

NATIONAL FUTURES ASSOCIATION  
BEFORE THE  
BUSINESS CONDUCT COMMITTEE

**FILED**

SEP 14 2007

NATIONAL FUTURES ASSOCIATION  
LEGAL DOCKETING

In the Matter of: )  
)  
TRADECO CLEARING GROUP LLC )  
(NFA ID #359745), ) NFA Case No. 07-BCC-031  
)  
and )  
)  
RYAN JOSHUA NETTLES )  
(NFA ID #278234), )  
)  
Respondents. )

**COMPLAINT**

Having reviewed the investigative report submitted by the Compliance Department of National Futures Association ("NFA"), and having found 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 ("BCC") issues this Complaint against Tradeco Clearing Group LLC ("Tradeco") and Ryan Joshua Nettles ("Nettles").

**ALLEGATIONS**

**JURISDICTION**

1. At all times relevant to this Complaint, Tradeco was an NFA Member futures commission merchant ("FCM") and forex dealer member ("FDM") located in San Diego, California.
2. At all times relevant to this Complaint, Nettles was a listed principal, a registered associated person ("AP") of Tradeco, and an NFA Associate.

### **APPLICABLE RULES**

3. NFA Compliance Rule 2-36(b)(1) provides, in pertinent part, that no FDM shall cheat, defraud or deceive, or attempt to cheat, defraud, or deceive any other person.
4. NFA Financial Requirements Section 11(a) provides, in pertinent part, that each FDM must maintain adjusted net capital, as defined in Commodity Futures Trading Commission ("CFTC") Regulation 1.17, equal to or in excess of \$1 million.
5. NFA Compliance Rule 2-10(a) provides 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 for the period required under CFTC Regulation 1.31.
6. NFA Financial Requirements Section 1(c) provides, in pertinent part, that a Member FCM for which NFA is the designated self-regulatory organization ("DSRO") that is required to file any document with or give any notice to its DSRO under CFTC Regulation 1.12 must also file a copy with, or give notice to, NFA.
7. NFA Compliance Rule 2-9(c) provides, in pertinent part, that each FCM Member shall develop and implement a written anti-money laundering ("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 and the implementing regulations promulgated thereunder.
8. NFA Compliance Rule 2-36(e) provides, in pertinent part, that 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.

**COUNT I**

**VIOLATION OF NFA COMPLIANCE RULE 2-36(b)(1): USE OF DECEPTIVE AND MISLEADING PROMOTIONAL MATERIAL.**

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9. The allegations contained in paragraphs 1 and 3 are realleged as paragraph 9.
10. Tradeco solicits customers through a website that it maintains. During an examination of Tradeco, NFA found that its website contained misleading statements.
11. Among other things, the website claimed that customers are not charged any commissions without any description as to how Tradeco is compensated.
12. In NFA's Interpretive Notice entitled "Forex Transactions" ("Forex Interpretive Notice"), which expands upon NFA Compliance Rule 2-36, NFA provides that any claims that an FDM does not charge commissions must include a disclosure of how it is compensated in near proximity to this claim.
13. Additionally, the website touted the advantages of leverage without an equally prominent discussion of the enlarged risk that results from increased leverage, as provided for in the Forex Interpretive Notice.
14. The website also claimed that Tradeco's trading platform permitted customers to trade "from real time streaming quotes" with "greater ease in executing trades" on a platform that "has a proven track record of reliability and stability."
15. Tradeco, however, had not had a trading platform on which customers could trade since at least July 2006.

16. Tradeco's website further claimed that its platform provided "trading technology [that] is the result of over 5 years of development and today supports billions in monthly trade volume." The website also declared that "clients and partners from over 110 countries currently rely on our proven technology, execution, clearing services and administrative tools."
17. In addition to not having a trading platform, Tradeco only had approximately twenty customers from five different countries, none of which had actually traded through Tradeco.
18. Through its website, Tradeco also claimed to be insured with "a fidelity 14 bond, which protects against loss resulting from fraudulent acts committed by an employee acting alone or in collusion with others."
19. When NFA inquired about the fidelity 14 bond, Tradeco was unable to provide any evidence that it had such a bond.
20. The foregoing deficiencies caused Tradeco's website to be misleading and likely to deceive the public.
21. By reason of the foregoing acts and omissions, Tradeco is charged with violations of NFA Compliance Rule 2-36(b)(1).

## **COUNT II**

### **VIOLATION OF NFA FINANCIAL REQUIREMENTS SECTION 11(a): FAILING TO MAINTAIN ADEQUATE ADJUSTED NET CAPITAL.**

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22. The allegations contained in paragraphs 1 and 4 are realleged as paragraph 22.
23. As of July 31, August 31, and September 30, 2006, Tradeco failed to maintain the required minimum adjusted net capital.

