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NATIONAL FUTURES ASSOCIATION
BEFORE THE
BUSINESS CONDUCT COMMITTEE

SEP 11 2012

NATIONAL FUTURES ASSOCIATION
LEGAL DOCKETING

In the Matter of:)
)
STRATEGIC TRADING ASSOCIATES)
LLC (NFA ID #397363),)
)
and) NFA Case No. 12-BCC-025
)
FRANCIS LITTLETON)
(NFA ID #403770),)
)
Respondents.)

COMPLAINT

Having reviewed the investigative report submitted by the Compliance Department of National Futures Association ("NFA"), and having 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 Strategic Trading Associates LLC ("STA") and Francis Littleton ("Littleton").

ALLEGATIONS

JURISDICTION

1. At all times relevant to this Complaint, STA was an NFA Member that was registered with the Commodity Futures Trading Commission ("CFTC" or "Commission") as a commodity trading advisor ("CTA"). As such, STA 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, Littleton was a principal and associated person ("AP") of STA and an NFA Associate. As such, Littleton was and is required to comply with NFA Requirements and is subject to disciplinary proceedings for violations thereof. STA is liable for violations of NFA Requirements committed by Littleton during the course of his activities on behalf of STA.

BACKGROUND

3. STA is located in Brooklyn, New York and has been an NFA Member and registered CTA since July 17, 2008. STA's president, Isabelle Augros ("Augros"), is currently the sole principal of the firm. She has never been a registered AP or an NFA Associate during her tenure with STA.
4. On February 13, 2012, NFA initiated an emergency audit of STA as the firm had indicated on its annual questionnaire that it had customer accounts and NFA staff noted that the firm did not have an approved disclosure document ("DD") on file.
5. When NFA commenced its audit, Littleton was the only individual who was both a listed principal and registered AP of STA. Littleton had been a principal and AP of STA since November 2008.
6. Augros' husband, Joseph Tsalik ("Tsalik"), was the only other individual who worked for STA at the time of NFA's audit. Tsalik was never a listed principal or registered AP of the firm. He was formerly a listed principal (but not a registered AP) of a firm named Global Asset Management Alliance LLC ("GAMA"), a former NFA Member CTA which previously operated a commodity pool that was subsequently operated by STA.

7. During NFA's audit, NFA auditors found that the firm was not in compliance with a number of NFA Requirements. Specifically, the NFA auditors found that STA acted as a commodity pool operator ("CPO") for two pools without being registered as a CPO; failed to make required filings for these pools; acted as a Forex Firm without NFA's approval; failed to provide DDs to pool participants and managed account customers; used deceptive promotional material; failed to list one principal and withdraw another principal in a timely manner; and, together with Littleton, failed to supervise STA's operations.

APPLICABLE RULES

8. NFA Compliance Rule 2-2(i) provides that no Member or Associate shall act in any capacity requiring registration under the Commodity Exchange Act (the "Act") unless the Member or Associate is either registered in that capacity or exempt from registration.
9. 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.
10. 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.

11. NFA Compliance Rule 2-13(a) provides, in pertinent part, that any Member who violates any of CFTC Regulations 4.1, 4.7, 4.12 and 4.16 through 4.41 shall be deemed to have violated an NFA requirement.
12. NFA Compliance Rule 2-29(b)(1) provides that no Member or Associate shall use any promotional material which is likely to deceive the public.
13. NFA Compliance Rule 2-29(b)(2) provides that no Member or Associate shall use any promotional material which contains any material misstatement of fact or which the Member or Associate knows omits a fact if the omission makes the promotional material misleading.
14. NFA Compliance Rule 2-29(b)(3) provides that no Member or Associate shall use any promotional material which mentions the possibility of profit unless accompanied by an equally prominent statement of the risk of loss.
15. NFA Compliance Rule 2-29(c) provides, in pertinent part, that any Members who use promotional material which includes a measurement or description of hypothetical performance shall include certain disclaimer language set out in the Rule and shall disclose the material assumptions used in arriving at the hypothetical performance and maintain documentation supporting the performance.
16. NFA Compliance Rule 2-29(e) provides, in pertinent part, that every Member shall adopt and enforce written procedures to supervise its Associates and employees for compliance with NFA Compliance Rule 2-29.

