

**NATIONAL FUTURES ASSOCIATION
BEFORE THE
BUSINESS CONDUCT COMMITTEE**

In the Matter of:)	
)	
MONSOON CAPITAL LLC)	
(NFA ID #351675),)	
)	NFA Case No. 20-BCC-005
and)	
)	
GAUTAM PRAKASH)	
(NFA ID #450276),)	
)	
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 Compliance Rules (NFA Requirements) are being, have been, or are about to be violated and that the matter should be adjudicated, this Committee issues this Complaint against Monsoon Capital LLC (Monsoon) and Gautam Prakash (Prakash).

ALLEGATIONS

JURISDICTION

1. At all times relevant to this Complaint, Monsoon was a commodity trading advisor (CTA) and commodity pool operator (CPO) Member of NFA. As such, Monsoon 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, Prakash was an associated person (AP) and principal of Monsoon and also an NFA Associate. As such, Prakash was

and is required to comply with NFA Requirements and is subject to disciplinary proceedings for violations thereof. Monsoon is liable for violations of NFA Requirements committed by Prakash during the course of his activities on behalf of Monsoon.

BACKGROUND

3. Monsoon is located on Bethesda, Maryland. The firm became a Member and registered with the Commodity Futures Trading Commission (CFTC) in December 2012. On March 17, 2020, Monsoon filed a request to withdraw its NFA membership and CFTC registration statuses. Monsoon is also registered with the Securities and Exchange Commission (SEC) as an investment adviser.
4. At the time of the activities alleged in this Complaint, Monsoon operated the following four pools: Monsoon Infrastructure Realty Co-Invest LP and Monsoon Infrastructure & Realty Co-Invest LTD, for which the firm claimed exemptions under CFTC Regulation 4.13(a)(3) (collectively referred to as the Monsoon Infrastructure pools); and Monsoon India Dynamic Alpha Fund LP, and Monsoon India Dynamic Alpha Fund LTD, for which the firm claimed exemptions under CFTC Regulation 4.7 (collectively referred to as the Monsoon India pools).
5. All four of the above pools had a combined net asset value of over \$182 million as of March 2019 and a total of approximately 110 participants, many of whom were family and friends of Prakash. The majority of the pools' investments were in markets in India (e.g., real estate, securities, and futures).
6. In May 2019, NFA received a "change in CPA" notice from Monsoon. As alleged more fully below, in following up on this notice, NFA learned that the CPA for the

Monsoon India pools had resigned because of concerns the CPA could not rely on the representations of Monsoon's management personnel.

7. NFA also learned that Prakash had engaged in a fraudulent scheme involving the submission of inflated travel reimbursement requests to the Monsoon Infrastructure pools, which resulted in him receiving overpayments from 2016 through 2018 for travel expenses that amounted to approximately \$45,000.
8. Additionally, in following up on audited financial statements that NFA received for the Monsoon Infrastructure pools, NFA discovered that Monsoon used \$1 million in Monsoon Infrastructure assets to finance a personal securities transaction of Prakash. These findings led NFA to commence an examination of the firm. The details of these transactions and NFA's exam findings are alleged in detail below.

APPLICABLE RULES

9. 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 or swap customer or counterparty.
10. 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 and swaps business.
11. NFA Compliance Rule 2-45 provides, in pertinent part, that no Member CPO may permit a commodity pool to use any means to make a direct or indirect loan or advance of pool assets to the CPO or any other affiliated person or entity.

COUNT I

VIOLATIONS OF NFA COMPLIANCE RULES 2-2(a) AND 2-4: SUBMITTING FALSE AND INFLATED REIMBURSEMENT REQUESTS FOR TRAVEL EXPENSES.

12. The allegations contained in paragraphs 1 through 10 are re-alleged as paragraph 12.
13. In March 2019, Monsoon's office manager identified irregularities in the documentation Prakash had submitted for reimbursement of travel expenses and brought the matter to the attention of Monsoon's chief operating officer (COO).
14. The office manager and the COO conducted a further review of Prakash's expense reports, which revealed that Prakash had engaged in a pattern of submitting false expense reports for international flights. The office manager and the COO confronted Prakash, who admitted to overcharging the Monsoon Infrastructure pools for his travel expenses. Monsoon subsequently self-reported Prakash's misconduct to the SEC and to the CPA firm for the 4.13 exempt pools, as well as the CPA firm for the 4.7 exempt pools.
15. Upon receiving the information about Prakash's excess reimbursements for travel expenses, both CPO firms resigned as the pools' CPAs. Monsoon notified NFA of the resignation of the CPA firm for the 4.7 exempt pools, as required for 4.7 exempt pools, whereupon NFA contacted such CPA firm to inquire about the reason for its resignation. The firm informed NFA that it resigned over concerns about Monsoon's management personnel and certain representations they made to the firm. Therefore, NFA contacted Monsoon to inquire about the resignation of the CPA firm.

