trade that has been executed or reported on the Nadex Market.

(q) If you are a Member is an Insider of any public company that has access to material non-public information that is the subject of an Underlying of any Contract, you are that Member is prohibited from attempting to enter into any trade or entering into any trade, either directly or indirectly, on the market in such Contracts. An "Insider" means any person who has access to or is in a position to have access to material non-public information before such information is made publicly available. Without limiting the generality of the foregoing restriction, an Insider includes any officer or director of a public company, any employee who works in the company's financial or accounting department, and any employee of the company's accounting firm who performs services for the public company.

RULE 5.20 SPECULATIVE POSITION LIMITS

(a) Nadex has imposed Speculative Position Limits on certain Classes of Contracts as defined in Chapter 12 of these Rules. Any Trading Member or FCM Customer who exceeds a Speculative Position Limit shall be deemed in violation of this Rule 5.135.20. In addition, any Trading Member (except for approved Market Makers) or FCM Customer entering bids or offers, if accepted, which would causeing that the Trading Member or FCM Customer to exceed the applicable Speculative Position Limit shall be in violation of this Rule. In the case of any violation of this Rule by a FCM Customer, that Customer's FCM Member shall be held directly responsible for such violation.

(b) If a Member fails to reduce any position in a manner and time as directed by Nadex, Nadex shall have the authority to liquidate the applicable position to a level below the defined Speculative Position Limit stipulated under the relevant Class of Contracts in Chapter 12 of these Rules.

(c) In addition to the restrictions and requirements imposed in Section 5.135.20(a) and (b), the first violation of a Speculative Position Limit by a Member or FCM Customer shall result in a letter of warning to be issued by the Nadex Compliance Department to the Trading Member or FCM Customer and its FCM Member.

(d) In addition to the restrictions and requirements placed in Section ~~5-135.19~~(c), any subsequent violation of a Speculative Position Limit within the preceding 12 months by a Trading Member or FCM Customer shall result in the issuance of a second letter of warning to the Trading Member or FCM Customer and its FCM Member and the suspension or revocation of membership privileges in accordance with Chapter 9 of these Rules.

(e) Position limits shall apply to i) all positions in accounts for which any ~~p~~Person by power of attorney or otherwise, directly or indirectly holds positions or controls trading, and ii) positions held by two or more ~~p~~Persons acting pursuant to an express or implied agreement or understanding the same as if the positions were held by, or the trading of the position were done by, a single individual.

CHAPTER 6 SETTLING CONTRACT TRADES, CONTRACTS AT EXPIRATION, AND MEMBER WITHDRAWAL REQUESTS

RULE 6.1 SETTLING CONTRACT TRADES

(a) Nadex will maintain, on its system, a record of each Member's account balances and Contracts and (b) each FCM Member's settlement account balance and, by subaccount, the positions of each of its FCM Customers. Nadex will also maintain a "Nadex settlement account," which will reflect funds used by Members to buy and sell Contracts. Nadex will also maintain a "Nadex proprietary account," which will be credited with all fees debited from Member accounts due to trades and expiration settlements. All settlements among these accounts on the Nadex system will be instantaneous.

(b) All funds in Member accounts and in the Nadex settlement account will be maintained in an account at the Nadex settlement bank that is designated as a customer segregated funds account under the CEA and the Commission's Regulations. Because those funds will be commingled at the settlement bank, transfers among Member accounts and transfers between Member accounts and the Nadex settlement account will not be transmitted to the settlement bank. Such records will only be maintained on the Nadex system. However, once every settlement bank business day, Nadex will send to its settlement bank by batch mode electronic transmission instructions for the settlement bank to transfer fees credited by Nadex to the Nadex proprietary account on its system from the customer segregated funds account at the settlement bank to the Nadex proprietary account at the settlement bank.

(c) The settlement bank will complete the transfer in the settlement instructions described in paragraph (b) of this Rule and notify Nadex of its completion.

