

**NATIONAL FUTURES ASSOCIATION  
BEFORE THE  
HEARING PANEL**

**FILED**

**OCT 18 2011**

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. )

**NATIONAL FUTURES ASSOCIATION  
LEGAL DOCKETING**

NFA Case No. 10-BCC-039

**DECISION**

On June 13-14, 2011, a designated Panel of the Hearing Committee held a hearing to consider the charges against Angus Jackson, Inc. of Florida (Angus Jackson), Martin H. Bedick (Bedick) and Michael E. Rose (Rose). The Panel issues the following Decision under National Futures Association (NFA) Compliance Rule 3-10.

I

**PROCEDURAL BACKGROUND**

On December 22, 2010, NFA's Business Conduct Committee issued a three-count Complaint against Angus Jackson, Bedick and Rose. The Complaint charged that Angus Jackson, Bedick and Rose submitted false and misleading information to NFA, in violation of NFA Compliance Rule 2-2(f); failed to observe high standards of commercial honor and just and equitable principles of trade, in violation of NFA Compliance Rule 2-4; did business with a non-NFA Member that was required to be registered with the Commodity Futures Trading Commission (CFTC) and permitted that individual to act as an

Associate of Angus Jackson without being registered with NFA as an Associate, in violation of NFA Bylaw 1101 and NFA Bylaw 301(b). In addition, the Complaint charged that Angus Jackson failed to develop and implement an adequate anti-money laundering (AML) program, in violation of NFA Compliance Rule 2-9(c). Finally, the Complaint charged that Angus Jackson included orders for proprietary or non-customer accounts with orders for customer accounts, in violation of NFA Compliance Rules 2-26, and provided post-execution allocation instructions for the bunched customer orders, in violation of NFA Compliance Rule 2-10. On February 3, 2011, Angus Jackson, Bedick and Rose filed an Answer denying the material allegations in the Complaint.

## II

### **EVIDENCE PRESENTED AT THE HEARING**

NFA presented three witnesses at the hearing and introduced a number of documents into evidence. At the hearing, Respondents presented four witnesses, and Bedick and Rose testified on their own behalf. Respondents also introduced a number of documents into evidence. A summary of the evidence follows:

#### **Martin Rosenthal**

Martin Rosenthal (Rosenthal) testified substantially as follows:

Rosenthal began working in the financial industry in the mid 1960s as a member of Hayden Stone's research department. During his career, he also served as director of commodity programs at Shearson, managed the option program at Oppenheimer & Company, worked at J.T. McKerr & Co. and held seats on COMEX and AMEX. Rosenthal has also held a number of licenses, including the Series 7 and Series 3.

Rosenthal met Rose and Bedick approximately 15 years ago when he opened a brokerage account at Angus Jackson. Around 1998, Bedick and Rose asked

Rosenthal if he could get some students he was teaching to trade to open accounts with Angus Jackson. At least six, possibly more, of Rosenthal's students opened accounts with Angus Jackson. Although Rosenthal did not receive commissions for those accounts, Angus Jackson did lower the commission rate he paid on his personal account.

Sometime in 2000 or 2001, Rosenthal developed an option training program and solicited a number of other individuals in that program to open accounts with Angus Jackson. In total, Rosenthal brought in 13 different accounts representing seven or eight individuals. These accounts were opened by friends, relatives (including an account for his son) and a few people he had not known before. Rosenthal had power of attorney over seven or eight of these accounts, and he actively traded those accounts three to five times a week. Rosenthal would call Angus Jackson's order desk to provide trading instructions on those accounts, and he would typically speak with Rose or Harry Pratt.

Angus Jackson paid Rosenthal commissions of approximately \$600,000 for the trading in these seven or eight accounts from 2001 through 2009. Originally, Angus Jackson paid the commissions to Rosenthal by check or wire transfer. However, at a later point, Angus Jackson began to wire the commission payments into an account in the name of Jarma Trading, Inc. (Jarma), a corporation formed by Rosenthal. The change in payment structure occurred after Rosenthal received an e-mail from Bedick, dated December 15, 2004 (See NFA Exhibit 11), where Bedick stated:

There is no way I [Bedick] will be able to get away with paying someone who is not registered [Rosenthal] the amount I am sending you.

Rosenthal was unable to be registered with the CFTC because he failed to pay two judgments issued against him in separate CFTC reparation actions. Rosenthal told both Bedick and Rose that he was not able to be CFTC registered. In fact, during the



entire time he was being paid commissions by Angus Jackson, he was neither registered with the CFTC nor a Member of NFA.

Rosenthal and Bedick decided that Angus Jackson would make the commission payments to Jarma and indicate the payments were for software development and training Jarma provided Angus Jackson. At Bedick's request, Rosenthal created invoices indicating that Jarma was billing Angus Jackson for programming, development and training services (See NFA Exhibit 14). Bedick wanted Rosenthal to create these invoices so that when NFA audited Angus Jackson there would be an explanation for the payments to Jarma. Although invoices were generally dated at the end of a month, Rosenthal actually sent them in bunches of four to six at a time because Bedick would request them when he thought an NFA audit might be pending. In addition, Bedick and Rosenthal thought it would look suspicious if the invoices were in amounts that were not in whole dollars so they determined to round the amounts owed to Jarma. At no time, however, did Rosenthal or Jarma provide any of the programming, training or development services to Angus Jackson as specified in the invoices.

