

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

FILED

MAY 28 2015

In the Matter of:

GRACE FINANCIAL GROUP LLC
(NFA ID #310973),

and

CHRISTOPHER T. BONDY
(NFA ID #405902),

Respondents.

NATIONAL FUTURES ASSOCIATION
LEGAL DOCKETING

NFA Case No. 15-BCC-022

COMPLAINT

Having reviewed the investigative report submitted by the Compliance Department of National Futures Association (NFA), and having reason to believe that NFA Requirements are being, have been, or are about to be violated and that the matter should be adjudicated, NFA's Business Conduct Committee issues this Complaint against Grace Financial Group LLC (Grace) and Christopher P. Bondy (Bondy).

ALLEGATIONS

JURISDICTION

1. At all times relevant to this Complaint, Grace was an introducing broker (IB) NFA Member. As such, Grace was and is required to comply with NFA Requirements and is subject to disciplinary proceedings for violations thereof.
2. At all times relevant to this Complaint, Bondy was an associated person (AP) and a listed principal of Grace and an NFA Associate. As such, Bondy was and is

required to comply with NFA Requirements and is subject to disciplinary proceedings for violations thereof.

BACKGROUND

3. Grace is located in Southampton, New York. The firm became an IB NFA Member in October 2001 but ceased doing futures business in October 2014 and withdrew its IB registration and NFA membership in March 2015.
4. NFA conducted an examination of Grace in September 2014. At that time, Bondy was Grace's sole AP/principal. Despite this, Bondy was never present during NFA's examination. NFA dealt solely with Brian Villante (Villante), who was the firm's chief executive officer, majority owner, and a listed principal, but not an AP of the firm or an NFA Member or Associate.
5. As alleged below, NFA's examination of Grace found that the firm repeatedly failed to comply with its minimum adjusted net capital (ANC) requirement, that it permitted Villante to act in a capacity requiring AP registration when he was not registered as an AP, that it attempted to mislead NFA as to the amount of a receivable balance in order to conceal the fact that it was below its minimum net capital requirement, and that it and Bondy failed to adequately supervise its operations.

APPLICABLE RULES

6. 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 Commodity Futures Trading Commission (CFTC) Regulations 1.18 and 1.32 through 1.37 for the period required under CFTC Regulation 1.31.

7. NFA Financial Requirements Section 5(a) provides, in pertinent part, that Member IBs that are not operating pursuant to a guarantee agreement must maintain ANC equal to or in excess of the greatest of:
 - a. \$45,000;
 - b. For Member IBs with less than \$1,000,000 in ANC, \$6,000 per office operated by the IB (including the main office); or
 - c. For Member IBs with less than \$1,000,000 in ANC, \$3,000 for each AP sponsored by the IB.
8. NFA Financial Requirements Section 5(c) provides, in pertinent part, that a Member IB that is required to file any document with or give any notice to the CFTC under CFTC Regulation 1.12 [Maintenance of minimum financial requirements by futures commission merchants and IBs], or 1.17 [Minimum financial requirements for futures commission merchants and IBs] shall also file one copy of such document with or give such notice to NFA at its Chicago office no later than the date such document or notice is due to be filed with or given to the CFTC.
9. NFA Compliance Rule 2-9(a) provides, in pertinent part, that each Member shall diligently supervise its employees and agents in the conduct of their commodity futures activities for or on behalf of the Member.
10. 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.
11. 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.

COUNT I

VIOLATIONS OF NFA COMPLIANCE RULES 2-10 AND 2-2(f) AND NFA FINANCIAL REQUIREMENTS SECTIONS 5(a) AND 5(c): FAILING TO KEEP ACCURATE FINANCIAL RECORDS; FAILING TO MAINTAIN REQUIRED MINIMUM ANC; FAILING TO FILE TELEGRAPHIC NOTICE; AND WILLFULLY PROVIDING NFA WITH MATERIALLY FALSE AND MISLEADING INFORMATION.

12. The allegations contained in paragraphs 1 through 8 and 10 are realleged as paragraph 12.
13. On August 30, 2014, Grace filed telegraphic notice with NFA indicating that it had fallen below its minimum ANC requirement by approximately \$183,000 as of July 31, 2014, which resulted in the firm having a negative ANC of approximately \$138,000. Grace further indicated that it was also below its minimum ANC requirement as of August 31, 2014 which, on that occasion, resulted in the firm having a negative ANC of approximately \$206,000.
14. On September 11, 2014, Grace appeared to come back into compliance with its minimum ANC requirement after the firm's parent company infused \$220,000 of capital into the firm, and Villante paid approximately \$60,000 of the firm's expenses. This resulted in Grace having excess net capital (ENC) of approximately \$36,000.
15. To verify that Grace remained in capital compliance, NFA required the firm to send its pro-forma net capital computations for October and November 2014. These net capital computations showed that Grace was again below its minimum ANC requirement from October 3 to November 23, 2014. This shortfall was due to a \$60,650 wire transfer from Grace to its parent company which Villante had ordered. Subsequently, Villante caused Grace's parent company to wire \$60,600 back to

Grace. As a result, as of November 30, 2014, Grace appeared to be in compliance with its minimum ANC requirement and to have ENC of about \$28,000.

