

NORTH AMERICAN DERIVATIVES EXCHANGE, INC.
NOTICE OF DISCIPLINARY ACTION

FILE NO.: INQ_2017_022

MEMBER: Sterling Bruce

NADEX RULES:

RULE 3.3 MEMBER OBLIGATIONS

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

(ii) that the Member . . . 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;

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

RULE 5.19 PROHIBITED TRANSACTIONS AND ACTIVITIES

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

(p) No Member shall make a false representation to a third party regarding any deposit made into that Member's Nadex account which would result in a chargeback or stop payment of funds to the Member's account.

(q) No Member shall allow its settlement account balance to become negative by any means. In the event that a Member's settlement account balance becomes negative, the Member must immediately deposit additional funds to correct the deficiency.

FINDINGS: Sterling Bruce ("Bruce") applied for Nadex membership in June 2017, and deposited the requisite minimum initial deposit amount in July 2017. Subsequently, the Compliance Department received an alert from its third party background service indicating that Sterling Bruce had pled guilty to conspiracy to commit wire fraud in connection with a mortgage fraud scheme in 2012. Based on its investigation Compliance found the alert was a positive match to the new Nadex member of the same name. Bruce failed to disclose the criminal incident in his application, however, and instead answered "No" to the Qualifying Question which asks if the applicant had ever been convicted of, pled guilty to, or entered a plea of no contest or plea agreement to, any felony in any domestic,

foreign, or military court. Compliance therefore determined that Bruce had violated Rule 5.19(k) when he provided a false answer to the Qualifying Question, and Rules 3.3(d)(ii) and (vi) when he failed to correct the inaccuracy and notify Compliance of his felony conviction in writing after becoming a member.

In November 2017 Bruce initiated a chargeback for his initial deposit for the reason of "Credit not Processed; Goods/Services Cancelled/Returned", resulting in a negative account balance of (\$108.75). As Bruce's account ledger evidenced that the deposit amount had been processed and posted to his account, and that he had used a portion of his deposit to enter non-refundable transactions on the exchange, Compliance determined that Bruce violated Rule 5.19(p) by making a false claim to his bank leading to the chargeback. To date Bruce has failed to correct the negative balance in his account, and accordingly, has violated Rule 5.19(q).

PENALTY: As a result of Sterling Bruce's violations of Exchange Rules 3.3 and 5.19, and due to the serious financial nature of the incident to which the Exchange was alerted, Bruce's membership has been revoked and he has been permanently banned from the Exchange.

EFFECTIVE DATE: July 2, 2018