
NORTH AMERICAN DERIVATIVES EXCHANGE, INC.
NOTICE OF DISCIPLINARY ACTION

FILE NO.: INQ_2019_038

MEMBER: Patrick Wonsey

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.
- (l) No Person shall create a false appearance of a partnership, agency, employment or affiliate relationship with Nadex and no Person shall unlawfully solicit customer funds for deposit at Nadex.
- (m) No Member may operate or solicit in any capacity that may require registration with the Commodity Futures Trading Commission (CFTC) without being properly registered.

FINDINGS: On October 2, 2019, the Compliance Department sent Patrick Wonsey (“Wonsey”) an Account Inquiry letter requesting, among other things, details regarding the name and business operations of certain businesses he was affiliated with, as well as the nature of the relationship between Wonsey and those businesses. Despite continued requests to respond to the request for information, Wonsey failed to comply/and or respond to the inquiry letter in a timely manner, and an investigation was opened. The Compliance Department acknowledges that Wonsey eventually responded to certain inquiries and requests for information. However, Wonsey failed to produce full and complete statements from his bank account for requested time periods. Also, during the course of this investigation, Wonsey provided contradictory and misleading information to the Compliance Department regarding his employment, source of funding, and the nature of his business activities via multiple entities.

Nadex’s investigation revealed that, based on a preponderance of the evidence, Wonsey engaged in business activities in a manner that would require registration with the CFTC, and directly or indirectly solicited customer funds for trading at Nadex through his association with OneBell & Associates and TradeDow.

Wonsey violated Exchange Rule 5.19(l) when, by way of various websites and businesses, he directly or indirectly solicited customer funds for trading at Nadex. Also, the Compliance Department concluded that Wonsey violated Exchange Rule 5.19(m) when he, without being properly registered, engaged in business activity through the aforementioned websites and organizations, operating and soliciting in a manner that required registration with the CFTC. Separately, the Compliance Department determined Wonsey violated Exchange Rule 5.19(g)(1) and Member Representations Section (d) of the Membership Agreement when he admitted that members of his family had a third-party economic interest in his Nadex account via pooling of funds and, in turn, he traded his account, at least partially, on behalf of these third parties. Based on the numerous misrepresentations on his businesses websites, as well as the unregistered activities of these businesses, Nadex Compliance found that Wonsey violated Nadex Rule 5.19(h) by engaging in activity that presents a risk of harm to Nadex, its Members or the public. The Compliance Department also found that Wonsey violated Nadex Rule 5.19(k) when he impeded the progress of an investigation by providing contradictory and misleading information to Nadex throughout the investigative process or otherwise, and violated Nadex Rule 3.3(a) and Member

Acknowledgements and Authorizations, Section (h) of the Nadex Membership Agreement when he failed to fully cooperate with the Compliance Department's requests for information.

PENALTY: As a result of the aforementioned violations, the Nadex Compliance Department has deemed it appropriate to assess Patrick Wonsey a fine of \$7,000.00. Additionally, Patrick Wonsey's Nadex Membership has been revoked, his account terminated, and he has been permanently banned from trading on Nadex Markets, either directly for his own account or through an intermediary, or as an authorized trader on behalf of any other account.

EFFECTIVE DATE: May 26, 2021