
NORTH AMERICAN DERIVATIVES EXCHANGE, INC.
NOTICE OF DISCIPLINARY ACTION

FILE NO.: INQ_2020_018

MEMBER: Richard Neal

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 3.1 TRADING MEMBERS - APPLICATIONS, CLASSIFICATIONS, AND PRIVILEGES

- (f) A Trading Member that is an individual, may not maintain and/or trade more than one Nadex account. No Authorized Trader(s), nor any officer, director, member, manager, owner, or indirect owner, of a Trading Member that is an entity may maintain a separate Nadex account and/or trade any Nadex account other than that entity’s account.

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.
- (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 August 17, 2020 Nadex Compliance sent Richard Neal (“Neal”) an Account inquiry letter, requesting relevant information including but not limited to employment details, trading background, source of funds, past registrations with CFTC, and information regarding his trading strategy, among other items. Despite multiple opportunities to respond to this letter Neal failed to respond to any of Nadex’s requests for information and documentation. As a result, on August 31, 2020, Neal was notified that an investigation had been opened.

The Compliance Department found that, based on a preponderance of the evidence, Neal 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 his website.

Accordingly, the Compliance Department found that Neal 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 Neal violated Exchange Rule 5.19(m) when he, without being properly registered, engaged in business activity through his website, operating and soliciting in a manner that required registration with the CFTC. Separately, the Compliance Department determined Neal violated Exchange Rule 5.19(g)(1) when he traded his account, at least partially, on behalf of third parties. Based on the unregistered activities of Neal’s business via his website, Nadex Compliance also found that Neal violated Nadex Rule 5.19(h) by engaging in activity that presents a risk of harm to Nadex, its Members or the public. Also, Neal violated Nadex Rule 3.1(f) when he maintained a second Nadex account by engaging in order and trade activity through his wife’s Nadex account. Finally, Neal violated Nadex 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 requests for information.

PENALTY: As a result of the aforementioned violations, the Nadex Compliance Department has deemed it appropriate to assess Richard Neal a fine of \$2,500.00. Additionally, Richard Neal’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: March 14, 2022