17. NFA Compliance Rule 2-36(b)(1) provides that no Forex Dealer Member ("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.
18. 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.
19. NFA Compliance Rule 2-36(h) provides that any Member who uses promotional material that includes a measurement or description or makes any reference to hypothetical forex transaction performance results that could have been achieved had a particular trading system of the Member or Associate been employed in the past must comply with Compliance Rule 2-29(c) and the related Interpretive Notice as if the performance results were for transactions in on-exchange futures contracts.
20. NFA Compliance Rule 2-39(a) provides, in pertinent part, that Members and Associates who solicit customers, introduce customers to a counterparty, or manage accounts on behalf of customers in connection with forex transactions shall comply with Sections (b), (e) and (h) of Compliance Rule 2-36.
21. NFA Bylaw 301(j)(i) provides, in pertinent part, that any Member that is registered with the Commission as a CTA and engages in forex activities must be approved as a Forex Firm by NFA.

22. NFA Registration Rule 208(a) provides, in pertinent part, that any CTA registrant must list with NFA, in a timely manner, all individuals that are principals of the applicant.
23. NFA Registration Rule 214 provides, in pertinent part, that an NFA Member must notify NFA within 30 days after the termination of the association of an AP or the affiliation as a principal with the NFA Member.

COUNT I

VIOLATION OF NFA COMPLIANCE RULES 2-2(i) AND 2-13(a) AND NFA BYLAW 301(j): ACTING AS A CPO WITHOUT REGISTRATION; ACTING AS A FOREX FIRM WITHOUT BEING APPROVED BY NFA; FAILING TO FILE REQUIRED POOL REPORTS; AND FAILING TO FILE DISCLOSURE DOCUMENTS.

24. The allegations contained in paragraphs 1, 3 through 8, 11 and 21 are realleged as paragraph 24.
25. STA operated two commodity pools called Advent Wealth Management LP ("Advent") and Global Principal Protection LP ("GPP") and, therefore, was required to be registered with the CFTC as a CPO.
26. STA began operating the Advent pool in February 2008 – before STA became an NFA Member – and continued to operate the Advent pool after becoming an NFA Member in July 2008. STA was the general partner of Advent since the pool's inception. Advent's private placement memorandum ("PPM"), dated February 20, 2008, listed a number of financial instruments that the pool planned to trade, including futures and forex. Prior to NFA's audit of STA in February 2012, STA maintained a website which promoted the Advent pool and solicited investors for the pool.

27. In addition to operating the Advent pool, STA also operated the GPP pool. The GPP pool was a limited partnership which was formed in November 2006 for the purpose of trading forex and a "life settlement fund." From November 2006 until July 2011, GAMA was GPP's general partner. In July 2011, STA became GPP's general partner. The GPP pool had a total of at least nineteen participants, two of which were still participants at the time of NFA's February 2012 audit of STA.
28. In order to legally operate the Advent and GPP pools, STA was required to be registered with the CFTC as a CPO. However, STA has never been registered as a CPO.
29. In addition, the PPMs for both the Advent and GPP pools stated that the pools had the option to trade forex. Therefore, STA was required to be an NFA approved Forex Firm. However, STA has never been approved as a Forex Firm by NFA.
30. CFTC Regulation 4.22(c), in pertinent part, requires that each CPO that is registered or is required to be registered under the Act must electronically submit an annual report and key financial balances to NFA. However, STA failed to submit to NFA an annual report and key financial balances for the GPP pool for 2011.
31. CFTC Regulation 4.21, in pertinent part, requires that each CPO that is registered or is required to be registered under the Act must provide pool participants and prospective participants with a DD that conforms to the requirements set out in CFTC Regulations and receive a signed acknowledgment from participants that such DD was received.

