
NORTH AMERICAN DERIVATIVES EXCHANGE, INC.
NOTICE OF DISCIPLINARY ACTION

FILE NO.: INQ_2020_019(b)

MEMBER: Jennifer 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 3.1 TRADING MEMBERS – APPLICATIONS, CLASSIFICATIONS, AND PRIVILEGES

- (f) A Trading Member that is an individual, may not maintain and/or trade more than one Nadex account. No Authorized Trader(s), nor any officer, director, member, manager, owner, or indirect owner, of a Trading Member that is an entity may maintain a separate Nadex account and/or trade any Nadex account other than that entity's account.

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 5.2 TRADING MEMBER AND AUTHORIZED TRADER ACCESS TO NADEX

- (e) Each Trading Member will be responsible for protecting its ID and password, and with respect to an entity Trading Member, the ID(s) and password(s) of its Authorized Trader(s), from improper disclosure. In addition, a Trading Member may not knowingly or negligently permit any Person not authorized by Nadex and by the Trading Member to use the ID and password to access the secure portion of the Nadex website. A Trading Member that is an entity, and its Authorized Trader(s) are prohibited from allowing any other person or entity from using these credentials to access the Nadex markets. Each Trading Member is required to immediately notify Nadex if it knows, or has reason to believe, that its ID or the ID and/or password of any Authorized Trader have been disclosed to any Person not authorized by Nadex and the Trading Member to use such ID and/or password. Under any circumstances, the Trading Member will be deemed to know that such ID and/or password have been disclosed to an unauthorized person 12 hours after any order is entered by that unauthorized person in your account.

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.

FINDINGS: On July 16, 2020, the Compliance Department sent Jennifer Villareal (“Jennifer”) 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 Jennifer responded to certain inquiries and requests for information. However, Jennifer failed to produce, among other things, information regarding the economic purpose and reasoning behind several transactions in her banking statement. Furthermore, Jennifer omitted critical details about her admitted coordination of trading activity with other Nadex Members.

Additionally, based on clear banking connections observed during the course of Nadex Compliance’s investigation, it was evident that Jennifer’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 Jennifer’s Nadex account. Additionally, Nadex Compliance’s investigation revealed that Jennifer 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. Further, Nadex Compliance also found that Jennifer facilitated deposits to banking accounts of other Nadex Members, and those funds were used to fund the Nadex accounts of those Members. During this investigation Jennifer also admitted that she allowed another Nadex Member to access her Nadex account login credentials.

Jennifer 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. The Compliance Department also found that Jennifer 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, Jennifer 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. Furthermore, Nadex Compliance found that Jennifer violated Nadex Rule 3.1(f), by facilitating indirect deposits to Nadex accounts of other Members, inherently having more than one Nadex account at the same time. Nadex Compliance has also determined that Jennifer violated Member Acknowledgements and Authorizations, Section (a) of the Nadex Membership Agreement and Nadex Rule 5.2(e) by allowing another Nadex Member to access her Nadex credentials, by her own admission. 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 Jennifer 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 Jennifer Villareal a fine of \$15,000.00. Additionally, Jennifer 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