

**EXHIBIT A**

<b>Rule</b>	<b>Rule Heading</b>	<b>Action</b>	<b>Effective Date</b>
1.1	Definitions	Add definition for “Event Date” and “Event Derivative”; renumber definitions	1/4/2012
4.4	Obligations of Market Makers	Include new Political Contract Binary Contracts in list of products eligible for alternative position limits for Market Makers.	1/4/2012
12.78-12.89	[RESERVED]	Reserved for future use.	
12.90	Democratic Majority in the United States House of Representatives Binary Contracts	Add new rule for Democratic Majority in the United States House of Representatives Binary Contracts.	1/4/2012
12.91	Republican Majority in the United States House of Representatives Binary Contracts	Add new rule for Republican Majority in the United States House of Representatives Binary Contracts.	1/4/2012
12.92	Democratic Majority in the United States Senate Binary Contracts	Add new rule for Democratic Majority in the United States Senate Binary Contracts.	1/4/2012
12.93	Republican Majority in the United States Senate Binary Contracts	Add new rule for Republican Majority in the United States Senate Binary Contracts.	1/4/2012
12.94	United States Presidency Binary Contracts	Add new rule for United States Presidency Binary Contracts.	1/4/2012

## **EXHIBIT B**

### **Amendment of Rules 1.1, 4.4, 12.90 – 12.94**

### **Addition of 12.79-12.89 [Reserved]**

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

#### **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) **“Binary Contract”** means the right to receive a fixed Settlement Value per contract, from Nadex on the Settlement Date dependent upon whether you are holding a long position or short position in a Binary Contract. If you are holding a long position in a Binary Contract, you have the right to receive a fixed Settlement Value from Nadex on the Settlement Date, if, and only if, the Binary Contract’s Payout Criteria encompasses the Expiration Value at Expiration. Conversely, if you are holding a short position in a Binary Contract, you have the right to receive a fixed Settlement Value if, and only if, the Binary Contract’s Payout Criteria does NOT encompass the Expiration Value at Expiration.

(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 at Expiration, the Cap will be the Expiration Value.

(d) **“Class”** means all Contracts of the same Type with the same Underlying.

(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) **“Dollar Multiplier”** means the monetary amount by which the rate, level, amount, measure, or other value of an Underlying of a Variable Payout Contract is multiplied to determine the Settlement Value.

(j)~~(i)~~ **“Event Date”** means, for an Event Derivative Contract, the date of the underlying event or occurrence, as set forth in the terms and conditions for the Contract.

(k)~~(j)~~ **“Event Derivative”** means a Binary Contract that has an Underlying that is an event.

(l)~~(i)~~ **“Expiration”** means the time on the Expiration Date established by these Rules at which a Contract expires and the Expiration Value of that Contract is determined.

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

(n)~~(l)~~ **“Expiration Value”** means the rate, level, amount, measure, or other value of the Underlying at Expiration as calculated and/or published by the Source Agency.

(o)~~(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.

(p)~~(n)~~ **“Financial Institution”** means a financial institution as that term is defined in 31 CFR 103.11(n) that is required to comply with the regulations issued by the United States Department of Treasury under the Bank Secrecy Act including, but not limited to, the anti-money laundering program and customer identification program rules.

(q)~~(o)~~ **“Floor”** means the minimum 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 falls below the Floor on the Expiration Date, the Floor will be the Expiration Value.

(r)~~(p)~~ **“Last Trading Day”** means, for a particular Contract, the last date on which that Contract may be traded on the Market.

(s)~~(q)~~ **“Long Variable Payout Contract”** means (i) the right to receive at the time the Contract is closed or on the Settlement Date any positive number resulting from subtracting the Opening Trade Value from (A) the Closing Trade Value, if the Variable Payout Contract was closed by an offsetting transaction before Expiration, or (B) the Expiration Value, if the Variable Payout Contract was held to Expiration, and then multiplying the resulting figure by the Dollar Multiplier and (ii) the obligation to pay at the time the contract is closed or on the Settlement Date any positive number resulting from subtracting from the Opening Trade Value (A) the Closing Trade Value, if the Variable Payout Contract was closed by an offsetting transaction before Expiration, or (B) the Expiration Value, if the Variable Payout Contract was held to Expiration, and then multiplying the resulting figure by the Dollar Multiplier.

(t)~~(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.

(u)~~(s)~~ **“Member”** means a Person who is approved by Nadex to be a Trading Member or a FCM Member and who is bound by these Rules as they may be amended from time to time.