32. STA never had an NFA approved DD for GPP and neither of the two participants who remained participants in the GPP pool in July 2011, when STA took over the operation of the GPP pool, was given a DD for the GPP pool by STA.
33. CFTC Regulation 4.31, in pertinent part, requires that each CTA that is registered or is required to be registered under the Act must provide customers and prospective customers with a DD that conforms to the requirements set out in CFTC Regulations and receive a signed acknowledgment from the customer that such DD has been received.
34. STA managed a total of twenty accounts during the time it was an NFA Member. Fourteen of these twenty accounts were proprietary and six were non-proprietary customer accounts. STA was required to provide the six non-proprietary customers with an NFA approved CTA DD but STA failed to do so.
35. By reason of the foregoing acts and omissions, STA is charged with violations of NFA Compliance Rules 2-2(i), 2-13(a) and NFA Bylaw 301(j).

COUNT II

VIOLATION OF NFA COMPLIANCE RULES 2-29(b)(1), (2) AND (3), 2-29(c), 2-29(e) AND 2-39(a): USING MISLEADING AND UNBALANCED PROMOTIONAL MATERIAL; FAILING TO PROPERLY PRESENT AND SUPPORT HYPOTHETICAL PERFORMANCE; AND FAILING TO SUPERVISE THE CONTENT AND USE OF PROMOTIONAL MATERIAL.

36. The allegations contained in paragraphs 1, 3, 7 and 12 through 20 are realleged as paragraph 36.
37. STA promoted the GPP pool as having a "principal protection" component whereby approximately 65% of GPP's assets would be used to trade forex and 35% would be invested in an investment vehicle called the Life Settlement

Wholesale Fund ("LSW"). According to STA, this would provide participants in the GPP pool with principal protection if they stayed in the GPP pool for five years because gains in the LSW would overcome any forex trading losses incurred by the GPP pool. STA assured participants in the GPP pool and prospective participants that there was no risk of them losing their principal.

38. Contrary to these claims by STA, GPP's participants lost between 25% and 30% of their initial investments within the first two years. The majority of the GPP's nineteen participants redeemed their interests between April 2008 and February 2009 and experienced losses of between 10% and 30%. The two participants who remained in the GPP pool when STA became its general partner in July 2011 had been participants in the pool for the better part of five years – the length of time that STA had claimed would ensure that participants' principal would be fully protected. Yet, these two participants both incurred overall losses of approximately 50% of their initial investments when they redeemed their interests in 2012.
39. Further, in stark contrast to GPP's representations that the allocation of 35% of participants' principal to LSW would – over five years – overcome any forex losses, the reality was that the LSW component of the pool could, and in fact did, lose money over the purported five-year "principal protection" period. While the value of GPP's units in LSW initially rose in value, from approximately 90 cents in late 2007 (when most of GPP's participants invested) to approximately 96 cents in September 2008, they dropped to 78 cents by the end of December 2008 and

were never higher than approximately 85 cents at any later time during the pool's operation.

40. Although Tsalik was never an AP or listed principal of STA, he, along with Augros (his spouse and ATC's president), had a significant hand in STA's operations.

Tsalik also played a significant role at GAMA where he was a listed principal from 2005 through March 2008 when GAMA withdrew its NFA membership. Based on Tsalik's close association with GAMA and, later, with STA, STA knew – or certainly should have known – of the poor performance of the GPP pool when it was disseminating promotional material for STA's managed account program and for the Advent pool.

41. Nevertheless, STA used promotional material to market the Advent pool which – similar to the promotional material that STA used to market the GPP pool – claimed that the Advent pool was a no risk investment where participants' principal would be protected by investing approximately 35% of the principal in LSW.

42. STA continued to actively solicit for the Advent pool and for its managed account program primarily through its website (www.strategictradingllc.com) until, at least, February 2012 when NFA began its audit of STA.

43. STA's website was deceptive and misleading in the way in which it described the purported "principal protection" component of the Advent pool and STA's managed account program and also in the way in which it described leverage.