RULE 6.2 SETTLING CONTRACTS AT EXPIRATION

(a) When a Series of Variable Payout Contracts expires, those Contracts will settle in an amount (if any) determined by the calculations set forth in the definitions for Long and Short Variable Payout Contracts set forth in Chapter 1 of these Rules. When a Series of Binary Contracts expires and has a Payout Criterion that encompasses the Expiration Value of the Underlying, such Binary Contract will pay the a minimum Settlement Value for such Binary Contracts (e.g. \$100) of \$10 to the holders of a long positions in such Binary

Contracts. Conversely, when a Series of Binary Contracts expires and has a Payout Criterion that does NOT encompass the Expiration Value of the Underlying, such Binary Contract will pay a ~~minimum~~ the Settlement Value for such Binary Contracts (e.g \$100) ~~of \$10~~ to the holders of a short positions in such Binary Contracts.

(b) On the Settlement Date;

(i) Nadex will notify all ~~m~~Members which Contract is going to pay a Settlement Value and which Contract will not pay a Settlement Value.

(ii) Nadex will immediately settle the Variable Payout Contracts by (A) debiting Nadex's settlement account in an amount equal to (1) any gains realized by Members (including customers of FCM Members) plus (2) any blocked funds that were debited from Members' accounts at the time the Variable Payout Contracts that are expiring were entered into that are not used to pay any losses on such Contract(s) and (B) crediting those amounts, respectively, to the accounts of (1) Members who realized such gains, in each case in the amount of such gains realized by each Member (including Customers of FCM Members), and (2) Members from whose accounts such blocked funds were taken, in each case in the amount of such blocked funds that was not required to pay losses experienced by such accounts on such Contracts.

(iii) Nadex will immediately settle the Binary Contracts by debiting the Nadex's settlement account in an amount no less than ~~\$10.00~~ the Settlement Value for such Contracts multiplied by the total number of outstanding in-the-money Binary Contract positions and credit those funds to the settlement accounts of the Members holding the in-the-money Binary Contract positions (or, in the case of Customers of FCM Members holding the in-the-money Binary Contract positions, to the settlement account of the FCM Member).

(iv) Nadex will delete all Contracts of the expiring Series from ~~the~~ Trading Members' accounts of Members and FCM Customer Position Accounts, as applicable.

(c) ~~If you~~ Any Person who believes there has been an error in settlement, you must report that error to Nadex immediately. ~~Your~~ Such report must state the basis for the why you believe the belief that there has been an error in settlement. If Nadex receives notice of a settlement error before the end of the fifth Trading Day following settlement, Nadex will review that report and will correct any error that Nadex determines has been made. If Nadex does not receive notice of an error of settlement before the end of the fifth Trading Day following settlement, then (i) settlement will be final and (ii) ~~you~~ all Members agree that Nadex shall not be responsible to you in any fashion for an uncorrected error in settlement.

RULE 6.3 SETTLING MEMBER WITHDRAWAL REQUESTS

Within one settlement bank business day of when a Member requests to withdraw funds from its Nadex account, Nadex will transmit such request to its settlement bank in electronic batch mode transmission. The settlement bank will process that request and send

those funds to the account at the Financial Institution registered with Nadex by the Member (unless the Member and, in the case of FCM Members, any FCM Customer of that FCM Member has unsatisfied outstanding obligations on Nadex, in which case Nadex may retain such balances as necessary to satisfy such obligations or until the Member otherwise satisfies such obligations). ~~You~~ The Member should refer to Nadex's website under the Fee Schedule for all fees and costs associated with withdrawal of funds from ~~your~~ the Member's Nadex account.

CHAPTER 7 ADJUSTMENTS NECESSITATED BY MATERIAL CHANGES IN THE UNDERLYING

RULE 7.1 - 7.2 [Unchanged]

CHAPTER 8 INVESTMENT OF MEMBER ACCOUNT FUNDS

RULE 8 [Unchanged]

CHAPTER 9 RULE ENFORCEMENT

RULE 9.1 MONITORING THE MARKET

Nadex's trading system will record and store for a period of not less than 5 years in a searchable, read-only database a record of all data entered into the Nadex trading system, including the Member's identity and the information in Rule ~~5-45.5~~. Such records shall be maintained in a readily available manner during the first two years. Nadex shall conduct market surveillance and trade practice surveillance using this data with programs designed to alert Nadex when potentially unusual trading activity takes place. Nadex will initiate review and, where appropriate, investigate such unusual trading activity. Nadex will also investigate any time it has other reason to believe that inappropriate activity of any sort is taking place on the Market or its website.

