
NORTH AMERICAN DERIVATIVES EXCHANGE, INC.
NOTICE OF DISCIPLINARY ACTION

FILE NO.: TPI_2019_037(e)

MEMBER: Zhe Yuan

NADEX RULES:

NADEX MEMBERSHIP AGREEMENT

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

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. . . .

RULE 5.19 PROHIBITED TRANSACTIONS AND ACTIVITIES

- (h) No Person shall engage in any activity that presents a risk of harm to Nadex, its Members, or the public.
- (i) No Person shall engage in any activity that adversely affects the integrity of the Market or its underlying systems.

- (k) No Person shall intentionally provide misleading, erroneous, or fraudulent information to Nadex on a membership application or otherwise.
- (n) No Person shall engage in any activity that is intended to, or has the effect of, manipulating the market in violation of Sections 6(c) and 9(a)(2) of the CEA and no Person shall engage in any other activity that would violate the CEA or the Commission's Regulations.
- (t) No Member shall engage in conduct or practices inconsistent with just and equitable principles of trade or conduct or practices detrimental to the best interests of the Exchange, its Members and/or FCM Customers.

FINDINGS: On September 6, 2019, the Compliance Department sent Zhe Yuan ("Yuan") an Account Inquiry Letter requesting, among other things, general background information, source of funds information and details regarding her order and trading activity. The Compliance Department acknowledges that Yuan responded to certain inquiries and requests for information. However, after several follow up inquiries Yuan did not adequately respond to requests for her banking and trading activity, among other things. The Compliance Department also found that Yuan allowed another Nadex Member to fund her Nadex account by transferring funds into her bank account which were subsequently transferred to Nadex, thus providing the other Member with a direct economic interest in the activity and trading in Yuan's Nadex account. Further, during the course of this investigation, Yuan provided misleading information to the Compliance Department relative to her connections with other Nadex Members and source of funding.

During the course of its investigation, the Compliance Department analyzed the order and trading activity throughout the life of Yuan's Nadex account. Through this review, the Compliance Department discovered that Yuan engaged in or attempted to engage in a manipulative scheme to defraud Nadex markets in at least one binary option contract on September 6, 2019.

Accordingly, the Compliance Department concluded that Yuan violated Exchange Rule 5.19(k) when she provided false and/or incomplete information related to her connections with other Nadex Members and source of funding. Additionally, the Compliance Department has concluded that Yuan 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, Yuan violated the Nadex Membership Agreement, Member Representations Section (d), when she allowed another Nadex Member to have a direct economic interest in the activity and trading in her Nadex account. Finally, Yuan's manipulative activity was to the detriment of other market participants. Engaging or attempting to engage in conduct and practices that are manipulative and inconsistent with just and equitable principles of trade, and that pose a risk to the Exchange, its members, and/or to the public, is in contravention of Nadex Rules 5.19(h), 5.19(i), 5.19(n) and 5.19(t). Accordingly, the Compliance Department has concluded that Yuan violated Nadex Rules 5.19(h), 5.19(i), 5.19(n) and 5.19(t).

PENALTY: By settlement agreement, in which Zhe Yuan neither admitted nor denied the findings or conclusions of the investigation, Yuan has been assessed a \$2,500.00 fine. Additionally, Zhe

Yuan's Nadex Membership has been revoked, her account terminated, and she has been permanently banned from trading on Nadex markets, either directly for her own account, through an intermediary, or as an authorized trader on behalf of any other account.

EFFECTIVE DATE: February 22, 2022