

NATIONAL FUTURES ASSOCIATION
BEFORE THE
BUSINESS CONDUCT COMMITTEE

FILED

DEC 22 2008

NATIONAL FUTURES ASSOCIATION
LEGAL DOCKETING

In the Matter of:)
)
COASTLINE TRADING GROUP LLC)
(NFA ID #344237),)
)
MICHAEL WILLIAM GREENBERG)
(NFA ID #332249),)
)
and)
)
MICHAEL P. MELIKIAN)
(NFA ID #373629),)
)
Respondents.)

NFA Case No. 08-BCC-033

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 ("Committee" or "BCC") issues this Complaint against Coastline Trading Group LLC ("Coastline"), Michael William Greenberg ("Greenberg") and Michael P. Melikian ("Melikian").

ALLEGATIONS

JURISDICTION

1. At all times relevant to this Complaint, Coastline was an introducing broker ("IB") NFA Member located in Huntington Beach, California.
2. At all times relevant to this Complaint, Greenberg was the president, a principal, and an associated person ("AP") of Coastline, and an NFA Associate.

3. At all times relevant to this Complaint, Melikian was an AP of Coastline and an NFA Associate.

BACKGROUND

4. In February 2008, Coastline's former guarantor, Alaron Trading Corporation ("Alaron"), terminated its guarantee agreement with Coastline for cause, based on a complaint from a customer who alleged that Coastline and Greenberg had placed unauthorized trades in the customer's account. At the time this complaint was made, Coastline had approximately seventy customer accounts, all of which were non-discretionary (i.e., no powers of attorney were executed authorizing Coastline or any of its APs to place trades on customers' behalf).
5. Alaron informed NFA of the customer's complaint and its termination of its guarantee agreement with Coastline. Alaron's chief operating officer told NFA that she confronted Greenberg about the allegations of unauthorized trading; that Greenberg claimed he had *tape recordings of customers confirming all trades*; that she asked Greenberg to provide her with copies of these tapes; but that, after Greenberg said that he would produce the tapes, he failed to do so. (NFA also asked Greenberg for these tapes but, as he had with Alaron, Greenberg failed to produce the tapes for NFA.)
6. After receiving the above information from Alaron, NFA commenced an investigation of Coastline. As part of its investigation, NFA interviewed Greenberg and a number of Coastline customers, and reviewed customers' account opening documents and activity statements.
7. NFA's investigation found that Coastline and Greenberg placed unauthorized trades in at least four customer accounts and also made misleading sales

solicitations to these customers, in which Greenberg and Melikian made exaggerated profit claims and touted performance that did not even remotely resemble the actual performance of Coastline's customers, most of whom lost money.

APPLICABLE RULES

8. NFA Compliance Rule 2-2(a) provides that no Member or Associate shall cheat, defraud or deceive, or attempt to cheat, defraud or deceive, any commodity futures customer.
9. NFA Compliance Rule 2-8(a) provides, in pertinent part, that no Member or Associate shall exercise discretion over a customer's commodity futures account unless the customer or account controller has authorized the Member or Associate, in writing to exercise such discretion.
10. NFA Compliance Rule 2-29(a)(1) provides that no Member or Associate shall make any communication with the public which operates as a fraud or deceit.

COUNT I

VIOLATION OF NFA COMPLIANCE RULES 2-2(a), 2-8(a) AND 2-29(a)(1): MAKING DECEPTIVE AND MISLEADING SALES SOLICITATIONS AND FAILING TO OBTAIN WRITTEN AUTHORIZATION FROM CUSTOMERS PRIOR TO EXERCISING DISCRETION OVER THEIR COMMODITY FUTURES ACCOUNTS.

11. The allegations contained in paragraphs 1 through 10 are realleged as paragraph 11.
12. Steven Gross ("Gross") of Stanton, California, had a non-discretionary account through Coastline, which was active from November 27, 2007 to February 5, 2008. Gross never signed a power of attorney or letter of direction authorizing Coastline and/or Greenberg to exercise discretion over the trading in his account.