16. Prakash responded to NFA's inquiry and indicated the CPA's resignation was due to Monsoon submitting inflated reimbursement requests for travel expenses. He also indicated that Monsoon had self-reported the travel overcharges to the SEC. NFA subsequently learned that Prakash was the Monsoon employee who had submitted false expense reports with respect to flights he booked for his trips to India over the course of several years.
17. Based on these circumstances, NFA's exam of Monsoon focused on reimbursements made to Prakash after 2015 for travel expenses as well as all other reimbursements received by him. NFA's review concentrated on the period after 2015 since that was the year Monsoon and Prakash began receiving reimbursements for travel and other expenses which they had not previously sought from the Monsoon Infrastructure pools.
18. During NFA's exam, NFA interviewed Prakash and other firm personnel and reviewed all of the pools' bank records and the firm's operating accounts from 2015 to 2019. NFA also obtained and reviewed invoices and other support for expense items. NFA's review found that the pools only reimbursed Monsoon and/or Prakash for travel expenses, Bloomberg Market Data Feed charges, organizational costs, and postage.
19. With respect to travel expenses, NFA determined that, between 2015 and 2018, there were several trips (mostly to and from India) for which Prakash simultaneously booked a refundable business class ticket on one airline and a less expensive non-refundable business class ticket for the same itinerary on a different airline. Prakash then submitted the more expensive refundable fare to

Monsoon for reimbursement, cancelled the refundable flight and retained the difference in fare. As a result of these actions, NFA found that Prakash overcharged the Monsoon Infrastructure pools approximately \$45,000 for the trips in question.

20. After the office manager and the COO confronted Prakash with their findings that his conduct violated Monsoon's Code of Ethics, Prakash paid back the overcharges to the pools in March and April of 2019, along with interest.
21. Because the office manager caught the overcharges during her review of Prakash's 2018 travel expenses, she prevented Prakash from overcharging his 2018 and 2019 travel expenses to the Monsoon Infrastructure pools. Monsoon and Prakash also agreed not to seek reimbursement from the pools for travel expenses going forward.
22. Prakash told NFA that he engaged in this activity in order to offset other pool expenses for which, in his opinion, he only received partial reimbursement. According to Prakash, Monsoon had used Bloomberg's terminals for market data from 2008 to 2013, but had not charged the Monsoon Infrastructure pools for these expenses.
23. In 2014, when the firm sought to retroactively charge the Monsoon Infrastructure pools for the Bloomberg expenses, as it had done with Prakash's travel expenses, the Monsoon Infrastructure pools' CPA opined that the reimbursement for past Bloomberg expenses was impermissible. Therefore, Prakash sought to recover the unreimbursed Bloomberg expenses by overcharging for his travel expenses.

24. By reason of the foregoing acts and omissions, Monsoon and Prakash are charged with violating NFA Compliance Rules 2-2(a) and 2-4.

COUNT II

VIOLATIONS OF NFA COMPLIANCE RULES 2-4 AND 2-45: IMPROPERLY USING POOL ASSETS FOR A PERSONAL SECURITIES TRANSACTION BY ARRANGING A LOAN FROM ONE OF MONSOON'S POOLS TO MONSOON.

25. The allegations contained in paragraphs 1 through 8, 10 and 11 are re-alleged as paragraph 25.
26. Prior to commencing its exam of Monsoon, NFA obtained a copy of the 2018 audited financial statement for the Monsoon Infrastructure pools (which Monsoon was not required to file and had not filed with NFA). NFA noted the financial statement disclosed the intentional excess reimbursements paid to Monsoon for travel expenses and the reimbursements to the pools of the travel overcharges, plus interest.
27. The 2018 audited financial statement also disclosed a \$1 million loan from the Monsoon Infrastructure pools to Monsoon on June 21, 2017, which was repaid on June 26, 2017. Prakash informed NFA that this loan was made to settle a personal securities transaction that involved a cross-trade between Monsoon's proprietary trading account and Prakash's personal trading account.
28. Prakash stated the loan was made because the original wire to settle the trade was sent from Monsoon's bank account in the U.S. to Prakash's bank account in India. However, the bank in India rejected the wire, and the \$1 million was returned to Monsoon's bank account because, to comply with India banking requirements, the wire should have originated from Prakash's U.S. bank account

and not Monsoon's. Since a new and corrected wire could not be processed in time to meet the deadline for settling the transaction and because Monsoon did not have sufficient additional liquid capital available, Prakash caused the pools to "loan" the money to Monsoon.

29. Prakash believed that not settling the cross-trade would have resulted in unwinding the investment at a materially lower price. Therefore, despite objections from other Monsoon employees, Prakash determined to borrow money from the Monsoon Infrastructure pools in order to settle the trade.
30. As alleged, Prakash repaid this loan, with interest, within five days. However, the interest rate initially applied to the \$1 million loan (at a rate of .80%) was minimal and not representative of the interest rate Monsoon would have been required to pay to an unaffiliated third-party lender. Therefore, an additional interest payment, using the U.S. prime rate and including a penalty for the interest shortfall, was made to the Monsoon Infrastructure pools in April 2019.
31. Prakash's conduct in arranging the above loan, which contravened NFA Compliance Rule 2-45, was a breach of his obligation, as an NFA Associate, to uphold high standards of commercial honor and just and equitable principles of trade.
32. By reason of the foregoing acts and omissions, Prakash is charged with violating NFA Compliance Rule 2-4, and Monsoon is charged with violating NFA Compliance Rule 2-45.

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 Answer must be filed by email to the following address:

Docketing@nfa.futures.org

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 in connection with the issuance of this Complaint, the Committee 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.

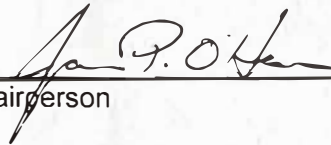
Pursuant to CFTC Regulation 1.63, penalties imposed in connection with this Complaint may temporarily or permanently render Respondents who are individuals ineligible to serve on disciplinary committees, arbitration panels and governing boards of a self-regulatory organization, as that term is defined in CFTC Regulation 1.63.

**NATIONAL FUTURES ASSOCIATION
BUSINESS CONDUCT COMMITTEE**

Dated: April 2, 2020

By: _____

Chairperson



m/rvh/Monsoon Complaint (FINAL)