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Via E-Mail: submissions@cftc.gov

Ms. Melissa Jurgens
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: Self-Certification Rule Amendments: Nadex Clarifies Investment of Member Funds, Close Time for Fed Funds Binary Contracts, and Holiday Product Schedule Guidelines – Submission Pursuant to Commission Regulation §40.6(a)

Dear Ms. Jurgens:

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”, the “Exchange”) hereby submits to the Commission its intent to amend the language in Chapter 8, Investment of Member Funds, to clarify how funds of Direct Members and FCM clients are held at the Exchange and to correct a citation error to Commission Regulation 22.2. Additionally, Nadex clarifies the close time for its Fed Funds Binary Contracts in Rule 12.76, and the Exchange close time for a Thursday trade day preceding a Friday holiday in its Holiday Product Schedule Guidelines.

In June 2013, following discussions with CFTC Staff Nadex amended several of its Rules to reflect its new requirements as the result of the re-categorization of its products as “swaps”, as that term is defined in the Act section 1a(47) as well as the treatment of the funds of direct members held by Nadex. Among other amendments, Nadex specified that “All funds deposited by Trading Members shall constitute ‘Member Property’ in accordance with CFTC Regulations” (Nadex Rule 3.1(b)). All funds have been held in accordance with this provision since the amended rule became effective in July 2013. At the time these amendments were submitted, Chapter 8 of the Nadex Rules, which deals with the investment of such funds, was amended, but the amendment was poorly drafted. Nadex is now amending this Rule to clearly distinguish between investment of Member Property and any cleared swaps customer collateral that might be held by Nadex. Additionally, Nadex is amending a citation error in this Rule to reflect the correct Commission

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Regulation which sets forth the limitations and conditions for investment of funds as set forth in 22.2(e)(1) rather than 22.2(e)(2), and changing “will pay interest to Members’ accounts” to “may pay interest to Members’ accounts”.

Nadex is amending language describing the close time for its Fed Funds Binary Contracts in Rule 12.76 to clarify that trading in this Contract will end at the end of the trade day on the Last Trading Date. The Rule currently states that trading in the Fed Funds Binary Contracts will stop at 5pm ET on the Last Trading Date, however, this will not always be the case, for example, if the Exchange closes early on the Last Trading Date due to a holiday. Changing the close time to reflect the end of the trade day will alleviate the need for future submissions due to an adjustment in holiday hours that would affect the Fed Funds Binary Contract.

Nadex is amending its Holiday Product Schedule Guidelines to clarify that on a Thursday preceding a Friday holiday, the Exchange will follow a “Friday” schedule and close at 4:15pm ET. Intraday Currency Contracts that would normally expire at 5pm ET on that day will not be listed. Any Daily contract that would have settled on Friday trade date will not be listed.

Nadex has identified the following Designated Contract Market (“DCM”) Core Principles as potentially being impacted by these amendments: Core Principle 2 Compliance with Rules and Core Principle 7 Availability of General Information.

Core Principle 2 requires the DCM to establish rules of the contract market and Core Principle 7 requires the DCM to make those rules available to the public. Nadex has established Exchange rules in its Rulebook, and the amendments in this filing merely clarify its existing Rules regarding the investment of member property and cleared swap customer funds and correct a non-substantive typographical error in a citation to a relevant Regulation. Nadex makes both its Rulebook and Holiday Product Schedule Guidelines public on its website, and will continue to be made available after the amendments are implemented. Therefore, the amendments discussed herein will not negatively impact Nadex’s ability to comply with these Core Principles.

Nadex has identified the following Derivatives Clearing Organization (“DCO”) Core Principle as potentially being impacted by these amendments: 39.21 Public Information. Core Principle 39.21 requires each DCO to have rules and procedures in order to afford market participants sufficient information to evaluate the risks and costs associated with the DCO’s services. In addition, like DCM Core Principle 7, DCO Principle 39.21 requires the DCO to make public its Rulebook and other information relevant to participation in the activities of the DCO. As the amendments discussed herein are being made to clearly characterize the investment of funds described in Nadex’s established Rules, and because the Rulebook and Holiday Product Schedule Guidelines will remain on the website for public viewing, these amendments will not negatively impact Nadex’s ability to comply with this Core Principle.

