
NORTH AMERICAN DERIVATIVES EXCHANGE, INC.
NOTICE OF DISCIPLINARY ACTION

FILE NO.: TPI_2019_042(a)

MEMBER: Lihui Yu

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.

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

FINDINGS: On October 11, 2019, the Nadex Compliance Department sent Lihui Yu an Account Inquiry letter requesting, among other things, general background information, source of funds information, banking statements and details regarding his order and trading activity. The Compliance Department acknowledges that Lihui Yu responded with certain information. However, Lihui Yu failed to provide the Exchange with information regarding his banking activity. Additionally, Lihui Yu also provided false and/or misleading information regarding his connections with other Nadex Members as well as his source of funding.

During the course of its investigation, the Compliance Department also found that Lihui Yu allowed another Nadex Member to fund his Nadex account, thus providing the other Member with a direct economic interest in the activity and trading in his Nadex account.

Based on Nadex's investigation, the Compliance Department determined that Lihui Yu 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 inquiry regarding these matters. Additionally, the Compliance Department concluded that Lihui Yu violated Exchange Rule 5.19(k) when he provided misleading information related to his connections with other Nadex Members as well as his source of funding. The Compliance Department has also concluded that Lihui Yu violated Nadex Rule 5.19(g)(1) and 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 and conducted trading activity in his Nadex account with those funds.

PENALTY: Based on the foregoing, the Compliance Department, with approval from the Chief Regulatory Officer, has deemed it appropriate to fine Lihui Yu, \$5,000.00. Additionally, Lihui Yu'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: November 12, 2021