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**NATIONAL FUTURES ASSOCIATION
LEGAL DOCKETING**

NFA Case No. 12-BCC-021

1. At all times relevant to this Complaint, FXDD was a registered futures commission merchant, forex dealer member ("FDM") and retail foreign exchange dealer located in New York. As such, FXDD 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, Green was the chief compliance officer ("CCO"), a listed principal, and a designated Forex associated person ("AP") of

FXDD, as well as an NFA Associate. As such, Green was required to comply with NFA Requirements and is subject to disciplinary proceedings for violations thereof. FXDD is also liable for violations of NFA Requirements committed by Green in the course of his activities on behalf of the firm.

BACKGROUND

3. FXDD has been an NFA Member since December 2009 and its principal business is acting as the counterparty to customer accounts trading in off-exchange foreign currency transactions. As of March 1, 2011 (when NFA commenced its 2011 audit of FXDD), FXDD had approximately 70,000 U.S. retail customers. FXDD has an affiliated company called FXDD Malta Limited ("FXDD Malta") – a/k/a FXDD Europe – which is headquartered in Malta and licensed by the Malta Financial Services Authority. FXDD Malta services FXDD's foreign customers.
4. NFA's 2011 audit of FXDD revealed deficiencies associated with the firm's recordkeeping, its anti-money laundering ("AML") program and other areas of the firm's operations. In conjunction with the 2011 audit, NFA also conducted an investigation of FXDD's order execution practices, which revealed that the firm treated price slippage differently (i.e., asymmetrically) when the price slippage favored FXDD as opposed to when the price slippage favored a customer. This asymmetrical treatment of price slippage benefited FXDD to the detriment of its customers. NFA's investigation also found that FXDD engaged in inequitable price adjustment practices prohibited by NFA's Rules. In addition, during NFA's investigation, senior employees of FXDD, including

Green, engaged in a deliberate course of conduct designed to mislead NFA and others in connection with activity related to the accounts of certain FXDD customers.

APPLICABLE RULES

5. NFA Compliance Rule 2-9(c) provides, in pertinent part, that each FCM and IB Member shall develop and implement a written 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 by the Department of the Treasury and, as applicable, the Commodity Futures Trading Commission ("CFTC").
6. NFA Compliance Rule 2-10 provides, in pertinent part, 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.
7. NFA Compliance Rule 2-36(b)(1) provides that no FDM or Associate of an FDM engaging in any forex transaction shall cheat, defraud or deceive, or attempt to cheat, defraud or deceive any other person.
8. NFA Compliance Rule 2-36(b)(4) provides that no FDM or Associate of an FDM engaging in any forex transaction shall engage in manipulative acts or practices regarding the price of any foreign currency or a forex transaction.

9. NFA Compliance Rule 2-36(b)(5) provides that no FDM or Associate of an FDM engaging in any forex transaction shall willfully submit materially false or misleading information to NFA or its agents with respect to forex transactions.
10. NFA Compliance Rule 2-36(b)(6) provides that no FDM or Associate of an FDM engaging in any forex transaction shall embezzle, steal or purloin or knowingly convert any money, securities or other property received or accruing to any person in or in connection with a forex transaction.
11. NFA Compliance Rule 2-36(c) provides that FDMs and their Associates shall observe high standards of commercial honor and just and equitable principles of trade in the conduct of their forex business.
12. NFA Compliance Rule 2-36(d) provides that no Member may carry a forex account for, accept a forex order or account from, handle a forex transaction for or on behalf of, receive compensation (directly or indirectly) for forex transactions from, or pay compensation (directly or indirectly) for forex transactions to any non-Member of NFA, or suspended Member, that is required to be registered with the Commission as an FCM, RFED, IB, CPO or CTA in connection with its forex activities and that is acting in respect to the account, order, or transaction for a forex customer, a forex pool or participant therein, a forex client of a commodity trading advisor, or any other person unless:
 - (1) the non-Member is a member of another futures association registered under Section 17 of the Act or is exempted from this prohibition by Board resolution; or
 - (2) the suspended Member is exempted from this prohibition by NFA's Appeals Committee.