Pursuant to the 10-day filing period under Regulation 40.6(a)(3), Nadex intends to implement these amendments on trade date May 27, 2014 .

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These Rule changes have been outlined in Exhibit A. The amendments to the Rulebook are set forth in Exhibit B. Amendments to the Holiday Product Schedule Guidelines are set forth in Exhibit C. Any deletions to the Rulebook or Fee Schedule are stricken out while the amendments and/or additions are underlined.

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

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

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

Should you have any questions regarding the above, please do not hesitate to contact me 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

Tom Leahy – CFTC

Nancy Markowitz – CFTC

Eileen Donovan - CFTC

John Austin – Nadex

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EXHIBIT A

Rule	Asset	Duration/ Close Time	Action	Effective Date
8	Investment of Member Account Funds	N/A	Clarify funds of Direct Members and funds of FCM Clients; correct error in Commission Regulation citation.	5/27/2014
12.76	Fed Funds Binary Contracts	Last Trading Date	Clarify that trading will end at end of trade day on the Last Trading Date (rather than 5pm).	5/27/2014

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EXHIBIT B

Amendment of Chapter 8 and 12.76

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

RULES 1.1 – 7.2 [UNCHANGED]

CHAPTER 8 INVESTMENT OF MEMBER ACCOUNT FUNDS

Direct Trading Member funds on deposit with Nadex and funds in the Nadex settlement account (i.e., the account containing the funds paid by Members to purchase Contracts and which are to be used to pay Members holding in-the-money Contracts at expiration) will be segregated as Member Property, as that term is defined in CFTC Regulation 190.09(a), in cleared swap proprietary accounts, and funds of Cleared Swap Customers will be segregated as cleared swaps customer collateral in accordance with the Commission's Regulations. Nadex may invest such funds subject to the limitations and conditions set forth in Commission Regulations 22.2(e)(~~2~~1) and 1.25. Nadex ~~will~~may pay interest to Members' accounts at a floating rate to be determined by Nadex on funds in Members' Nadex accounts in excess of an amount to be determined by Nadex. Nadex will retain all profit from investment of Member funds not paid to Members in accordance with the preceding sentence.

RULES 9.1 – 12.75 [UNCHANGED]

RULE 12.76 FEDERAL FUNDS BINARY CONTRACTS

(a) SCOPE – These Rules shall apply to the Class of Contracts referred to as the Federal Funds Binary Contract issued by Nadex.

(b) UNDERLYING – The Underlying for this Class of Contracts is the Target Federal Funds Rate last reported by the Source Agency.

(c) SOURCE AGENCY – The Source Agency is the Federal Open Market Committee of the Federal Reserve (the "FOMC").

(d) TYPE – The type of Contract is a Binary Contract.

(e) ISSUANCE – For each planned release by the Source Agency of the Underlying, Nadex will issue various Contracts, each of a different Series. A new issuance of Contracts will commence no sooner than 10 business days prior to the first day of the next scheduled FOMC meeting.

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

(i) CYCLICAL FEDERAL FUNDS BINARY CONTRACTS

(1) At the commencement of trading in a Federal Funds Binary Contract, Nadex shall list all eligible Payout Criteria in a range of three (3) consecutive increments of .25% with the maximum value of the Payout Criteria not to exceed 10% and the minimum value of the Payout Criteria not to fall below zero (0). For example, Nadex may list the following range of Payout Criteria: 0.25%, 0.50%, and 0.75%. For the following release, Nadex may list the following range of Payout Criteria: 1.00%, 1.25%, and 1.50%. The payout criteria will be as follows:

(2) Binary Contract 1: One Contract will have a Payout Criterion less than or equal to X1.

