

FILED

JUN 10 2009

NATIONAL FUTURES ASSOCIATION
BEFORE THE
BUSINESS CONDUCT COMMITTEE

NATIONAL FUTURES ASSOCIATION
LEGAL DOCKETING

In the Matter of:)	
)	
TRUE VECTOR TRADING GROUP LLC)	
(NFA ID #383441))	
)	
and)	NFA Case No. 09-BCC-010
)	
JAMES DOUGLAS)	
(NFA ID #320266),)	
)	
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 issues this Complaint against True Vector Trading Group LLC ("True Vector") and James Douglas ("Douglas").

ALLEGATIONS

JURISDICTION

1. At all times relevant to this Complaint, True Vector was an introducing broker ("IB") NFA Member located in Delray Beach, Florida.
2. At all times relevant to this Complaint, James Douglas ("Douglas") was an associated person ("AP") and listed principal of True Vector as well as an NFA Associate.

BACKGROUND

3. NFA commenced a sales practice audit of True Vector in September 2008 based on the fact that one of True Vector's APs and listed principals had previously worked at a firm which had been barred from NFA for sales fraud.
4. As part of the audit, NFA reviewed True Vector's customer complaint file which included a complaint from a former True Vector customer, Marilyn Ragofsky ("Ragofsky"). NFA subsequently interviewed Ragofsky, who indicated that she had been referred to True Vector by a friend, Nancy Smith ("Smith"), whom NFA also interviewed. Both Ragofsky and Smith described misleading sales solicitations they received from Douglas, in which Douglas exaggerated the profit potential and downplayed the risk of loss of trading futures and options.
5. In addition, NFA's audit found that True Vector failed to implement an adequate anti-money laundering ("AML") program, and that True Vector and Douglas failed to adequately supervise True Vector's operations.

APPLICABLE RULES

6. 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.
7. NFA Compliance Rule 2-4 provides that Members and Associates shall observe high standards of commercial honor and just and equitable principles of trade in the conduct of their commodity futures business.
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. NFA Compliance Rule 2-9(c) provides, in pertinent part, that each IB shall develop and implement a written AML program approved in writing by senior management reasonable designed to achieve and monitor the Member's compliance with the applicable requirements of the Bank Secrecy Act and the implementing regulations promulgated thereunder by the Department of Treasury and the Commodity Futures Trading Commission ("CFTC"). Among other requirements, an AML program must provide for an independent annual review of the AML program to be conducted by the Member.
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), 2-29(a)(1) AND 2-4: MAKING MISLEADING SALES SOLICITATIONS AND FAILING TO UPHOLD HIGH STANDARDS OF COMMERCIAL HONOR AND JUST AND EQUITABLE PRINCIPLES OF TRADE BY HAVING CUSTOMERS SIGN ACCOUNT OPENING DOCUMENTS IN BLANK AND COMPLETING THEM WITH INACCURATE INFORMATION.

11. The allegations contained in paragraphs 1 through 4, 6 and 7 are realleged as paragraph 11.
12. True Vector customer Smith opened an account through True Vector in September 2007 with an initial deposit of \$250,000. While Smith's account was serviced by True Vector, she had trading gains of over \$9,000, but – after paying over \$39,000 in commissions and fees – she incurred a net loss of over \$10,000.

13. Douglas came to Smith's house to discuss her opening a commodities account at True Vector. Throughout Douglas's solicitation of Smith, he continually told Smith that he would not lose her money. In fact, Douglas even guaranteed that he would triple Smith's investment in three months. When Smith inquired about the riskiness of these investments, Douglas downplayed the risk by telling her not to worry about it because he would not lose her money.
14. Once Douglas had convinced Smith to open an account, he told her she would need to complete account opening paperwork. However, Smith did not actually complete the account opening documents, herself. Instead, Douglas instructed Smith to sign the account opening documents in blank, and he promised to complete them for her and send her copies once they were completed. Despite this, Douglas never sent these documents to Smith. Furthermore, when NFA obtained the account opening documents from True Vector's carrying broker and reviewed them with Smith, Smith indicated that the information Douglas included in the account opening documents was incorrect, e.g., Douglas misrepresented Smith's employment information and investment experience.
15. In addition, Douglas did not explain the concept of a discretionary account to Smith, and did not tell Smith she was signing a document which would give Douglas the authority to trade her account without her authorization.
16. Douglas's sales solicitation to Smith was misleading in that it exaggerated the profit potential and downplayed the risk of loss of trading futures by promising Smith that she would triple her investment while at the same time assuring Smith

she would not lose her money when, in fact, her account eventually lost over \$10,000 while introduced by True Vector.

17. In addition,. Douglas failed to uphold high standards of commercial honor and just and equitable principles of trade in his dealings with Smith, particularly when he had Smith sign account opening documents in blank, completed them with inaccurate information, and then failed to send Smith copies of the completed account opening documents, as he had promised.
18. True Vector customer Ragofsky opened an account with True Vector on September 20, 2007 and closed it on January 17, 2008. While Ragofsky's account was serviced by True Vector, she deposited a total of \$50,000 and had trading gains of about \$2,400. However, after paying over \$7,000 in commissions and fees, Ragofsky's account incurred a net loss of \$4,852 while serviced by True Vector.
19. Douglas came to Ragofsky's home to solicit her to open an account through True Vector. Although Ragofsky told Douglas she had no experience in futures trading, Douglas assured her there was nothing to worry about. In fact, Douglas promised that he would double Ragofsky's money in three months.
20. Moreover, when Ragofsky told Douglas she was using her retirement savings to invest, Douglas claimed that he would make her so much money that she would be able to retire in ten years. When Ragofsky asked Douglas about risk, Douglas told her there was some risk, but then minimized it by saying she did not need to worry about it because of Douglas's track record.

