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

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**FILE NO.:** INQ\_2020\_019(a)

**MEMBER:** Raven Villareal

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

**FINDINGS:** On July 16, 2020, the Compliance Department sent Raven Villareal (“Raven”) an Account Inquiry letter, requesting information regarding her general background, source of funds and banking support, and the nature of the relationship between her and other Nadex Members, including a denied applicant. The Compliance Department acknowledges that Raven responded to certain inquiries and requests for information. However, Raven failed to produce, among other things, information regarding the economic purpose and reasoning behind several transactions in her banking statement. Furthermore, Raven omitted critical details about her admitted coordination of trading activity with other Nadex Members. Also, Raven submitted altered/redacted bank statements in an effort to conceal the originating source of deposits made to Nadex.

Additionally, based on clear banking connections observed during the course of Nadex Compliance’s investigation, it was evident that Raven’s Nadex account was funded with money transferred to her via third party sources. This funding clearly demonstrates that third parties had a direct economic interest in the activity and trading in Raven’s Nadex account. Additionally, Nadex Compliance’s investigation revealed that Raven executed trades in her Nadex account with funds that were unavailable to her but for the banking transfers from third party sources, essentially trading on behalf of third parties.

Raven violated Member Acknowledgements and Authorizations, Section (h) of the Nadex Membership Agreement and Exchange Rule 3.3(a) by failing to fully cooperate with this investigation. Further, Raven violated Exchange Rule 5.19(k) when she provided heavily redacted statements meant to conceal the originating source of funding to her Nadex account. The Compliance Department also found that Raven violated Nadex Membership Agreement, Member Representations Section (d) when she allowed a third party to have an economic interest in the activity and trading in her Nadex account. Additionally, Raven violated Nadex Rule 5.19(g)(1) when she executed trades in her Nadex account with funds that were unavailable to her but for the banking transfers from third party sources, essentially trading on behalf of third parties. Finally, based on the nature of the funding activity in question, including clear financial connections to a denied applicant with a previous regulatory and criminal background related to financial crime, Nadex found that Raven violated Nadex Rule 5.19(h) by engaging in activity that presents a risk of harm to the public.

**PENALTY:** As a result of the aforementioned violations, the Nadex Compliance Department has deemed it appropriate to assess Raven Villareal a fine of \$13,000.00. Additionally, Raven Villareal’s Nadex Membership has been revoked, her account terminated, and she has been permanently banned from trading on Nadex Markets, either directly for her own account or through an intermediary, or as an authorized trader on behalf of any other account.

**EFFECTIVE DATE:** September 20, 2021