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**NORTH AMERICAN DERIVATIVES EXCHANGE, INC.**  
**NOTICE OF DISCIPLINARY ACTION**

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**FILE NO.:** INQ\_2019\_025

**MEMBER:** Hunter Hanson

**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:
  - (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 present 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 . . .

**FINDINGS:** The Nadex Compliance Department commenced an investigation into Member Hunter Hanson ("Hanson") upon receiving information from Nadex's third-party background service regarding his recent criminal history. The Compliance Department was notified that Hanson was charged with wire fraud, money laundering and forfeiture in connection with a multi-million dollar fraud scheme involving approximately sixty farmers, elevators, and commodity brokers. Upon investigation, the Compliance Department discovered that between January 2018 and December 2018, Hanson obtained grain and other commodities from the victims, but failed to pay the victims or furnished checks from accounts with insufficient funds. Further, Hanson maintained numerous bank accounts, engaged in check kiting, laundered money between accounts, and often had insufficient funds in those accounts when remitting payments to the victims for money owed. The victims' losses exceeded \$11,400,000. Hanson pled guilty to wire fraud and money laundering on July 30, 2019 and was sentenced to serve eight years imprisonment, three years of supervised release and was order to pay \$11,103,309.19 in restitution. Hanson was also ordered to forfeit all property which constituted proceeds of the crime and had a \$1,265,679.29 money judgment ordered against him.

During his tenure as a Nadex Member, Hanson failed to timely apprise Nadex that he was a party to the aforementioned criminal matter. In addition, Hanson 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. Further, in April 2017 Hanson attempted to make several deposits to his Nadex account, all of which failed to clear for insufficient funds.

Hanson violated Nadex Rules 3.3(d) (iv) and (v) when he failed to timely apprise Nadex of the aforementioned criminal conviction and penalties imposed therein. In addition, the Compliance Department concluded that Hanson 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 criminal conviction. Lastly, the Compliance Department concluded that Hanson violated Rules 5.19(o) and 5.19(q), by bouncing three ACH deposits resulting in a debit account balance, which was never redeposited to correct the deficiency.

**PENALTY:** As a result of the aforementioned violations, Hunter Hanson'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