(3) Binary Contract 2: One Contract will have a Payout Criterion of equal to X2.

(4) Binary Contract 3: One Contract will have a Payout Criterion of greater than or equal to X3.

(5) In each case above, “X1” equals the first Payout Criteria listed, “X2” equals the second Payout Criteria listed, and “X3” equals the third Payout Criteria listed. In the first example above, X1 is 0.25%, X2 is 0.50%, and X3 is 0.75%.

(ii) Nadex may list additional Federal Funds Rate Binary Contracts with different ranges of Payout Criteria on a discretionary basis in accordance with the CEA and Commission Regulations.

(g) MINIMUM TICK - The Minimum Tick size for Federal Funds Rate Binary Contracts shall be \$0.25.

(h) REPORTING LEVEL - The Reporting Level for Federal Funds Rate Binary Contracts shall be 12,500 Contracts.

(i) POSITION LIMIT – There are currently no Position Limits for the Federal Funds Rate Binary Contracts.

(j) LAST TRADING DATE – The Last Trading Date in a Series is the business date prior to the first day of the scheduled FOMC meeting at the time the contract is listed. The Federal Funds Contracts will stop trading at the end of the trade day on the Last Trading Date ~~at 5:00PM ET~~. No trading in a Federal Funds Rate Binary Contract may occur after its Last Trading Date.

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(k) SETTLEMENT DATE – The Settlement Date for each Series will be the last business day of the scheduled FOMC meeting and the Target Federal Funds Rate data release by the Source Agency.

(l) EXPIRATION DATE – The Expiration Date of the Contract will be the date on which the FOMC meeting is scheduled to release the FOMC number (whether such number is actually released or not).

(m) SETTLEMENT VALUE – The Settlement Value is the amount paid to the holder of the in-the-money Contract on the Settlement Date. The Settlement Value for Federal Funds Rate Binary Contracts is \$100.

(n) EXPIRATION VALUE – The Expiration Value is the last announced level of the Target Federal Funds Rate by the Source Agency on the Expiration Date. If the level is announced as a range between X and Y %, Nadex will use the upper value of the range, Y%, as the expiration value. For example, if the Target Federal Funds Rate is announced as “0% to 0.25%”, the expiration value used by Nadex will be 0.25%.

(o) CONTINGENCIES – If no level is actually announced by the Source Agency on the Expiration Date (because the FOMC meeting is unexpectedly delayed, postponed, or otherwise) the previously announced level (which is the last announced level on the Expiration Date) will be used. Expiration and settlement will not be delayed if the level scheduled to be announced is not actually announced.

RULES 12.77 – 12.78 [UNCHANGED]

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EXHIBIT C

Product Schedule Guidelines for Holidays

Below are the rules outlining the changes to product listing and/or settlement schedules for Nadex products due to US and foreign public and exchange holidays. In instances of an underlying market closing early, the Exchange will adjust its contracts accordingly to reflect this early close. In any week for which there are three or more holidays in the same underlying market resulting in the closure of that market and/or a holiday observed by Nadex, whether consecutive or not, no weekly contracts for products based on that underlying market will be listed for that week. If there are any product specific exceptions for a certain holiday not outlined below, Nadex will submit those exceptions to the CFTC separately as needed.

1. For US holidays that fall on a Monday, Nadex will observe the following business hours:
 - Monday trade date (holiday): The Exchange will be closed for Monday's trade date (from 6pm Sunday to 5pm ET Monday).
 - Tuesday trade date: The Exchange will observe regular business hours. Unless otherwise specified below, all contracts listed on this date will open and close at their regular times and weekly contracts listed on this date will have a settlement date of Friday of the current week. Exceptions are as follows:
 - All Daily and Weekly Nymex/Comex-based Commodity, FTSE 100, Germany 30, and U.S. Equity Index contracts will open at 3am ET and close at their regular times.
 - All Daily and Weekly Currency contracts will open at 6pm ET and close at their regular times. The Daily Currency 7:00pm ET close time Binary contract which would normally expire at 7:00pm ET on Tuesday's trade date (Monday evening) will not be listed.
 - All Event contracts listed on this date will open at 3am ET and close at their regular times.