Rosenthal believes that Rose knew that Rosenthal was receiving commission payments from Angus Jackson. Specifically, Rosenthal called Bedick at the same time each month to confirm his commission payment amount. Sometimes Rose would answer the phone, and when Rosenthal would ask to speak with Bedick, Rose would remark that it was time for Rosenthal to get paid again.

Rosenthal reviewed his customers' account statements every evening to see if there were any margin calls and to make sure all the positions in the accounts were correct. However, in October 2008, during a significant disruption in the financial markets, Rosenthal was unable to view his customers' managed account statements. During this



period, Rosenthal called Angus Jackson every morning to make sure there were no margin calls. Although a margin call was issued on October 1 or 2, Angus Jackson never informed Rosenthal of the margin calls during these morning calls. On October 10, Bedick left Rosenthal a hysterical message stating that all Rosenthal's accounts were in deficit. Since Rosenthal was unable to verify this, he believed Bedick and told him to take over the accounts. Rosenthal's account and the customer managed accounts suffered substantial losses after Bedick took over.

Rosenthal became concerned that the commission arrangement would be uncovered if any of the customers filed claims against Angus Jackson. As a result, Rosenthal contacted NFA and reported his relationship with Angus Jackson.

#### **Alex Kranz**

Alex Kranz (Kranz), an audit manager in NFA's Compliance Department, testified substantially as follows:

Angus Jackson has been continuously registered as an NFA Member introducing broker since 1992. Bedick has been an associated person (AP) of Angus Jackson since 1992 and a principal of the firm since 1994. Rose has been an AP of Angus Jackson since 1993 and a principal of the firm since 1994. According to NFA's registration records, Rose is the president of Angus Jackson and Bedick is the vice- president and chief financial officer.

In 2006, NFA's Business Conduct Committee issued a complaint charging Angus Jackson for failing to comply with NFA's AML requirements. Angus Jackson settled that Complaint by agreeing to pay a \$10,000 fine.

In August of 2010, Kranz acted as the audit manager on an NFA audit of Angus Jackson. When NFA originally scheduled the audit, it was considered a routine

audit. However, after NFA had scheduled the audit, but before fieldwork began, NFA received a call from Rosenthal in which he informed NFA that he was acting as an unregistered AP for Angus Jackson, and that he had received commission payments from the firm for introducing clients. Rosenthal also informed NFA that he received those payments through a company he set up called Jarma Trading.

Prior to commencing fieldwork, NFA staff reviewed the cash testing that staff completed during Angus Jackson's 2005 and 2008 audits. NFA staff was looking for any information related to Rosenthal's allegations. During the review of these prior audits, NFA staff identified references to Jarma in the audit documentation for both audits.

For example, the cash testing module for the 2005 audit of Angus Jackson included an NFA staff note detailing a discussion NFA staff had with Bedick regarding a \$25,000 payment to Jarma. The note indicated that Bedick represented to NFA that Jarma is Martin Rosenthal, and that the payment to Jarma represented a combination of software Angus Jackson bought from Rosenthal as well as consulting time Rosenthal spent with Bedick. (See NFA Exhibit 9).

Similarly, the cash testing module for NFA's 2008 audit showed two payments made to Jarma on March 13, 2008 and April 24, 2008 in the amounts of \$13,000 and \$17,000, respectively. The module also contained a staff note that indicated that Bedick represented to NFA that the payments to Jarma were for developing new software, trading programs and option programs. (See NFA Exhibit 10). Kranz did not believe that Rose was involved in NFA's cash review of Angus Jackson in 2005 or 2008.

On the first day of the 2010 audit, NFA staff interviewed both Bedick and Rose about Rosenthal's allegations. That same day, NFA staff sent an e-mail containing a set of follow-up questions to both Bedick and Rose. Bedick sent responses to the

questions later that same day. (See NFA Exhibit 7). Rose never responded. In Bedick's responses to the questions, he indicated, among other things, that Rosenthal had discretion over several accounts he introduced to Angus Jackson, Rosenthal was paid approximately \$600,000 in commission from 2002 to 2008, that Rose was aware of the commission arrangement and that Jarma provided no services to Angus Jackson.

At the conclusion of audit fieldwork, NFA requests a management representation letter from the firm being audited indicating that the documents provided and representations made throughout the audit are accurate to the best of the signer's knowledge and belief. In some instances, NFA requires that the letter acknowledge certain specific statements. At the conclusion of the Angus Jackson audit, Bedick submitted a management representation letter on behalf of Angus Jackson (See NFA Exhibit 6). In that letter, Bedick acknowledged that Angus Jackson paid Rosenthal commissions for services requiring registration as an AP despite the fact that he was not registered as an NFA Member, that Angus Jackson represented to NFA in prior audits that payments to Jarma were for software consulting systems, when, in fact, they were for commission payments to Rosenthal, and that Angus Jackson paid Rosenthal through Jarma approximately \$600,000 for commissions earned during the period 2002 through 2008.