~~(v)(t)~~ **“Opening Trade Value”** means the rate, level, amount, measure, or other value of the Underlying of a Variable Payout Contract at which the Contract is opened in a Member’s account.

~~(w)(u)~~ **“Payout Criterion”** of a Contract means the Expiration Value or range of Expiration Values that will cause that Contract to pay a Settlement Value to the holder of a long position or the holder of a short position in such Contract. The holder of a long or short position in a Contract that receives a Settlement Value is considered to be “in-the-money” while the holder of either a long or short position in a Contract that does NOT receive a Settlement Value is considered to be “out-of-the-money”.

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

~~(y)(w)~~ **“Regulatory Agency”** means any government body, including the Commission and Securities and Exchange Commission, and any organization, whether domestic or foreign, granted authority under statutory or regulatory provisions to regulate its own activities and the activities of its members, and includes Nadex, any other clearing organization or contract market, any national securities exchange or clearing agency, the National Futures Association (“NFA”) and the Financial Industry Regulatory Authority (“FINRA”).

~~(z)(x)~~ **“Series”** means all Contracts of the same Class having identical terms, including Payout Criterion and Expiration Date.

~~(aa)(y)~~ **“Settlement Date”** means the date on which money is paid to the account of a Member who has the right to receive money pursuant to a Variable Payout Contract or Binary Contract held until Expiration, and on which money is paid from the account of a Member who is obligated to pay money pursuant to a Variable Payout Contract held until Expiration. Unless otherwise specified in these Rules, the Settlement Date is the same day as the Expiration Date.

~~(bb)(z)~~ **“Settlement Value”** means the amount paid to the 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.

~~(cc)(aa)~~ **“Short Variable Payout Contract”** means (i) the right to receive at the time the Contract is closed or on the Settlement Date any positive number resulting from subtracting from the Opening Trade Value (A) the Closing Trade Value, if the Variable Payout Contract was closed by an offsetting transaction before Expiration, or (B) the Expiration Value, if the Variable Payout Contract was held to Expiration, and then multiplying the resulting figure by the Dollar Multiplier and (ii) the obligation to pay at the time the Contract is closed or on the Settlement Date any positive number resulting from subtracting the Opening Trade Value from (A) the Closing Trade Value, if the Variable Payout Contract was closed by an offsetting transaction before Expiration, or (B) the Expiration Value, if the Variable Payout Contract was held to Expiration, then multiplying the resulting figure by the Dollar Multiplier.

~~(dd)(bb)~~ **“Source Agency”** means the agency that publishes the Underlying economic indicator and/or Expiration Value for any Contract.

~~(ee)~~**“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 Commission.

~~(ff)~~**“Trade Day”** means the regular trading session on any given calendar date and the evening session, if any, on the immediately preceding calendar date, as specified in Rule 5.11.

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

~~(hh)~~**“Type”** means the classification of a Contract as a Variable Payout Contract or a Binary Contract.

~~(ii)~~**“Underlying”** means the index, rate, risk, measure, instrument, differential, indicator, value, contingency, occurrence, or extent of an occurrence the Expiration Value of which determines whether (and, in the case of a Variable Payout Contract, to what extent) a Contract is in-the-money.

~~(jj)~~**“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)” or “Narrow Spread(s)”).

~~(kk)~~**“12PM” or “12:00 PM”** means 12:00 Noon

RULE 2.1 – 4.3 [Unchanged]

#### RULE 4.4 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 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.

(iii)All such Market Maker quotations shall be submitted as “Post-Only orders”. In the event a Market Maker has built of position size equal to or greater than 90% of any applicable position limit in a particular Class or Contract, then that Market Maker may submit non-Post-Only orders (that is, traditional limit orders) for such Class or Contract until the Market Maker’s position in such Class or Contract has been reduced to 75% of the applicable position limit, at which point the Market Maker’s obligation to submit Post-Only orders will resume.

(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.

