
NORTH AMERICAN DERIVATIVES EXCHANGE, INC.
NOTICE OF DISCIPLINARY ACTION

FILE NO.: TPI_2019_011(b)

MEMBER: Nabeel Malik

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

- (g)(1) No individual Trading Member shall trade for a person or entity other than itself and no Authorized Trader of an entity Trading Member shall trade for a person or entity other than the entity Trading Member for whom that Person is an Authorized Trader.
- (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.
- (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 January 8, 2019, the Nadex Compliance Department sent Nabeel Malik ("Malik") an Account Inquiry letter requesting, among other things, general background information, source of funds information and details regarding his order and trading activity. Despite follow-up communications providing Malik with additional extensions to respond to the request for information, he failed to comply and/or respond to the inquiry letter. Additionally, the Compliance Department found that Malik allowed another Nadex Member to fund his Nadex account by transferring funds into his bank account which were subsequently transferred to Nadex, thus providing the other Member with a direct economic interest in the activity and trading in his Nadex account. Further, this investigation revealed that Malik executed trades in his Nadex account with funds that would not have been available to him in the bank account on record, but for the funding from another Nadex Member, and traded his account on behalf of the other Member.

During the course of its investigation, the Compliance Department analyzed the order and trading activity throughout the life of Malik's Nadex account. Through this review, the Compliance Department discovered that Malik engaged in or attempted to engage in a manipulative scheme to defraud Nadex markets in at least 18 binary option contracts for FX pairs GBP/JPY, EUR/USD, USD/JPY, and USD/CAD between October 12, 2018 and December 31, 2018. The presence of a manipulative scheme was further enhanced upon review of Malik's account and background information, where it was discovered that he had significant connections with other Nadex Members via trading activity.

Based on Nadex's investigation, the Compliance Department determined that Malik 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 these matters. Furthermore, Malik violated the Nadex Membership Agreement, Member Representations Section (d), when he allowed another Nadex Member to have a direct economic interest in the activity and trading in his Nadex account. Finally, Malik violated Nadex Rule 5.19(g)(1) when he executed trades in his Nadex account on a third-party's behalf. Additionally, Malik'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 Malik violated Nadex Rules 5.19(h), 5.19(i), 5.19(n) and 5.19(t).

PENALTY: As a result of the aforementioned violations, the Nadex Compliance Department has deemed it appropriate to fine Nabeel Malik \$18,000.00, and order him to pay disgorgement in the amount of \$39,101.25. Additionally, Nabeel Malik's Nadex Membership shall be revoked, his account terminated, and he shall be permanently banned from trading on Nadex markets, either directly for his own account, through an intermediary, or as an authorized trader on behalf of any other account.

EFFECTIVE DATE: May 5, 2022