NFA issued an audit report to Angus Jackson in October 2010, which summarized NFA's findings. (See Exhibit 4). Among other things, the report indicated that Angus Jackson submitted false and misleading information to NFA in connection with the payment to Jarma and that Angus Jackson did business with Rosenthal, although they knew that Rosenthal was required to be registered as an AP and an NFA Associate Member but was not because he was disqualified from registration.



Bedick filed a response to the audit report on behalf of Angus Jackson. In that response, Bedick acknowledged that he made payments to Rosenthal and that he misled NFA with false information about those payments. (See NFA Exhibit 5).

### **John Matteson**

John Matteson (Matteson), a field supervisor in NFA's Compliance Department, testified substantially as follows:

During NFA's August 2010 audit of Angus Jackson, Matteson was in charge of testing bank activity, reviewing trading, reviewing the firm's bunched order procedures and practices, as well as participating in interviews of Bedick and Rose. Within hours of completing the interviews, Matteson prepared a written summary of each. (See NFA Exhibits 12 and 13). At the time Matteson prepared the summaries, he determined that the summaries were an accurate account of the interviews.

The written summary of Bedick's interview indicates that Bedick initially told NFA that Angus Jackson paid Jarma for creating trading systems. However, when NFA further questioned Bedick about the type of trading systems Jarma provided, Bedick admitted that Jarma did not actually provide trading systems, and that the payments to Jarma were actually commissions earned by Rosenthal for two accounts.

NFA's interview summary of Rose indicates that Rose represented that his primary function at the firm was operating the trading desk, and that the operational and financial aspects of the business were handled by Bedick. Rose also represented that he and Bedick were aware that Rosenthal was acting as an AP of Angus Jackson and therefore was required to be registered; however, Rose was unaware of the details of the commission arrangement.

## **Martin Bedick**

Martin Bedick testified substantially as follows:

Bedick graduated from the University of Florida with a business degree.

Bedick held a number of different positions in the financial services industry before he joined Angus Jackson, Inc. (AJI) as an AP in 1992. AJI is the predecessor firm of Angus Jackson.

Bedick first met Rose in the spring of 1993 when Rose joined AJI as the president. AJI was not doing much business at that time, and in the summer of 1993 it became clear that the firm was going to close down. Bedick, himself, was doing well opening accounts so he approached Rose and suggested that the two of them try to make the business work. Bedick felt that the two of them could be successful with the business he already had and with Rose's contacts in New York as a former floor trader. Bedick and Rose formed Angus Jackson and registered it as an introducing broker. The firm's primary business was opening retail accounts to follow longer term trends using systematic mechanical trading systems, and the firm continues to follow that model currently.

When Bedick and Rose formed Angus Jackson, Rose was allocated 51% ownership and Bedick was allocated 49% ownership. Rose retained the title of president, which he had at the predecessor firm, and Bedick was named vice-president. Bedick agreed to this ownership allocation and leaving Rose as president because he believed that Rose's New York contacts would contribute to the firm's growth.

Rose, however, did not generate much business through his New York contacts and about six months after forming the new company, Bedick realized that he was generating all the new business. Therefore, he approached Rose about altering the ownership allocation to reflect Bedick's contribution. They agreed that a more appropriate

split would be 90% ownership for Bedick and 10% ownership for Rose. They also agreed that if Rose's role became more significant, they would re-evaluate the allocation. At some point, Rose's contribution with respect to the order desk became more important so Bedick and Rose agreed to an ownership allocation of 75% ownership for Bedick and 25% ownership for Rose.

Although Rose has always had the title of president, Bedick believes he actually functioned as the firm's CEO. He was responsible for all facets of the firm's business, including compliance, hiring or firing of personnel and bringing in business. Rose was responsible for managing the order desk. Rose was not involved in any other aspect of the firm's operations, and Bedick rarely spoke with Rose about the firm's overall operations.

Bedick met Rosenthal in the mid-1990s through a client of the firm. Within six months of meeting, Rosenthal opened a trading account for himself with Angus Jackson. Sometime in 2001, Rosenthal told Bedick that he had power of attorney over Rosenthal's girlfriend's account at Angus Jackson. Rosenthal did not ask Bedick to pay him commissions on the account at that time. However, in 2002, Rosenthal approached Bedick and told him that the account owner was going to increase the account size to potentially seven figures and he wanted to be paid commissions on the account. Bedick told Rosenthal to get registered and he would pay him commissions. Rosenthal, however, informed Bedick that he was not able to get registered. Bedick never asked Rosenthal why he was not able to get registered, but did begin paying him commissions on the account within a month of the conversation. Bedick never consulted Rose about the commission payment arrangement with Rosenthal. In 2004, another acquaintance of Rosenthal's opened an account, and Bedick agreed to pay Rosenthal the same



commission rate on that account. These were the only two accounts that Angus Jackson paid commissions to Rosenthal for trading.

Bedick did not ask Rosenthal to form Jarma. Bedick was paying commissions directly to Rosenthal, but after a few years, Rosenthal asked Bedick to begin paying the commissions to Jarma. Bedick did not care whether he paid Rosenthal or Jarma, but he needed an invoice to reflect who he was paying.

