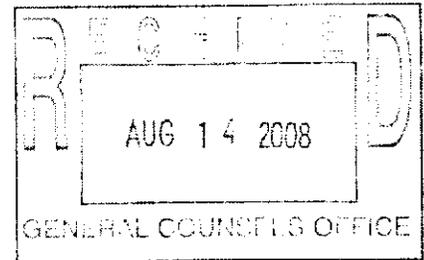


**NATIONAL FUTURES ASSOCIATION
Before The
BUSINESS CONDUCT COMMITTEE**



In the Matter of:

I TRADE FX LLC and

ISAAC MARTINEZ,

Respondents.

NFA Case No. 08-BCC-014

RESPONDENTS' ANSWER

Respondents I Trade FX LLC and Isaac Martinez, as their Answer to the Business Conduct Committee's Complaint, state as follows:

Jurisdiction

Paragraph No. 1. At all times relevant to this Complaint, I-Trade was a futures commission merchant ("FCM") and Forex Dealer Member ("FDM") of NFA. As such, I-Trade was and is required to comply with NFA Requirements and is subject to disciplinary proceedings for violations thereof.

ANSWER: Respondents admit the allegations contained in Paragraph No. 1.

Paragraph No. 2. At all times relevant to this Complaint, Martinez was a listed principal and registered associated person ("AP") of I-Trade, and an NFA Associate in accordance with NFA Bylaw 301(b). As such, Martinez was and is required to comply with NFA Requirements and is subject to disciplinary proceedings for violations thereof. I-Trade is liable for violations of NFA Requirements committed by Martinez during the course of his activities on behalf of I-Trade.

ANSWER: Respondents admit to the allegations contained in the first two sentences of Paragraph No. 2, and deny the remaining allegations contained in Paragraph No. 2.

Paragraph No. 3. I-Trade has been registered as an FCM since August 3, 2006 and solely conducts retail, off-exchange forex business. Martinez is the firm's president, a registered AP, and NFA Associate, and listed principal of the firm. As of NFA's April 2008 audit of I-Trade, the firm had approximately \$10 million in customer liabilities and approximately 3,000 active customer accounts, though only nine of these accounts had more than \$50,000 in equity.

ANSWER: Respondents admit that I-Trade has been registered as an FCM since August 3, 2006 and that Martinez is currently I-Trade's president, that he is a NFA Associate, and that he is a registered AP and principal of I-Trade, and deny the remaining allegations contained in Paragraph No. 3. Respondents deny that I-Trade had only nine accounts with \$50,000 or more in equity as of April 2008, and state in the affirmative that I-Trade had substantially more such accounts.

Paragraph No. 4. At all times relevant to this Complaint, Jacob N. Martinez ("Jacob Martinez") and Jared F. Martinez ("Jared Martinez") were also principals with an ownership interest in the firm, as well as the brother and father, respectively, of Martinez.

ANSWER: Respondents admit to the allegations contained in Paragraph No. 4.

Paragraph No. 5. For approximately nine months in 2007, I-Trade listed David Smith ("Smith") as a principal based on his having contributed almost 100% of the firm's capital. At all times relevant to this Complaint, Smith lived in Turks & Caicos and operated two entities, Olint Corporation ("Olint") and TCI FX Traders ("TCI"), which appear to be investment clubs in the Caribbean for high net worth individuals.

ANSWER: Respondents admit that David Smith was listed as a principle of I-Trade starting on March 27, 2007, but only after the NFA took six months to conduct its due diligence investigation of Smith prior to approving Smith as a principal of I-Trade, and that Smith voluntarily withdrew as a principal of I-Trade on December 31, 2007. Respondents further admit that Smith lived in Turks & Caicos, and that Smith was president of TCI FX Traders, Ltd (hereinafter referred to as "TCI-FX"), a mutual fund licensed by the Turks and Caicos Islands Financial Services Commission. Respondents state in the affirmative that Smith and his wife were the sole directors of Olint TCI Corporation Ltd. (referred to hereinafter in Respondents' Answers as "Olint-TCI"), a limited liability company formed under the laws of the Turks and Caicos Islands, and that Olint-TCI represented itself as an investment club for high net worth individuals. Respondents lack knowledge or information sufficient to form a belief as to the truth of

the allegations contained in the last sentence of Paragraph No. 5 concerning the appearance of Olint-TCI and TCI-FX to the NFA, and deny the remaining allegations contained in Paragraph No. 5.