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, and 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.
14. NFA Compliance Rule 2-43(a)(1) provides, in pertinent part, that an FDM may not cancel an executed customer order or adjust a customer account in a manner that would have the direct or indirect effect of changing the price of an executed order, unless the cancellation or adjustment is favorable to the customer or the FDM exclusively uses straight-through processing.

COUNT I

VIOLATIONS OF NFA COMPLIANCE RULES 2-36(b)(1), 2-36(b)(4), 2-36(c), 2-10 AND 2-36(e): USING ASYMMETRICAL PRICE SLIPPAGE SETTINGS THAT FAVORED FXDD OVER CUSTOMERS; FAILING TO SUPERVISE THE TRADE INTEGRITY OF THE FIRM'S ELECTRONIC TRADING SYSTEMS; FAILING TO MAINTAIN COMPLETE AND ACCURATE RECORDS; AND FAILING TO REVIEW THE USE OF PROMOTIONAL MATERIAL.

15. The allegations contained in paragraphs 1, 3, 4, 6, 7, 11 and 13 are realleged as paragraph 15.
16. To trade at FXDD, customers may choose from among several different platforms, though virtually all of the firm's retail customers (99%) utilize the MetaTrader 4.0 ("MT4") platform. In addition, while the MT4 platform offers customers different trading options, "Instant Execution" ("IE") trades, which FXDD denotes internally as "limit fill-or-kill" orders, account for about 95% of the trades placed.

17. To make an IE trade, a customer clicks on the bid or offer price seen on the customer's computer screen, and FXDD simultaneously tags the screen price as the price at which the customer placed his/her trade (i.e., "tagged price"). For example, in an IE trade, if a customer wants to buy 100,000 EUR/USD where the bid price on the customer's computer screen is 1.43 and the ask price is 1.45, the customer would click on the ask price of 1.45 to buy the contract and that would be the tagged price captured on the front-end of FXDD's system. However, before executing the trade and confirming it to the customer, FXDD would also run the customer's order through two primary "checks" – a "margin check" and a "price check" – on the back-end of FXDD's system. The "margin check" ensures that the customer has adequate funds to make the trade, while the "price check" ensures that when the back-office system receives the customer order that the tagged price remains within certain price parameters based on current market prices. After these "checks" are completed, FXDD either fills the customer's trade at the tagged price of 1.45 or rejects the trade.
18. During a visit to FXDD in June 2011, NFA discovered that FXDD had been using asymmetrical price slippage settings since becoming an NFA Member in December 2009. These asymmetrical slippage settings were activated during the "price check" process when FXDD's system compared the customer's tagged price to current market prices. If, after the customer entered his/her order, the market moved in the customer's favor ("positive slippage") by no more than two pips, then FXDD would fill the customer at the tagged price. On

the other hand, if, after the customer entered his/her trade, the market moved in the customer's favor by more than two pips, then FXDD would reject the order. However, FXDD did not follow this same practice if the market moved in FXDD's favor. In this situation, FXDD would allow the market to move an unlimited number of pips in the direction favorable to FXDD, without re-quoting or rejecting the customer's order. As a result, FXDD always filled the customer's order at the tagged price, even if the tagged price was far outside the prevailing market price at the time the order was executed. Under such circumstances, the customer's position would be unprofitable the very instant it was executed.

19. FXDD's asymmetrical price slippage practices harmed customers by allowing their orders to be filled at the tagged price when the market price moved against them (and in favor of FXDD) more than two pips but rejected their orders when the market price moved in their favor (and against FXDD) more than two pips.
20. When NFA discovered that FXDD was using asymmetrical slippage practices, NFA informed FXDD that such practices were contrary to just and equitable principles of trade and were a violation of NFA's Rules. At the end of June 2011, FXDD corrected its slippage parameters to make them symmetrical so that, thereafter, if the market price moved more than two pips in either direction from the tagged price, the customer's order would be rejected, and, if the market price moved less than two pips in either direction from the tagged price, FXDD would fill the customer's order at the tagged price.

