

NORTH AMERICAN DERIVATIVES EXCHANGE, INC.
NOTICE OF DISCIPLINARY ACTION

FILE NO.: INQ_2018_004(b)

MEMBER: Lena Watson

NADEX RULES:

NADEX MEMBERSHIP AGREEMENT – MEMBER ACKNOWLEDGEMENTS AND AUTHORIZATIONS

(a) . . . You may not give control over Your account to any other person or entity and You may not control the account of any other Member. You shall maintain the confidentiality of Your Access Materials and prevent the unauthorized use of Your Access Materials at all times . . . You may not . . . permit any other person or entity to access or attempt to access the Nadex System using Your Access Materials . . .

NADEX MEMBERSHIP AGREEMENT – MEMBER REPRESENTATIONS

(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.

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 . . .

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.

(o) No Member shall deposit funds into its Nadex account from an account which does not hold sufficient funds at the time of deposit, and at the time the deposit is presented by Nadex for payment.

FINDINGS: An investigation into the Nadex account belonging to Lena Watson (“Watson”) revealed that Watson had accessed, or attempted to access, the account of at least one other Nadex Member, and was associated with multiple other Nadex accounts. The Compliance Department also discovered that Watson had submitted fraudulent documents in connection with a third party and attempted to open, fund and/or trade this third party’s account. Further, it was noted that Watson was warned by Nadex Compliance in 2014 for similar violations relating to access of a third-party’s account. Over the life of her account, Watson also made several ACH deposits to her Nadex account which failed to clear due to insufficient funds at the time of deposit. In March 2019, the Compliance Department

contacted Watson requesting information pertinent to the investigation, however, Watson failed to respond to the request. Based on Nadex's investigation, the Compliance Department concluded that Watson violated the Nadex Membership Agreement, Member Representations Section (h) and Nadex Rule 3.3(a) when she failed to fully respond to, and/or cooperate with, the Compliance Department's request for information, and Rule 5.19(k) when she provided false information and documentation in connection with a third- party account. Additionally, the Compliance Department determined that Watson violated the Membership Agreement, Member Acknowledgements and Authorizations Section (a) when she attempted to access another Nadex Member's account. Finally, Watson violated Nadex Rule 5.19(o) when she deposited funds into her Nadex account from a bank account that did not have sufficient funds at the time of deposit.

PENALTY: As a result of her non-compliance with the Nadex Membership Agreement, Member Acknowledgements and Authorizations Section (a) and Member Representations Section (h), and Nadex Rules 5.19(k) and 5.19(o), in addition to the repeat nature of certain violations, Lena Watson has been fined \$3,500.00. Additionally, Lena Watson's membership has been revoked and she has been permanently banned from trading on the Nadex markets by any means.

EFFECTIVE DATE: April 29, 2019