

NORTH AMERICAN DERIVATIVES EXCHANGE, INC.
NOTICE OF DISCIPLINARY ACTION

FILE NO.: INQ_2018_023

MEMBER: Leroy Young

NADEX RULES:

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....

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

(iv) that the Member, any of the Member's officers or any of the Member's Authorized Traders has been subject to, or associated with a firm that was subject to regulatory proceedings before any governmental or Regulatory Agency;

(v) that the Member, any of the Member's officers or any of the Member's Authorized Traders is currently a party to any investigation or proceeding, the resolution of which could result in an event described in Rule 3.3(d)(i)-(iv).

RULE 5.19 PROHIBITED TRANSACTIONS AND ACTIVITIES

(o) No Member shall deposit funds into its Nadex account from an account which does not hold sufficient funds at the time of deposit, and at the time the deposit is presented by Nadex for payment.

(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....

NADEX MEMBERSHIP AGREEMENT:

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.

FINDINGS: The Nadex Compliance Department commenced an investigation into Member Leroy Young (“Young”) upon notice that Young was the subject of a Securities and Exchange Commission (“SEC”) enforcement action (Civil Action No. 18-cv-2170) in conjunction with his affiliated entity, Young Capital Management, regarding allegations of fraud and the unregistered offer and sale of securities. An order was finalized in September 2018 against Young where he submitted an offer of settlement acknowledging that his conduct violated federal securities laws and consenting to being barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization and barred from participating in any offering of a penny stock.

Young violated Nadex Rule 3.3(d) when he failed to notify Nadex that he was subject to regulatory proceedings before a Regulatory Agency and that he had been barred accordingly. Further, Young allowed his Nadex account balance to become debit after bouncing a previous deposit, in violation of Nadex Rule 5.19(o) and 5.19(q). Finally, Young violated Nadex Rule 3.3(a) and the Member Acknowledgements and Authorization Section (h) of the Membership Agreement when he failed to cooperate with the Compliance Department during this investigation.

PENALTY: As a result of the aforementioned violations, Leroy Young’s Nadex membership has been revoked, his account has been terminated, and he has been permanently banned from trading on the Exchange.

EFFECTIVE DATE: August 5, 2019