21. NFA attempted to determine the monetary harm to customers that resulted from FXDD unequal slippage settings. Toward this end, NFA requested data from FXDD for executed trades from December 2009 to June 2011. FXDD produced trading data for the requested period, which Green assured NFA was complete trade data for executed trades during the period in question. NFA went to great lengths and expended an inordinate amount of resources over several months reviewing and analyzing the data FXDD had provided to NFA and which Green had assured NFA was complete trade data. However, because of erroneous statements Green had made about the trade data, which stemmed from his lack of understanding how FXDD captured its data, NFA was unable to verify representations Green had made about FXDD's trading system or to draw any conclusions concerning the monetary harm to customers that resulted from FXDD's unequal slippage settings.
22. In order to try and understand the data, NFA returned to FXDD's offices in April 2012 and spoke with Shawn Dilkes ("Dilkes"), the head of information technology for the firm. Through conversations with Dilkes as well as a demonstration of a test account, NFA and Dilkes determined that Green had previously provided NFA with inaccurate information about the trading data that the firm had originally provided to NFA. It was little wonder, therefore, that NFA was confused by such data.
23. Through the meeting with Dilkes, NFA was able, at last, to obtain a complete and accurate understanding of the trading data for the period from December 2009 to June 2011 and was able to complete its analysis, which, among other

things, confirmed that FXDD had used asymmetrical slippage settings during the above period.

24. NFA was also able to compute the monetary impact of FXDD's asymmetrical slippage practices by analyzing the number of trades FXDD filled outside the two-pip slippage tolerance setting – which resulted in orders being filled to the detriment of the customer and to the benefit of FXDD, instead of the order being rejected which is what occurred if the price moved more than two pips in favor of the customer. The table below summarizes the number of trades FXDD filled outside the two-pip tolerance setting and the extent to which FXDD benefitted financially from this price slippage practice.

Time Period	Number of Trades with Positive Price Slippage	Monetary Amount of Positive Price Slippage
December 2009	23,296	\$163,681.27
January 2010	71,425	\$743,974.02
February 2010	60,468	\$939,180.38
March 2010	16,810	\$122,584.35
April 2010	9,011	\$165,659.02
May 2010	22,504	\$225,365.87
June 2010	11,950	\$455,348.08
July 2010	5,787	\$40,334.77
August 2010	5,139	\$50,664.78
September 2010	4,430	\$39,953.31
October 2010	6,712	\$67,000.56
November 2010	4,798	\$54,410.42
December 2010	2,615	\$20,118.61
January 2011	2,878	\$18,747.04
February 2011	3,004	\$66,973.46
March 2011	5,568	\$115,036.36
April 2011	2,642	\$33,348.49
May 2011	3,471	\$16,290.44
June 2011	3,188	\$19,409.16
Total	265,696	\$3,358,080.39

25. The above table shows that FXDD filled more than 265,000 trades outside of the two-pip parameter and derived over \$3.3 million from the asymmetrical slippage settings the firm used during the nineteen-month period reflected in the table.
26. NFA Compliance Rule 2-36(e) and its companion Interpretive Notice entitled, "Supervision of the Use of Electronic Trading Systems," requires every FDM to diligently supervise the trade integrity of its platforms, including ensuring that all customer orders experience slippage when prices move in their favor just as often as when prices move against them. FXDD's internal procedures dealing with the supervision of its electronic trading system acknowledged the requirement that its trading system comply with NFA Compliance Rule 2-36(e), yet omitted the specific requirement that "prices should move in the customers' favor as often as they move against it."
27. Moreover, Green – who had provided NFA with the initial trading data (which turned out to be incomplete) – signed FXDD's 2010 and 2011 attestations indicating the firm's systems were in compliance with all NFA Rules. However, as alleged above, such attestations were untrue and evidence a conscious effort on Green's part to conceal the facts from NFA or a failure on his part to adequately supervise the trade integrity of FXDD's trading platforms.
28. NFA's 2011 audit of FXDD – in addition to uncovering the firm's asymmetrical price slippage practices – revealed serious recordkeeping deficiencies. For example, NFA noted inconsistencies between the initial trade data that FXDD and Green submitted to NFA and the trade data NFA subsequently received