(d) Alternative Position Limits for Certain Binary Contracts

(i) Approved market makers who are engaged in bona fide market-making activity shall be exempt from the position limits for those Binary Contracts defined in

- a. Rules 12.90 (Democratic House Majority Binary Contracts), 12.91 (Republican House Majority Binary Contracts), 12.92 (Democratic Senate Majority Binary Contracts), 12.93 (Republican Senate Majority Binary Contracts), and 12.94 (United States Presidency Binary Contracts) of these Rules. Instead, such market makers shall be subject to Alternative Position Limits of four times the limit identified for such Binary Contract in Chapter 12. In addition, such Alternative Position Limits shall apply not to the entire class of Binary Contracts, but to each Binary Contract in that Class (i.e., per strike).
- b. Rules 12.55 (Japan 225), 12.57 (Korea 200), 12.64 (Wall Street 30), 12.63 (US Tech 100), 12.59 (US 500), and 12.61 (US SmallCap 2000) of these Rules. Instead, such market makers shall be subject to Alternative Position Limits of twice the limit identified for such Binary Contract in Chapter 12. In addition, such Alternative Position Limits shall apply not to the entire class of Binary Contracts, but to each Binary Contract in that Class (i.e., per strike).
- c. Rules 12.3 (Copper), 12.5 (Gold), 12.7 (Silver), 12.9 (Crude Oil), 12.11 (Natural Gas), 12.49 (FTSE 100) and 12.51 (Germany 30) of these Rules. Instead, such market makers shall be subject to Alternative Position Limits of the limit identified for such Binary Contract in Chapter 12, which limit shall apply not to the entire class of Binary Contracts, but to each Binary Contract in that Class (i.e., per strike).

(ii) A market maker taking advantage of this exemption and an Alternative Position Limit must, within 1 business day following a request by Nadex's Compliance Department, provide the Nadex Compliance Department with a trade register detailing all futures trading activity in any account owned or controlled by the market maker in the futures contract underlying a Binary Contract during the 15 minutes immediately before and after any expiration time identified by Nadex's Compliance Department in the request.

RULE 5.1 – 12.78 [Unchanged]

RULE 12.79 – 12.89 [RESERVED]

RULE 12.90 DEMOCRATIC MAJORITY IN THE UNITED STATES HOUSE OF REPRESENTATIVES BINARY CONTRACTS

(a) SCOPE – These Rules shall apply to the Class of Contracts referred to as the Democratic Majority in the United States House of Representatives Event Derivatives<sup>®</sup> Contracts (“Democratic House Majority Contracts”) issued by Nadex.

(b) UNDERLYING – The Underlying for this Class of Contracts is an event, namely whether the Democratic political party holds a majority of the seats in the United States House of Representatives<sup>1</sup> as of the Event Date for this Contract, as calculated by the Source Agency.

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

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

(e) ISSUANCE – For each general federal election of United States Representatives, Nadex will issue a Democratic House Majority Contract based on a future Event Date. Nadex may issue a new Democratic House Majority Contract that will commence no sooner than two (2) business days following the Expiration Date.

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

(i) DEMOCRATIC HOUSE MAJORITY EVENT DERIVATIVES<sup>®</sup> CONTRACT: One Contract will have a Payout Criterion based on the Number of Democratic Party House Seats  $\geq$  218 as of the Event Date.

(g) MINIMUM TICK - The Minimum Tick size for Democratic House Majority Contracts shall be \$0.25.

(h) REPORTING LEVEL – The Reporting Level for the Democratic House Majority Contracts shall be 1,750 Contracts.

(i) POSITION LIMIT – The Position Limits for the Democratic House Majority Contracts shall be 2,500 Contracts.

(j) LAST TRADING DATE – The Last Trading Date in a Series will be the Election Date established by law<sup>2</sup>. The Democratic House Majority Contracts will stop trading on the Last Trading Date at 5:00PM ET. No trading in the Democratic House Majority Contracts shall occur after the Last Trading Date.

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<sup>1</sup> The House of Representatives currently has 435 seats, with 217.5 being the mid-point. Thus, 218 seats held by Democrats are required for a Democratic majority.

<sup>2</sup> Pursuant to 2 U.S.C. § 7 (“Time of Election”), “The Tuesday next after the 1<sup>st</sup> Monday in November, in every even numbered year, is established as the day for the election, in each of the States and Territories of the United States, of Representatives and Delegates to the Congress commencing on the 3d day of January next thereafter.” For example, for the 2012 election cycle, the Election Date is November 6, 2012.



(k) EVENT DATE – The Event Date is the date of the first meeting of the Congress that includes the newly elected Representatives. According to the 20<sup>th</sup> Amendment to the United States Constitution, the terms of Representatives begin at noon on the 3d day of January. For example, for the 2012 election cycle, the Representatives who are elected on November 6, 2012 will join the 113<sup>th</sup> Congress for its first meeting; the Event Date for this Democratic House Majority Contract will be the date of the first meeting of the 113<sup>th</sup> Congress, which is scheduled to be held on January 3, 2013.

(l) SETTLEMENT DATE – The Settlement Date of the Contract shall be the date that the Expiration Value is announced by the Source Agency.