Bedick acknowledged telling NFA auditors in both 2005 and 2008 that the payments to Jarma were for a combination of software and time spent with Rosenthal. Rose was not involved in the discussions with NFA auditors regarding the payments to Jarma or Rosenthal during the 2005 and 2008 audits.

By September 2008, Rosenthal was handling five or six accounts that traded through Angus Jackson, but only receiving commissions on the two accounts. After the October 2008 market crash, all of Rosenthal's accounts were down 60% to 150%. After one of the accounts Rosenthal was managing went into debit by \$30,000, Bedick called Rosenthal and told him he was taking control of the account and would be putting on positions to hedge the account. Bedick strongly urged Rosenthal to put on hedge positions in the other accounts he was managing. Rosenthal told Bedick to hedge those other accounts as well. At the end of that day, Bedick removed the hedge on the account that was in debit and called Rosenthal to ask him what he wanted to do with the other accounts. Rosenthal told Bedick that he did not want to remove the hedge positions. Within two days, those accounts were worthless.

Although Rosenthal claimed he was not receiving customer statements during this period, Bedick thinks that Rosenthal was stunned by the market collapse and stopped looking at his accounts for a few days. Rosenthal never told Angus Jackson at

that time that he was not receiving his customer statements and, if he had, then Angus Jackson would have provided him faxes and equity runs of his accounts on a daily basis.<sup>1</sup>

One of the customers for which Angus Jackson paid Rosenthal commissions filed an arbitration claim against Angus Jackson for her losses. Bedick participated in a mediation session involving the claim. Although he initially had no plans to settle the matter, during the mediation session he realized that the focus was on Angus Jackson improperly paying commissions to an unregistered person so he agreed to refund the commissions Angus Jackson earned in order to settle the matter. Several days later, NFA staff arrived at Angus Jackson to conduct an unscheduled audit. When NFA staff began questioning Bedick about the commissions paid to Jarma, he answered their questions truthfully. Bedick felt that since he had "come clean" in the mediation about the commission situation, it was time to answer all the questions. Bedick disagreed with NFA's witness who stated that he initially began providing NFA with the same information he had provided in the 2005 and 2008 audits. Bedick admitted that he did not, however, independently contact NFA to inform them of the commission situation.

Bedick did not consider Rosenthal to be an AP of Angus Jackson. Bedick never gave Rosenthal authority to solicit customers on behalf of the firm and he never gave Rosenthal any of the materials Angus Jackson's other brokers used to solicit customers. The only customers Rosenthal referred to Angus Jackson were family and friends he brought to the firm on an *ad hoc* basis.

Bedick now believes that Rosenthal was not required to be registered to receive the commissions paid by Angus Jackson because during any 12-month period,

---

<sup>1</sup> Bedick testified at length about Rosenthal blaming him and then Rose for the losses in those customer accounts and about a number of e-mails that Rosenthal sent regarding this situation. The Panel did not find any of this testimony relevant to the issue before them, therefore the testimony has not been included in the summary.

Rosenthal did not provide trading advice to more than 15 persons and he did not hold himself out to the public as a CTA so he was exempt from registration as a CTA under CFTC Regulation 4.14(a)(10). Bedick, however, did not know if Rosenthal had a website, did not know if Rosenthal managed any accounts at other IBs, and did not know whether Rosenthal said anything to any of the account owners of the accounts at Angus Jackson that would indicate that he was holding himself out as a CTA. Bedick also did not have any idea about this exemption when he previously lied to NFA about the nature of the payments to Jarma.

According to Bedick, Rose knew that he was paying Rosenthal commissions and that Rosenthal was not registered, but Rose did not know about Jarma or that Bedick had lied to NFA. Rose never questioned Bedick, however, about why he was paying commissions to an unregistered individual.

### **Michael Rose**

Michael Rose testified substantially as follows:

Rose graduated from Rider University in 1983 and began working on the floor of the New York Futures Exchange (NYFE) in 1984. In the mid-80s he began running AJI's NYFE's floor brokerage operation. In 1993, he transferred to AJI's Florida office. Shortly after he arrived, he learned that the office was going to be closing. At that point, Bedick approached him with the idea of combining his New York floor contacts with Bedick's business to operate their own firm – which they called Angus Jackson Inc. of Florida. Although his initial ownership interest was 51%, after he and Bedick realized that Rose was not generating any business from his New York contacts, they decided to reduce his ownership interest to 10%.



When Rose first joined AJI, he was given the title of president. He retained that title when he and Bedick formed Angus Jackson. Rose's responsibility was to keep the order desk running smoothly. He did not participate in any other decisions regarding the business. As a result, in 2002, Bedick told Rose that he wanted him to change the title on his business card from president to trading specialist. Although Rose changed the business card, to his knowledge no one from Angus Jackson ever reported the change to NFA.

Rose met Rosenthal when Rosenthal became an Angus Jackson client. Sometime in 2001, Rose became aware that Rosenthal had power of attorney over two accounts. However, Rose was not aware of the commission arrangement, and only learned that Rosenthal was receiving commissions from Angus Jackson when Rosenthal – not Bedick – told him. Rose was not concerned that Angus Jackson was paying Rosenthal commissions because Bedick was taking care of it, and Rose trusted that Bedick was handling it correctly. In addition, Bedick was the person who was responsible for registration and compliance matters.

