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**NORTH AMERICAN DERIVATIVES EXCHANGE, INC.**  
**NOTICE OF DISCIPLINARY ACTION**

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**FILE NO.:** INQ\_2019\_016

**MEMBER:** Aaron Butler

**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.

**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 MEMBER OBLIGATIONS**

- (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.

**FINDINGS:** The Nadex Compliance Department commenced an investigation into Member Aaron Butler upon receiving information regarding his recent regulatory history. Specifically, the Compliance Department was notified that Butler and his alleged company, Negus Capital Incorporated (“NCI”), were named in a Cease and Desist Order (“Order”) filed by the Alabama Securities Commission (“ASC”). The ASC concluded that Butler sold unregistered securities to investors, that NCI acted as a dealer and investment advisor without being properly registered, that Butler acted as an agent and investment advisor without being properly registered as such, that Butler guaranteed investments which were never refunded, and that Butler generally “engaged in fraudulent, dishonest and unethical behavior.” Additionally, on November 4, 2019, the CFTC issued a complaint against Butler and NCI, alleging fraudulent solicitation, misappropriation, and registration violations in connection with binary options trading. Butler failed to timely apprise Nadex that he was a party to the aforementioned regulatory actions. Butler also failed to comply with this investigation when he did not cooperate with the Compliance Department’s request for information regarding the allegations set forth above. Further, the aforementioned activity required registration with the CFTC in relation to Butler’s solicitation for investor funds to trade on Nadex, which was not in place for Butler or NCI.

Butler violated Nadex Rules 3.3(d)(iv), and (v) when he failed to timely apprise Nadex of the aforementioned matters. In addition, the Compliance Department concluded that Butler 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 set forth above. Further, the Compliance Department concluded that Butler violated Rule 5.19(l) and 5.19(m) when he, without being properly registered, solicited customer funds for trading on Nadex and engaged in activity and operated in a manner that required registration with the CFTC. Lastly, the Compliance Department determined that Butler violated Nadex Rule 5.19(h) as his fraudulent scheme presented a significant risk of harm to investors and the public.

**PENALTY:** As a result of the aforementioned violations, the Compliance Department has deemed it appropriate to fine Aaron Butler \$3,500.00. Additionally, Aaron Butler’s 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:** April 2, 2020