(m) EXPIRATION DATE – The Expiration Date of the Contract shall be the same date as the Event Date.

(n) SETTLEMENT VALUE – The Settlement Value is the amount paid to the holder of the in-the-money Contract on the Settlement Date. The Settlement Value of an in-the-money Democratic House Majority Contract is \$100.

(o) EXPIRATION VALUE – The Expiration Value is the level of the Underlying – in this case, the number of Democratic Party House Seats on the Event Date -- as announced by the Source Agency on the Expiration Date. The Expiration Value is determined by the Source Agency based upon the declared party affiliation of each Representative. “House seats” refers to voting seats, with non-voting seats held by representatives from American Samoa, Puerto Rico, Guam, the U.S. Virgin Islands or the District of Columbia not being figured into the majority calculation or this contract. A “Democratic Party House Seat” is a seat held by a Representative who is a declared member of the Democratic party. For clarity, a Representative who is a declared Independent or a member of another party but who sits in the Democratic Caucus is not counted as a Democratic Party House Seat. A seat that is vacant on the Event Date is a House Seat, but is not counted as a Democratic Party House Seat.

(p) CONTINGENCIES - If no outcome is announced on the Expiration Date due to a delay, postponement or otherwise in such release announcement by the Source Agency, the Settlement Date will be delayed until the outcome is released for that Series. For example, if the first meeting of the relevant Congress is delayed until after January 3, settlement may be delayed until the first meeting is held and the outcome is determined by the Source Agency.

(q) INELIGIBLE MARKET PARTICIPANTS – No person who has the authority or ability to control or influence the timing or outcome of the Underlying for any Democratic House Majority Contract may enter or attempt to enter any order, either directly or indirectly, to buy or sell any such Contract. “Control” or “influence” means the ability to change the timing or outcome of the Underlying, acting alone or in concert with a small number of others. In particular, the following individuals are specifically precluded from entering or attempting to enter any order, either directly or indirectly, to buy or sell any Democratic House Majority Contract: any declared candidate for any United States House of Representative seat, any sitting United States Representative.

## RULE 12.91 REPUBLICAN MAJORITY IN THE UNITED STATES HOUSE OF REPRESENTATIVES BINARY CONTRACTS

(a) SCOPE – These Rules shall apply to the Class of Contracts referred to as the Republican Majority in the United States House of Representatives Event Derivatives<sup>®</sup> Contracts (“Republican House Majority Contracts”) issued by Nadex.

(b) UNDERLYING – The Underlying for this Class of Contracts is an event, namely whether the Republican political party holds a majority of the seats in the United States House of Representatives<sup>3</sup> as of the Event Date for this Contract, as calculated by the Source Agency.

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

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

(e) ISSUANCE – For each general federal election of United States Representatives, Nadex will issue a Republican House Majority Contract based on a future Event Date. Nadex may issue a new Republican House Majority Contract that will commence no sooner than two (2) business days following the Expiration Date.

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

(i) REPUBLICAN HOUSE MAJORITY EVENT DERIVATIVES<sup>®</sup> CONTRACT: One Contract will have a Payout Criterion based on the Number of Republican Party House Seats  $\geq$  218 as of the Event Date.

(g) MINIMUM TICK - The Minimum Tick size for Republican House Majority Contracts shall be \$0.25.

(h) REPORTING LEVEL – The Reporting Level for the Republican House Majority Contracts shall be 1,750 Contracts.

(i) POSITION LIMIT – The Position Limits for the Republican House Majority Contracts shall be 2,500 Contracts.

(j) LAST TRADING DATE – The Last Trading Date in a Series will be the Election Date established by law<sup>4</sup>. The Republican House Majority Contracts will stop trading on the Last

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<sup>3</sup> The House of Representatives currently has 435 seats, with 217.5 being the mid-point. Thus, 218 seats held by Republicans are required for a Republican majority.

<sup>4</sup> Pursuant to 2 U.S.C. § 7 (“Time of Election”), “The Tuesday next after the 1<sup>st</sup> Monday in November, in every even numbered year, is established as the day for the election, in each of the States and Territories of the United States, of Representatives and Delegates to the Congress commencing on the 3d day of January next thereafter.” For example, for the 2012 election cycle, the Election Date is November 6, 2012.

Trading Date at 5:00PM ET. No trading in the Republican House Majority Contracts shall occur after the Last Trading Date.