from Dilkes and the trade data the firm reported to NFA's Forex Transaction Reporting Execution Surveillance System. Specifically, NFA noted a number of discrepancies in the information the firm reported for trade executions. NFA questioned FXDD about these discrepancies and Dilkes represented to NFA that most of the discrepancies occurred during the period from December 2009 to March 2010 when, according to Dilkes, the firm "didn't have a consistent method of storing" information.

29. Furthermore, the 2011 audit revealed deficiencies with respect to the firm's supervision and review of promotional material (for which the firm had also been cited in the 2010 audit). Specifically, the 2011 audit revealed that FXDD's compliance personnel had only reviewed and approved about half of the promotional materials that NFA selected for testing. Furthermore, the firm could not provide documentation to show that FXDD had completed a 2011 review of the firm's websites, social media sites and blogs. (FXDD had also been cited for this deficiency in the 2010 audit.) Had such a review been performed, FXDD would have – or, at least, should have – noted that its website included numerous claims about its "best bid/offer pricing" and its "outstanding" dealing practices, but failed to disclose the firm's asymmetrical slippage settings and the detrimental impact those asymmetrical settings could have on customers.
30. NFA also determined during the 2011 audit that FXDD's January 31, 2011 unaudited financial statement was inaccurate due to incorrect capital computations. In the January 31, 2011 unaudited statement, FXDD misclassified more than \$550,000 on deposit with PayPal as a current asset

when the firm should have classified the asset as non-current. In addition, FXDD failed to accrue for telecommunication expenses totaling more than \$58,500. NFA made corrective adjustments which reduced the firm's excess net capital from approximately \$658,000 to approximately \$41,000 (which was dangerously close to the firm's capital requirement at the time of about \$21 million).

31. By reason of the foregoing acts and omissions, FXDD is charged with violations of NFA Compliance Rules 2-10, 2-36(b)(1), 2-36(b)(4), 2-36(c) and 2-36(e).

COUNT II

VIOLATION OF NFA COMPLIANCE RULES 2-43(a)(1); 2-36(b)(1), 2-36(b)(6), 2-36(b)(5) AND 2-36(c): MAKING IMPROPER PRICE ADJUSTMENTS IN CUSTOMERS' ACCOUNTS; KNOWINGLY CONVERTING CUSTOMER FUNDS; WILLFULLY SUBMITTING MISLEADING INFORMATION TO NFA AND OTHERS; AND FAILING TO TREAT ALL CUSTOMERS EQUALLY WHEN GIVING PRICE ADJUSTMENTS.

32. The allegations contained in paragraphs 1 through 4, 7, 9 through 11 and 14 are realleged as paragraph 32.
33. In December 2011, NFA received a complaint from a customer that FXDD had removed profits from the customer's account. NFA investigated this customer's complaint's and found that since November 30, 2011, FXDD had removed profits totaling almost \$280,000 from nine customer accounts. According to Green, FXDD unilaterally decided to remove the profits from these nine customer accounts because the customers had "manipulated" FXDD's trading system by executing trades at allegedly "off-market" prices.
34. FXDD never contacted NFA prior to removing the profits from these accounts. Once NFA learned of this practice, NFA repeatedly requested FXDD to provide

support for the firm's contention that these nine customers had manipulated the firm's trading platform by executing orders at "off-market" prices. Over the course of several weeks, from December 2011 to early February 2012, FXDD failed to produce any credible support to substantiate its claim that these customers had manipulated the firm's trading platform or executed orders at "off-market" prices.

