

NORTH AMERICAN DERIVATIVES EXCHANGE, INC.
NOTICE OF DISCIPLINARY ACTION

FILE NO.: TPI_2017_023

MEMBER: Eric Leung

NADEX RULES:

RULE 5.19 PROHIBITED TRANSACTIONS AND ACTIVITIES

(d) No Person shall enter into any trade designed or used to cause any price for a Contract other than a true and bona fide price to be reported, registered, or recorded by the Market.

(h) No Person shall engage in any activity that presents a risk of harm to Nadex, its Members, or the public.

(i) No Person shall engage in any activity that adversely affects the integrity of the Market or its underlying systems.

(t) No Member shall engage in conduct or practices inconsistent with just and equitable principles of trade or conduct or practices detrimental to the best interests of the Exchange, its Members and/or FCM Customers.

(w) No Person shall engage in any activity that constitutes fraudulent or abusive trading, including but not limited to violating bids or offers; demonstrating intentional or reckless disregard for the orderly execution of transactions during the closing period; or spoofing.

FINDINGS: A review of the activity in Eric Leung's account revealed a suspicious pattern of trading in several Nadex markets. It was determined that Leung placed successively higher bids or lower offers within the existing bid/ask spread, in an attempt to move the market in a particular direction and to entice other market participants to better Leung's prices. After the price moved in a favorable direction, Leung would obtain a fill for his new order at the advantageous price and then immediately cancel his original order. During its investigation, Nadex found that Leung had engaged in numerous instances of such conduct between January and February 2017, in various Nadex commodity, equity, and currency markets including, but not limited to, the EUR/USD and GBP/USD currency pairs and Gold. As Leung was placing non-bona fide orders for the purpose of moving the market in his favor so he could execute trades at improved prices, Nadex determined his activity constituted "spoofing," in violation of Nadex Rule 5.19(w).

Such activity is inconsistent with just and equitable principles of trade and presents a risk of harm to the Exchange and other market participants, in contravention of Nadex Rules 5.19(h) and (t). Further, as a result of his spoofing activity, Leung was able to enter into transactions that did not reflect true and bona fide prices, in violation of Nadex Rule 5.19(d). Finally, because Leung engaged in testing of a trading strategy/system in the live market that resulted in violative activity and improper price impact, Nadex concluded that Leung violated Nadex Rule 5.19(i).

PENALTY: Several mitigating factors were considered and ultimately, as a result of his activity, Eric Leung was suspended from engaging in trading activity for a four-day period, and was fined \$1,000.

EFFECTIVE DATE: August 7 2018