24. By reason of the foregoing acts and omissions, Tradeco is charged with violations of NFA Financial Requirements Section 11(a).

**COUNT III**

**VIOLATION OF NFA COMPLIANCE RULE 2-10(a): FAILING TO MAINTAIN ADEQUATE BOOKS AND RECORDS NECESSARY AND APPROPRIATE TO CONDUCT ITS BUSINESS.**

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25. The allegations contained in paragraphs 1 and 5 are realleged as paragraph 25.
26. NFA Compliance Rule 2-10(a) incorporates CFTC Regulation 1.18(a), which requires, among other things, that a registered FCM prepare and keep current ledgers or other similar records that show or summarize each transaction affecting its asset, liability, income, expense and capital accounts.
27. During NFA's examination of Tradeco, NFA found that Tradeco had failed to maintain a general ledger and had not made any journal entries from at least July 31, 2006, forward.
28. By reason of the foregoing acts and omissions, Tradeco is charged with violations of NFA Compliance Rule 2-10(a).

**COUNT IV**

**VIOLATION OF NFA FINANCIAL REQUIREMENTS SECTION 1(c): FAILING TO FILE REQUIRED NOTICE WITH NFA.**

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29. The allegations contained in paragraphs 1 and 6 are realleged as paragraph 29.
30. NFA Financial Requirements Section 1(c) incorporates CFTC Regulation 1.12(c), which provides that an FCM must provide notice to NFA if at any time it fails to make or keep current books and records.
31. Tradeco failed to give notice to NFA of its failure to keep current books and records including a general ledger and journal entries.

32. By reason of the foregoing acts and omissions, Tradeco is charged with violations of NFA Financial Requirements Section 1(c).

**COUNT V**

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

33. The allegations contained in paragraphs 1 and 7 are realleged as paragraph 33.
34. During NFA's examination of Tradeco, NFA found that it had failed to implement an adequate AML program. Specifically, Tradeco failed to determine whether customers or the countries in which they resided were subject to sanctions by the Office of Foreign Assets Control of the U.S. Department of Treasury, or on the list of Specially Designated Nationals.
35. By reason of the foregoing acts and omissions, Tradeco is charged with violations of NFA Compliance Rule 2-9(c).

**COUNT VI**

**VIOLATION OF NFA COMPLIANCE RULE 2-36(e): FAILING TO DILIGENTLY SUPERVISE.**

36. The allegations contained in paragraphs 2 and 8 are realleged as paragraph 36.
37. Nettles was the director of operations for Tradeco and the firm's AML compliance officer. Accordingly, Nettles had supervisory responsibilities with regard to Tradeco's activities.
38. As evidenced by the violations of NFA requirements alleged above, Nettles failed to diligently supervise Tradeco's activities.
39. By reason of the foregoing acts and omissions, Nettles is charged with violations of NFA Compliance Rule 2-36(e).

## **PROCEDURAL REQUIREMENTS**

### **ANSWER**

You must file a written Answer to the Complaint with NFA within thirty 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  
200 West Madison Street  
Suite 1600  
Chicago, Illinois 60606-3447  
Attn: Legal Department-Docketing

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, 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;

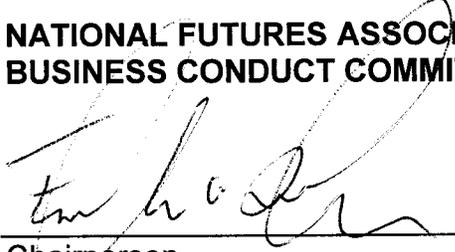
- (d) a monetary fine not to exceed \$250,000 for each violation found; and
- (e) order to cease and desist or any other fitting penalty or remedial action not inconsistent with these penalties.

The allegations 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 associated person 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: 9-14-07

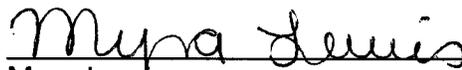
By:   
Chairperson

**AFFIDAVIT OF SERVICE**

I, Myra Lewis, on oath state that on September 14, 2007, I served a copy of the attached Complaint, by sending such copy in the United States mail, first-class delivery, and by overnight mail, in envelopes addressed as follows:

Tradeco Clearing Group LLC  
1010 Second Avenue  
18<sup>th</sup> Floor  
San Diego, CA 92101  
Attn: Ogieva Guobadia

Ryan Joshua Nettles  
1239 Finch Place  
Chula Vista, CA 91911

  
\_\_\_\_\_  
Myra Lewis

Subscribed and sworn to before me  
on this 14<sup>th</sup> day of September 2007.

  
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Notary Public

