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OFFICE OF THE SECRETARIAT

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Nadex, Inc.
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December 9, 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® Submits its Market Maker Agreement – Submission Pursuant to Commission Regulation §40.6(a)

Dear Mr. Stawick:

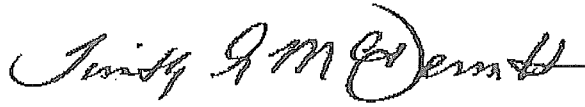
Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (“Act”), and section 40.6(a) of the regulations promulgated by the Commodity Futures Trading Commission (the “Commission”) under the Act (the “Regulations”), North American Derivatives Exchange, Inc. (“Nadex”) hereby submits to the Commission its updated Market Maker Agreement (“Agreement”). In Exhibit A, Nadex has provided a redacted copy of the Agreement between itself and its current market maker, Market Risk Management (“MRM”). Nadex will provide the Commission with a unredacted copy of this agreement under separate cover.

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

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

Should you have any questions regarding the above, please do not hesitate to contact me by telephone at (312) 884-0171 or by email at tim.mcdermott@nadex.com.

Sincerely,



Timothy G. McDermott
General Counsel and Chief Regulatory Officer

cc: DMOSubmission@cftc.gov
Jon Hultquist – CFTC (Acting Branch Chief, DMO, Chicago)
Tom Leahy – CFTC
Riva Adriance – CFTC
Nancy Markowitz – CFTC

Yossi Beinart - Nadex

Exhibit A

MARKET MAKER AGREEMENT

This Market Maker Agreement (“Agreement”) is entered into between North American Derivatives Exchange, Inc., a designated contract market and derivatives clearing organization incorporated in Delaware, with its principle place of business at 311 South Wacker Drive, Suite 2675, Chicago, Illinois 60606 (“Nadex”), and Market Risk Management, LLC, a limited liability company incorporated under the laws of the State of Delaware, with its principle place of business at Cannon Bridge House, 25 Dowgate Hill, London, United Kingdom EC4R 2YA (“Market Maker”), as of October 1, 2010 (the “Effective Date”). Capitalized terms not expressly defined in this Agreement shall have the meaning ascribed to them in the Nadex Rules.

1) Controlling Provisions; Condition Precedent

- a) All of the terms and conditions contained in the Membership application process as well as the Nadex Rules shall regulate all exchange trading activities of a Market Maker unless otherwise provided for in this Agreement, in which case this Agreement shall be controlling.
- b) For avoidance of doubt, Market Maker may not function as a Market Maker under this Agreement unless Market Maker is a Member of Nadex, and notwithstanding any other provision of this Agreement, Market Maker being a Member shall be a condition precedent to the effectiveness of this Agreement.

2) Market Maker Obligations

- a) Beginning on the Effective Date, the Market Maker shall continuously quote binding bid and offer prices at or inside of the maximum spread (“Defined Spread”) at not less than the defined minimum size (“Defined Size”) in the listed Contracts of all Classes to which the Market Maker is assigned as set forth on Appendix A Table 1 (“Designated Classes”), as it may be amended from time to time by mutual agreement of the parties, at all times during which the Designated Classes are open for trading, except as otherwise provided in Section 3 of this Agreement.
- b) The Market Maker acknowledges and agrees not to engage in any activity that would violate the Commodity Exchange Act, as amended (the “Act”), and the Commission’s regulations adopted thereunder. The Market Maker also understands and agrees that this Agreement may be unilaterally modified or cancelled by Nadex for any reason if directed to do so by the Commodity Futures Trading Commission (the “Commission”) in order to comply with the Act and the Commission’s regulations adopted thereunder.
- c) Market Maker shall not knowingly employ any Authorized Traders who are subject to statutory disqualification under Section 8a(3) of the Act.

