
NORTH AMERICAN DERIVATIVES EXCHANGE, INC.
NOTICE OF DISCIPLINARY ACTION

FILE NO.: TPI_2019_035(b)

MEMBER: Syed K Ali

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.

- (i) No Person shall engage in any activity that adversely affects the integrity of the Market or its underlying systems.
- (k) No Person shall intentionally provide misleading, erroneous, or fraudulent information to Nadex on a membership application or otherwise.
- (n) No Person shall engage in any activity that is intended to, or has the effect of, manipulating the market in violation of Sections 6(c) and 9(a)(2) of the CEA and no Person shall engage in any other activity that would violate the CEA or the Commission's Regulations.
- (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.

FINDINGS: On May 10, 2019, the Nadex Compliance Department sent Syed Ali ("Ali") an Account Inquiry letter requesting, among other things, general background information, source of funds information and details regarding your order and trading activity. Nadex acknowledges that Ali responded to this Account Inquiry letter and provided certain information. However, Ali failed to produce, among other items, complete and unaltered banking statements as requested by Compliance. Additionally, the Compliance Department found that Ali allowed another Nadex Member to fund his Nadex account by transferring funds into his bank account which were subsequently transferred to Nadex, thus providing the other Member with a direct economic interest in the activity and trading in his Nadex account. Further, this investigation revealed that Ali executed trades in his Nadex account with funds that would not have been available to him in the bank account on record, but for the funding from another Nadex Member, traded his account on behalf of the other Member. Also, during the course of this investigation, Ali provided misleading information to the Compliance Department relative to his connections with other Nadex Members, and also provided altered banking statements to Compliance over the course of this investigation.

During the course of its investigation, the Compliance Department analyzed the order and trading activity throughout the life of Ali's Nadex account. Through this review, the Compliance Department discovered that Ali engaged in or attempted to engage in a manipulative scheme to defraud Nadex markets in at least 15 binary option contracts for FX pairs GBP/USD, EUR/USD, and AUD/USD between December 27, 2018 and May 10, 2019. The presence of a manipulative scheme was further enhanced upon review of Ali's account and background information, where it was discovered that he had significant connections with other Nadex Members via trading activity.

Based on Nadex's investigation, the Compliance Department determined that Ali 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 these matters. Furthermore, Ali violated the Nadex Membership Agreement, Member Representations Section (d), when he allowed another Nadex Member to have a direct economic interest in the activity and trading in his Nadex account. Also, Ali violated Nadex Rule 5.19(g)(1) when he executed trades in his Nadex account on a third-party's behalf. Additionally, Ali's manipulative activity was to the detriment of other market

participants. Furthermore, the Compliance Department concluded that Ali violated Exchange Rule 5.19(k) when he provided false and/or incomplete information related to his connections with other Nadex Members and also provided altered banking statements to Compliance over the course of this investigation. Engaging or attempting to engage in conduct and practices that are manipulative and inconsistent with just and equitable principles of trade, and that pose a risk to the Exchange, its members, and/or to the public, is in contravention of Nadex Rules 5.19(h), 5.19(i), 5.19(n) and 5.19(t). Accordingly, the Compliance Department has concluded that Ali violated Nadex Rules 5.19(h), 5.19(i), 5.19(n) and 5.19(t).

PENALTY: As a result of the aforementioned violations, the Nadex Compliance Department has deemed it appropriate to fine Syed Ali \$18,500.00, and order him to pay disgorgement in the amount of \$11,251.50. Additionally, Syed Ali's Nadex Membership shall be revoked, his account terminated, and he shall be permanently banned from trading on Nadex markets, either directly for his own account, through an intermediary, or as an authorized trader on behalf of any other account.

EFFECTIVE DATE: May 5, 2022