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

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**FILE NO.:** INQ\_2020\_022

**MEMBER:** Rafael Muzzi

**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).

**FINDINGS:** The Compliance Department opened this investigation upon receiving information from Nadex's third-party background service regarding the recent regulatory history of Nadex Member Rafael Muzzi ("Muzzi"). Specifically, the Compliance Department was notified that Muzzi was the subject of an action by the Connecticut Banking Commission, which alleged

securities fraud related to the sale of unregistered securities. The Connecticut Banking Commission found that Muzzi established a trading account in his own name at a forex brokerage firm, and from at least January 2017 to June 2018, Muzzi raised approximately \$800,000.00 from at least 25 investors primarily located in Connecticut, and pooled funds for the alleged purpose of investing such funds in FX accounts that he managed. Further the aforementioned action found that Muzzi represented to the investors that their funds would be used for FX trading and that he would make the trading decisions on their behalf. Muzzi further claimed that “Solace Investments used proprietary algorithmic trading software to make trades in the foreign exchange markets.” Investors did not have any input into how the money that they invested with you was going to be managed, and that the software program controlled all investment decisions. However, Muzzi only used part of the pooled investors’ funds for FX trading and a significant portion of the funds were not used to invest in FX or investments of any kind.

The Connecticut Banking Commission issued an Order to Cease and Desist (CDO) and Order to Make Restitution, finding violations of the Connecticut Uniform Securities Act (“Act”), and Sections 36b-31-2 to 36b-31-33, inclusive, of the Regulations of Connecticut State Agencies (“Regulations”) promulgated under the Act. Muzzi failed to request a hearing on the allegations set forth in the aforementioned CDO. Therefore, pursuant to an order issued on June 25, 2020, the Connecticut Banking Commissioner imposed a fine of \$300,000.00 for his violative conduct.

During his tenure as a Nadex Member, Muzzi failed to timely apprise Nadex that he was a party to the aforementioned regulatory matter and subsequent fines, penalties and orders related to it. In addition, Muzzi failed to comply with this investigation when he ceased communications with Nadex subsequent to November 17, 2020.

Accordingly, the Compliance Department concluded that Muzzi violated 3.3(d)(iv) and Rule 3.3(d)(v) when he failed to timely apprise Nadex of the aforementioned matter regarding unregistered solicitation of funds for investment. In addition, the Compliance Department concluded that Muzzi violated Rule 3.3(a) and Member Acknowledgements and Authorizations, Section (h) of the Nadex Membership Agreement when he failed to fully cooperate with the Compliance Department’s inquiries regarding the allegations contained in the subject alert.

**PENALTY:** As a result of the aforementioned violations, the Nadex Compliance Department has deemed it appropriate to revoke Rafael Muzzi’s Nadex Membership, terminate his Nadex account, and permanently ban him from trading on Nadex, either directly for his own account, through an intermediary, or as authorized trader on behalf of any other account.

**EFFECTIVE DATE:** July 16, 2021