3) Suspension and Modification of Market Maker Obligations

- a) Market Maker shall not be required to act in accordance with Section 2 during the occurrence of any of the following events (“Suspension Events”):

- (1) The calculation of the Underlying which is the subject of any Designated Class has been suspended;
 - (2) If there is no direct underlying market for a Designated Class or no related market or event upon which to base the prices for a Designated Class, then there is a suspension of the trading of such Designated Class.
 - (3) There exists in the reasonable opinion of Nadex and/or Market Maker such a change, whether or not foreseeable, in national or international financial, political, or economic conditions as would in Nadex and/or Market Maker's view make it impossible to accurately price Contracts in the Designated Class;
 - (4) Where an act of God, war, terrorism, fire, flood, civil disturbance, or act of any governmental authority beyond the control of the Market Maker occurs which prevents the Market Maker from entering bids and offers or prevents Nadex from maintaining an orderly market; or
 - (5) Where any interruption, defect, withdrawal or failure of power supply, trading systems, network, internet connections, computer systems, communications (whether owned or operated by Market Maker, Nadex or any third party) or other similar *force majeure* event prevents Market Maker from entering bids and offers or prevents Nadex and/or Market Maker from maintaining an orderly market
 - (6) The Market Maker has a position in any Designated Class or Contract that equals or exceeds 90% of the applicable position limit for such Designated Class or Contract.
- b) The parties will each inform the other by telephone and subsequently by email as soon as practicable after either of them becomes aware that they believe any of the foregoing Suspension Events has occurred, is ongoing, or ceases to exist.
- c) Market Maker shall not be required to act in accordance with Section 2 during a Fast Market and shall be permitted, at the discretion of the Market Maker, to quote binding bid and offer prices at a wider spread than the Defined Spread. A Fast Market is defined as:
- (1) for any particular Contract, the fifteen (15) minutes prior to expiry of that Contract;
 - (2) the fifteen (15) minutes prior to and the fifteen (15) minutes after the announcement of any major economic indicator;
 - (3) any unusual market condition or price volatility which is determined by Nadex, acting reasonably and in consultation with Market Maker, to prevent the maintenance of an orderly market.
- d) Market Maker also will be permitted to reduce its size below the Defined Size and/or widen its bid and offer prices beyond the Defined Spread:
- (1) 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

(2) 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.

4) Confidentiality

- a) **Confidential Information** means all information, whether written or oral, and in any form (including, without limitation, engineering documents, research and development, manuals, reports, designs, drawings, plans, flowcharts, software (in source or object code), program listings, data file printouts, processes, component part listings and prices, product information, new product plans, sales and marketing plans and/or programs, pricing information, customer lists and other customer information, financial information and employee files or other employee information) relating to the disclosing party's business or technology to receiving party. The term "Confidential Information" also shall be deemed to include a) all notes, analyses, compilations, studies, interpretations, or other documents prepared by recipient or its representatives that contain, reflect or are based upon in whole or in part, the information furnished by or on behalf of disclosing party to recipient pursuant hereto, and b) Confidential Information disclosed prior to, as of or after the date of this Agreement. Confidential Information does not include information; (i) lawfully received from third parties without confidentiality obligation to the disclosing party; (ii) in the public domain other than through breach of the obligation of confidentiality imposed by this Agreement; (iii) independently developed without use of the other party's Confidential Information; or (iv) is lawfully known to the recipient without an obligation of confidentiality at the time recipient receives the same from the disclosing party, as evidenced by written records.
- b) **Return of Confidential Information:** Promptly upon the written request of the discloser, the recipient shall, and shall cause its representatives to, return to the discloser, or destroy all Confidential Information. If the recipient destroys the Confidential Information, it shall certify that it has done so in writing and promptly deliver that certificate to discloser. Despite the provisions of this Section 4b), the recipient may retain one permanent file copy of the Confidential Information of the discloser and any derivative materials if required to do so under any state or federal law or regulation.
- c) **Obligations of Confidentiality:** Each party will (i) use the other's Confidential Information solely to perform its obligations under this Agreement, and disclose the other's Confidential Information only to its agents, contractors, and employees legally bound, in writing, to keep Confidential Information confidential and only to the extent necessary for them to perform this Agreement; (ii) in no event use less than ordinary care to protect the other's Confidential Information against unauthorized disclosure to any third party; and (iii) notify the other of unauthorized use, disclosure, theft or other loss of Confidential Information of which it learns. Confidential Information may be disclosed as required by law, provided that prior to any such disclosure, the recipient will; (i) assert the confidential nature of the Confidential Information to the court or agency; (ii) provide sufficient notice to the disclosing party to permit it to contest the disclosure requirement; and (iii) cooperate with the disclosing party, at the disclosing party's expense, in protecting against any such disclosure and/or obtaining a protective order narrowing the scope of the compelled disclosure and protecting its confidentiality.

d) **Survival:** Despite any other provision of this Agreement, this entire Section 4 Confidentiality survives any termination of this Agreement.