35. In early February 2012, NFA's Compliance Department notified FXDD that, based upon the information the firm had provided NFA, to date, the firm had violated numerous NFA Forex Requirements. Specifically, NFA informed FXDD that by unilaterally removing profits from the nine customers' accounts – based upon unsubstantiated claims that certain trades took place at "off-market" prices – FXDD appeared to have converted customer funds and engaged in activities that were inconsistent with just and equitable principles of trade.
36. In unilaterally removing profits from these nine customer accounts, FXDD effectively cancelled profitable trades that these customers had made and, for all intents and purposes, adjusted the prices of these trades down to zero as if the trades had never existed. NFA repeatedly advised Green that these actions on the part of FXDD constituted violations of NFA Compliance Rule 2-43 which – with limited exceptions which are not applicable here – prohibits an FDM from cancelling an executed customer order or adjusting a customer account in a manner that would have the direct or indirect effect of changing the price of an executed order, unless the cancellation or adjustment is favorable to the customer.

37. Green informed NFA that he and FXDD disagreed that NFA Compliance Rule 2-43 applied to FXDD's actions with respect to the above nine accounts and further advised NFA that he and the firm intended to continue the practice of unilaterally removing profits from, and cancelling trades in, accounts that they believed had manipulated FXDD's trading system by placing "off market" orders.
38. As a result of Green and FXDD's defiant stance, NFA sent a letter to FXDD on February 3, 2012 informing the firm that NFA strongly disagreed with it and Green's position, that NFA had significant concerns about FXDD's desire to comply with NFA's Forex Requirements, and that NFA's disciplinary process was the appropriate forum for deciding if FXDD's removal of profits from customer accounts violated NFA's Forex Requirements.
39. In the February 3 letter, NFA further advised FXDD that NFA Compliance Rule 2-43(a)(7) prohibits any provision in a customer agreement or any contract between an FDM and a customer that is inconsistent with NFA's Forex Requirements including NFA Compliance Rule 2-43. Contrary to this prohibition, FXDD included a provision in its customer agreement form that allowed FXDD, in its sole judgment, to determine if prohibited activity had taken place on its system and reserved to FXDD the right to close the account, report the activity and withhold gains created as a result of the prohibited activity.
40. The February 3 letter also instructed FXDD and Green to cease removing profits from customer accounts immediately and directed FXDD to replace the profits that it had removed from the above nine accounts and, for any of these

accounts that had closed, to send the profits to the customer by check or wire transfer.

41. FXDD's outside counsel contacted NFA and requested an in-person meeting with NFA to discuss the "off-market" trading activity that purportedly occurred in the nine accounts to which FXDD had made price adjustments. NFA agreed to the meeting, which was held on February 16, 2012. In addition to FXDD's outside counsel, other FXDD representatives present at the meeting included Green, Dilkes, Lubomir Kaneti ("Kaneti"), FXDD's chief operating officer, and Robert McKeon ("McKeon"), the firm's chief risk officer. Dilkes, Kaneti and McKeon are listed principals of FXDD, but neither Dilkes nor McKeon is a registered AP of FXDD or an NFA Associate.
42. During the February 16 meeting, NFA received a demonstration of FXDD's trading system, and an explanation of what FXDD meant by the term "off-market" traders and how they supposedly manipulated FXDD's trading system. According to FXDD, the nine customers in question used computer software programs that "injected" fraudulent prices into FXDD's trading platform and, as a result, allowed the customers to trade off market prices other than those published by FXDD. FXDD claimed any profits these customers received amounted to "ill-gotten gains" which FXDD was entitled to recover from the customers' accounts.
43. Upon further questioning by NFA, FXDD personnel admitted the firm allows its customers to use software programs as most of these programs do not allow customers to "inject" fraudulent "off market" trades into the firm's trading

system. However, FXDD personnel indicated that the firm currently had no way of knowing if a particular customer was using a software program that allowed "off-market" trading. The firm acknowledged that prohibiting the use of all software programs with the firm's system could effectively deal with the problem, but FXDD personnel said that the firm did not want to preclude its customers from using all software programs and instead was working to refine its system to better identify and prevent potentially fraudulent activities.