Paragraph No. 6. The Financial Services Commission of Jamaica (“FSC”) investigated Olint and Smith for allegedly offering illegal securities, and issued a cease and desist order in March 2006 that, among other things, prevented Olint from accepting new members. The Jamaican Supreme Court upheld the FSC order in December 2007.

ANSWER: Respondents admit that according to the Jamaican Ministry of Finance & Planning issued a press release dated April 25, 2006 that a cease and desist order had been entered against OLINT Crop. Limited on March 24, 2006 for engaging in securities activities without being registered, and state in the affirmative that no reference to Olint TCI Corporation Ltd. was made in that release. Respondents lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph No. 6 as they pertain to Olint TCI Corporation Ltd. Respondents state in the affirmative that the above referenced order was public knowledge during the six-month period that the NFA conducted its due diligence investigation of Smith, and that as a result of that investigation the NFA found no reason not to approve Smith as a principal of I-Trade on March 27, 2007,

Paragraph No. 7. Because of concerns about Smith’s background and the source of funds he used to capitalize I-Trade, NFA commenced an investigation of I-Trade’s operations. As part of its investigation, NFA asked I-Trade to provide Smith’s personal bank records. However, I-Trade claimed that it was unable to obtain Smith’s Bank records and, therefore, withdrew Smith as a principal on December 31, 2007 and repaid his membership interest in the firm.

ANSWER: Respondents’ lack knowledge or information sufficient to form a belief as to the truth of the allegations made in the first sentence of Paragraph No. 7, and Respondents state in the affirmative that an Interpol search and an inquiry with the U.S. Department of Treasury’s Office of Foreign Assets Control (OFAC) failed to reflect any

negative information about Smith and that after six months conducting its due diligence investigation of Smith the NFA approved Smith as a principal of I-Trade on March 27, 2007. Respondents admit that NFA requested I-Trade to provide Smith's personal bank records, and Respondents state in the affirmative that I-Trade had no legal authority to compel Smith to turn over such records. Respondents admit that on December 31, 2007, Smith voluntarily withdrew as a principal of I-Trade upon I-Trade's recapitalization of the firm. Respondents deny the remaining allegations contained in Paragraph No. 7.

Paragraph No. 8. Although unable to review Smith's bank records, NFA was able to review the activity in the I-Trade accounts of Smith's investment clubs (i.e., Olint and TCI). NFA's review of the activity in these accounts, as well as other accounts at I-Trade, revealed suspicious activity, which I-Trade failed to report by filing a Suspicious Activity Report with federal authorities.

ANSWER: Respondents lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph No. 8. Respondents' deny that I-Trade failed to file any Suspicious Activity Reports that should have been filed.

Applicable Rules

Paragraph No. 9. NFA Compliance Rule 2-9 (c) and a related Interpretive Notice ("Notice") require an FCM Member to develop and implement a written anti-money laundering ("AML") program. NFA Compliance Rule 2-9 (c) states, in pertinent part, that a firm's AML program must establish and implement policies, procedures and internal controls reasonable designed to assure compliance with the applicable provisions of the Bank Secrecy Act, and designate an individual (or individuals) to implement and monitor the day-to-day operations and program's internal controls.

ANSWER: Respondents deny the allegations contained in Paragraph No. 9 to the extent they conflict with or attempt to mischaracterize the express terms of NFA Compliance rule 2-9(c) and any related Interpretive Notice.