For example STA's website included the following misleading statements:

- a. You have the opportunity to earn above average rates of return on your investment with 0% risk of loss of principal;

- b. If the trading account were to experience poor performance, the Principal Protection in the Advent LP provides a protection for 100% return of your capital contribution;
 - c. What if you could invest in a vehicle that has the potential to achieve above average performance, but also has a "Secured" component which eliminates risk to the Investment Principal; and
 - d. 100:1 leverage is commonly available from online FX dealers, which substantially exceeds the common 2:1 margin offered by equity brokers. At 100:1, traders post \$1,000 margin for a \$100,000 position, or 1%. (This statement is untrue as firms can only offer 50:1 on major currency pairs and 20:1 on all other currency pairs.)
44. In addition, STA's website included a slideshow which contained numerous references to the possibility of profit without including equally prominent and balanced disclosures concerning the risk of loss. Examples of references to the possibility of profit included the following statements:
- a. Unlike most insurance, the entire collateral reserve amount is returned or 'vested' at a rate of 10 – 12% per year for five years, OR the entire amount is released when the Trading Account value has grown to 200% of their capital contribution;
 - b. When the Trading Account balance has grown to 200% of the total capital contribution, the 35% Collateral Reserve is released and added back to the Trading Account; and
 - c. Our System of Derivatives trading provides above average performance without risk to principal.
45. Further, STA's website included hypothetical performance results that were not identified as hypothetical, did not include the required hypothetical disclaimer, and did not disclose the material assumptions made in arriving at the hypothetical performance. Moreover, STA did not maintain documentation to support the hypothetical performance presented on its website

46. STA also failed to adopt and/or enforce written procedures to supervise its associates and employees regarding the preparation and use of promotional material and the regulations pertaining thereto.
47. By reason of the foregoing acts and omissions, STA is charged with violations of NFA Compliance Rules 2-29(b)(1), (2) and (3), 2-29(c), 2-29(e) and NFA Compliance Rule 2-39(a) as it incorporates NFA Compliance Rules 2-36(b)(1), (e) and (h).

COUNT III

VIOLATION OF NFA COMPLIANCE RULE 2-4 AND NFA REGISTRATION RULES 208(a) AND 214: FAILING TO LIST A PRINCIPAL; FAILING TO WITHDRAW AN INACTIVE PRINCIPAL/AP IN A TIMELY MANNER; AND FAILING TO HAVE ANY INDIVIDUAL WHO WAS BOTH A *BONA FIDE* PRINCIPAL AND AP OF THE FIRM.

48. The allegations contained in paragraphs 1 through 7, 9, 22 and 23 are realleged as paragraph 48.
49. STA failed to list Tsalik as a principal of the firm although he acted in a capacity and manner which required him to be listed as a principal. During NFA's audit of STA, it quickly became evident to NFA's audit team that – even though Augros was NFA's initial contact person at STA – it was Tsalik who had the most familiarity with and control over STA's operations and answered nearly all of NFA's questions regarding the firm and the pools that it operated. In addition, Tsalik was the sole authorized signatory for all brokerage and bank accounts for the GPP pool operated by STA.
50. STA also failed to withdraw Littleton as an AP and principal after Littleton stopped working for STA in late 2010. In fact, STA did not withdraw Littleton as

an AP or principal of the firm until NFA brought the matter to STA's attention during the February 2012 audit.

51. STA's failure to withdraw Littleton as an AP and principal when he ceased working at the firm made it appear that STA had an active AP/principal throughout 2011 when that was not, in fact, the case. Moreover, because Littleton was the only individual who was both an AP and listed principal of STA, the firm's failure to withdraw Littleton as an AP/principal in a timely fashion enabled STA to appear to be eligible for NFA membership when it was not. STA's actions constituted a breach of its obligation, as an NFA Member, to uphold high standards of commercial honor and just and equitable principles of trade.
52. By reason of the foregoing acts and omissions, STA is charged with violations of NFA Compliance Rule 2-4 and NFA Registration Rules 208(a) and 214.

