

FILED

APR 28 2016

**NATIONAL FUTURES ASSOCIATION
LEGAL DOCKETING**

NFA Case No. 16-BCC-005

1. At all time relevant to this Complaint, Zulu was registered as an introducing broker (IB) Member of NFA. As such, Zulu 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, Giochais was a listed principal and an associated person (AP) of Zulu and an NFA Associate. As such, Giochais was

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

BACKGROUND

3. Zulu, which is located in Greece, has a history of regulatory problems. In 2011, this Committee issued a Complaint against Zulu for failing to maintain required minimum adjusted net capital and failing to keep required books and records. Zulu settled the 2011 case by agreeing to pay a fine of \$10,000.
4. More recently, in September 2014, the Office of Foreign Assets Control (OFAC) of the U.S. Department of Treasury took an enforcement action against Zulu for introducing accounts for over 400 individuals from Iran, Sudan, and Syria – countries with which Zulu was prohibited from doing business. Zulu was fined \$200,000 in the OFAC action.
5. The Commodity Futures Trading Commission (CFTC) also took an action in September 2014 against Zulu, charging the firm with failure to supervise its anti-money laundering (AML) program by not implementing its procedures for screening potential accountholders to determine if they were from OFAC-targeted countries. Zulu settled the CFTC case by agreeing to pay a \$150,000 civil monetary penalty and disgorge profits of \$80,000.
6. Since becoming registered with NFA, Zulu has solely engaged in forex activities. In June 2015, Zulu had relationships with four forex dealers, two foreign and two located in the United States.

APPLICABLE RULES

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 Adjusted Net Capital (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 Compliance Rule 2-9(a) provides 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. Each Associate who has supervisory duties shall diligently exercise such duties in the conduct of that Associate's commodity futures activities on behalf of the Member.
9. Compliance Rule 2-9(c) provides, in pertinent part that each IB shall develop and implement an AML program approved in writing by senior management reasonably designed to achieve and monitor the Member's compliance with the applicable requirements of the Bank Secrecy Act (BSA) and the implementing regulations promulgated thereunder by the Department of the Treasury and the CFTC. Among other requirements, an AML program must provide for:
 - (a) an independent annual review of the AML program to be conducted by Member personnel or by a qualified outside party; and
 - (b) ongoing training for appropriate personnel.
10. NFA Compliance Rule 2-36(e) provides that each Forex Dealer Member (FDM) shall diligently supervise its employees and agents in the conduct of their forex

activities for or on behalf of the FDM. Each Associate of an FDM who has supervisory duties shall diligently exercise such duties in the conduct of that Associate's forex activities for or on behalf of the FDM.

11. NFA Compliance Rule 2-39(a) provides that Members or Associates who solicit customers, introduce customers to a counterparty, or manage accounts on behalf of customers in connection with forex transactions shall comply with Sections (a), (b), (c), (d), (e), (h), and (l) of Compliance Rule 2-36.

COUNT I

VIOLATION OF NFA FINANCIAL REQUIREMENTS SECTION 5(a): FAILING TO MAINTAIN REQUIRED MINIMUM ADJUSTED NET CAPITAL.

12. The allegations contained in paragraphs 1 and 7 are realleged as paragraph 12.
13. At the end of 2014, \$180,564 of the fines Zulu incurred as a result of the OFAC and CFTC actions remained outstanding. To cover the capital shortfall caused by these liabilities, two of Zulu's affiliates made three separate capital contributions to Zulu. One of these capital contributions was made on December 31, 2014 and was considered a current asset. The other two capital contributions, which totaled \$150,040, were not made until 2015, specifically on January 28 and February 4, 2015. However, Zulu improperly reported these two capital contributions as current assets on its December 31, 2014 unaudited statement.
14. Zulu filed notice with NFA and the CFTC notifying them that the firm's ANC was below the minimum required amount from at least September 29, 2014 through February 2, 2015.

15. Zulu also misclassified receivables from U.S. and foreign brokers and failed to record certain liability balances. Specifically, Zulu incorrectly included commissions earned more than 30 days prior as current which led to Zulu overstating current assets by \$11,870. This also resulted in a decrease of a haircut charge of \$820.
16. Further, in May 2015, Zulu made payments totaling \$6,529 for liabilities incurred in April 2015, to signal providers and individuals who referred customers to Zulu; however, Zulu failed to record a corresponding liability on its April 30, 2015 net capital computation.
17. Adjustments made to the foregoing reporting errors reduced Zulu's excess net capital from \$17,828 to \$250 as of April 30, 2015.
18. Zulu entered into an intercompany agreement with its affiliate, Zulutrade LTD (Zulu LTD), whereby Zulu paid Zulu LTD rebates for certain trades executed in Zulu LTD's customer accounts. At the beginning of each month, Zulu made pre-payments to Zulu LTD based upon an estimate for the month. As a result, Zulu recorded a decrease in cash and an increase in current pre-paid assets, which Zulu incorrectly classified as a current asset. The decrease in cash caused Zulu to fall below its minimum ANC requirement on three dates – February 5, 2015, March 3, 2015, and March 4, 2015.
19. By reason of the foregoing acts and omissions, Zulu is charged with violations of NFA Financial Requirements Section 5(a).