13. Greenberg solicited Gross to open a trading account through Coastline and, in the course of the solicitation, Greenberg promised Gross that he could double Gross's money and turn a \$10,000 investment into \$20,000. Based on Greenberg's sales solicitation, Gross decided to open an account with an initial deposit of \$10,000.
14. Gross authorized trades at the beginning of the day, based on Greenberg's recommendations. At the end of the day, a Coastline broker would recap the trades placed that day. It was at this point that Gross discovered that his account had gotten in and out of the same position throughout the day, without his authorization. Gross contacted Greenberg about these trades and Greenberg said that he would adjust Gross's account by placing any unprofitable trades into other accounts. Gross was troubled by Greenberg's proposal, which he considered to be highly questionable.
15. Thereafter, Gross noticed more unauthorized trades in his account, and, as a result, he decided to stop doing business with Coastline and transfer the servicing of his account to another IB.
16. Daryl Smith ("Smith") had a non-discretionary trading account through Coastline, which was active from June 18, 2007 to February 5, 2008. Smith's account was in the name of a partnership of which Smith was a partner. When Smith opened his account, he was unemployed and living on social security. Smith opened his account.
17. Melikian solicited Smith to open an account through Coastline, and boasted that he could make Smith "a ton of money" because he was an experienced trader.

However, this statement was misleading since NFA's registration records indicate that Melikian had only been registered since July 2006.

18. Smith decided to open an account through Coastline in June 2007 with an initial deposit of \$7,000. At first, Melikian would call Smith to recommend trades and obtain Smith's authorization prior to placing trades for Smith's account. Initially, Smith also received daily trade confirmations for his trades. However, at some point, Melikian stopped calling Smith and Smith stopped receiving daily trade confirmations.
19. Smith received an account activity statement from Alaron on January 4, 2008 and noticed that there were a number of trades placed in his account, which he had not authorized. Smith later became aware that there were also trades placed in his account in December, which he did not authorize. For example, Smith did not authorize trades in British pounds, wheat and the e-mini and he did not recall authorizing the Eurodollar trades.
20. When Smith noticed the unauthorized trades in his account, he e-mailed Alaron on January 6 and requested that trading be stopped in his account. At this time, Smith's account value was approximately \$15,000. Smith then received a phone call from Melikian, begging him to begin trading again. Smith relented and agreed to commence trading again, on two conditions: 1) that, if his account fell below \$10,000, trading would cease, and 2) that Melikian would only place trades that Smith authorized ahead of time.
21. In February, Smith received a monthly account statement for January 2008 that showed unauthorized trades and that his account had decreased in value to approximately \$1,200, contrary to Smith's instruction that trading stop if his

account value fell below \$10,000. Smith spoke with Greenberg about his dissatisfaction with the performance and handling of his account. Greenberg told Smith that Coastline would make it up to Smith, if Smith added an additional \$10,000 to his account. Greenberg said that Coastline would not charge Smith any commissions and would trade Smith's account like they trade their own accounts. Greenberg assured Smith that Coastline would make up all of Smith's losses.

22. Smith rejected Greenberg's entreaties and, instead, complained to Alaron about the way in which Coastline had handled his account. At or about this time, Coastline offered to pay Smith \$10,000, if Smith agreed not to testify against Coastline. Although Smith agreed to this offer, Coastline never sent Smith the \$10,000.
23. James Jurwich ("Jurwich") of Sparland, Illinois, had an account through Coastline, which was active from January 24, 2008 to February 5, 2008. Jurwich was retired when he opened his account and his only source of income was Social Security.
24. Greenberg solicited Jurwich to open an account through Coastline. In the course of soliciting Jurwich to invest, Greenberg told Jurwich that his current customers were making profits. Specifically, Greenberg told Jurwich that he was making millions for his customers and was only accepting a limited number of customers. However, NFA's investigation failed to reveal any performance by Coastline's customers that supported Greenberg's claim.
25. Jurwich funded his account with an initial deposit of \$7,500 in January 2008. When Jurwich opened his account, he told Greenberg that he only wanted to

trade gold and Dow Jones contracts and that he wanted to begin trading on the first trading day in February (i.e., February 1, 2008). However, Greenberg never obtained written authorization from Jurwich to exercise discretion over the trading in Jurwich's account, as required by NFA Compliance Rule 2-8.

