

NORTH AMERICAN DERIVATIVES EXCHANGE, INC.
NOTICE OF DISCIPLINARY ACTION

FILE NO.: INQ_2017_021

MEMBER: Mario Valentine

NADEX RULES:

RULE 3.3 MEMBER OBLIGATIONS

(d) Each Member must immediately notify Nadex in writing upon becoming aware:

....

(ii) that the Member . . . 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;

(iii) that the Member . . . has been convicted of, plead guilty or no contest to, or entered a plea agreement to a misdemeanor in any domestic, foreign or military court which involves:

(1) embezzlement, theft, extortion, fraud, fraudulent conversion, forgery, tax evasion, counterfeiting, false pretenses, bribery, gambling, racketeering, or misappropriation of funds, securities or properties; or

....

(v) that the Member . . . 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);

(vi) of any other material change in any information contained in the Member's membership application.

RULE 5.19 PROHIBITED TRANSACTIONS AND ACTIVITIES

(k) No Person shall intentionally provide erroneous or fraudulent information to Nadex on a membership application or otherwise.

FINDINGS: Mario Valentine became a Nadex member on July 28, 2017. As part of its ongoing Know Your Customer procedures, on July 31, 2017 Nadex received a notice from its third party criminal background provider that an individual matching the name of the new Nadex member had been charged with participating in a counterfeit credit card and money-laundering scheme in August 2016. When questioned, Valentine acknowledged the charge, however, on his Membership Application Mr. Valentine answered "No" to the Qualifying Question which asked "Are you currently party to any actions, or is there a charge pending, the resolution of which could result in a Yes answer to Questions 1 through 4 above?" The "above" questions referenced include asking the applicant whether he/she has been convicted of,

pled guilty to, or entered a plea of no contest or plea agreement to a felony, and/or certain misdemeanors. In addition to the disclosures requested of the application Qualifying Questions, all members have an ongoing obligation to notify Nadex if the member becomes party to an investigation, the resolution of which could result in a felony, or specific misdemeanor, conviction or plea agreement, as detailed in Rule 3.3. Although Mr. Valentine was party to an action and a charge was pending in a matter which could result in a felony or misdemeanor conviction or plea agreement at the time he applied for Nadex Membership and during the period in which he maintained a Nadex account, Mr. Valentine never reported the incident as required by Nadex Rules. Because he failed to notify Nadex of the ongoing investigation, Nadex has found Valentine violated Nadex Rules 3.3(d) and 5.19(k).

PENALTY: As a result of the Rule violations and the nature of the underlying incident, Mario Valentine's Nadex Membership has been revoked.

EFFECTIVE DATE: May 23, 2018