

NORTH AMERICAN DERIVATIVES EXCHANGE, INC.
NOTICE OF DISCIPLINARY ACTION

FILE NO.: INQ_2017_024

MEMBER: Phil Shaheen

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;

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.

FINDINGS: Phil Shaheen (“Shaheen”) applied for Nadex membership in August 2017, and deposited the requisite minimum initial deposit amount the day of his application. Subsequently, the Compliance Department received an alert from its third party background service indicating that Phil Shaheen had pled guilty to two counts of wire fraud, and with taking part in a fraudulent fund-raising scheme for charities. Additionally, the alert indicated that Shaheen had also been convicted of operating a telemarketing scam, which defrauded investors out of \$7 million. Based on its investigation Compliance found the alert was a positive match to the new Nadex member of the same name. Shaheen failed to disclose the criminal incidents in his application, however, and instead answered “No” to the Qualifying Question that 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. Shaheen did acknowledge the incidents when questioned by Compliance. Compliance therefore determined that Shaheen had violated Rule 5.19(k) when he provided a false answer to the Qualifying Question on his application, and Rule 3.3(d)(ii) when he failed to correct the inaccuracy and notify Compliance of his felony convictions in writing after becoming a member.

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of the incidents to which the Exchange was alerted and the risk Shaheen poses to the Exchange, Shaheen's membership has been revoked and he has been permanently banned from the Exchange.

EFFECTIVE DATE: July 24, 2018