Paragraph No. 10. Among other things, the Notice related to Compliance Rule 2-9 (c) highlights the minimum standards that are part of an adequate AML Program, provides additional guidance on satisfying the requirements of Compliance Rule 2-9(c), and discusses key components of the firm's policies, procedures and internal controls, including detecting and reporting suspicious activity, and identifies wire transfer activity as one area that firms should

give heightened scrutiny and requires monitoring in this area to include review of unusual wire transfers.

ANSWER: Respondents deny the allegations contained in Paragraph No. 10 to the extent they conflict with or attempt to mischaracterize the express terms of NFA's Interpretive Notice dated April 23, 2002, as revised from time-to-time (referred to hereinafter in Respondents' Answers as the "2002 Interpretative Notice").

Paragraph No. 11. In addition, the Notice provides specific examples of "red flags" that should cause firms to investigate further, including:

- Extensive, sudden or unexpected wire activity; and
- A deposit, followed by a request for the money to be wired or transferred to a third party, or another firm, without any apparent business purpose.

ANSWER: Respondents admit that NFA's 2002 Interpretative Notice identifies the items listed in Paragraph No. 11 above as "red flags" and state in the affirmative that NFA's 2002 Interpretative Notice provides that those "red flags" may alert employees to suspicious activity . . . that could cause further investigation. . . ." (Emphasis added)

Paragraph No. 12. The Notice also states that a firm's compliance program must require employees to notify identified firm personnel of any potential suspicious activity and such personnel must evaluate the activity and decide whether it warrants reporting to FinCEN. For transactions occurring after May 18, 2004 an FCM must also file a Suspicious Activity Report for Securities and Futures (SAR-SF" or "SAR") with FinCEN.

ANSWER: Respondents deny the allegations contained in Paragraph No. 12 to the extent they conflict with or attempt to mischaracterize the express terms of NFA's 2002 Interpretative Notice.

Paragraph No. 13. NFA Compliance Rule 2-36(e) provides that each 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.

ANSWER: Respondents deny the allegations contained in Paragraph No. 13 to the extent they conflict with or attempt to mischaracterize the express terms of NFA's Compliance rule 2-36(e).

Count I

Paragraph No. 14. The allegations set forth in paragraph 1 and 8 through 12 are realleged as paragraph 14.

ANSWER: Respondents incorporate and reallege their answers to Paragraphs No. 1 and Nos. 8 through 12 above as their answer to this Paragraph No. 14.

Paragraph No. 15. In conformity with the guidance provided in NFA Compliance Rule 2-9(c) and the related Interpretive Notice, I-Trade developed an AML program. The firm's AML program identified the following "red flags" as suggestive of suspicious activity:

- The customer has a questionable background or is subject of news reports indicating possible criminal, civil, or regulatory violations;
- The customer's account has unexplained or sudden extensive wire activity, especially in accounts that had little or no previous activity;
- The customer's account shows an unexplained high level of account activity with very low levels of trading activities;
- The customer's account has wire transfers that have no apparent business purpose to or from a country identified as a money laundering risk or a bank secrecy haven;
- The customer maintains multiple accounts, or maintains accounts in the names of family members or corporate entities, for no apparent purpose; and
- The customer's account has inflows of funds or other assets well beyond the known income or resources of the customer.

ANSWER: Respondents admit the allegations contained in first sentence of Paragraph No. 15, and Respondents state in the affirmative that Section 8.b. of I-Trade's AML Policy provided that the activities identified above "signal possible money laundering" activity, and deny the remaining allegations contained in Paragraph No. 15.

Paragraph No. 16. I-Trade's AML program stated that when a firm member detected any of these "red flags," he or she would investigate under the direction of the firm's AML compliance officer. I-Trade's procedures also identified actions firm personnel could take and specifically provided for giving a suspect account to the AML compliance officer to review certain information, such as orders prior to entry, daily trading activity, money transfer requests and deposits, as well as contacting the government, freezing the account, or filing a SAR-SF.

ANSWER: Respondents admit the allegations contained in Paragraph No. 16 and state in the affirmative that the procedures identified in the second sentence of Paragraph No. 16 were discretionary depending upon the situation.