5) Fees

- a) The Market Maker will pay a fee of [] in order to establish a dedicated line.
- b) The Market Maker shall pay transaction-based Exchange Fees to Nadex during the Term of the Agreement. These fees will be set by the fee committee and approved by the Nadex board. "Exchange Fees" are all fees relating to the execution and settlement of transactions on the exchange, including, but not limited to, trading and settlement fees.

6) Minimum Deposit and Maintenance Amount

- a) Market Maker shall be required to have an initial Minimum Deposit of \$500,000 and a Maintenance Amount of \$250,000:
- b) In this Section, "Minimum Deposit" means the amount the Market Maker must initially deposit in order to establish an account at Nadex and "Maintenance Amount" means the minimum amount that must be in the Market Maker's account at all times.

7) Term of Agreement

The term of this Agreement shall be for a term of one year ("Initial Term"), as of the Effective Date. This agreement shall be renewable annually after the Initial Term (collectively "Term") unless prior written notice is presented to the non-terminating party by the terminating party 30 days prior to termination of an Initial Term or Term.

8) Mandatory Arbitration

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

9) Choice of Law

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

By signing this agreement, Market Maker accepts full responsibility for having knowledge of and adhering to all rules and regulations governing Nadex.

North American Derivatives Exchange, Inc.

Market Maker

Signature

Signature

Name

Name

Title

Title

Date

Date

APPENDIX A

Application for Registration as Market Maker in Certain Nadex Designated Class(es)

Member Name: Market Risk Management, LLC

Member Account Number: [REDACTED]

The following is a list of the Designated Class(es) for which the above-named member has requested to assignment as a Market Maker and the Defined Spread and Defined Size applicable to the Designated Classes in accordance with Chapter 4 of the Nadex Rules and this Market Maker Agreement.

Table 1 **Market Maker Designated Classes**

Designated Classes	Maximum Defined Spread	Minimum Defined Size
Binary Contracts		
Intraday, Daily and Weekly Binary Contracts <ul style="list-style-type: none"> • Gold Binary • Silver Binary • Crude Oil Binary • EUR Binary • GBP Binary • CAD Binary • YEN Binary • CHF Binary • Germany 30 Binary • FTSE 100 Binary • Wall Street 30 Binary • US 500 Binary • US Tech 100 Binary 	[REDACTED]	[REDACTED]
Intraday, Daily and Weekly Binary Contracts <ul style="list-style-type: none"> • Copper Binary • Natural Gas Binary • RBOB Gasoline Binary • Corn Binary • Soybeans Binary • Japan 225 • Korea 200 Binary • India 50 	[REDACTED]	[REDACTED]

Designated Classes	Maximum Defined Spread	Minimum Defined Size
Event Contracts		
Event Binary Contracts <ul style="list-style-type: none"> • Core CPI • Federal Funds • Jobless Claims • Unemployment Rate • Non-Farm Payrolls • ECB Rate 	█	██████████
Spreads Contracts		
Spreads (Wide/Narrow) <ul style="list-style-type: none"> • Silver • Germany 30 • FTSE 100 • Wall Street 30 • US 500 • US Tech 100 	██████████	██████████████████
Spreads (Wide/Narrow) <ul style="list-style-type: none"> • Gold • Crude 	██████████	██████████████████
Spreads (Wide/Narrow) <ul style="list-style-type: none"> • Copper • Natural Gas • RBOB Gasoline • Corn • Soybeans • Korea 200 • India 50 • Japan 225 	██████████	██████████████████
FX Bull Spreads (Daily/8-Hour/2-Hour) <ul style="list-style-type: none"> • EUR • GBP • YEN • CHF • CAD 	██████████████████	██████████████████

Signed for and on behalf of Market Maker: _____

Name: _____

Title: _____

Date: _____

Signed for and on behalf of Nadex: _____

Name: _____

Title: _____

Date: _____