16. Given Grace's repeated capital deficiencies, NFA commenced an examination of the firm. As part of the exam, NFA reviewed the firm's balance sheet and noted a receivable balance for commissions owed to the firm by Concept Capital Markets (CCM), a securities broker. In order to verify this balance, as well as others included on Grace's balance sheet, NFA asked Villante to provide contact information for CCM as well as other firms that purportedly owed balances to Grace. Villante provided NFA with contact information for several of the firms that owed balances to Grace but did not provide contact information for CCM. Nevertheless – because CCM is an NFA Member IB – NFA was able to obtain contact information for CCM and contact the firm, directly.
17. After speaking with CCM and reviewing its records, NFA determined that Grace had been significantly overstating the receivable from CCM in its monthly capital computations – sometimes by nearly as much as \$50,000.
18. For example, as of November 30, 2014, Grace claimed that CCM owed it approximately \$65,000. Yet, CCM showed a balance due to Grace, at that time, of only around \$15,000.
19. NFA asked Villante to provide support for the balance he claimed CCM owed Grace. However, Villante failed to provide such support. Thus, it appears that, from at least March through November 2014, Grace overstated the receivable balance due from CCM and, in turn, overstated its ANC during such period. NFA recalculated Grace's ANC using the receivable balance as reflected in CCM's

- records and determined that during the foregoing time period Grace's ENC was never more than about \$8,000 and during most months was a negative amount.
20. In addition, Villante's failure to provide contact information for CCM – while providing contact information for other firms that owed receivable balances to Grace – was an apparent attempt by Villante's to prevent NFA from contacting CCM and discovering that Grace had been overstating the receivable balance from CCM on its balance sheet and, in turn, inflating its ANC so as to conceal from NFA that Grace was below its minimum ANC requirement.
21. By reason of the foregoing acts and omissions, Grace is charged with violations of NFA Compliance Rules 2-10 and 2-2(f) and NFA Financial Requirements Sections 5(a) and (c).

COUNT II

VIOLATIONS OF NFA COMPLIANCE RULE 2-9(a) AND NFA BYLAW 301(b): FAILING TO SUPERVISE AND ALLOWING AN UNREGISTERED INDIVIDUAL TO ACT IN A CAPACITY REQUIRING REGISTRATION.

22. The allegations contained in paragraphs 1 through 5, 9, 11 and 13 through 20 are realleged as paragraph 22.
23. As alleged above, Bondy was the sole AP/principal of Grace during all times relevant to this case. Despite this, Bondy was never present during NFA's examination and, when confronted with NFA's examination findings, was surprised to learn of the firm's serious capital deficiencies. In fact, Bondy claimed that he was unaware of NFA's examination until after it was finished.

24. These circumstances, coupled with the capital deficiencies alleged above, evidence a serious failure on the part of Bondy to supervise Grace's operations so as to ensure that the firm complied with regulatory requirements.
25. Moreover, it was evident throughout NFA's examination that Villante handled Grace's day-to-day operations and was responsible for supervising the firm's activities. It appears, therefore, that Villante should have been registered as an AP of the firm but was not registered as such.
26. By reason of the foregoing acts and omissions, Grace and Bondy are charged with violations of NFA Compliance Rule 2-9(a) and Grace is charged with violations of NFA Bylaw 301(b).

PROCEDURAL REQUIREMENTS

ANSWER

You must file a written Answer to the Complaint with NFA within 30 days of the date of the Complaint. The Answer shall respond to each allegation in the Complaint by admitting, denying or averring that you lack sufficient knowledge or information to admit or deny the allegation. An averment of insufficient knowledge or information may only be made after a diligent effort has been made to ascertain the relevant facts and shall be deemed to be a denial of the pertinent allegation. NFA staff is authorized to grant such reasonable extensions of time in which an Answer may be filed as it deems appropriate.

The place for filing an Answer shall be:

National Futures Association
300 South Riverside Plaza, Suite 1800
Chicago, Illinois 60606
Attn: Legal Department-Docketing

E-Mail: Docketing@nfa.futures.org
Facsimile: 312-781-1672

Failure to file an Answer as provided above shall be deemed an admission of the facts and legal conclusions contained in the Complaint. Failure to respond to any allegation shall be deemed an admission of that allegation. Failure to file an Answer as provided above shall be deemed a waiver of hearing.

POTENTIAL PENALTIES, DISQUALIFICATION AND INELIGIBILITY

At the conclusion of the proceedings conducted in connection with this Complaint, NFA may impose one or more of the following penalties:

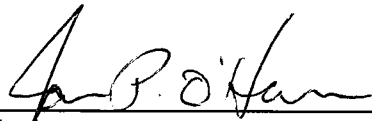
- (a) expulsion or suspension for a specified period from NFA membership;
- (b) bar or suspension for a specified period from association with an NFA Member;
- (c) censure or reprimand;
- (d) a monetary fine not to exceed \$250,000 for each violation found; and
- (e) order to cease and desist or any other fitting penalty or remedial action not inconsistent with these penalties.

The allegations herein may constitute a statutory disqualification from registration under Section 8a(3)(M) of the Commodity Exchange Act. Respondents in this matter who apply for registration in any new capacity, including as an AP with a new sponsor, may be denied registration based on the pendency of this proceeding.

Pursuant to CFTC Regulation 1.63, penalties imposed in connection with this Complaint may temporarily or permanently render Respondents who are individuals ineligible to serve on disciplinary committees, arbitration panels and governing boards of a self-regulatory organization, as that term is defined in CFTC Regulation 1.63.

**NATIONAL FUTURES ASSOCIATION
BUSINESS CONDUCT COMMITTEE**

Dated: 05/28/2015

By: 
Chairperson

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