

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

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**FILE NO.:** INQ\_2018\_008  
**MEMBER:** Giuseppe Valentino

**NADEX RULES:**

**NADEX MEMBERSHIP AGREEMENT – MEMBER REPRESENTATIONS**

(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.

**NADEX MEMBERSHIP AGREEMENT – MEMBER ACKNOWLEDGMENTS & AUTHORIZATIONS**

(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 . . . .

(d) Each Member must immediately notify Nadex in writing upon becoming aware:

(ii) that the Member, any of the Member’s officers or any of the Member’s Authorized Traders has been convicted of, pled guilty or no contest to, or entered a plea agreement to, any felony in any domestic, foreign or military court; or

(vi) of any other material change in any information contained in the Member’s membership application;

**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.

(k) No Person shall intentionally provide misleading, erroneous, or fraudulent information to Nadex on a membership application or otherwise.

(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:** In June 2018, the Compliance Department contacted Giuseppe Valentino (“Valentino”) requesting that he provide information related to his trading knowledge and background, source of funds, information regarding his history of solicitation for trading, and relevant bank statements. The Compliance Department discovered Valentino may have been soliciting and receiving third-party funds for purposes of trading on Nadex. After further investigation, it was discovered that Valentino had solicited approximately \$50,000 from at least one third-party individual for purposes of trading on Nadex through his company, Rhineau, LLC. While Valentino had represented to this party that his account at Nadex was held in the entity name, Rhineau, LLC, Valentino only maintained an individual account at Nadex held in the name of “Giuseppe Valentino.” Valentino had represented inaccurate and misleading returns to this third party regarding their investment, as well as failing to deposit all the funds solicited for trading to Nadex, and seemingly misappropriating those funds for his own personal use. Based on Nadex’s investigation, the Compliance Department concluded that Valentino violated Exchange Rule 5.19(g)(1) and Member Representations Section (d) of the Membership Agreement when he permitted a third party to have an economic interest in his Nadex account and traded his Nadex account, at least in part, on a third party’s behalf. Additionally, as Valentino indirectly used third-party funds sent to Rhineau, LLC for his ultimate deposits to his personal Nadex account, in addition to his trading plan and website acting as further evidence of his solicitation methods, Valentino violated Exchange Rules 5.19(l) and 5.19(m) by soliciting and pooling funds and acting in a capacity that required registration without being registered accordingly. Valentino also violated Exchange Rules 5.19(k), 3.3(d)(ii), and 3.3(d)(vi) in his failure to disclose his past criminal history on his Nadex application for Membership, nor at any point thereafter as it related to his prior charges of Conspiracy, Interstate Transmission of Threats, and Mail Fraud. Further, Valentino violated Exchange Rule 3.3(a) and the Member Acknowledgements and Authorizations, Section (h) of the Nadex Membership Agreement by failing to comply with Nadex Compliance’s requests for information in connection with the Rhineau, LLC bank accounts, in addition to responses to the other requests for information. Lastly, Nadex Compliance found that the aforementioned activities, in addition to Valentino’s perpetrated fraud scheme, constitute a violation of Exchange Rule 5.19(h) by engaging in activity that presents a risk of harm to Nadex, its Members, or the public.

**PENALTY:** As a result of his non-compliance with the Nadex Membership Agreement Sections (d) and (h), and Nadex Rules 3.3(a), 3.3(d), 5.19(g)(1), 5.19(h), 5.19(k), 5.19(l), and 5.19(m), Giuseppe Valentino has been fined \$4,000.00. Additionally, Giuseppe Valentino’s membership has been revoked and he has been permanently banned from trading on the Nadex markets by any means.

**EFFECTIVE DATE:** August 15, 2019