
NORTH AMERICAN DERIVATIVES EXCHANGE, INC.
NOTICE OF DISCIPLINARY ACTION

FILE NO.: INQ_2019_034
MEMBER: Dominick Carducci
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:
 - (i) that the Member, an of the Member’s officers or any of the Member’s Authorized Traders has had access or trading privileges suspended, or membership denied, in any commodity, securities, or swaps exchange, brokerage, association, or Regulatory Agency;
 - (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);
- (v) 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 Dominick Carducci ("Carducci") upon receiving information regarding his regulatory and criminal background. Specifically, the Compliance Department was notified that the Commodity Futures Trading Commission ("CFTC") had filed a Complaint ("Complaint") in the Southern District of New York against Carducci and his affiliated entity, VOS Capital Management, LLC. The Complaint charged Carducci with fraud and misappropriation in connection with the unlawful operation of a commodity pool that purported to trade leveraged or margined foreign currency (retail forex). Further, the CFTC Complaint alleged fraudulent solicitation of at least 30 commodity pool participants, as well as the misappropriation of over \$1.1 million of pool funds that Carducci used to reimburse participants, and for his personal use, such as international travel, luxury automobiles, and student loan debt. On June 23, 2020, the CFTC filed a motion for and was granted a default judgement against Carducci and VOS Capital Management, LLC due to his failure to answer or dispute the CFTC's Complaint. As a result of the default judgement, both Carducci and VOS Capital Management, LLC were permanently restrained, enjoined and prohibited from directly or indirectly engaging or trading with any registered entity. Additionally, Carducci was assessed a civil monetary penalty of \$2,861,625.00, and ordered to pay restitution in the amount of \$953,875.00 to pool participants affected by his fraudulent scheme.

Further, prior to the CFTC Complaint, on May 14, 2019, the United States Attorney for the District of South Carolina filed a grand jury indictment against Carducci. The criminal indictment alleged that between December 2015 and July 2018, Carducci knowingly devised a scheme and artifice to defraud in representing to potential investors that he could earn substantial returns for them in the FX market. Additionally, the indictment also alleged that Carducci used investor money to fund his lifestyle, created false account statements showing large gains, emailed these statements to investors, and operated a Ponzi scheme. On November 4, 2019, Carducci entered a plea of guilty on one of the three counts in the aforementioned indictment, with the other two counts dismissed by the U.S. Attorney. On June 19, 2020, Carducci was sentenced to 24 months' imprisonment and ordered to pay more than \$953,875.00 in restitution.

During his tenure as a Nadex member, Carducci failed to timely apprise Nadex that he was a party to the aforementioned regulatory and criminal matters and subsequent penalties imposed as a result of default judgment. In addition, Carducci failed to comply with this investigation when he did not respond to the Compliance Department's request for information regarding these matters.

Carducci violated Nadex Rules 3.3(d)(i), (ii), (iv) and (v) when he failed to timely apprise Nadex of the aforementioned criminal conviction and penalties imposed therein, as well as the regulatory disciplinary action with the CFTC. In addition, the Compliance Department concluded that Carducci 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.

PENALTY: As a result of the aforementioned violations, Dominick Carducci'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 15, 2020