Paragraph No. 17. I-Trade's November 2006 and September 2007 AML programs identified Martinez as the firms' AML compliance officer responsible for overseeing the firm's AML policy. In August 2007, I-Trade hired Kim Estrada ("Estrada") as its compliance and AML officer.

ANSWER: Respondents admit that Martinez was I-Trade's AML compliance officer from November 2006 through November 2007 and was responsible for overseeing I-Trade's AML policy during that period, and that I-Trade hired Estrada in August 2007 to oversee I-Trade's compliance program, and Respondents deny the remaining allegations contained in Paragraph No. 17. Respondents state in the affirmative that Estrada was appointed as I-Trade's AML compliance officer on November 1, 2007.

Olint-TCI Account

Paragraph No. 18. As hereinafter alleged, highly suspicious activity occurred in a number of I-Trade's customer accounts between November 2006 and April 2008. Most of the suspicious activity occurred in the accounts related to Smith (i.e., Olint and TCI) and involved activity identified in both NFA's Interpretive Notice and I-Trade's own AML program as "red flags." This activity included extensive and unexplained wire activity; deposits followed by a request to transfer the funds to a third party without any apparent business reason; and unexplained, extensive wire activity with very low trading levels in the accounts.

ANSWER: Respondents deny the allegations contained in Paragraph No. 18.

Paragraph No. 19. For example, in November 2006, NFA reviewed the activity in an account Olint opened with I-Trade in September 2006. The Olint account opening documents indicated Smith and his wife owned Olint and that the funds in the account came from them only. During the first two months this account was open, no trading activity occurred; however, during this time, Olint made four deposits totaling approximately \$59 million and eight withdrawals totaling about \$35.5 million.

ANSWER: Respondents lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in the first sentence of Paragraph No. 19.

Respondents deny the allegations contained in the second sentence of Paragraph No. 19, and state in the affirmative that the representations made in the opening account documents for Account No. 100121 indicated that Smith and his wife were the sole directors, that Smith was the president of Olint-TCI, and that the funds for the trading accounts were from the corporation. Respondents admit that \$58.9 million were deposited and \$35.5 million were withdrawn from Account No. 100121 between September 14, 2006 and November 22, 2006, leaving a balance of \$23.4 million in the account when trading commenced on December 20, 2006. Respondents affirmatively state that two of the withdrawals, for a total of \$1,500,000 were used to fund Olint-TCI's second account held by I-Trade (Account No. 100544), and that two additional withdraws, for a total of \$1,000,000 were used to fund Olint-TCI's third account held by I-Trade (Account No. 100543). In addition, Respondents affirmatively state that the trading in the Olint-TCI's second and third accounts commenced within days of the deposits made in those accounts.

Paragraph No. 20. NFA also identified and reviewed the activity in three other Olint accounts, which had deposits ranging from \$500,000 to \$2 million. While trading occurred in these accounts, only a fraction of the account equity in these accounts was used for trading. At the end of March 2007, Olint withdrew the bulk of the funds from these three accounts in amounts ranging from about \$938,000 to over \$1.7 million.

ANSWER: Respondents admit that Olint-TCI's Account No. 100544 and Account No. 100543 had deposits ranging from \$500,000 to \$2 million, and that the deposits were reflected transfer of funds from Olint-TCI's Account No. 100121, and that no other deposits were made in those Account No. 100544 and Account No. 100543, and Respondents lack knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in the first sentence of Paragraph No. 20. Respondents deny the allegations contained in the second sentence of Paragraph No. 20,

and state in the affirmative that all of the funds in Olint-TCI's accounts were at risk. Respondents admit that Olint-TCI withdrew \$938,062 from Account No. 10053 on March 30, 2007, after it had occurred nearly \$62,000 in trading losses in that account, that Olint-TCI withdrew \$1,465,646.80 in Account No. 10544 on March 30, 2007 after it suffered trading losses in excess of \$34,000, and that Olint-TCI withdrew over \$16,600,147 and \$4,000,000 on March 30, 2007 and April 10, 2007 respectively, after Olint-TCI had incurred significant losses in its Account No. 100121, and closed out that account on May 18, 2007, after it had incurred over \$780,000 in trading losses in the account.