21. Douglas told Ragofsky not to worry about completing the account opening paperwork, but simply to sign them in blank. When Ragofsky asked Douglas what the forms meant, Douglas told her that he would fill out the portions she did not understand. Douglas also promised to mail the completed forms back to Ragofsky, but he never did.
22. Douglas's sales solicitation to Ragofsky was misleading in that it included exaggerated profit claims, promised to double Ragofsky's investment, and downplayed the risk of loss by assuring Ragofsky that she would not lose her money.
23. In addition, Douglas failed to uphold high standards of commercial honor and just and equitable principles of trade in his dealings with Ragofsky in that he had Ragofsky sign account opening documents in blank, failed to explain these documents to Ragofsky when she told him she did not understand them, and then failed to send her completed copies of the account opening documents as he promised he would.
24. By reason of the foregoing acts and omissions, True Vector and Douglas are charged with violations of NFA Compliance Rules 2-2(a), 2-29(a)(1) and 2-4.

COUNT II

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

25. The allegations contained in paragraphs 1, 2, 5 and 9 are realleged as paragraph 25.
26. NFA Compliance Rule 2-9(c) provides, in pertinent part, that each IB shall develop and implement a written AML program.

Among other requirements, an AML program must provide for:

- (1) an independent annual review of the AML program to be conducted by Member personnel or by a qualified outside party; and
 - (2) ongoing training for appropriate personnel.
27. True Vector did not complete an annual independent audit to determine the adequacy of its AML program, it failed to maintain records of employees who participated in annual AML training or copies of its AML training materials, and Douglas failed to review accounts for suspicious activity.
28. By reason of the foregoing acts and omissions, True Vector and Douglas are charged with violations of NFA Compliance Rule 2-9(c).

COUNT III

VIOLATION OF NFA COMPLIANCE RULE 2-9(a): FAILING TO DILIGENTLY SUPERVISE EMPLOYEES AND AGENTS IN THE CONDUCT OF THEIR COMMODITY FUTURES ACTIVITIES.

29. The allegations contained in paragraphs 1, 2, 5 and 8 are realleged as paragraph 29.
30. NFA Compliance Rule 2-9 obligates every NFA Member and Associate who has supervisory responsibilities to supervise diligently the Member's employees and agents. This requires Members and Associates to establish effective internal controls to monitor the overall operation of the firm. As an AP and listed principal of the firm, Douglas was responsible for ensuring that True Vector's operations complied with NFA Requirements.
31. Douglas and True Vector failed to establish any procedures to monitor or control True Vector's operations. NFA Registration Rules require a managing member of a limited liability company to be listed as a principal of the firm. According to

True Vector's articles of incorporation, Holli Mathison ("Mathison") was a managing member of the company. Yet, True Vector failed to list Mathison as a principal even though she was a managing member of the firm.

32. Douglas and True Vector also failed to adopt and implement procedures to monitor, review or maintain the firm's promotional material. Furthermore, True Vector did not maintain copies of customer information as required by NFA Compliance Rules. In particular, the firm did not maintain copies of risk disclosure statements signed by its customers or order tickets for one of its customers. True Vector also did not have any procedures regarding ethics training and could not demonstrate that Douglas had completed ethics training. In addition, True Vector did not distribute the firm's privacy policy to its customers.
33. By reason of the foregoing acts and omissions, True Vector and Douglas are charged with violations of NFA Compliance Rule 2-9(c).

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 S. Riverside Plaza
Suite 1800
Chicago, Illinois 60606-3447
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.

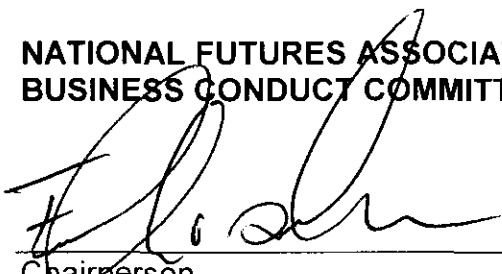
The allegations in this Complaint may constitute a statutory disqualification from registration under Section 8a(3)(M) of the Commodity Exchange Act. Respondents in this matter who apply for registration in any new capacity, including as an

associated person with a new sponsor, may be denied registration based on the pendency of this proceeding.

Pursuant to the provisions of 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: 06/10/09

By: 
Chairperson

m/rvh/True Vector, 5-30 Complaint

AFFIDAVIT OF SERVICE

I, Nancy Miskovich-Paschen, on oath state that on June 10, 2009, 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:

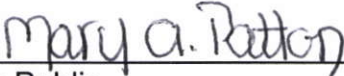
James Douglas
2019 Avenue N
Galveston, TX 77550

True Vector Trading Group LLC
246 NE 14th Street
Delray Beach, FL 33483
Attn: James Douglas



Nancy Miskovich-Paschen

Subscribed and sworn to before me
on this 10th day of June 2009.



Notary Public