44. On February 17, 2012, FXDD's outside counsel informed NFA that the firm had reversed the "withdrawals" made from the nine customers' accounts, but indicated FXDD would pursue any potential breach of contract or fraud claims against the individuals involved. However, NFA later learned that FXDD's supposed return of the profits it had removed from the nine customer accounts was illusory and was apparently a mere ploy to mislead NFA and buy time for FXDD to file suit seeking a temporary restraining order and preliminary injunction against the nine customers.
45. On March 7, 2012, NFA spoke with one of the FXDD customers who had supposedly had his profits returned to his account on February 17, 2012. This customer had previously requested to withdraw the money from his account but, as of March 7, he still had not received his money even though his profits had supposedly been returned to his account nearly two weeks earlier.
46. This information prompted NFA Compliance staff to contact Green by telephone to inquire why FXDD had not processed the customer's withdrawal request. During this conversation, Green indicated that none of the nine customers

would be receiving their money back and that FXDD would be filing suit against them in court.

47. Based on Green's statements, NFA's Legal Department contacted FXDD's outside counsel to advise him about NFA's conversation with Green. NFA said that Green's decision to unilaterally freeze the accounts of the nine customers effectively nullified the re-crediting of the profits to those accounts and rendered the re-crediting of the profits a sham. NFA also advised FXDD's outside counsel that if FXDD did not immediately allow customers who wished to withdraw their funds to do so, NFA would consider recommending the issuance of a Member Responsibility Action against FXDD.
48. On March 8, NFA received a copy of a letter from FXDD's corporate counsel, Michael O'Reilly, which stated, "...all monies acquired via questionable trading practices by participants in the so called "off market trading" have been fully credited" and have not been frozen ..." (emphasis added).
49. The representations by FXDD's corporate counsel, however, were just further examples of FXDD's efforts to mislead NFA into believing that the firm had returned the profits to the accounts of the aforementioned nine customers and would allow these customers to withdraw their funds – which was untrue. Shortly after FXDD's corporate counsel represented that the accounts of the nine customers had not been frozen, FXDD went into federal court in Manhattan and obtained a temporary restraining order ("TRO") against the nine customers temporarily prohibiting them from withdrawing funds from their accounts at FXDD. On March 23, 2012, the Manhattan federal court issued a

preliminary injunction enjoining the nine customers from withdrawing funds from their accounts at FXDD.

50. In a declaration accompanying FXDD's motion for the TRO and preliminary injunction, which was filed with the court, Green stated, "...NFA has indicated that it would not object to re-freezing the accounts if FXDD obtained a court order to do so." However, this statement is untrue as no one from NFA ever indicated that NFA had no objection to freezing or re-freezing these accounts. To the contrary, NFA strongly objected to FXDD unilaterally freezing these accounts after supposedly re-crediting them the profits that FXDD had previously removed from them. Not only did Green misrepresent NFA's position to the court, he also falsely informed an FXDD customer that NFA had recommended that FXDD go to court to resolve its issues with the "off-market" traders. Although NFA acknowledged that FXDD had the right to bring a court action against the so-called "off-market" traders, NFA never recommended such action to FXDD.
51. NFA's 2011 audit further revealed that FXDD failed to positively adjust all customers adversely affected by a system outage until NFA brought this issue to the firm's attention. Specifically, on March 3, 2011, FXDD experienced a system outage resulting from an error on the price feed of the MT4 platform that caused FXDD to report stale market prices. FXDD only adjusted accounts adversely impacted by the outage if the account holder filed a complaint with the firm. However, FXDD failed to review all of its customer accounts to identify

any other customers – besides those who complained – who were harmed by the system outage until NFA instructed the firm to do so in May 2011.