(k) EVENT DATE – The Event Date is the date of the first meeting of the Congress that includes the newly elected Representatives. According to the 20<sup>th</sup> Amendment to the United States Constitution, the terms of Representatives begin at noon on the 3d day of January. For example, for the 2012 election cycle, the Representatives who are elected on November 6, 2012 will join the 113<sup>th</sup> Congress for its first meeting; the Event Date for this Republican House Majority Contract will be the date of the first meeting of the 113<sup>th</sup> Congress, which is scheduled to be held on January 3, 2013.

(l) SETTLEMENT DATE – The Settlement Date of the Contract shall be the date that the Expiration Value is announced by the Source Agency.

(m) EXPIRATION DATE – The Expiration Date of the Contract shall be the same date as the Event Date.

(n) SETTLEMENT VALUE – The Settlement Value is the amount paid to the holder of the in-the-money Contract on the Settlement Date. The Settlement Value of an in-the-money Republican House Majority Contract is \$100.

(o) EXPIRATION VALUE – The Expiration Value is the level of the Underlying – in this case, the number of Republican Party House Seats on the Event Date -- as announced by the Source Agency on the Expiration Date. The Expiration Value is determined by the Source Agency based upon the declared party affiliation of each Representative. “House seats” refers to voting seats, with non-voting seats held by representatives from American Samoa, Puerto Rico, Guam, the U.S. Virgin Islands or the District of Columbia not being figured into the majority calculation or this contract. A “Republican Party House Seat” is a seat held by a Representative who is a declared member of the Republican party. For clarity, a Representative who is a declared Independent or a member of another party but who sits in the Republican Conference is not counted as a Republican Party House Seat. A seat that is vacant on the Event Date is a House Seat, but is not counted as a Republican Party House Seat.

(p) CONTINGENCIES - If no outcome is announced on the Expiration Date due to a delay, postponement or otherwise in such release announcement by the Source Agency, the Settlement Date will be delayed until the outcome is released for that Series. For example, if the first meeting of the relevant Congress is delayed until after January 3, settlement may be delayed until the first meeting is held and the outcome is determined by the Source Agency.

(q) INELIGIBLE MARKET PARTICIPANTS – No person who has the authority or ability to control or influence the timing or outcome of the Underlying for any Republican House Majority Contract may enter or attempt to enter any order, either directly or indirectly, to buy or sell any such Contract. “Control” or “influence” means the ability to change the timing or outcome of the Underlying, acting alone or in concert with a small number of others. In particular, the following individuals are specifically precluded from entering or attempting to enter any order, either directly or indirectly, to buy or sell any Republican House Majority

Contract: any declared candidate for any United States House of Representative seat, any sitting United States Representative.

## RULE 12.92 DEMOCRATIC MAJORITY IN THE UNITED STATES SENATE BINARY CONTRACTS

(a) SCOPE – These Rules shall apply to the Class of Contracts referred to as the Democratic Majority in the United States Senate Event Derivatives<sup>®</sup> Contracts (“Democratic Senate Majority Contracts”) issued by Nadex.

(b) UNDERLYING – The Underlying for this Class of Contracts is an event, namely whether the Democratic political party holds a majority of the seats in the United States Senate<sup>5</sup> as of the Event Date for this Contract, as calculated by the Source Agency.

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

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

(e) ISSUANCE - For each general federal election of United States Senators, Nadex will issue a Democratic Senate Majority Contract based on a future Event Date. Nadex may issue a new Democratic Senate Majority Contract that will commence no sooner than two (2) business days following the Expiration Date.

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

(i) DEMOCRATIC SENATE MAJORITY EVENT DERIVATIVES<sup>®</sup> CONTRACT: One Contract will have a Payout Criterion based on the Number of Democratic Party Senate Seats  $\geq$  51 as of the Event Date.

(g) MINIMUM TICK - The Minimum Tick size for Democratic Senate Majority Contracts shall be \$0.25.

(h) REPORTING LEVEL – The Reporting Level for the Democratic Senate Majority Contracts shall be 1,750 Contracts.

(i) POSITION LIMIT – The Position Limits for the Democratic Senate Majority Contracts shall be 2,500 Contracts.

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<sup>5</sup> The Senate has 100 seats, with 50 being the mid-point. While the Vice President of the United States serves as the President of the Senate, the Vice President will not be considered in the calculation of the total number of Senate seats or the Expiration Value determination for a Senate Majority Contract. Thus, 51 seats are needed for a Senate majority with respect to a Senate Majority Contract.