TCI-FX Accounts

Paragraph No. 21. Two TCI accounts also showed suspicious activity similar to the Olint accounts. For example, TCI made two deposits totaling over \$40 million in one account and withdrew about the same amount over the course of three transactions, even though no trading activity ever occurred in this account. In the second account, TCI made an approximate \$20 million deposit and withdrew about the same amount less than two weeks later, while making only a small number of trades during this time.

ANSWER: Respondents deny the allegations contained in the first sentence of Paragraph No. 21, and admit the remaining allegations contained in Paragraph No. 21 pertaining to TCI-FX Account Nos. 100262 and 100749. Respondents state in the affirmative that approximately \$1.1 million in funds were transferred from TCI-FX's Account No. 100262 to its Account No. 100749 between January 2007 and March 2007, at the direction of Smith, for the purpose of establishing an account to be managed by Market Traders Institute, and that in March 2007, \$20,045,000 was transferred from TCI-FX's Account No. 100749 to its Account No. 100262. In addition, Respondents state in the affirmative that TCI-FX transferred \$40,214,480.08 to JIJ Investments, Inc. ("JIJ") on March 28, 2007, from funds that apparently originated, in part, from TCI-FX's Account

No. 100749, and that on March 28, 2007, Olint-TCI transferred \$20,785,519.92 to JIJ, and that a similar transfer occurred on April 10, 2007 for \$4,000,000, from funds that apparently originated, in part, from Olint-TCI's Account No. 100121.

Paragraph No. 22. TCI also had a third account at I-Trade, which it opened in June 2007, after having withdrawn all the funds from its other two accounts just a few months before. TCI deposited over \$12 million into this new account, but very little trading activity occurred, and TCI subsequently closed this account in February 2008.

ANSWER: Respondents admit that I-Trade held a third account for TCI-FX, Account No. 11536, which was opened in June 2007. Respondents deny the allegations contained in the second sentence of Paragraph No. 22, and state in the affirmative that the trading that occurred in Account No. 11536 was significant enough to cause nearly \$1.2 million in trading losses, and that Account No. 11536 was closed on February 20, 2008.

Paragraph No. 23. Between August 2006 to May 2007, Olint and TCI deposited almost \$100 million into its trading accounts at I-Trade, but only a small percentage of these funds were used for trading purposes. By May 2007, Olint and TCI had withdrawn the vast majority of the funds from its I-Trade accounts. However, approximately \$50 million of the funds which Olint and TCI withdrew were sent to JIJ Investments ("JIJ"), a company owned by Martinez and his brother and father, Jacob and Jared Martinez.

ANSWER: Respondents deny the allegations contained in the first and second sentence of Paragraph No. 23. Respondents admit that Olint-TCI and TCI-FX withdrew approximately \$20 million and \$40 million from their respective accounts held by I-Trade and that on March 28, 2007 those entities wired those funds, in addition to additional amounts in May 2007, to JIJ to allow JIJ to manage the investment of those funds for those entities, and deny the remaining allegations contained in the last sentence of Paragraph 23. Respondents state in the affirmative that JIJ was a subscriber owned company and that Isaac Martinez's minority ownership interest was limited to \$1,000 in capital and that neither Jared Martinez nor Jacob Martinez added to the company capital, as of the end of March 2007.

Paragraph No. 24. I-Trade continually ignored the suspicious activity in the Olint and TCI accounts, and even facilitated some of the unusual transactions in these accounts. For example, on one occasion, approximately \$3 million was wired from JIJ's bank account to a JIJ trading account but instead deposited them into one of the TCI accounts controlled by Smith. A few days later, I-Trade moved these funds from the TCI account to the JIJ account. Shortly thereafter, JIJ withdrew these funds and sent them back to its bank account, without ever having committed any of the funds to trading.