52. NFA inquired why the firm had not initiated an account review on its own after the system outage. Dilkes represented that FXDD did not have the capacity to determine how many customers were affected by the outage. However, this representation was false as FXDD did have the capacity – just not the inclination – to determine how many customers were affected by the outage. The firm ultimately completed its account review and determined that the outage affected more than 600 U.S. customers, to whom FXDD made adjustments totaling approximately \$7,000.
53. By reason of the foregoing acts and omissions, FXDD is charged with violations of NFA Compliance Rules 2-36(b)(6) and 2-43(a)(1), and FXDD and Green are charged with violations of NFA Compliance Rules 2-36(b)(1), 2-36(b)(5) and 2-36(c).

COUNT III

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

54. The allegations contained in paragraphs 1 and 3 through 5 are realleged as paragraph 54.
55. FXDD's AML procedures, which were in effect at the time of NFA's 2011 audit, specifically required mandatory AML training for all new employees as part of the employees' orientation. Additionally, the procedures provided for mandatory annual training for all employees who worked in areas susceptible to money laundering. However, the firm failed to comply with either of these procedures.

Specifically, of ten "new hires" that NFA selected for testing during the 2011 audit, NFA determined that only three of them completed AML training during their orientation period. Furthermore, six of the ten of these "new hires" had received no AML training at all, even though they had been working at the firm for anywhere from four to twelve months.

56. With regard to the approximately 65 employees who worked in areas susceptible to money laundering, only six had completed their annual AML training on time; 25 others had completed their AML training but were late in doing so; and the remaining employees had not completed their AML training at all.
57. In January 2012, NFA again reviewed FXDD's compliance with its AML training requirements. NFA learned that after the 2011 audit, FXDD revised its AML procedures to require all new hires employed in "operationally sensitive areas" to complete initial AML training within six months of being hired and every twelve months thereafter. However, NFA determined that FXDD also failed to comply with these revised AML training requirements.
58. Specifically, NFA identified at least ten new employees who had not received initial AML training within six months of being hired; approximately fifteen employees who had not received any annual AML training; and four employees who were late in fulfilling their annual training requirement.
59. By reason of the foregoing acts and omissions, FXDD is charged with violations of NFA Compliance Rule 2-9(c).

COUNT V

VIOLATIONS OF NFA COMPLIANCE RULE 2-36(d): FAILING TO DEVELOP AND IMPLEMENT ADEQUATE PROCEDURES TO ENSURE THAT ALL ENTITIES AND PERSONS THAT THE FIRM DOES BUSINESS WITH ARE REGISTERED WITH THE CFTC AND NFA MEMBERS.

60. The allegations contained in paragraphs 1, 3, 4 and 12 are realleged as paragraph 60.
61. An NFA Member is required to have an adequate program to supervise its forex business, which includes screening persons with whom the Member intends to do forex business to determine if those persons are required to register with the CFTC and be Members or Associates of NFA.
62. During NFA's 2011 audit of FXDD, NFA identified deficiencies with FXDD's due diligence and screening procedures, which prevented FXDD from determining if entities with which FXDD did business were required to be registered with the CFTC or Members or Associates of NFA.
63. One example illustrating the firm's due diligence deficiencies involved an account that appeared to be a forex pool, but was not registered with the CFTC or an NFA Member. The account opening documents for this entity indicated it was a limited partnership formed to invest its assets in forex trading. The partnership agreement for this entity which had been executed by more than twenty individual partners listed initial investment amounts totaling close to \$40,000. FXDD opened this account in August 2010 before the effective date of the CFTC's forex regulations in October 2010. However, after these regulations became effective, FXDD should have performed due diligence to ensure that this entity was not a forex pool or, if it was, that its operator was

registered with the CFTC and a Member of NFA. However, FXDD failed to perform such due diligence. FXDD subsequently terminated the account in March 2011 but only after NFA raised questions about the nature of the account.

64. By reason of the foregoing acts and omissions, FXDD is charged with violations of NFA Compliance Rule 2-36(d).

COUNT VI

VIOLATIONS OF NFA COMPLIANCE RULE 2-36(e): FAILING TO SUPERVISE.

