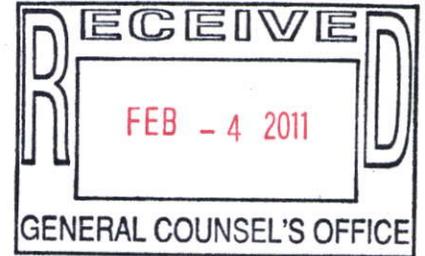


**NATIONAL FUTURES ASSOCIATION  
BEFORE THE  
BUSINESS CONDUCT COMMITTEE**



In the Matter of )  
ANGUS JACKSON, INC. OF FLORIDA )  
(NFA ID #190396), )  
)  
MARTIN H. BEDICK )  
(NFA ID #29028), )  
)  
and )  
)  
MICHAEL E. ROSE )  
(NFA ID #194486), )  
)  
Respondents. )

NFA Case No. 10-BCC-039

**ANSWER TO COMPLAINT**

Angus Jackson, Inc. of Florida ("Angus Jackson"), Martin H. Bedick ("Bedick") and Michael E. Rose ("Rose") (Angus Jackson, Bedick and Rose are sometimes collectively referred to as "Respondents"), by and through their undersigned counsel, Schuyler, Roche & Crisham, P.C., hereby submit the following as their Answer to the Complaint issued by the Business Conduct Committee of the National Futures Association ("NFA").

**ANSWERS TO ALLEGATIONS**

**JURISDICTION**

1. At all time relevant to this Complaint, Angus Jackson was registered as an introducing broker ("IB") Member of NFA. As such, Angus Jackson was and is required to comply with NFA Requirements and is subject to disciplinary proceedings for violations thereof.

**ANSWER:** Admit.

2. At all times relevant to this Complaint, Rose was the president, principal, director of trading, and associated person ("AP") of Angus Jackson and an NFA Associate. As such, Rose was and is required to comply with NFA Requirements and is subject to disciplinary proceedings for violations thereof. Angus Jackson is

liable for violations of NFA Requirements committed by Rose in the course of his activities on behalf of Angus Jackson.

**ANSWER:** Admit.

3. At all times relevant to this Complaint, Bedick was the vice president, principal and AP of Angus Jackson and an NFA Associate. As such, Bedick was and is required to comply with NFA Requirements and is subject to disciplinary proceedings for violations thereof. Angus Jackson is liable for violations of NFA Requirements committed by Bedick in the course of his activities on behalf of Angus Jackson.

**ANSWER:** Admit.

#### **BACKGROUND**

4. Angus Jackson is located in Fort Lauderdale, Florida and became an IB Member of NFA in January 1992. Prior to its IB registration, Angus Jackson was registered as a futures commission merchant from September 1986 to October 1988.

**ANSWER:** Admit.

5. NFA commenced an audit of Angus Jackson in August 2010. Prior to the audit, NFA was contacted by Martin Rosenthal ("Rosenthal"), who claimed that he had solicited customers for Angus Jackson and had received commissions for accounts he had solicited even though he was not a registered AP of the firm. Further, Rosenthal represented that he had assisted Angus Jackson in deceiving NFA auditors in prior audits about his role at the firm and the commission payments he had received.

**ANSWER:** Respondents admit the first sentence of paragraph 5. Respondents lack sufficient knowledge to admit or deny the remaining allegations in paragraph 5. Respondents state further that Rosenthal had no role at the firm and did not solicit business for the firm.

6. In addition to the information NFA received from Rosenthal, NFA's audit also found that Angus Jackson had failed to develop and implement an anti-money

laundering ("AML") program and had recurring issues regarding its handling of bunched orders. These deficiencies are alleged in detail below.

**ANSWER:** Respondents admit that the audit staff made certain findings as a result of the audit, and deny that Respondents' anti-money laundering procedures or bunch order procedures were deficient.

#### **APPLICABLE RULES**

7. NFA Compliance Rule 2-2(f) provides that no Member or Associate shall willfully submit materially false or misleading information to NFA or its agents.

**ANSWER:** Admit.

8. NFA Compliance Rule 2-4 provides, in pertinent part, that Members shall observe high standards of commercial honor and just and equitable principles of trade while conducting their commodity futures business.

**ANSWER:** Admit.

9. NFA Bylaw 1101 provides, in pertinent part, that no Member may carry an account, accept an order or handle a transaction in commodity futures contracts for or on behalf of any non-Member of NFA that is required to be registered with the CFTC and that is acting in respect to the account, order or transaction for a customer.

**ANSWER:** Admit.

10. NFA Bylaw 301(b) provides, in pertinent part, that no person may be associated with a Member of NFA unless the person is registered with NFA as an Associate or is an NFA Member.

