
NORTH AMERICAN DERIVATIVES EXCHANGE, INC.
NOTICE OF DISCIPLINARY ACTION

FILE NO.: INQ_2018_033

MEMBER: Niket Shah

NADEX RULES:

RULE 3.3 MEMBER OBLIGATIONS

- (a) Each Member and any Authorized Trader(s) thereof, must comply with these Rules, applicable provisions of the Commodity Exchange Act, and relevant Commission regulations. 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. Such cooperation shall include providing Nadex with access to information on the activities of such Member and/or Authorized Trader in any referenced market that provides the underlying prices for any Nadex market. . . .
- (d) Each Member must immediately notify Nadex in writing upon becoming aware:
 - (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 governmental or 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).

RULE 5.19 PROHIBITED TRANSACTIONS AND ACTIVITIES

- (g)(1) No individual Trading member shall trade for a person or entity other than itself and no Authorized Trader of an entity Trading member shall trade for a person or entity other than the entity Trading Member for whom that Person is an Authorized Trader.
- (h) No Person shall engage in any activity that presents a risk of harm to Nadex, its Members, or the public.

- (l) No Person shall create a false appearance of a partnership, agency, employment or affiliate relationship with Nadex and no Person shall unlawfully solicit customer funds for deposit at Nadex.
- (m) No Member may operate or solicit in any capacity that may require registration with the Commodity Futures Trading Commission (CFTC) without being properly registered.

NADEX MEMBERSHIP AGREEMENT

Member Acknowledgements and Authorizations, Section (h):

You acknowledge and agree that You will, following a request by Nadex, promptly provide to Nadex financial or other information as Nadex may reasonably request or as may be required for Nadex to respond to a request for information from the Commodity Futures Trading Commission (“CFTC”) or other regulatory or judicial bodies.

Member Representations, Section (d):

You and, if relevant, Your employees and agents will not trade or otherwise act on behalf of any other person or entity (whether or not a Member) in placing orders on the Nadex System, including by allowing any person not disclosed on the Membership Application to have an economic interest in the trades placed by the Member.

FINDINGS:

The Nadex Compliance Department commenced an investigation into Member Niket Shah (“Shah”) upon notice that Shah and his affiliated company, Spark Trading Group, LLC (“STG”), were the subject of an SEC regulatory action (the “Complaint”). Specifically, Shah and STG were the subject of an asset freeze, preliminary injunction, order against destruction of documents and accounting of all money received from investors, resulting from an alleged Ponzi scheme. The Complaint alleged that since at least March 2017, Shah and STG illegally raised \$250,000 from more than 15 investors, through false or misleading statements. The Complaint further alleged that Shah falsely represented his intentions with the investors’ funds and inappropriately used the funds for private expenses and to make payments to earlier investors in a Ponzi-like scheme. A final judgment was issued on December 20, 2018, finding that Shah falsely claimed that he was registered with the SEC, that the investments of his company were profitable, that investors’ funds were guaranteed, and that Shah and STG received \$250,000 in start-up capital, \$200,000 of which was deposited into a binary options trading account. Additionally, the final judgment also permanently enjoined Shah and STG from further anti-fraud violations and Shah and STG were held jointly liable for disgorgement of \$299,229.00 plus interest of \$24,742.00. The final judgment further required Shah to pay a civil penalty of \$370,944.00. Based on Nadex’s investigation, the Compliance Department concluded that Shah was deceptively soliciting for and accepting customer funds for deposit to his Nadex account, as well as trading on behalf of third parties. Further, the Compliance Department concluded that Shah was acting in a capacity that required Commodity Futures Trading Commission (“CFTC”) registration without being registered appropriately. Additionally, Shah failed to timely inform Nadex that he was a party to the aforementioned SEC Complaint. In addition, Shah failed to comply with Nadex’s investigation when he failed

to respond to the Compliance Department's request for information seeking, among other things, information regarding his trading knowledge and background, the source of funds for his Nadex deposits, and relevant bank statements, regarding the allegations set forth in the SEC Complaint.

Shah violated Nadex Rules 3.3(d) (iv), and (v) when he failed to timely apprise Nadex of the SEC Complaint concerning allegations of fraud. In addition, the Compliance Department concluded that Shah violated Exchange Rules 5.19(g)(1) and Member Representations Section (d) of the Membership Agreement when he permitted third parties to have an economic interest in his Nadex accounts through his pooling of funds and, in turn, attempted to trade his account on behalf of these third parties. The Compliance Department also determined that Shah violated Exchange Rule 5.19(l) and 5.19(m) when Shah, without being properly registered, solicited for customer funds for trading on Nadex and engaged in activity including operating in a manner that required registration with the CFTC. Further, Shah violated Exchange Rule 5.19(h) due to the substantial harm caused to his customers and the public through his fraudulent investment scheme. Lastly, the Compliance Department concluded that Shah violated Rule 3.3(a) and Member Acknowledgements and Authorizations, Section (h) of the Nadex Membership Agreement when he failed to cooperate with the Compliance Department's inquiry regarding the allegations contained in the SEC Complaint.

PENALTY: As a result of the aforementioned violations, Niket Shah has been assessed a \$3,500.00 fine, and his Nadex Membership has been revoked, his account terminated, and he has been permanently banned from trading on Nadex Markets, either directly for his own account or through an intermediary, or as an authorized trader on behalf of any other account.

EFFECTIVE DATE: December 27, 2019