(j) LAST TRADING DATE – The Last Trading Date in a Series will be the Election Date established by law<sup>6</sup>. The Democratic Senate Majority Contracts will stop trading on the Last Trading Date at 5:00PM ET. No trading in the Democratic Senate Majority Contracts shall occur after the Last Trading Date.

(k) EVENT DATE –The Event Date is the date of the first meeting of the Congress that includes the newly elected Senators. According to the 20<sup>th</sup> Amendment to the United States Constitution, the terms of Senators begin at noon on the 3d day of January. For example, for the 2012 election cycle, the Senators who are elected on November 6, 2012 will join the 113<sup>th</sup> Congress for its first meeting; the Event Date for this Democratic Senate Majority Contract will be the date of the first meeting of the 113<sup>th</sup> Congress, which is scheduled to be held on January 3, 2013.

(l) SETTLEMENT DATE – The Settlement Date of the Contract shall be the date that the Expiration Value is announced by the Source Agency.

(m) EXPIRATION DATE – The Expiration Date of the Contract shall be the same date as the Event Date.

(n) SETTLEMENT VALUE – The Settlement Value is the amount paid to the holder of the in-the-money Contract on the Settlement Date. The Settlement Value of an in-the-money Democratic Senate Majority Contract is \$100.

(o) EXPIRATION VALUE –The Expiration Value is the level of the Underlying – in this case, the number of Democratic Party Senate Seats on the Event Date -- as announced by the Source Agency on the Expiration Date. The Expiration Value is determined by the Source Agency based upon the declared party affiliation of each Senator. “Senate Seats” refers to voting seats, with non-voting seats held by “Shadow Senators” from the District of Columbia not being figured into the majority calculation for this contract. A “Democratic Party Senate Seat” is a seat held by a Senator who is a declared member of the Democratic party. For clarity, a Senator who is a declared Independent or a member of another party but who sits in the Senate Democratic Caucus is not counted as a Democratic Party Senate Seat. A seat that is vacant on the Event Date is a Senate Seat, but is not counted as a Democratic Party Senate Seat.

(p) CONTINGENCIES - If no outcome is actually announced on the Expiration Date due to a delay, postponement or otherwise in such release announcement by the Source Agency, the Settlement Date will be delayed until the outcome is released for that Series. For example, if the first meeting of the relevant Congress is delayed until after January 3, settlement may be delayed until the first meeting is held and the outcome is determined by the Source Agency.

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<sup>6</sup> Pursuant to 2 U.S.C. §1 (“Time for Election of Senators”), “At the regular election held in any State next preceding the expiration of the term for which any Senator was elected to represent such State in Congress, at which election a Representative to Congress is regularly by law to be chosen, a United States Senator from said State shall be elected by the people thereof for the term commencing on the 3d day of January next thereafter.” For example, for the 2012 election cycle, the Election Date is November 6, 2012.

(q) INELIGIBLE MARKET PARTICIPANTS – No person who has the authority or ability to control or influence the timing or outcome of the Underlying for any Democratic Senate Majority Contract may enter or attempt to enter any order, either directly or indirectly, to buy or sell any such Contract. “Control” or “influence” means the ability to change the timing or outcome of the Underlying, acting alone or in concert with a small number of others. In particular, the following individuals are specifically precluded from entering or attempting to enter any order, either directly or indirectly, to buy or sell any Democratic Senate Majority Contract: any declared candidate for any United States Senate seat, any sitting United States Senator.

#### RULE 12.93 REPUBLICAN MAJORITY IN THE UNITED STATES SENATE BINARY CONTRACTS

(a) SCOPE – These Rules shall apply to the Class of Contracts referred to as the Republican Majority in the United States Senate Event Derivatives<sup>®</sup> Contracts (“Republican Senate Majority Contracts”) issued by Nadex.

(b) UNDERLYING – The Underlying for this Class of Contracts is an event, namely whether the Republican political party holds a majority of the seats in the United States Senate<sup>7</sup> as of the Event Date for this Contract, as calculated by the Source Agency.

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

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

(e) ISSUANCE - For each general federal election of United States Senators, Nadex will issue a Republican Senate Majority Contract based on a future Event Date. Nadex may issue a new Republican Senate Majority Contract that will commence no sooner than two (2) business days following the Expiration Date.

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

(i) REPUBLICAN SENATE MAJORITY EVENT DERIVATIVES<sup>®</sup> CONTRACT: One Contract will have a Payout Criterion based on the Number of Republican Party Senate Seats  $\geq$  51 as of the Event Date.

(g) MINIMUM TICK - The Minimum Tick size for Republican Senate Majority Contracts shall be \$0.25.