Although Rose knew that Rosenthal was not registered, Rosenthal told Rose the reason he was not registered was that he did not want to show any W-2 income as it might impact the alimony payments to his ex-wife. Rosenthal never told Rose that he was ineligible to be registered as an AP, and Rose was not aware that Rosenthal had two unpaid reparation judgments. Although Rose was aware that people who are paid commissions by NFA Members must generally be registered themselves, he also knew there were certain exceptions to the registration requirement. Rose, however, never inquired with Bedick or NFA regarding any exemption that might apply to Rosenthal.

Rose had nothing to do with payments made to Jarma. Rose also did not know about NFA's questions in the 2005 and 2008 audits regarding these payments, nor was he involved in formulating the answers Bedick gave NFA about these payments.

After the market events in October 2008, Rosenthal continued to place orders for his account and others through Rose at Angus Jackson. Rosenthal never blamed Rose for the losses suffered in the accounts that Rosenthal had trading authority over. However, in September 2009, Rosenthal phoned Rose and asked him to partner with him in a trading venture. Rose declined Rosenthal's offer and told Rosenthal that his "stuff doesn't work." Following that phone call, Rose began receiving threatening phone calls from Rosenthal, and Rosenthal began blaming Rose for the customer losses in October 2008.

During NFA's 2010 audit of Angus Jackson, Rose told NFA that he was aware that Rosenthal was being paid by the firm, and he may have told them that Rosenthal was some kind of associated person. Rose did not use the term associated person to mean that Rosenthal was a broker of Angus Jackson's because Rosenthal never solicited accounts for Angus Jackson.

At some point in 2008, Rose began soliciting accounts again. He found that clients often ask if he is also trading what he is recommending. Rose wanted to be able to say yes, so he added his account to the list of customer accounts that were trading one of Angus Jackson's systems. He didn't realize he couldn't do this until Bedick told him. Rose, however, never received a better fill than the customers.

Rose also had situations where he placed an order for all the accounts that participate in the same system. On occasion, particular customers may call and ask not to be included in an order. Since Rose may have already entered the order, after it is filled,

he would send a new allocation. Rose never moved a profitable trade or an unprofitable trade from one account to another post-execution.

### **Sal Caputo**

Sal Caputo (Caputo) testified substantially as follows:

Caputo is an AP with the Price Group. Caputo has been handling Angus Jackson's account with different clearing firms since approximately 1994. It's important to Caputo to be able to trust Angus Jackson (and Rose and Bedick) because he is responsible to the clearing firm for Angus Jackson's activities.

Caputo has dealt directly with both Bedick and Rose. He believes they are some of the "classiest brokers" he has worked with. Caputo is aware that Bedick was charged with working with an unregistered broker and lying to NFA, however, he was not aware that Bedick admitted to lying to NFA. After learning that Bedick had admitted to lying to NFA, Caputo indicated that it didn't change his opinion of Bedick because he knows how Bedick deals with him and with Angus Jackson's clients. Caputo, however, would terminate someone who lied to him if the lie was critical.

### **Customer Witnesses**

Angus Jackson also presented two customer witnesses who testified about their relationship with the firm. Both customer witnesses found Bedick and Rose to be honest, dependable and forthright in their business dealings. Neither witness had any personal knowledge of the allegations in NFA's Complaint, and neither knew the details of the allegations. One of the witnesses had been told by Bedick that the allegations related to a commission rebate. Both customer witnesses were surprised that Angus Jackson, Bedick and Rose could be barred from the industry given their positive experiences at Angus Jackson.



Angus Jackson also submitted a number of written letters from certain customers describing their relationship with Angus Jackson, and/or Bedick and Rose. These letters all indicated positive relationships but none evidenced knowledge of the Complaint's specific allegations.

**Lorraine Bedick**

Lorraine Bedick (L. Bedick) testified substantially as follows:

L. Bedick and Bedick have been married for 26 years. This case has been very difficult on her family and Rose's family. L. Bedick has a difficult time understanding that this matter could result in her husband, Rose and Angus Jackson being banned from NFA because the lies told to NFA were not related to any customers losing money.

**III**

**FINDINGS, CONCLUSIONS AND PENALTY**

Angus Jackson was an IB Member of NFA during the period covered by the Complaint. As an NFA Member, Angus Jackson was required to comply with NFA requirements and is subject to disciplinary proceedings for violations of NFA requirements that occurred while it was an NFA Member.<sup>2</sup> Bedick and Rose were principals and APs of Angus Jackson and NFA Associates during the period covered by the Complaint. Therefore, they were required to comply with NFA requirements, and NFA has jurisdiction over them for purposes of this action.<sup>3</sup>

Although Count I of NFA's Complaint alleges several rule violations, the alleged violations are based primarily on the same conduct. NFA alleges that Angus Jackson, through Bedick and Rose, paid Rosenthal and Jarma commissions related to

---

<sup>2</sup> See NFA Compliance Rule 2-14.