**ANSWER:** Admit.

11. NFA Compliance Rule 2-9(c) provides, in pertinent part, that each IB shall develop and implement a written AML program approved in writing by senior management reasonably designed to achieve and monitor the Members compliance with the applicable requirements of the Bank Secrecy Act, and the implementing regulations promulgated thereunder by the Department of the

Treasury and the Commodity Futures Trading Commission ("CFTC"). Among other requirements, an AML program must provide for:

- (1) an independent annual review of the AML program to be conducted by Member personnel or by a qualified outside party; and
- (2) ongoing training for appropriate personnel.

**ANSWER:** Admit.

12. NFA Compliance Rule 2-26 provides, in pertinent part, that any Member or Associate who violates CFTC Regulation 155.4 shall be deemed to have violated an NFA Requirement.

**ANSWER:** Admit.

13. NFA Compliance Rule 2-10 provides, in pertinent part, that each Member shall maintain adequate books and records necessary and appropriate to conduct its business including, without limitation, the records required to be kept under CFTC Regulations 1.18 and 1.32 through 1.37.

**ANSWER:** Admit.

#### COUNT I

**VIOLATION OF NFA COMPLIANCE RULES 2-2(1) AND 2-4 AND NFA BYLAWS 1101 AND 301(b): SUBMITTING FALSE AND MISLEADING INFORMATION TO NFA, FAILING TO UPHOLD HIGH STANDARDS OF COMMERCIAL HONOR AND JUST AND EQUITABLE PRINCIPLES OF TRADE, DOING BUSINESS WITH A NON-NFA MEMBER THAT WAS REQUIRED TO BE REGISTERED, AND ALLOWING AN UNREGISTERED INDIVIDUAL TO SOLICIT CUSTOMERS.**

14. The allegations contained in paragraphs I through 10 are realleged as paragraph 14.

**ANSWER:** Respondents reallege and reincorporate their responses to paragraphs 1 through 10 as their responses to paragraph 14.

15. In 1988, Rosenthal was named as a respondent in an NFA arbitration case charging him with churning, misrepresentation, breach of fiduciary duty, fraud, and negligence. Rosenthal did not answer the arbitration claim and an award

was entered against him for \$17,797 which he has never paid. In 1987, Rosenthal was named as a respondent in a CFTC Reparations case in which the administrative law judge entered a judgment against him and in favor of a customer for \$13,026. Rosenthal has also never paid this judgment. Based on the unpaid arbitration award and reparations judgment, Rosenthal believed that he was ineligible for CFTC registration and that he could not do business in the futures industry that required registration.

**ANSWER:** Respondents admit the allegations in the first four sentences of paragraph 15 subject to what the actual records reflect. Respondents admit the allegations in the last sentence of paragraph 15.

16. Some years ago, Rosenthal opened a personal trading account with Angus Jackson. Rosenthal solicited a few friends to open accounts at Angus Jackson which Rosenthal traded pursuant to a power of attorney.

**ANSWER:** Respondents admit the allegations in the first sentence of paragraph 16. With respect to the second sentence of paragraph 16, Respondents admit that Rosenthal traded two friends' accounts introduced by Angus Jackson pursuant to powers of attorney. Respondents lack sufficient knowledge to admit or deny that Rosenthal solicited a few friends to open accounts at Angus Jackson.

17. Due to the commissions generated by Rosenthal's accounts, Bedick asked Rosenthal to become an AP of Angus Jackson. Rosenthal told Bedick that he could not become registered as an AP; whereupon, Bedick told Rosenthal that Angus Jackson could still find a way to compensate him.

**ANSWER:** Respondents deny the allegations in paragraph 17, and state further that Rosenthal was properly operating under the exemption from Commodity Trading Advisor ("CTA") registration under Section 4m(1) of the Commodity Exchange Act and CFTC Regulation 4.14(a)(10). Further, CTAs operating under this exemption

may receive commission revenue from accounts traded by them under a written grant of discretionary authority.

18. In 2004, Bedick sent an e-mail to Rosenthal in which he indicated that he was looking for a way to pay Rosenthal for soliciting customers without creating a direct audit trail from Angus Jackson to Rosenthal. Bedick requested Rosenthal to submit fake invoices to Angus Jackson for "computer services and software." Bedick suggested that the invoices be in the name of Jarma Trading, Inc. ("Jarma"), a company owned by Rosenthal. Bedick said that the phony invoices would allow Angus Jackson to cover up the compensation it paid to Rosenthal for acting as an AP.

**ANSWER:** Respondents lack sufficient knowledge to admit or deny the allegations in the first sentence of paragraph 18, and deny the allegations in the second sentence of paragraph 18.