COUNT II

VIOLATION OF NFA COMPLIANCE RULE 2-9(c): FAILING TO IMPLEMENT THE FIRM'S AML PROGRAM.

20. The allegations contained in paragraphs 1 and 9 are realleged as paragraph 20.
21. Zulu relied on four forex dealers to implement and ensure compliance with the requirements of Zulu's customer identification program (CIP). Two of these dealers, Triple A Experts Investment Services S.A. (Triple A) and MIG Bank, Ltd. (MIG) (now known as Swissquote Bank Ltd (Swissquote)) are located in foreign countries – Greece and Switzerland – and are not regulated by NFA or the CFTC. Further, neither of these entities is subject to a compliance program under the BSA or regulated by a federal functional regulator.
22. Zulu's AML program specifically states that Zulu will rely on the FCM or forex dealer to perform the CIP if:
 - (a) The reliance is reasonable under the circumstances;
 - (b) The other financial institution is subject to an AML compliance program requirement under the BSA and is regulated by a federal functional regulator; and
 - (c) The other financial institution enters into a contract requiring it to certify annually to Zulu that it has implemented an AML program and that it will perform the specified requirements of its own CIP.
23. Neither Triple A nor Swissquote meets the requirements set forth in Paragraph 22 (b) and (c), above.
24. According to Zulu's AML procedures, Zulu is required to conduct ongoing reviews of customer accounts during the account opening process as well as after accounts are opened and the accounts are actively trading. The purpose of these reviews is to identify red flags suggestive of suspicious activity, e.g., "a

customer engages in extensive, sudden or unexplained wire activity (especially wire transfers involving countries with bank secrecy laws)."

25. While Zulu performed a high level of review of a customer's information if the firm interacted with that customer, Zulu did not review the activity in its customer accounts for red flags related to customer account funding and cash activity and, instead, left that responsibility to its domestic and foreign forex dealers. As such, Zulu failed to monitor customer accounts for suspicious activity.
26. Finally, Zulu had never had an independent audit of its AML program performed since it became an IB in October 2011.
27. By reason of the foregoing acts and omissions, Zulu is charged with violating NFA Compliance Rule 2-9(c).

COUNT III

VIOLATION OF NFA COMPLIANCE RULE 2-9: FAILING TO ADEQUATELY SUPERVISE THE FIRM'S EMPLOYEES, AGENTS AND ITS FUTURES AND FOREX OPERATIONS.

28. The allegations contained in paragraphs 1, 2, 8, 10 and 11 are realleged as paragraph 28.
29. Zulu, as an NFA Member, must ensure that it complies with NFA Bylaw 1101 by obtaining information necessary to determine if a customer is required to be registered or subject to a CFTC exemption. However, Zulu represented to NFA that, because of its business model, it does not monitor customer accounts for compliance with NFA Bylaw 1101, and instead places reliance on its forex dealers to perform such functions.

30. Zulu also does not perform intra-month reviews of the firm's net capital position unless requested to do so by NFA, Zulu's auditor, or when an unusual event occurs which may affect the firm's capital position. Yet, this lack of ongoing monitoring appears to be a major factor underlying the firm's intra-month net capital shortfalls during 2015.
31. Giochais is Zulu's sole AP/principal, NFA's main business contact, the firm's AML Compliance Officer, and directly oversees the individual responsible for compiling financial information.
32. As evidenced by the capital and AML deficiencies alleged in Counts I and II, above, Zulu and Giochais failed to adequately supervise Zulu's operations to ensure that Zulu was in capital compliance, and that the firm adequately reviewed customers' accounts for compliance with CIP and NFA Bylaw 1101, and for suspicious activity.
33. By reason of the foregoing acts and omissions, Zulu and Giochais are charged with violating NFA Compliance Rule 2-9(a) and 2-36(e), as incorporated by and in NFA Compliance Rule 2-39(a).

PROCEDURAL REQUIREMENTS

ANSWER

You must file a written Answer to the Complaint with NFA within thirty (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.

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 as a result of or in connection with the issuance of this Complaint, the Committee 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) 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.

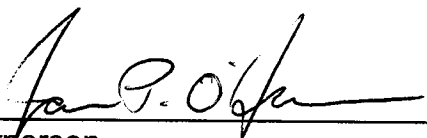
The allegations in this Complaint may constitute a statutory disqualification from registration under Section 8a(3)(M) of the Commodity Exchange Act.

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 the provisions of 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: 04/28/2016

By: 
Chairperson

m:/ham/bcc complaint/Zulu