COUNT IV

VIOLATION OF NFA COMPLIANCE RULES 2-9(a) AND 2-39(a): FAILING TO SUPERVISE.

53. The allegations contained in paragraphs 1 through 7, 10, 18 and 20 are realleged as paragraph 53.
54. Although Littleton stopped working at STA in late 2010, he remained registered as an AP and listed as a principal of the firm until February 2012. In fact – between late 2008 and February 2012 – Littleton was the only individual who was both a registered AP and listed principal of STA. Thus, Littleton was the only individual who had a formal regulatory obligation to ensure that the firm conducted itself in compliance with NFA Requirements at the time the violations,

which are alleged in this Complaint, occurred. Littleton only had to withdraw as an AP/principal of STA to relieve himself of this obligation but he failed to do so.

55. As evidenced by the violations charged in Counts I through III, which are incorporated herein by reference, STA and Littleton failed to supervise STA's operations to ensure compliance with NFA Requirements governing registration, Disclosure Documents, reporting obligations, and promotional material.
56. By reason of the foregoing acts and omissions, STA and Littleton are charged with violations of NFA Compliance Rule 2-9(a) and NFA Compliance Rule 2-39(a) as it incorporates NFA Compliance Rule 2-36(e).

PROCEDURAL REQUIREMENTS

ANSWER

You must file a written Answer to the Complaint with NFA within thirty days of the date of the Complaint. The Answer shall respond to each allegation in the Complaint by admitting, denying or averring that you lack sufficient knowledge or information to admit or deny the allegation. An averment of insufficient knowledge or information may only be made after a diligent effort has been made to ascertain the relevant facts and shall be deemed to be a denial of the pertinent allegation.

The place for filing an Answer shall be:

National Futures Association
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.

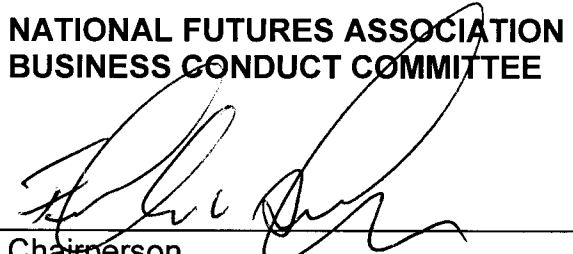
The allegations in this Complaint may constitute a statutory disqualification from registration under Section 8a(3)(M) of the Commodity Exchange Act. Respondents in this matter who apply for registration in any new capacity, including as an associated person with a new sponsor, may be denied registration based on the pendency of this proceeding.

Pursuant to the provisions of CFTC Regulation 1.63, penalties imposed in connection with this Complaint may temporarily or permanently render Respondents who are individuals ineligible to serve on disciplinary committees, arbitration panels and

governing boards of a self-regulatory organization, as that term is defined in CFTC Regulation 1.63.

**NATIONAL FUTURES ASSOCIATION
BUSINESS CONDUCT COMMITTEE**

Dated: 9-11-12

By: 
Chairperson

M:/pmr.Complaints. Strategic Trading & Littleton 8-12

AFFIDAVIT OF SERVICE

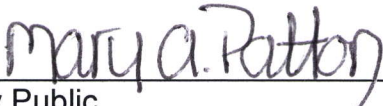
I, Nancy Miskovich-Paschen, on oath state that on September 11, 2012, I served copies of the attached Complaint, by sending such copies by e-mail and overnight delivery, in envelopes addressed as follows to:

Strategic Trading Associates LLC
70 Oceana Drive West
Apt. 2E
Brooklyn, NY 11235
Attn: Isabelle Augros
E-mail: iaugros@strategictradingllc.com

Francis Littleton
109 Willow Street
Apt. 3
Hoboken, NJ 07030
E-mail: flittleton@strategictradingllc.com


Nancy Miskovich-Paschen

Subscribed and sworn to before me
on this 11th day of September 2012.



Notary Public