65. The allegations contained in paragraphs 1 through 4 and 13 are realleged as paragraph 65.
66. FXDD and its principals have delegated almost exclusive supervisory responsibility to Green, who is FXDD's CCO and one of only two firm principals who is registered as an AP and NFA Associate. As such, Green is responsible for overseeing virtually every aspect of the firm's operations. Among his duties, Green is responsible for the firm's financial books and records, supervising and reviewing the firm's promotional material, monitoring and training of approximately 40 APs, handling and overseeing almost 70,000 customer accounts (for which he also acts as the AML officer), and supervising and monitoring the integrity of the firm's electronic trading platform and the trades placed thereon.
67. Having only one person manage all of the foregoing significant responsibilities reveals a serious shortcoming in FXDD's supervisory program, which is

underscored by the numerous and serious deficiencies alleged in this Complaint.

68. Under Green's supervision, FXDD maintained asymmetrical price slippage settings on its trading platform that favored FXDD over its customers; adopted and enforced inequitable price adjustment policies that violated NFA Compliance Rule 2-43; ignored NFA directives; made misleading and untrue statements about NFA; maintained inadequate and incomplete records, failed to adequately review the use of promotional material; failed to conduct required AML training; and failed to perform due diligence to determine if entities with which FXDD did business were properly registered.
69. FXDD and Green's supervisory failings were also evident in the way they handled customer complaints. As part of its 2011 audit, NFA reviewed FXDD's customer complaint file and found numerous trade resolutions and goodwill adjustments to customer accounts without any corresponding entries in FXDD's customer complaint system. When NFA raised this issue with Green, he stated that FXDD viewed these matters as "inquiries" that did not fall under the firm's definition of a customer complaint so the firm did not log these incidents into its complaint system. However, the decision by FXDD and Green not to log these matters into the firm's complaint system, or otherwise make an adequate record of them, makes it impossible to determine the nature of these matters and if they were properly addressed by FXDD.
70. FXDD also failed to investigate the adjustments reported in the firm's weekly exception reports that it filed with NFA to determine if these adjustments related

to isolated incidents or a more widespread problem that affected numerous customers requiring the firm to ensure that all customers that were adversely affected received appropriate adjustments.

71. By reason of the foregoing acts and omissions, FXDD and Green are 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 (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.

NFA staff is authorized to grant such reasonable extensions of time in which an Answer may be filed as it deems appropriate.

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.

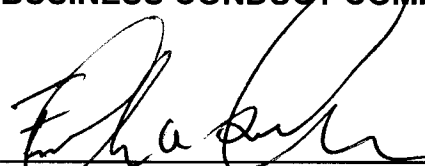
The allegations herein may constitute a statutory disqualification from registration under Section 8a(3)(M) of the Commodity Exchange Act. Respondents in this matter who apply for registration in any new capacity, including as an AP with a new sponsor, may be denied registration based on the pendency 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: 06/29/2012

By: 
Chairperson

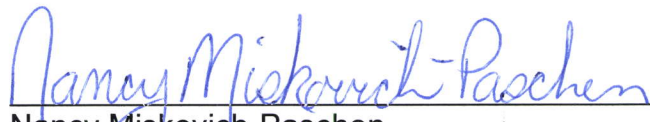
m/cxc/Complaints/FXDD Complaint

AFFIDAVIT OF SERVICE

I, Nancy Miskovich-Paschen, on oath state that on June 29, 2012, I served copies of the attached Complaint, by sending such copies by e-mail and overnight delivery, in envelopes addressed as follows to:

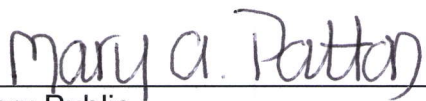
FX Direct Dealer LLC
7 World Trade Center
250 Greenwich Street
32nd Floor
New York, NY 10007
Attn: James E. Green
E-mail: jegreen@fxdd.com

James E. Green
656 Lincoln Avenue
Winnetka, IL 60093
E-mail: jegreen@tradition-na.com



Nancy Miskovich-Paschen

Subscribed and sworn to before me
on this 29th day of June 2012.



Notary Public