26. Jurwich spoke with Greenberg sometime around February 4, 2008, at which time, Greenberg told Jurwich that the value of his account had decreased to \$3,500. Jurwich was upset when he learned this and told Greenberg to stop trading his account.
27. A day or two later, Jurwich received a call from Alaron which offered to refund Jurwich's initial investment of \$7,500. Subsequent to receiving this call, Jurwich reviewed his monthly account statements and trading confirmations (which had been e-mailed to him but which he had not previously reviewed), and found that there were trades placed in his account that he did not authorize. For example, although Jurwich had instructed Greenberg not to trade his account until the first trading day in February and to trade only gold and Dow Jones contracts, Jurwich noted that trading had started in his account in January 2008 and included commodities he had not authorized, e.g., soybeans. Greenberg never called Jurwich prior to placing these trades. Therefore, not only did Greenberg fail to obtain written authorization allowing him to exercise discretion over Jurwich's account, but Greenberg placed trades in contracts that Jurwich did not authorize.
28. Lambert Poels ("Poels") of Grand Island, Nebraska, is 93 years old. Poels had a non-discretionary account through Coastline, which was active from November 1, 2007 to February 5, 2008. Poels opened his account with an initial deposit of

\$10,000, and had an agreement with his broker, Melikian, that his account would only trade silver contracts.

29. Poels did not receive any trade confirmations or account activity statements from the end of November 2007 until January 23, 2008. Moreover, as Poels does not have a computer, he did not have on-line access to his account information. Poels finally received his account activity statements in late January 2008, at which time, he noticed that there were numerous trades in his account, besides silver, that he never authorized or even wanted to trade, including oil, soybeans, and wheat contracts.
30. Poels subsequently received a call from Melikian, who said that he was leaving Coastline because "he was upset with the company" and that he would try to get Poels' money back. Melikian persuaded Poels to transfer the servicing of his account to a new firm that Melikian had formed.
31. Greenberg admitted to NFA that he and Coastline brokers sometimes made "night trades" for customers because of movements in the market during the night, and that these trades were made without the customers' prior authorization. Greenberg said that these night trades were mostly currency, oil, grain, or Dow Jones trades, which he would place from his home either electronically or by calling the order desk at Alaron. Greenberg claimed that customers were aware of his practice of placing night trades and did not object to it. However, the customers denied that they ever approved of Greenberg placing trades in their accounts (night trades or otherwise) without their prior authorization.

32. By reason of the foregoing acts and omissions, Coastline, Greenberg and Melikian are charged with violations of NFA Compliance Rules 2-2(a) and 2-29(a)(1). Coastline and Greenberg are also charged with violations of NFA Compliance Rule 2-8(a).

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
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, NFA may impose one or more of the following penalties:

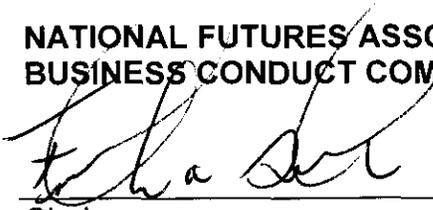
- (a) expulsion or suspension for a specified period from NFA membership;
- (b) bar or suspension for a specified period from association with an NFA Member;
- (c) censure or reprimand;
- (d) a monetary fine not to exceed \$250,000 for each violation found; and
- (e) order to cease and desist or any 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 Commodity Futures Trading Commission ("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: 12-22-08

By: 
Chairperson

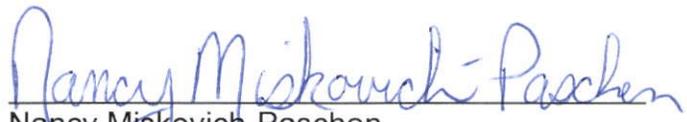
AFFIDAVIT OF SERVICE

I, Nancy Miskovich-Paschen, on oath state that on December 22, 2008, I served copies of the attached Complaint, by sending such copies in the United States mail, first-class delivery, and by overnight mail, in envelopes addressed as follows:

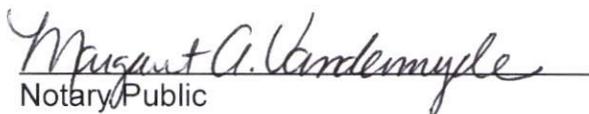
Coastline Trading Group LLC
1720 Pacific Coast Highway
Huntington Beach, CA 92648
Attn: Mike Greenberg

Michael W. Greenberg
11931 Winton Street
Garden Grove, CA 92845

Michael P. Melikian
1845 Anaheim
#10D
Costa Mesa, CA 92626


Nancy Miskovich-Paschen

Subscribed and sworn to before me
on this 22nd day of December 2008.


Notary Public