<sup>3</sup> See NFA Bylaw 301(b) and NFA Compliance Rule 2-14.

accounts trading through Angus Jackson even though Rosenthal was neither registered with NFA as an Associate or an NFA Member nor registered with the CFTC in another capacity and a Member of NFA, and Jarma was not registered with the CFTC in any capacity and an NFA Member. Count I also alleges that Angus Jackson, through Bedick, knew that these payments were improper and therefore attempted to disguise the nature of the payments by making the payments to Rosenthal through Jarma and lying to NFA about the purpose of the payments. The Complaint also alleges that Rose, who was the named president of Angus Jackson, knew of these improper payments but never disclosed this information to NFA when NFA inquired about the payments during two previous audits. Based on this conduct, NFA charged Angus Jackson, Bedick and Rose with violating NFA Compliance Rules 2-2(f) and 2-4 for knowingly setting up a false payment structure and lying to NFA about the payments, and violating NFA Bylaw 301(b) and NFA Bylaw 1101 for making commission payments to a person and entity that were not properly registered or an NFA Member or Associate.<sup>4</sup>

Bedick readily admitted that Angus Jackson was paying Rosenthal commissions for trading in customer accounts even though he was not properly registered, and that he lied to NFA both in 2005 and 2008 when NFA asked him about the payments being made to Jarma.<sup>5</sup> There is no question, therefore, that Angus Jackson and Bedick violated NFA Compliance Rules 2-2(f) and 2-4 based on this conduct. This conduct is inconsistent with just and equitable principles of trade.

---

<sup>4</sup> NFA Bylaw 301(b) and NFA Bylaw 1101 apply to NFA Members. Since Bedick and Rose were NFA Associates and not NFA Members, they could not individually violate these Bylaws. Therefore, the Panel dismisses the charges that Bedick and Rose violated NFA Bylaw 301(b) and NFA Bylaw 1101 with prejudice.

<sup>5</sup> Bedick made some or all of these admissions in the August 10, 2010 e-mail response, the August 19, 2010 management representation letter and November 2, 2010 audit response related to NFA's 2010 audit, as well as his testimony during the hearing.



Both Bedick and Rose, however, denied that Rose was involved in the commission payments or that he knew that Bedick had lied to NFA about the payments. Although Rose may not have directly lied to NFA, the Panel still finds his conduct to be a violation of Compliance Rule 2-4. In particular, Rose admitted that he was aware that Angus Jackson was paying Rosenthal commissions related to trading in certain customer accounts. He also admitted that he knew that most individuals who receive commission payments are required to be registered and that Rosenthal was not registered. Rose maintained, however, that he assumed that the situation was okay because Bedick was handling it and he trusted Bedick. The Panel, however, does not find this to be a valid reason for excusing Rose's lack of inquiry and diligence. Rose was the named president of Angus Jackson. Although Rose denies that he ever acted in that capacity, when he accepted the prestige that goes along with that title, he also accepted the responsibilities. Rose was well aware that Rosenthal was not registered, but was receiving commissions, and he was well aware that this generally requires registration. Rose, as president of Angus Jackson, had a duty to inquire about the situation and cannot absolve himself from responsibility by hiding his head in the sand. The Panel finds that this conduct is a clear violation of NFA Compliance Rule 2-4 and inconsistent with just and equitable principles of trade. Since NFA did not establish that Rose was aware that Bedick had either lied to NFA in 2005 and 2008 and remained silent or lied to NFA himself, the Panel dismisses with prejudice the charge that Rose violated NFA Compliance Rule 2-2(f).

At the hearing, Bedick maintained that he now believes that Angus Jackson's commission payments to Rosenthal and Jarma were proper because Rosenthal was exempt from registration as a CTA under Commission Regulation 4.14(a)(10). The Panel first notes that even if this was true, it does not in any way excuse or lessen the



seriousness of Bedick's conduct when he purposefully provided false information to NFA about the commissions paid to Rosenthal or Rose's conduct when he chose not to inquire about the payments to Rosenthal. Therefore, it appears that Bedick raised this issue as a *post hoc* defense to the charge that Angus Jackson violated NFA Bylaw 301(b) and Bylaw 1101 when Angus Jackson paid commissions to an unregistered individual (Rosenthal) and an unregistered entity (Jarma).

The evidence at the hearing showed that Rosenthal brought a number of customer accounts to Angus Jackson and that Angus Jackson paid him (and later Jarma) a per trade commission for at least two of those accounts. This type of relationship would generally require Rosenthal to be registered as an AP of Angus Jackson or as an IB, and Jarma to be registered as an IB.

However, CFTC Regulation 1.3(mm) provides that IB registration is not required for such activity if it is done by a CTA which is not being compensated on a per trade basis or which solely manages accounts pursuant to a power of attorney, regardless of whether the CTA is registered or exempt. Bedick maintained that Rosenthal, and presumably Jarma, were exempt from CTA registration under CFTC Regulation 4.14(a)(10), which provides that a person is exempt from CTA registration if the person provided advice to fewer than 15 people over the preceding 12-month period and did not hold himself out to the public as a CTA. Therefore, if Rosenthal and Jarma were exempt from CTA registration, Angus Jackson did not violate NFA Bylaw 1101 and 301(b). As discussed below, however, the Panel does not find that Bedick presented sufficient evidence at the hearing for the Panel to conclude that Rosenthal (and Jarma) were in fact exempt from CTA registration.

