

NORTH AMERICAN DERIVATIVES EXCHANGE, INC.
NOTICE OF DISCIPLINARY ACTION

FILE NO.: INQ_2018_004(c)

MEMBER: Reta Wallace

NADEX RULES:

NADEX MEMBERSHIP AGREEMENT – MEMBER REPRESENTATIONS

(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.

(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. Additionally, each Member must update its e-mail address within 24 hours after any change and update all other information provided in its application for membership within five days after that information has changed. If any Member or Authorized Trader(s) thereof fail to satisfy these obligations, Nadex may revoke or suspend the Member’s privileges in full or in part

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.

(g)(2) No individual or entity Trading Member may deposit funds, or allow funds to be deposited into their Nadex account from any bank account or debit card not held in the same name as their Nadex account.

(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 presented by Nadex for payment.

FINDINGS: In April 2018, the Compliance Department attempted to contact Reta Wallace (“Wallace”) regarding a pending investigation into her account activity, however, the email address associated with Wallace’s account had been deactivated. Accordingly, Wallace did not respond to the Compliance Department’s request for information. The Compliance Department also discovered that Wallace permitted at least one other Nadex Member to directly fund her account on multiple occasions from a bank account not in her name. Over the life of her account, Wallace also made several ACH deposits which failed to clear due to insufficient funds at time of deposit. Based on Nadex’s investigation, the Compliance Department concluded that Wallace violated Nadex Rule 3.3(a) when she failed to update the email address registered to her account resulting in an invalid email address, and Nadex Rule 3.3(a) and the Membership Agreement, Member Representations Section (h) when she failed to respond to, and/or cooperate with, the Compliance Department’s request for information. Additionally, the Compliance Department concluded that Wallace violated Nadex Rules 5.19(g)(1) and (g)(2), and the Membership Agreement, Member Representations Section (d) when she allowed a third party to have an economic interest in her account by depositing funds in her Nadex account from a bank account held in the name of this third party, and, in turn, attempted to trade her account on behalf of that third party. Finally, Wallace violated Nadex Rule 5.19(o) when she deposited funds into her Nadex account from a bank account which did not have sufficient funds at the time of deposit.

PENALTY: As a result of her non-compliance with the Nadex Membership Agreement Sections (d) and (h), and Nadex Rules 3.3(a), 5.19(g)(1), 5.19(g)(2), and 5.19(o), Reta Wallace has been fined \$2,000.00. Additionally, Reta Wallace’s membership has been revoked and she has been permanently banned from trading on the Nadex markets by any means.

EFFECTIVE DATE: April 29, 2019