ANSWER: Respondents deny the allegations contained in the first sentence of Paragraph No. 24. Respondents admit that on February 13, 2008, JIJ wired money to I-Trade for it to deposit in one of its accounts, and I-Trade mistakenly placed those funds in TCI-FX's Account No.11536, and that upon recognizing the error I-Trade adjusted TCI-FX's account accordingly, and correctly placed the funds into JIJ's account, which were subsequently withdrawn by JIJ, and Respondents deny the remaining allegations contained in Paragraph 24.

Loiten Accounts

Paragraph No. 25. Another account at I-Trade which had suspicious activity was the account of Ingrid Loiten ("Loiten"), which was opened in August 2006. Loiten's account opening documents listed her annual income and net worth as between \$25,000 and \$50,000. Yet, between December 2006 and March 2007, seventeen deposits were made to Loiten's account totaling over \$1.7 million.

ANSWER: Respondents admit that Loiten opened an account, account No. 181, in August 2006 and listed on her account application that she had an annual income and net worth of between \$25,000 and \$50,000, and deny the remaining allegations contained in the first and second sentences of Paragraph No. 25, and Respondents state in the affirmative that Loiten amended her financial information previously provided to I-Trade, and that the amended financial information reflected an annual income of between \$100,000 to \$249,000 and an increase in net worth. Respondents admit that Loiten made over \$1.7 million in deposits between December 2006 and March 2007, and those deposits were made, for the most part, to cover trading losses, and Loiten explained to I-

Trade that her net worth also included the value of her educational website business.

Respondents state in the affirmative that over 94% of the funds deposited by Loiten were lost trading.

Paragraph No. 26(a). I-Trade's records included an April 17, 2007 e-mail from Jared Martinez to Martinez concerning a purported April 13 meeting with Loiten, during which she supposedly told Jared Martinez that she owned and operated a multi-million dollar website, www.homeworkjamaica.com, and wished to deposit between \$2 and \$5 million of her personal funds into her trading account. Despite the discrepancy between Loiten's account application and her purported verbal representation of Jared Martinez in April concerning her financial information, I-Trade waited almost two months to obtain updated information from Loiten, even though it accepted an additional \$2.7 million in deposits during that same time.

ANSWER: Respondents admit the allegations contained in the first sentence of Paragraph No. 36(a). Respondents deny that I-Trade accepted \$2.7 million in deposits from Loiten between the opening of her account and April 17, 2007, and that there was any discrepancy between her account application and her verbal representation that rose to the level to cause I-Trade to have any suspicion that her deposits were indicative of money laundering, and Respondents state in the affirmative that Loiten's deposits were made, for the most part, to cover trading losses in her account.

Paragraph No. 26(b). Not only was the size and frequency of the deposits in Loiten's account inconsistent with her stated annual income and net worth in her account application, but the wire activity in her account was also highly unusual. For example, Loiten opened her account in August 2006 with a \$500 deposit and, over the succeeding three months, made four subsequent wire deposits averaging less than \$2,000. However, beginning at the end of December 2006, the wire deposits changed dramatically in size and frequency. During the first three months of 2007, Loiten made multiple wire deposits (e.g. five to six per month) in amounts averaging over \$100,000 each.

ANSWER: Respondents admit that some of the deposits made by Loiten were larger than the net worth represented by Loiten in her initial account application, which was later amended, and deny the remaining allegations contained in the first sentence of Paragraph No. 26(b). Respondents admit the allegations contained in the second sentence of Paragraph 26(b). Respondents admit that starting on December 20, 2006, Loiten's

deposits in her account increased from her deposits made prior to December 20, 2006, and deny the remaining allegations contained in the third sentence of Paragraph No. 26(b). Respondents deny the allegations contained in the fourth sentence of Paragraph No. 26(b), and state in the affirmative that, for the most part, Loiten's deposits merely covered her trading losses.