19. During NFA's 2005 audit of Angus Jackson, NFA auditors questioned Bedick about a \$25,000 payment to Jarma. Bedick told NEA that Jarma was a company owned by Rosenthal and that the \$25,000 was for computer software development.

**ANSWER:** Admit, and state further that Rosenthal was properly operating under the exemption from CTA registration under Section 4m(1) of the Commodity Exchange Act and CFTC Regulation 4.14(a)(10). Further, CTAs operating under this exemption may receive commission revenue from accounts traded by them under a written grant of discretionary authority.

20. During NFA's 2008 audit of Angus Jackson, NFA auditors again questioned Bedick about two payments to Jarma — one for \$13,000 and the other for \$17,000. Bedick represented that Jarma was a software developer and that these payments were for services pertaining to the development of new computer software, trading programs, and options programs.

**ANSWER:** Admit, and state further that Rosenthal was properly operating under the exemption from CTA registration under Section 4m(1) of the Commodity Exchange Act and CFTC Regulation 4.14(a)(10). Further, CTAs operating under this exemption may receive commission revenue from accounts traded by them under a written grant of discretionary authority.

21. During NEA's 2010 audit of Angus Jackson, after Rosenthal had confessed his true role at Angus Jackson to NFA, Bedick admitted that the prior payments to Jarma were for commissions generated by Rosenthal's trading and that Jarma never developed or provided any computer software for Angus Jackson. According to Bedick, Jarma was merely a vehicle through which the firm could compensate Rosenthal for acting as an AP.

**ANSWER:** Respondents admit that the allegations in paragraph 21 subject to what the actual documents and records reflect except that the payments were for commissions from two accounts managed by Rosenthal, and not for Rosenthal acting as an AP of Angus Jackson. Respondents state further that Rosenthal was properly operating under the exemption from CTA registration under Section 4m(1) of the Commodity Exchange Act and CFTC Regulation 4.14(a)(10). Further, CTAs operating under this exemption may receive commission revenue from accounts traded by them under a written grant of discretionary authority.

22. In total, between January 2002 and December 2008, Angus Jackson paid Rosenthal nearly \$600,000 in commissions.

**ANSWER:** Respondents admit that the allegations in paragraph 22 subject to what the actual records reflect, and state further that there were only two accounts at issue with respect to such payments, and that Angus Jackson introduced several hundred accounts during the relevant time. Respondents state further that Rosenthal was properly operating under the exemption from CTA registration under

Section 4m(1) of the Commodity Exchange Act and CFTC Regulation 4.14(a)(10). Further, CTAs operating under this exemption may receive commission revenue from accounts traded by them under a written grant of discretionary authority.

23. Rose, the president and principal of Angus Jackson, also was aware that Rosenthal introduced accounts to the firm and was paid compensation for these accounts. However, Rose never disclosed this information to NFA in any of NFA's prior audits of Angus Jackson.

**ANSWER:** Respondents admit that Rose was aware of compensation being paid to Rosenthal relating to two accounts managed by Rosenthal and that Rose did not disclose this fact to NFA in prior audits, and state further that Rose was unaware of any payment to Jarma and believe that all payments to Rosenthal were proper under NFA rules and CFTC regulations. Further, Rose was not questioned by NFA during prior audit about payments to Jarma or accounts managed by Rosenthal. Respondents deny the remaining allegations in paragraph 23.

24. By reason of the foregoing acts and omissions, Angus Jackson, Rose and Bedick are charged with violations of NFA Compliance Rules 2-2(f) and 2-4 and NFA Bylaws 1101 and 301(b).

**ANSWER:** Admit.

#### COUNT II

#### VIOLATION OF NFA COMPLIANCE RULE 2-9(c): FAILING TO DEVELOP AND IMPLEMENT AN ADEQUATE AML PROGRAM.

25. The allegations contained in paragraphs 1, 4, 6 and 11 are realleged as paragraph 25.

**ANSWER:** Respondents reallege and reincorporate their responses to paragraphs 1, 4, 6 and 11 as their responses to paragraph 25.

26. Following NFA's 2006 audit of Angus Jackson, this Committee issued a Complaint against Angus Jackson for failing to complete annual AML training. Angus Jackson settled the 2006 case by paying a \$10,000 fine to NFA.