2. For US holidays that fall on a Friday, Nadex will observe the following business hours:
 - Monday trade date (preceding the holiday): The Exchange will observe regular business hours. All Weekly contracts listed on this date will have a settlement date of Thursday of the current week, or the last available trade day if Thursday is also a holiday for which the Exchange is closed, and will expire at their regular expiration times.
 - Thursday trade date: The Exchange will close at 4:15pm ET on Thursday's trade date. No 2-hour Intraday Currency contracts which would normally expire at 5pm ET will be listed on this day. Daily Currency Binary contracts which would

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normally expire at 7pm ET and 11pm ET will not be listed on Wednesday for Thursday's trade date.

- Friday trade date (holiday): The Exchange will be closed for Friday's trade date. ~~(from 6pm Thursday to 4:15pm ET Friday).~~

3. For US Thanksgiving holiday on Thursday, Nadex will observe the following business hours:

- Monday trade date (preceding the holiday): The Exchange will observe regular business hours. All Weekly contracts listed on this date will have a settlement date of Friday of the current week, with the exception of any contracts not available for trading on Friday, which will have a settlement date of Wednesday of the current week.
- Wednesday trade date (preceding the holiday): No Daily Currency Binary contracts which would expire at 7pm ET, 11pm ET, 3am ET, 7am ET, 11am ET, or 3pm ET will be listed on Wednesday.
- Thursday trade date (holiday): The Exchange will be closed for Thursday's trade date (from 6pm Wednesday to 5pm ET Thursday).
- Friday trade date: The Exchange will open at 8am ET. Unless otherwise specified below, all contracts listed on this date will open and close at their regular times. Exceptions are as follows:
 - No Japan 225 contracts will be offered on this trade date.
 - All Daily and Weekly Nymex/Comex-based Commodity, FTSE 100, Germany 30, and U.S. Equity Index contracts will open at 8am ET and close at their regular times. All Weekly Currency and Daily Currency Variable Payout Contracts will open at 8am and close at their regular times.
 - No Daily Currency Binary contracts will be available for trading on Friday, with the exception of the 3pm ET close time contract which will open at 8am ET and close at 3pm ET.

4. For foreign public and exchange holidays that result in closure of the underlying market on which our products are based, Nadex will observe the following business hours:

- Monday holiday:
 - Monday trade date (holiday): The Exchange will observe regular business hours. No contracts will be offered for Monday's trade date for products based on the underlying market that is closed due to the foreign holiday.
- Tuesday trade date: The Exchange will observe regular business hours. Unless otherwise specified below, all contracts listed on this date will open and close at their regular times and weekly contracts listed on this date will have a settlement date of Friday of the current week. ~~Exceptions are as follows:~~

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- ~~• All Daily and Weekly FTSE 100 and Germany 30 contracts will open at 3am ET and close at their regular times.~~
- Friday holiday:
 - Monday trade date (preceding the holiday): The Exchange will observe regular business hours. All Weekly contracts listed on this date for products based on the underlying market that is closed due to the foreign holiday will have a settlement date of Thursday of the current week, or the last available trade day if Thursday is also a holiday for which the underlying market is closed.
 - Friday trade date (holiday): The Exchange will observe regular business hours. No contracts will be offered for Friday's trade date for products based on the underlying market that is closed due to the foreign holiday.
- Tuesday, Wednesday, or Thursday holiday:
 - Monday trade date (preceding the holiday): The Exchange will observe regular business hours. All contracts listed on this date will open and close at their regular times and weekly contracts listed on this date will have a settlement date of Friday of the current week.
 - Tuesday, Wednesday, or Thursday trade date (holiday): The Exchange will observe regular business hours. No contracts will be offered on this trade date for products based on the underlying market that is closed due to the foreign holiday. Weekly contracts listed for this week will be closed on this trade date.

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