
NORTH AMERICAN DERIVATIVES EXCHANGE, INC.
NOTICE OF DISCIPLINARY ACTION

FILE NO.: INQ_2019_027

MEMBER: Michael Siegel

NADEX RULES:

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.

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:
 - (i) that the Member, any of the Member’s officers or any of the Member’s Authorized Traders has had access or trading privileges suspended, or membership denied, in any commodity, securities, or swaps exchange, brokerage, association, or Regulatory Agency;

 - (ii) that the Member, any of the Member’s officers or any of the Member’s Authorized Traders 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;

 - (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).

FINDINGS: The Nadex Compliance Department commenced an investigation into Member Michael Siegel ("Siegel") upon receiving information from Nadex's third-party background service regarding his recent regulatory and criminal history. The Compliance Department was notified that because Siegel failed to comply with a FINRA request for information, his FINRA registration was suspended. Ultimately, Siegel received a permanent ban from association with any FINRA member in any capacity for failing to request termination of his suspension in a timely manner.

Additionally, the New Jersey Bureau of Securities ("NJBS") revoked Siegel's agent registration and imposed a \$100,000 civil monetary fine after it found that he defrauded an elderly couple of over \$270,000. More specifically, the NJBS found that Siegel persuaded the couple to move brokerage accounts to a broker-dealer with which he was associated, and convinced them to write nearly sixty checks to Siegel personally between July 2013 and January 2016. Rather than trading options on their behalf in an institutional account as Siegel promised, he used their money for his personal expenses. After the husband passed away, the NJBS found that the widow relied on Siegel to help with financial decisions and he managed her bank accounts, email account and passwords.

Finally, the NJBS referred Siegel's activities to the State of New Jersey Division of Criminal Justice. Siegel was charged with second-degree theft and pled guilty to the same charge on June 24, 2019, admitting that he stole over \$270,000 from an elderly couple by deceiving them into investing in a fictitious investment program, as a result, Siegel was required to pay full restitution of \$270,283 and was sentenced to three years in state prison.

During his tenure as a Nadex Member, Siegel failed to timely apprise Nadex that he was a party to the aforementioned criminal and regulatory matters. In addition, Siegel failed to comply with Compliance's investigation when he did not respond to the Compliance Department's request for information regarding the allegations described above.

Siegel violated Nadex Rules 3.3(d) (i), (ii), (iv), and (v) when he failed to timely apprise Nadex of the aforementioned FINRA association ban. In addition, the Compliance Department concluded that Siegel violated Rule 3.3(a) and Member Acknowledgements and Authorizations, Section (h) of the Nadex Membership Agreement when he failed to cooperate with the Compliance Department's inquiry regarding the relevant regulatory actions and criminal conviction.

PENALTY: As a result of the aforementioned violations, Michael Siegel'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 27, 2020