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<sup>7</sup> The Senate has 100 seats, with 50 being the mid-point. While the Vice President of the United States serves as the President of the Senate, the Vice President will not be considered in the calculation of the total number of Senate seats or the Expiration Value determination for a Senate Majority Contract. Thus, 51 seats are needed for a Senate majority with respect to a Senate Majority Contract.

(h) REPORTING LEVEL – The Reporting Level for the Republican Senate Majority Contracts shall be 1,750 Contracts.

(i) POSITION LIMIT – The Position Limits for the Republican Senate Majority Contracts shall be 2,500 Contracts.

(j) LAST TRADING DATE – The Last Trading Date in a Series will be the Election Date established by law<sup>8</sup>. The Republican Senate Majority Contracts will stop trading on the Last Trading Date at 5:00PM ET. No trading in the Republican Senate Majority Contracts shall occur after the Last Trading Date.

(k) EVENT DATE – The Event Date is the date of the first meeting of the Congress that includes the newly elected Senators. According to the 20<sup>th</sup> Amendment to the United States Constitution, the terms of Senators begin at noon on the 3<sup>rd</sup> day of January. For example, for the 2012 election cycle, the Senators who are elected on November 6, 2012 will join the 113<sup>th</sup> Congress for its first meeting; the Event Date for this Republican Senate Majority Contract will be the date of the first meeting of the 113<sup>th</sup> Congress, which is scheduled to be held on January 3, 2013.

(l) SETTLEMENT DATE – The Settlement Date of the Contract shall be the date that the Expiration Value is announced by the Source Agency.

(m) EXPIRATION DATE – The Expiration Date of the Contract shall be the same date as the Event Date.

(n) SETTLEMENT VALUE – The Settlement Value is the amount paid to the holder of the in-the-money Contract on the Settlement Date. The Settlement Value of an in-the-money Republican Senate Majority Contract is \$100.

(o) EXPIRATION VALUE – The Expiration Value is the level of the Underlying – in this case, the number of Republican Party Senate Seats on the Event Date -- as announced by the Source Agency on the Expiration Date. The Expiration Value is determined by the Source Agency based upon the declared party affiliation of each Senator. “Senate Seats” refers to voting seats, with non-voting seats held by “Shadow Senators” from the District of Columbia not being figured into the majority calculation for this contract. A “Republican Party Senate Seat” is a seat held by a Senator who is a declared member of the Republican party. For clarity, a Senator who is a declared Independent or a member of another party but who sits in the Senate Republican Conference is not counted as a Republican Party Senate Seat. A seat that is vacant on the Event Date is a Senate Seat, but is not counted as a Republican Party Senate Seat.

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<sup>8</sup> Pursuant to 2 U.S.C. §1 (“Time for Election of Senators”), “At the regular election held in any State next preceding the expiration of the term for which any Senator was elected to represent such State in Congress, at which election a Representative to Congress is regularly by law to be chosen, a United States Senator from said State shall be elected by the people thereof for the term commencing on the 3d day of January next thereafter.” For example, for the 2012 election cycle, the Election Date is November 6, 2012.

(p) CONTINGENCIES - If no outcome is actually announced on the Expiration Date due to a delay, postponement or otherwise in such release announcement by the Source Agency, the Settlement Date will be delayed until the outcome is released for that Series. For example, if the first meeting of the relevant Congress is delayed until after January 3, settlement may be delayed until the first meeting is held and the outcome is determined by the Source Agency.

(q) INELIGIBLE MARKET PARTICIPANTS – No person who has the authority or ability to control or influence the timing or outcome of the Underlying for any Republican Senate Majority Contract may enter or attempt to enter any order, either directly or indirectly, to buy or sell any such Contract. “Control” or “influence” means the ability to change the timing or outcome of the Underlying, acting alone or in concert with a small number of others. In particular, the following individuals are specifically precluded from entering or attempting to enter any order, either directly or indirectly, to buy or sell any Republican Senate Majority Contract: any declared candidate for any United States Senate seat, any sitting United States Senator.

#### RULE 12.94 UNITED STATES PRESIDENCY BINARY CONTRACTS

(a) SCOPE – These Rules shall apply to the Class of Contracts referred to as the United States Presidency Event Derivatives<sup>®</sup> Contracts (“Presidential Election Contracts”) issued by Nadex.

(b) UNDERLYING – The Underlying for this Class of Contracts is an event, namely whether a specified candidate wins the United States Presidency in the next presidential election, as calculated by the Source Agency.

