

NORTH AMERICAN DERIVATIVES EXCHANGE, INC.
NOTICE OF DISCIPLINARY ACTION

FILE NO.: TPI_2018_018

MEMBER: Stanford Toy

NADEX RULES:

RULE 5.19 PROHIBITED TRANSACTIONS AND ACTIVITIES

(d) No Person shall enter into any trade designed or used to cause any price for a Contract other than a true and bona fide price to be reported, registered, or recorded by the Market.

(h) No Person shall engage in any activity that presents a risk of harm to Nadex, its Members, or the public.

(t) No Member shall engage in conduct or practices inconsistent with just and equitable principles of trade or conduct or practices detrimental to the best interests of the Exchange, its Members and/or FCM Customers.

(w) No Person shall engage in any activity that constitutes fraudulent or abusive trading, including but not limited to violating bids or offers; demonstrating intentional or reckless disregard for the orderly execution of transactions during the closing period; or spoofing.

FINDINGS: A review of the activity in Stanford Toy's ("Toy") account revealed a suspicious pattern of trading in various Nadex equities and commodities products. It was determined that Toy placed successively higher bids or lower offers within the existing bid/ask spread in an attempt to squeeze the market in a particular direction and entice other market participants to better Toy's prices. On numerous occasions, Toy would enter an order on one side of the book, and once market participants improved his bid or offer price, Toy would often enter an aggressive order on the opposite side of the book. On some occasions, Toy's genuine order would be placed prior to the non-bona fide orders that were used to squeeze the spread. When his genuine order executed, Toy would cancel the original resting order(s). An expanded review of Toy's messaging activity from July 18, 2017 through July 18, 2018 (the "Review Period") revealed that Toy engaged in the aforementioned strategy numerous times between November 2017 and May 2018. Specifically, Compliance's investigation revealed that Toy placed non-bona fide orders on 27 separate trade dates from November 22, 2017 through May 14, 2018, for the purpose of narrowing the bid-ask spread so he could execute trades at improved prices. As Toy entered non-bona fide orders which he did not intend to execute, but rather for the purpose of artificially moving the market in the direction he favored, Nadex determined that his activity constituted "spoofing". Further, Nadex determined that Toy's activity presented a risk that other market participants might enter a transaction with him at an artificial price. Accordingly, Toy violated Nadex Rules 5.19(d), 5.19(h), 5.19(t), and 5.19(w).

PENALTY: By settlement agreement, in which Stanford Toy neither admitted nor denied the findings or conclusions of the investigation, Toy was assessed a fine of \$1,000.00.

EFFECTIVE DATE: August 6, 2019