Since Rosenthal did not specifically address his purported exemption from CTA registration during his testimony at the hearing, the Panel must rely solely upon Bedick's testimony in determining whether Rosenthal and Jarma were exempt from CTA registration pursuant to Regulation 4.14(a)(10). Bedick's testimony, however, did not support his claim that Rosenthal (and Jarma) were exempt. For example, Bedick admitted during his testimony that he did not do any type of due diligence to determine the number of accounts that Rosenthal (and Jarma) may have been providing advice to, and he had no idea the manner in which Rosenthal represented or held himself (or Jarma) out to the owners of the accounts he was managing at Angus Jackson. Moreover, although Rosenthal never specifically addressed the CTA exemption, Rosenthal's testimony included information that suggests that he didn't qualify for the exemption. In particular, Rosenthal testified that he solicited individuals who were taking his training courses to open managed accounts at Angus Jackson, and some of those individuals were people he did not know previously.

The obligation rests on Angus Jackson to show that Rosenthal was exempt from CTA registration pursuant to Regulation 4.14(a)(10), and the Panel concludes that Angus Jackson failed to meet this burden.<sup>6</sup> Bedick did not establish at the hearing that Rosenthal (and Jarma) had fewer than 15 clients and that Rosenthal did not hold himself out as a CTA. Moreover, the fact that Bedick provided misleading information to NFA for

---

<sup>6</sup> In order for Bylaw 1101 and Bylaw 301(b) to work, NFA Members must take responsibility to ensure that any non-registered individuals or entities that they do business with are not required to be registered. NFA Interpretive Notice entitled *Compliance with Bylaw 1101* provides guidance on the procedures a firm should use to ensure compliance with Bylaw 1101. Among other things, this Notice indicates that when an IB carries an account that is controlled by a third party, the IB should check to see if the third party is registered as a CTA and if not registered should inquire as to the basis of the exemption. Even at this point in time, Bedick has never made such inquiry. He simply concluded, after the fact, that based on unsupported facts, Rosenthal was exempt.



years so that Angus Jackson could continue to pay commissions to Rosenthal casts significant doubt on the credibility of Bedick's belief that Rosenthal is exempt from registration.

The Panel, therefore, finds that Rosenthal and/or Jarma were not exempt from CTA registration and their relationship with Angus Jackson required that Rosenthal be registered as an AP and an NFA Associate or registered as an IB and an NFA Member, while Jarma was required to be registered as an IB and an NFA Member.

Therefore, the panel finds that Angus Jackson violated NFA Bylaw 1101 when it paid per trade commissions to Jarma and violated NFA Bylaw 301(b) when it paid per trade commissions to Rosenthal. This conduct is inconsistent with just and equitable principles of trade.

NFA also alleged in Count II of the Complaint that Angus Jackson failed to provide annual AML training to a number of its APs, in violation of NFA Compliance Rule 2-9(c). Angus Jackson admitted in its Answer that it failed to provide this training and its counsel indicated in the opening statement that Angus Jackson conceded that allegation. Therefore, the Panel finds that Angus Jackson violated NFA Compliance Rule 2-9(c). This conduct is inconsistent with just and equitable principles of trade.

Finally, Count III of the Complaint alleged that Angus Jackson improperly included an order for a non-customer account with customer orders in the same bunched order, in violation of NFA Compliance Rule 2-26, and that Angus Jackson provided post-execution allocation instructions for bunched customer orders, in violation of NFA Compliance Rule 2-10. In its Answer, Angus Jackson admitted the violation of NFA Compliance Rule 2-26 and its counsel indicated in the opening statement that Angus Jackson did not contest the violation of Compliance Rule 2-26. Although Angus Jackson



denied violating NFA Compliance Rule 2-10 in its Answer, Rose indicated in his testimony that he sometimes sent post-execution allocation instructions for a bunched order, but claimed this was necessary because the number of clients participating in the order changed after he placed the initial order. The Panel, therefore, finds that Angus Jackson violated NFA Compliance Rules 2-10 and 2-26 since IBs are not permitted to use post-execution allocation for their bunched orders. This conduct is inconsistent with just and equitable principles of trade.

A number of factors must be considered when determining the appropriate sanctions for these violations. One of the more important factors is the nature of the violations. The evidence at the hearing clearly established that not only did Bedick (and Angus Jackson) knowingly improperly pay commissions to an individual and an entity that were not registered, but he participated in an elaborate scheme to disguise the true nature of the payment and lied to NFA numerous times when questioned about the payments. Although Bedick claimed at the hearing that he did not ask Rosenthal to set up Jarma and that he did not care who he made the payments to, the evidence at the hearing indicates otherwise. In particular, Bedick, in his December 15, 2004 e-mail to Rosenthal (See NFA Exhibit 11), clearly tells Rosenthal that he can't continue to pay Rosenthal the commissions and that they have to find another way to make the payments to him. Even if Bedick did not specifically tell Rosenthal to set up Jarma, he clearly wanted Rosenthal to make other arrangements for the commission payments and substituting Jarma for Rosenthal accomplished Bedick's goal. Moreover, Bedick admitted that he instructed Rosenthal to submit false monthly statements from Jarma to support the monthly commission payments.