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

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

(e) ISSUANCE - For each general federal election for the office of the President of the United States, Nadex will issue various Presidential Election Contracts, each of a different Series. Nadex may issue new Presidential Election Contracts that will commence no sooner than two (2) business days following the Expiration Date.

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

##### (i) PRESIDENTIAL ELECTION EVENT DERIVATIVES<sup>®</sup> CONTRACTS

(1) Binary Contract 1: One Contract will have a Payout Criterion of Barack Obama = United States President-elect on the Event Date.

(2) Binary Contract 2: One Contract will have a Payout Criterion of Michele Bachman = United States President-elect on the Event Date.



(3) Binary Contract 3: One Contract will have a Payout Criterion of Newt Gingrich = United States President-elect on the Event Date.

(4) Binary Contract 4: One Contract will have a Payout Criterion of Jon Huntsman = United States President-elect on the Event Date.

(5) Binary Contract 5: One Contract will have a Payout Criterion of Gary Johnson = United States President-elect on the Event Date.

(6) Binary Contract 6: One Contract will have a Payout Criterion of Ron Paul = United States President-elect on the Event Date.

(7) Binary Contract 7: One Contract will have a Payout Criterion of Rick Perry = United States President-elect on the Event Date.

(8) Binary Contract 8: One Contract will have a Payout Criterion of Buddy Roemer = United States President-elect on the Event Date.

(9) Binary Contract 9: One Contract will have a Payout Criterion of Mitt Romney = United States President-elect on the Event Date.

(10) Binary Contract 10: One Contract will have a Payout Criterion of Rick Santorum = United States President-elect on the Event Date.

(ii) Nadex may list additional 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 Presidential Election Contracts shall be \$0.25.

(h) REPORTING LEVEL – The Reporting Level for the Presidential Election Contracts shall be 1,750 Contracts.

(i) POSITION LIMIT – The Position Limits for Presidential Election Contracts shall be 2,500 Contracts.

(j) LAST TRADING DATE – The Last Trading Date in a Series will be the Election Date established by law<sup>9</sup>. The Presidential Election Contracts will stop trading on the Last Trading Date at 5:00PM ET. No trading in the Presidential Election Contracts shall occur after the Last Trading Date.

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<sup>9</sup> Pursuant to 3 U.S.C. §1 (“Time for Appointing Electors”), “The electors of President ... shall be appointed, in each State, on the Tuesday next after the first Monday in November, in every fourth year succeeding every election of a President ...” For example, for the 2012 election cycle, Election Day – i.e., the time for appointing electors – is November 6, 2012.

(k) EVENT DATE – The Event Date is the date of the announcement of the new President-elect in Congress pursuant to the Twelfth Amendment to the U.S. Constitution. For example, for the 2012 election cycle, following the November 6, 2012 election, Electoral Votes are expected to be counted in Congress on January 7, 2013.

(l) SETTLEMENT DATE – The Settlement Date of the Contract shall be the date that the Expiration Value is announced by the Source Agency.

(m) EXPIRATION DATE – The Expiration Date of the Contract shall be the same date as the Event Date.

(n) SETTLEMENT VALUE – The Settlement Value is the amount paid to the holder of the in-the-money Contract on the Settlement Date. The Settlement Value of an in-the-money Presidential Election Contract is \$100.

(o) EXPIRATION VALUE – The Expiration Value is the level of the Underlying – in this case, the announced winner of the Electoral College Vote – as announced by the Source Agency on the Expiration Date. The Expiration Value is determined the Source Agency based upon the announcement by Congress of the results of the election following the counting of Electoral Votes and, if necessary, the further vote in the House of Representatives pursuant to the Twelfth Amendment to the U.S. Constitution.

(p) CONTINGENCIES - If no outcome is actually announced on the Expiration Date due to a delay, postponement or otherwise in such release announcement by the Source Agency, the Settlement Date will be delayed until the outcome is released for that Series.

(q) INELIGIBLE MARKET PARTICIPANTS – No person who has the authority or ability to control or influence the timing or outcome of the Underlying for any Presidential Election Contracts may enter or attempt to enter any order, either directly or indirectly, to buy or sell any such Contract. “Control” or “influence” means the ability to change the timing or outcome of the Underlying, acting alone or in concert with a small number of others. In particular, the following individuals are specifically precluded from entering or attempting to enter any order, either directly or indirectly, to buy or sell any Presidential Election Contracts: any declared candidate for the office of President, any appointed Elector (i.e., member of the Electoral College).

*End of Rulebook.*

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