Harris Account

Paragraph No. 27. Suspicious activity also occurred in the I-Trade account of Gareth Harris ("Harris"). Harris opened an I-Trade account in December 2006 and, in his account opening documents, he indicated that he had an annual income and net worth of less than \$25,000. Harris initially deposited approximately \$2,000 in his account. Over the succeeding three and a half months, he made several more deposits averaging about \$1,700 each. However, this pattern dramatically changed in mid-April 2007, when deposits significantly increased in size. For example, in May 2007, Harris deposited approximately \$100,000 in his trading account and, in October 2007, he made two more deposits in his account totaling almost \$10 million.

ANSWER: Respondents deny the allegations contained in the first sentence of Paragraph No. 27. Respondents admit that Harris opened his account in December 2006 and that in his initial account documents he indicated that his annual income and net worth was less than \$25,000, and that document was amended in 2007 to reflect an annual income and net worth in excess of \$1,000,000 each, and Respondents deny the remaining allegations contained in the second sentence of Paragraph No. 27. Respondents admit that Harris made an initial deposit in his trading account of \$2,050 followed by several additional deposits between January 1, 2007 and April 15, 2007 averaging over \$1,800, and Respondents deny the remaining allegations contained in the third sentence of Paragraph No. 27. Respondents admit that Harris deposited \$30,065 in his account on April 19, 2007, and two deposits in May 2007 totaling approximately \$90,000, and deny that Harris's deposits reflected any pattern. Respondents admit that Harris made two additional deposits in October 2007 of approximately five million

dollars each. Respondents state in the affirmative that Harris sustained trading losses in his account in excess of 9.5 million dollars, which was equivalent to over 94% of the deposits made in the account.

Paragraph No. 28. Despite the highly suspicious activity in the Olint and TCI accounts and the Harris account, as alleged above, at no time did I-Trade file a SAR for any of these accounts contrary to the requirements of NFA Compliance Rule 2-9(c), the Notice, and I-Trade's own AML program.

ANSWER: Respondents are barred by federal regulations from disclosing to the subject of a SAR that a SAR had been filed against the customer, and because this Answer will be publicly disclosed by the NFA on its website, the Respondents respectfully decline to admit or deny the allegation in Paragraph 28, and are prevented from asserting affirmative statements in their defense, and respectfully suggest that NFA's publication of its Complaint in this matter may have been in violation of the confidentially provisions of the applicable federal law.

Paragraph No. 29.

[REDACTED.]

Paragraph No. 30. By reason of the foregoing acts and omissions, I-Trade is charged with violations of NFA Compliance Rule 2-9(c).

ANSWER: Respondents admit that I-Trade has been charged with violations of NFA Compliance Rule 2-9(c), and deny that the alleged acts and omissions contained in the Complaint form a valid basis for such a charge.

Count II

Paragraph No. 31. The allegations set forth in paragraphs 1, 2 and 13 are realleged as paragraph 32.

ANSWER: Respondents incorporate and reallege their answers to Paragraphs Nos. 1, 2, and 13 above as their answer to this Paragraph No. 31.

Paragraph No. 32. The diligent supervision of employees and agents in the conduct of their forex activities for or on behalf of an FDM requires, in part, that FDMs and their Associates who have supervisory duties diligently exercise those duties to ensure the FDM complies with all NFA Requirements.

ANSWER: Respondents admit the allegations contained in Paragraph No. 32 to the extent that an FDM Associate's duties are limited to the scope of the duties assigned to them by the FDM, and, as an example, where those duties include the duties of an AML compliance officer those duties would include the duties of an AML compliance officer as set forth under NFA regulations.

Paragraph No. 33. The allegations set forth in paragraphs 15 through 30 are realleged as paragraph 34 [sic].

ANSWER: Respondents incorporate and reallege their answers to Paragraphs Nos. 15 through 30 above as their answer to this Paragraph No. 33.

Paragraph No. 34. Martinez, as I-Trade's president, was responsible for the firm's overall operations and was the firm's AML compliance officer responsible for overseeing the firm's AML policy, which included filing SARs. Martinez was also the point person at I-Trade who responded to NFA's AML inquiries, and he continued these duties for a period of time even after the firm hired Estrada as its AML compliance officer.

