

NORTH AMERICAN DERIVATIVES EXCHANGE, INC.
NOTICE OF DISCIPLINARY ACTION

FILE NO.: TPI_2017_001

MEMBER: Allen Epstein

NADEX RULES:

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.

(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.

(w) No Person shall engage in any activity that constitutes fraudulent or abusive trading, including but not limited to violating bids or offers; demonstrating intentional or reckless disregard for the orderly execution of transactions during the closing period; or spoofing.

FINDINGS: A review of the activity in Allen Epstein's account revealed a suspicious pattern of trading in several Nadex markets. It was determined that Epstein placed successively higher bids or lower offers within the existing bid/ask spread, in an attempt to squeeze the market in a particular direction and entice other market participants to better Epstein's prices. After the price moved in a favorable direction, Epstein would place a larger order on the opposite side of the market. When the large order executed, Epstein would cancel the original resting order(s). During its investigation, Nadex found that Epstein had engaged in several instances of such conduct in various Nadex commodity, equity, and currency markets including, but not limited to, the EUR/USD, USD/CAD, and GBP/USD currency pairs. As Epstein had entered orders which he did not intend to execute, but rather for the purpose of artificially moving the market in the direction he favored, Nadex determined his activity constituted "spoofing", and therefore in violation of Nadex Rule 5.19(w). Additionally, because Epstein's activity presented a risk that other market participants might enter a transaction with him at an artificial price, Nadex concluded that Epstein violated Nadex Rules 5.19(h) and 5.19(t).

PENALTY: Several mitigating factors were considered and ultimately, as a result of his activity, Epstein was suspended from engaging in trading activity for a five day period, and was fined \$1,000.

EFFECTIVE DATE: February 12, 2018