RULE 9.2 INVESTIGATIONS, HEARINGS, AND APPEALS

(a) Nadex has a compliance department consisting of one or more compliance staff. The Chief Regulatory Officer is responsible for overseeing the compliance department. The Compliance Department shall investigate unusual trading activity or other activity that the Compliance Department has reasonable cause to believe could constitute a violation of these Rules. Nadex retains hearing officers, who adjudicate findings by the Compliance Department that are disputed by Members. Hearing officers and the Compliance Department may not communicate regarding the merits of a matter brought before the hearing officer without informing the Member who is the subject of the communication of its substance and allowing the Member an opportunity to respond. The Compliance Department and hearing officers may compel testimony, subpoena documents, and require statements under oath from any Member or its authorized representative. Hearing officers, Compliance Department staff and other employees or agents of Nadex working under their supervision, may not be a

Member or an authorized representative of a Member or trade, directly or indirectly, in any commodity interest traded on or subject to the rules of any registered contract market.

(b) The Compliance Department will endeavor to complete any investigation within four months, unless there exists significant reason to extend it beyond such period. Upon the conclusion of any investigation, the Compliance Department will draft a document detailing the facts that led to the opening of the investigation, the facts that were found during the investigation, and the Compliance Department's analysis and conclusion. If the Compliance Department concludes that there is reasonable cause to believe a Member has violated Nadex's Rules or other applicable statutes or regulations, the Compliance Department will submit by electronic mail to the Member whose activity is the subject of the investigation a report that will include:

- (i) the reason the investigation was begun;
- (ii) the charges or a summary of the charges;
- (iii) the response, if any, or a summary of the response;
- (iv) a summary of the investigation conducted;
- (v) findings and conclusions as to each charge, including which of these Rules the Member or its authorized representative violated, if any; and
- (vi) the penalty, if any, proposed by the Compliance Department.

(c) If the Compliance Department institutes an investigation in which any affiliate of Nadex is a subject, Nadex's Chief Regulatory Officer shall notify the Commission's Division of Market Oversight of that fact. At the conclusion any such investigation, the Chief Regulatory Officer shall provide the Commission's Division of Market Oversight with a copy of the documentation specified in subparagraph (b) of this Rule.

(d) The Member whose activity is the subject of the investigation may contest the Compliance Department's findings by forwarding a response to those findings by electronic mail to the Compliance Department within 15 days. The Member has a right to examine the evidence relied upon by the Compliance Department. The Member's response must contain a detailed response to the findings and conclusions as to each charge and any other information the Member thinks is relevant.

(e) If the findings of the Compliance Department are not contested by the Member, Nadex will deem those findings admitted by the Member and impose the penalty (if any) proposed by the Compliance Department. The Member will be notified of the imposition of any penalty by electronic mail.

(f) If the findings of the Compliance Department are contested, the Compliance Department's report and the Member's response will be submitted to a Nadex hearing officer. The hearing officer will conduct a telephonic hearing with the Compliance Department and the Member within 20 days of receipt of the Member's response contesting

the compliance officer's finding and/or proposed sanction and, within 20 days after that hearing, issue findings, which will be delivered to the Member by electronic mail. Prior to the hearing, the parties may (but need not) submit proposed findings, briefs, and exhibits (including affidavits), and during the hearing the parties may present witnesses. The telephonic hearing will be recorded, and all information submitted by the parties (including the Compliance Department's report and the Member's response) as well as the recording of the hearing, will be preserved by the Compliance Department, along with the hearing officer's findings, as the record of the proceedings (the "hearing record"). The findings of the hearing officer will contain the following information:

- (i) a brief description of the allegations;
- (ii) a brief summary of the evidence received;
- (iii) findings and conclusions;
- (iv) a declaration of any penalty to be imposed on the Member as the result of the findings and conclusions;
- (v) the effective date and duration of that penalty; and
- (vi) a statement that the Member has the right to appeal any adverse decision by the hearing officer to the Nadex board of directors, but must do so within 15 days.