ANSWER: Respondents admit that until October 31, 2007, Martinez was the designated AML compliance officer for I-Trade, deny that Estrada assumed the duties of I-Trade's AML compliance officer immediately upon her employment by I-Trade and admit the allegations contained in Paragraph No. 34 as they pertain to Martinez's duties prior to October 31, 2007, and deny the remaining allegations contained in Paragraph 34.

Paragraph No. 35. I-Trade and Martinez failed to file SARs for, or otherwise report, the highly suspicious activities, as alleged above, which occurred in the Olint and TCI accounts and the Harris account – and also failed to file a timely SAR for, or otherwise report, the suspicious activity which occurred in the Loiten account, and, thereby, completely disregarded their obligations under NFA Compliance Rule 2-9 (c), the Notice, and the firm's own AML procedures.

ANSWER: Respondents are barred by federal regulations from disclosing to the subject of a SAR that a SAR had been filed against the customer, and because this Answer will be publicly disclosed by the NFA on its website, the Respondents respectfully decline to admit or deny the allegation in Paragraph 35, and are prevented from asserting affirmative statements in their defense, and respectfully suggest that NFA's publication of its Complaint in this matter may have been in violation of the confidentially provisions of the applicable federal law.

Paragraph No. 36. At some point after Estrada was hired, I-Trade began filing SARs for suspicious activity noted in customer accounts. However, the activity reported in those SARs paled in comparison to the suspicious activity that went unreported relative to the Olint and TCI accounts and the Harris and Loiten accounts. For example, I-Trade filed a SAR for a customer who deposited \$10,000 in an account and withdrew the funds several months later without ever trading. Similarly, I-Trade filed SARs for two other customers who each deposited \$5,000 and then withdrew the funds a month or two later without conducting any trading. The activity reported in these SARs was far less suspicious than the suspicious activity which went unreported in the Olint, TCI-FX, Harris and Loiten accounts.

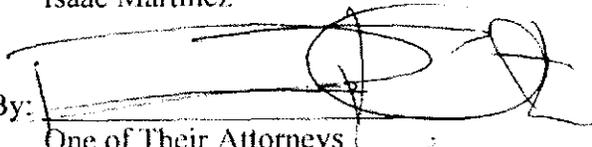
ANSWER: Respondents are barred by federal regulations from disclosing to the subject of a SAR that a SAR had been filed against the that customer, and because this Answer will be publicly disclosed by the NFA on its website, the Respondents respectfully decline to admit or deny the allegation in Paragraph 36, and are prevented from asserting affirmative statements in their defense, and respectfully suggest that NFA's publication of its Complaint in this matter may have been in violation of the confidentially provisions of the applicable federal law.

Paragraph No. 37. By reason of the foregoing acts and omissions, I-Trade and Martinez are charged with violations of NFA Compliance Rule 2-36(e).

ANSWER: Respondents admit that they have been charged with violations of NFA Compliance Rule 2-36(e), and deny that the alleged acts and omissions contained in the Complaint form a valid basis for such a charge.

Respectfully submitted,

I Trade FX LLC and
Isaac Martinez

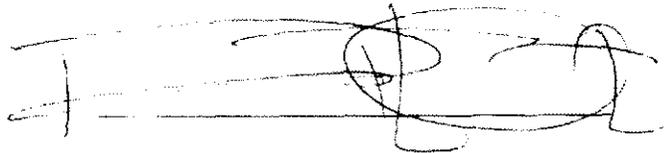
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CERTIFICATE OF SERVICE

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

Under penalties as provided by law, I certify that I served a copy of Respondents' Answer to the department listed above at the address stated by messenger service from our offices at 175 West Jackson Street, Chicago, Illinois on August 14, 2008.

A handwritten signature in black ink, appearing to read "R. Christie", written over a horizontal line.

Robert B. Christie
Henderson & Lyman
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