
NORTH AMERICAN DERIVATIVES EXCHANGE, INC.
NOTICE OF DISCIPLINARY ACTION

FILE NO.: TPI_2018_011

MEMBER: Karthikeyan Subramanian

NADEX RULES:

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

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. . . .

RULE 5.19 PROHIBITED TRANSACTIONS AND ACTIVITIES

- (k) No Person shall intentionally provide misleading, erroneous, or fraudulent information to Nadex on a membership application or otherwise.
- (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.

FINDINGS:

In June 2018, the Compliance Department contacted Karthikeyan Subramanian (“Subramanian”), requesting, among other things, general background information, source of funds information, and details regarding his order and trading activity. Subramanian responded to certain inquiries and requests for information. However, Subramanian failed to produce full and complete banking statements, and did not adequately respond to questions regarding his knowledge of FX spot markets. Also, during the course of this investigation, Subramanian provided misleading information to the Compliance Department relative to his connections with other Nadex Members, and provided misleading information to Compliance regarding the information, persons, and/or data he consulted in placing orders on the Exchange.

Additionally, the Compliance Department found that Subramanian allowed another Nadex Member to fund his Nadex account by transferring funds into his bank account which were subsequently transferred to Nadex, thus providing the other Member with a direct economic interest in the activity and trading in his Nadex account. Further, this investigation revealed that Subramanian executed trades in his Nadex account with funds that would not have been available to him in the bank account on record, but for the funding from another Nadex Member, traded his account on behalf of the other Member, and subsequently transferred his trading profits back to the other Member after withdrawing funds from his Nadex account.

Based on Nadex’s investigation, the Compliance Department concluded that Karthikeyan Subramanian violated Exchange Rule 5.19(k) when he provided false and/or incomplete information related to his connections with other Nadex Members, and to third-party sources that informed his order and trade activity on the Exchange. The Compliance Department also concluded that Subramanian violated Member Acknowledgements and Authorizations, Section (h) of the Nadex Membership Agreement and Exchange Rule 3.3(a) by failing to fully cooperate with this investigation. Additionally, Subramanian violated the Nadex Membership Agreement, Member Representations Section (d), when he allowed another Nadex Member to have a direct economic interest in the activity and trading in his Nadex account. Finally, Subramanian violated Nadex Rule 5.19(g)(1) when he executed trades in his Nadex account on a third-party’s behalf.

PENALTY:

As a result of the aforementioned violations, Karthikeyan Subramanian has been assessed a \$10,000.00 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, through an intermediary, or as an authorized trader on behalf of any other account.

EFFECTIVE DATE:

April 22, 2020