(g) Either the Member or the Compliance Department may appeal the decision of the hearing officer within 15 days by filing an appeal by electronic mail with the Nadex board of directors and forwarding a copy to the other parties to the appeal. Any penalties will be stayed pending appeal unless the hearing officer determines that a stay pending appeal would likely be detrimental to the exchange, other Members, or the public. The board of directors will review the hearing record and any information submitted by the Compliance Department and the Member on appeal and issue its decision, which shall be final. The member shall be notified of the decision by electronic mail. The hearing record, any information submitted on appeal, and the board's decisions shall be preserved as the record on appeal. The decision will contain the information listed in paragraph (ef) of this Rule, except for (ef)(vi), and will also contain:

- (i) a statement that any person aggrieved by the action may have a right to appeal the action pursuant to Part 9 of the Commission's Regulations, within 30 days of service; and
- (ii) a statement that any person aggrieved by the action may petition the Commission for a stay pursuant to Part 9 of the Commission's Regulations, within 10 days of service.

RULE 9.3 - 9.5 [Unchanged]

RULE 9.6 SUMMARY SUSPENSION

(a) Nadex may summarily suspend or restrict a Member (or any of its ~~a~~ Authorized representative's Traders or, in the case of FCM Members, its customers) privileges if the Chief Regulatory Officer believes suspension or restriction is necessary to protect the commodity futures markets, Nadex, the public, or other Members.

(b) Whenever practicable Nadex will notify the Member whose privileges are to be summarily suspended by electronic mail before the action is taken. If prior notice is not practicable, the Member shall be served with notice by electronic mail at the earliest opportunity. This notice shall:

(i) state the action taken or to be taken;

(ii) briefly state the reasons for the action;

(iii) state the time and date when the action became or becomes effective and its duration; and

(iv) state that any person aggrieved by the action may petition the Commission for a stay of the effective date of the action pending a hearing pursuant to Part 9 of the Commission's Regulations, within 10 days of service.

(c) The Member (or Authorized Trader or customer of an FCM Member) whose privileges are to be summarily suspended shall be given an opportunity for appeal under the procedures outlined in Rule 9.2(f) of these Rules. The decision affirming, modifying, or reversing the summary suspension shall be furnished by electronic mail to the suspended Member or Authorized Trader or, with respect to a FCM Customer, to the FCM Member, and the Commission no later than one business day after it is issued. The decision shall contain:

(i) a description of the action taken and the reasons for the action;

(ii) a brief summary of the evidence received during the appeal process;

(iii) findings and conclusions;

(iv) a determination as to whether the summary action that was taken should be affirmed, modified, or reversed;

(v) a declaration of any action to be taken against the suspended Member as the result of that determination;

(vi) the effective date and duration of that action;

(vii) a determination of the appropriate relief based on the findings and conclusions;

(viii) a statement that any person aggrieved by the action may have a right to appeal the action pursuant to Part 9 of the Commission's Regulations, within 30 days of service; and

(ix) a statement that any person aggrieved by the action may petition the Commission for a stay pursuant to Part 9 of the Commission's Regulations, within 10 days of service.

RULE 9.7 REPRESENTATION BY COUNSEL

A Member, Authorized Trader or FCM Customer who is a subject of any proceedings under this Chapter has the right to retain and be represented by counsel during any and all such proceedings under this Chapter.

