
NORTH AMERICAN DERIVATIVES EXCHANGE, INC.
NOTICE OF DISCIPLINARY ACTION

FILE NO.: INQ_2019_033

MEMBER: Kenneth Gilmore

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:
 - (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 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 Kenneth Gilmore upon receiving information from Nadex's third-party background service regarding his recent criminal history. Specifically, the Compliance Department was notified that Gilmore was indicted by the United States Attorney's Office for the Western District of Texas ("USAO-WDTX") on seven counts of wire fraud. Upon investigation, the Compliance Department discovered that beginning in 2008 and continuing until 2016, Gilmore served as treasurer of the Medina Lake Betterment Association ("Medina"), a non-profit organization that provided financial and other support to the people of the Lakehills community in Bandera County, Texas. According to the indictment, beginning in or about 2008 and continuing until in or about 2016, Gilmore devised a scheme to defraud Medina of money by means of false pretenses, representations and promises. Further, the indictment alleged that Gilmore stole approximately \$220,000 from Medina and concealed those thefts as part of his scheme. On April 2, 2019, Gilmore pled guilty to one count of wire fraud. On September 4, 2019, Gilmore was sentenced to 27 months in prison followed by a three year period of supervised release, and ordered to pay \$177,000.00 in restitution.

During his tenure as a Nadex Member, Gilmore failed to timely apprise Nadex that he was a party to the aforementioned criminal matter and subsequent guilty plea for one count of wire fraud. In addition, Gilmore failed to comply with Nadex's investigation when he did not respond to the Compliance Department's request for information regarding the allegations set forth in the subject alert.

Gilmore violated Nadex Rules 3.3(d)(ii), 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 Gilmore 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.

PENALTY: As a result of the aforementioned violations, Kenneth Gilmore'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: September 14, 2020