It's clear to the Panel that Bedick knew that the rules in the futures industry prohibited him from paying Rosenthal and Jarma commissions because neither was properly registered. Bedick, however, chose to violate those rules because Rosenthal promised him a bigger account, and then Bedick took significant steps to cover up this violation, including repeated lies to NFA. Although Bedick claims that due to a settlement he paid to one of the customers, Angus Jackson and Bedick ultimately did not make any money on this situation, when Bedick agreed to the commission payment structure, he did so with the idea that Angus Jackson would profit from it. This conduct is a serious violation of NFA Rules and cannot be tolerated.

Although it does not appear that Rose directly participated in the cover-up scheme or personally provided NFA with false information, his conduct still involves serious violations. Rose admitted that he knew that Bedick was paying Rosenthal a per trade commission on certain accounts, that individuals collecting per trade commissions generally need to be registered and that Rosenthal was not registered. Despite this knowledge, Rose chose to ignore the situation and his responsibilities as both the named president of Angus Jackson and as a registered AP and NFA Associate Member and look the other way. This type of conduct also cannot be tolerated.

Bedick and Rose attempted to mitigate the seriousness of their violations by providing written testimonials and live testimony from certain customers of Angus Jackson about their positive experiences with Angus Jackson and/or Bedick and Rose. The Panel, however, did not find this testimony relevant to the charges before them or in determining the appropriate sanctions. The fact that Angus Jackson's customers believe that Angus Jackson provides good brokerage services does not in any way mitigate the complete disregard for the regulatory requirements in this industry.

Based on the above discussion, the Panel hereby imposes the following sanctions:

1. Bedick is suspended from NFA membership and associate membership for a period of seven years from the effective date of this Decision. Bedick is also permanently barred from acting as a principal of an NFA Member.
2. Rose is suspended from NFA membership and associate membership for a period of two years from the effective date of this Decision. Rose is also permanently barred from acting as a principal of an NFA Member.
3. Angus Jackson is suspended from NFA membership and from acting as a principal of an NFA Member for a period of seven years from the effective date of this Decision. If after the conclusion of this seven-year period, Angus Jackson applies for NFA membership or to be a principal of an NFA Member, it must pay a fine of \$25,000 within 30 days of the date on which it is granted NFA membership or principal status.

#### IV

#### APPEAL

Angus Jackson, Bedick and Rose may appeal the Panel's Decision to the Appeals Committee of NFA by filing a written Notice of Appeal with NFA within fifteen days of the date of this Decision. Pursuant to NFA Compliance Rule 3-13(a), the Notice must describe those aspects of the disciplinary action to which exception is taken and must include any request to present written or oral arguments. The Decision shall be final after the expiration of the time for appeal or review unless it is appealed or reviewed.

#### V

#### INELIGIBILITY

Pursuant to the provisions of CFTC Regulation 1.63, this Decision and the sanctions imposed by it render Bedick and Rose ineligible to serve on a governing board, disciplinary committee, oversight panel, or arbitration panel of any self-regulatory organization as that term is defined in CFTC Regulation 1.63 until three years after the



effective date of the Decision or until all of the sanctions and conditions imposed by the Panel have been fulfilled, whichever is later.

**NATIONAL FUTURES ASSOCIATION  
HEARING PANEL**

Dated: 10/18/11

By:   
William T. Maitland  
Chairperson

/caw(BCC Cases:Angus Jackson\_Decision)

## AFFIDAVIT OF SERVICE

I, Myra Lewis, on oath state that on October 18, 2011, I served copies of the attached Decision, by sending such copies in the United States Mail, postage prepaid, certified mail, return receipt requested, and by regular mail, in envelopes addressed as follows:

David Stawick  
Office of the Secretariat  
Commodity Futures Trading  
Commission  
Three Lafayette Centre  
1155 21st Street, NW  
Washington, DC 20581

Terry Montgomery  
Division of Enforcement  
Commodity Futures Trading  
Commission  
Three Lafayette Centre  
1155 21st Street, NW  
Washington, DC 20581

Thomas Smith  
Deputy Director  
Compliance & Registration, DCIO  
Commodity Futures Trading  
Commission  
Three Lafayette Centre  
1155 21st Street, NW  
Washington, DC 20581

Tempest Thomas  
Proceedings Clerk  
Office of Proceedings  
Commodity Futures Trading  
Commission  
Three Lafayette Centre  
1155 21st Street, NW  
Washington, DC 20581

Jeffrey M. Henderson  
Matthew F. Kluchenek  
Henderson & Lyman  
175 West Jackson Blvd., Suite 240  
Chicago, IL 60604

and by hand delivery to:

Ronald V. Hirst, Esq.  
National Futures Association  
300 South Riverside Plaza  
Suite 1800  
Chicago, IL 60606

Subscribed and sworn to before me  
on this 18<sup>th</sup> day of October 2011.

Myra Lewis  
Myra Lewis

Margaret A. Vandermyde  
Notary Public