CHAPTER 10 LIMITATION OF LIABILITY; TIME PERIOD IN WHICH TO BRING ACTIONS; GOVERNING LAW; ARBITRATION

RULE 10.1 LIMITATION OF LIABILITY

(a) ~~AS A~~ EACH MEMBER YOU OF NADEX AGREES THAT NEITHER NADEX NOR ITS OFFICERS, DIRECTORS, AGENTS, EMPLOYEES, AND/OR SOFTWARE, HARDWARE, AND SERVICE PROVIDERS (COLLECTIVELY REFERRED TO AS "NADEX PARTIES") SHALL HAVE ANY RESPONSIBILITY FOR COMPLIANCE BY MEMBER WITH ANY LAW OR REGULATION GOVERNING MEMBER'S CONDUCT. MOREOVER, ~~YOU~~ EACH MEMBER OF NADEX ALSO AGREES THAT NO NADEX PARTY SHALL BE LIABLE IN ANY MANNER WHATSOEVER FOR ANY LOSS OR DAMAGE SUSTAINED BY MEMBER, INCLUDING ANY CONSEQUENTIAL LOSS, LOSS OF PROFIT OR LOSS OF TRADING OPPORTUNITY, AS A RESULT OF ANY ACTUAL OR PROPOSED TRANSACTIONS OR AS A DIRECT OR INDIRECT RESULT OF ANY SERVICES PROVIDED BY NADEX PARTIES (INCLUDING, WITHOUT LIMITATION, ANY FAILURE IN NADEX'S SYSTEMS OR ANY INACCURATE INFORMATION PROVIDED BY A NADEX PARTY), UNLESS THE RELEVANT NADEX PARTY IS DETERMINED BY FINAL RULING OF AN ARBITRATION PROCEEDING TO HAVE ACTED OR FAILED TO ACT IN A MANNER THAT IS GROSSLY NEGLIGENT, RECKLESS, OR FRAUDULENT. FOR THE AVOIDANCE OF DOUBT, NOTHING IN THIS RULE IS INTENDED TO LIMIT THE LIABILITY OF ANY PERSON AS MAY BE PROVIDED IN THE CEA, THE REGULATIONS OF THE COMMISSION, OR BY ACTS OF WILLFUL OR WANTON MISCONDUCT OR FRAUD.

(b) ~~AS A~~ EACH MEMBER OF NADEX, ~~YOU~~ AGREES THAT YOU IT MAY NOT BRING ANY ACTION AGAINST A NADEX PARTY UNLESS ~~YOU~~ IT BRINGS SUCH ACTION WITHIN 2 YEARS OF THE FIRST OCCURRENCE OR LACK OF OCCURRENCE OF THE ACT OR OMISSION COMPLAINED OF.

(c) ~~AS A~~ EACH MEMBER OF NADEX, ~~YOU~~ AGREES THAT ANY ACTION ~~YOU~~ IT BRINGS AGAINST A NADEX PARTY WILL BE GOVERNED BY ILLINOIS

LAW, WITHOUT REGARD TO STATUTES, PRECEDENT, LEGAL DOCTRINE, OR CONTRACTUAL PROVISIONS THAT WOULD REQUIRE THE APPLICATION OF THE LAWS OF A DIFFERENT JURISDICTION.

(d) ~~AS A~~ EACH MEMBER OF NADEX, ~~YOU~~ AGREES THAT ANY ACTION ~~YOU IT BRINGS~~ AGAINST A NADEX PARTY OR AGAINST ANOTHER NADEX MEMBER WILL BE RESOLVED BY BINDING ARBITRATION, IN ACCORDANCE WITH THE RULES OF THIS CHAPTER AND OTHER RULES OF NADEX, IF APPLICABLE.

RULE 10.2 ARBITRATION OF MEMBER-MEMBER DISPUTES

Any dispute, controversy, or claim between or among Members arising out of or relating to transactions on Nadex shall be submitted to binding arbitration in Cook County, Illinois before, and according to the Member arbitration rules of, National Futures Association. The decision of the arbitrator or arbitrators will be final, and judgment upon that decision may be entered in any court of competent jurisdiction. Unless the arbitrator or arbitrators find that one of the parties has acted in bad faith, each party will pay its own expenses.

RULE 10.3 [Unchanged]

RULE 10.4 ARBITRATION OF FCM MEMBER-CUSTOMER DISPUTES

Any dispute, controversy, or claim brought against any FCM Member by a customer may be submitted to binding arbitration in Cook County, Illinois before, and according to the customer arbitration rules of, National Futures Association. The decision of the arbitrator or arbitrators will be final, and judgment upon that decision may be entered in any court of competent jurisdiction. Unless the arbitrator or arbitrators find that one of the parties has acted in bad faith, each party will pay its own expenses.

RULE 10.5 - 10.6 [Unchanged]

CHAPTER 11 COMMISSION REGULATIONS THAT HAVE BEEN ADAPTED TO BE PART OF THE RULES

RULE 11.1 – 11.3 [Unchanged]

CHAPTER 12 TERMS OF CONTRACTS TRADED ON NADEX

RULE 12.1 - 12.95 [Unchanged]

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