**ANSWER:** Admit.

27. During NEA's 2010 audit of Angus Jackson, NFA found that none of Angus Jackson's APs who work in areas susceptible to money laundering had taken annual AML training. Four of the firm's APs had a 22-month gap between training sessions and one AP had a 17-month gap between training sessions as detailed below:

<u>AP</u>	<u>Most Recent Training</u>	<u>Previous Training</u>
Martin Bedick	August 5, 2009	October 10, 2007
Charles Maley	August 5, 2009	October 10, 2007
Khadamath Maniedeo	August 5, 2009	March 18, 2008
Paul Wilcox	August 5, 2009	October 10, 2007
Michael Rose	August 5, 2009	October 10, 2007

**ANSWER:** Respondents admit that the allegations in paragraph 27 subject to what the actual records reflect, and state further that there is no requirement under NFA Compliance Rule 2-9(c) that an NFA member provide annual AML training of its registered employees.

28. By reason of the foregoing acts and omissions, Angus Jackson is charged with a violation of NFA Compliance Rule 2-9(c).

**ANSWER:** Admit.

### COUNT III

#### VIOLATION OF NFA COMPLIANCE RULES 2-26 AND 2-10: INCLUDING ORDERS FOR PROPRIETARY OR NON-CUSTOMER ACCOUNTS WITH, AND USING POST-EXECUTION ALLOCATION FOR. BUNCHED CUSTOMER ORDERS.

29. The allegations contained in paragraphs 1, 4, 6, 12 and 13 are realleged as paragraph 29.

**ANSWER:** Respondents reallege and reincorporate their responses to paragraphs 1, 4, 6, 12 and 13 as their responses to paragraph 29.

30. During NFA's 2008 audit of Angus Jackson, NFA found that an order for one of Bedick's personal trading accounts was bunched with orders for customers whose accounts were traded by Angus Jackson according to a third party trading system. Such a practice is prohibited under CFTC Regulation 155.4. In 2008, after this deficiency was brought to Angus Jackson's attention, it represented to NFA that it would no longer bunch orders for proprietary or non-customer accounts with customer orders.

**ANSWER:** Respondents admit that the allegations in the first sentence of paragraph 30 subject to what the actual records reflect. Respondents deny the allegations in the second sentence of paragraph 30. Respondents admit that the allegations in the third sentence of paragraph 30 subject to what the actual records reflect.

31. However, during NFA's 2010 audit, NFA found that Angus Jackson was still including orders for non-customer accounts with orders for customer accounts in the same bunched order.

**ANSWER:** Respondents admit the allegations in paragraph 31 and state further that for a few months in 2010 a single non-customer account was mistakenly included in bunch orders placed for customer accounts participating in an electronic trading system. During this period, the non-customer account received the same allocations and filling prices as the customers participating in the bunch orders.

32. Moreover, Angus Jackson, acting through Rose, provided post-execution allocation instructions for bunched customer orders, in violation of CFTC Regulation 1.35.

**ANSWER:** Deny, and state further that Angus Jackson introduces accounts trading pursuant to electronic trading systems. Customers participating in these systems

often change the number of contracts to be traded pursuant to the trading signals generated by such systems. In the event that a bunch order was executed prior to the clearing firm being notified of a change in the number of contract to be allocated to a customer, Angus Jackson would inform the clearing firm of the change in order to ensure that the bunch order had the correct allocation.

33. By reason of the foregoing acts and omissions, Angus Jackson is charged with violations of NFA Compliance Rules 2-26 and 2-10.

**ANSWER:** Admit.

WHEREFORE, Respondents respectfully request that the Panel: (i) dismiss the complaint as it relates to anything other than violations admitted herein; (ii) limit this proceeding to deciding on the appropriate sanction for the violations admitted herein; (iii) and grant Respondents whatever relief that is necessary and appropriate.

Angus Jackson, Inc. of Florida,  
Martin H. Bedick and Michael E.  
Rose

By:   
Jeffrey D. Barclay, one of their  
attorneys

Jeffrey D. Barclay  
Schuyler, Roche & Crisham, P.C.  
One Prudential Plaza  
Suite 3800  
130 East Randolph Street  
Chicago, Illinois 60601

**CERTIFICATE OF SERVICE**

I, Jeffrey D. Barclay, on oath state that on February 3, 2011, I served copies of the attached Answer, via email as follows:

National Futures Association  
Attention: Legal Department - Docketing  
300 South Riverside Plaza, Suite 1800  
Chicago, Illinois 60606  
[docketing@nfa.futures.org](mailto:docketing@nfa.futures.org)

National Futures Association  
Attention: Heather O'Hara, Esq.  
300 South Riverside Plaza, Suite 1800  
Chicago, Illinois 60606  
[HMcdonald@NFA.Futures.Org](mailto:HMcdonald@NFA.Futures.Org)

  
\_\_\_\_\_  
Jeffrey D. Barclay

Subscribed and sworn to before me  
this 3rd day of February, 2011.

  
\_\_\_\_\_  
Notary Public