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**NORTH AMERICAN DERIVATIVES EXCHANGE, INC.**  
**NOTICE OF DISCIPLINARY ACTION**

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**FILE NO.:** INQ\_2018\_034

**MEMBER:** Dillon Dean

**NADEX RULES:**

**RULE 3.3 MEMBER OBLIGATIONS**

- (d) Each Member must immediately notify Nadex in writing upon becoming aware:
  - (i) that the Member, any 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;
  - (iv) that the Member, any of the Member's officers or any of the Member's Authorized Traders has been subject to, or associated with a firm that was subject to regulatory proceedings before any governmental or Regulatory Agency;
  - (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).

**RULE 5.19 PROHIBITED TRANSACTIONS AND ACTIVITIES**

- (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:** The Nadex Compliance Department commenced an investigation into Member Dillon Dean ("Dean") upon notice that Dean and his affiliated company, The Entrepreneurs Headquarters Limited ("TEH"), were the subject of a CFTC civil enforcement action (the "Complaint"). The

Complaint alleged that from approximately January 2017 through April 2018, Dean, through his company TEH, engaged in a fraudulent scheme to solicit at least \$1.1 million worth of Bitcoin from members of the public, misrepresented that customer's funds would be pooled and invested in products including binary options, made Ponzi-style payments to commodity pool participants from the other participants' funds, misappropriated pool participants' funds, and failed to register with the CFTC as a Commodity Pool Operator ("CPO") and Associated Person ("AP") of a CPO, as required. An Order and Default Judgment was issued on July 9, 2018, requiring Dean to pay a civil monetary penalty as well as restitution. Additionally, the Order and Default Judgment also imposed a permanent trading and registration ban on Dean. Based on Nadex's investigation, the Compliance Department concluded that Dean solicited customers through false representations that Dean and TEH would invest their funds at Nadex for purposes of trading commodity options and generating substantial returns.

Dean violated Nadex Rules 3.3(d) (i), (iv), and (v) when he failed to timely apprise Nadex of the CFTC Complaint, Default Judgment, and the civil and regulatory penalties imposed therein. In addition, the Compliance Department concluded that Dean violated Exchange Rules 5.19(l) and 5.19(m) when Dean, through his company TEH, without being properly registered, solicited for funds for deposit to Nadex, engaging in activity and operating in a manner that required registration with the CFTC as detailed in the Complaint and resulting Default Judgment. Further, Dean violated Exchange Rule 5.19(h) due to the substantial harm caused to his customers and the public through his fraudulent investment scheme.

**PENALTY:** As a result of the aforementioned violations, Dillon Dean has been assessed a \$3,500.00 fine, and his 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:** December 20, 2019