

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

FILED
MAY 20 2021
NATIONAL FUTURES ASSOCIATION
LEGAL DOCKETING

In the Matter of:)
)
PETER CHRIS GEORGANTONES) NFA Case No. 21-BCC-004
(NFA ID #190234),)
)
Respondent.)

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, this Committee issues this Complaint against Peter Chris Georgantones.

ALLEGATIONS

JURISDICTION

1. From June 16, 1986 up until August 1, 2019, Georgantones was approved as an NFA Associate. As such, Georgantones was required to comply with NFA Requirements and is subject to disciplinary proceedings for violations thereof.

BACKGROUND

2. Beginning on December 14, 2010, while approved as an NFA Associate, Georgantones became registered as an associated person (AP) of an introducing broker (IB) Member of NFA that is currently located in Plymouth, Minnesota.
3. On August 15, 2019, a Form 8T was filed with NFA to withdraw Georgantones as an AP of the IB, as of August 1, 2019. The Form 8T indicated Georgantones had

been discharged from the IB for "giving preferential treatment to certain customers."

4. Based on this disclosure, NFA commenced an investigation, which found that Georgantones had been engaging in a deceptive trading scheme from at least June 1, 2014 to July 31, 2019 (the "Relevant Period").
5. As alleged in more detail below, the deceptive scheme involved Georgantones placing unauthorized trades in the accounts of selected customers of the IB and then submitting fictitious trade transfer requests to improperly allocate winning trades to the accounts of favored customers, while allocating losing or unprofitable trades to the accounts of non-favored customers.

APPLICABLE RULES

6. NFA Compliance Rule 2-2(a) provides, in pertinent part, that no Associate shall cheat, defraud or deceive, or attempt to cheat, defraud or deceive, any commodity futures customer.
7. NFA Compliance Rule 2-4 requires Associates to observe high standards of commercial honor and just and equitable principles of trade in the conduct of their commodity futures and swaps business.
8. NFA Compliance Rule 2-8(a) provides, in pertinent part, that no Associate shall exercise discretion over a customer's commodity futures account unless the customer or account controller has authorized the Associate, in writing (by power of attorney or other instrument) to exercise such discretion.

COUNT I

VIOLATIONS OF NFA COMPLIANCE RULES 2-2(a), 2-4, AND 2-8(a): UTILIZING UNAUTHORIZED TRADING AND FICTITIOUS TRADE TRANSFER REQUESTS TO IMPROPERLY ALLOCATE PROFITABLE TRADES TO FAVORED CUSTOMERS' ACCOUNTS, WHILE ALLOCATING LOSING TRADES TO NON-FAVORED CUSTOMERS' ACCOUNTS; AND EXERCISING DISCRETION OVER CUSTOMERS' ACCOUNTS WITHOUT WRITTEN AUTHORIZATION.

9. The allegations contained in paragraphs 1 through 8 are realleged as paragraph 9.
10. During the Relevant Period, Georgantones placed unauthorized day trades in the accounts of selected customers of the IB.
11. After placing the unauthorized trades, Georgantones submitted fictitious transfer requests to designated personnel at the IB to move the trades intra-day from the originating accounts to the accounts of other customers of the IB.
12. To explain the transfer requests, Georgantones falsely claimed that he had made a mistake in placing the original order and needed it moved to another account. Georgantones often waited until the end of the day to provide his fictitious transfer requests to the designated personnel at the IB who handled transfer requests.
13. After receiving the Georgantones's fictitious transfer requests, the designated personnel at the IB submitted the requests for processing to the futures commission merchant that cleared the IB's trades.
14. Georgantones used the unauthorized trades and fictitious transfers to improperly allocate winning trades to the accounts of favored customers, while allocating losing or unprofitable trades to the accounts of non-favored customers.
15. During the Relevant Period, Georgantones caused the transfer of hundreds of trades that impacted 47 customer accounts.

16. Eighteen customer accounts unjustly profited from Georgantones's scheme. The unjust profits totaled approximately \$197,000 and ranged in amounts of approximately \$100 to more than \$90,000.
17. Four customer accounts benefitted primarily from the improper transfer activity (hereafter referred to as the "Preferred Customers"). The trades transferred to the Preferred Customers resulted in unjust gains of almost \$175,000.
18. Twenty-nine customer accounts incurred losses due to Georgantones's deceptive scheme. The trades transferred to these accounts resulted in net losses that totaled more than \$197,000 and ranged from approximately \$40 to over \$80,000.
19. Based on information obtained through its investigation, NFA found that Georgantones exercised full discretion over three of the Preferred Customers' accounts, including which markets to trade and the trades to make.
20. Despite exercising discretion over the three Preferred Customers' accounts, Georgantones failed to obtain an executed power-of-attorney or other written instrument that granted him authority over the three Preferred Customers' accounts.
21. By reason of the foregoing acts and omissions, Georgantones is charged with violating NFA Compliance Rules 2-2(a), 2-4, and 2-8(a).

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.

The place for filings an Answer shall be:

National Futures Association
300 S. Riverside Plaza
Suite 1800
Chicago, Illinois 60606

Attn: Legal Department - Docketing
E-Mail: 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 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 a NFA Member;
- (c) censure or reprimand;
- (d) a monetary fine not to exceed \$500,000 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. A Respondent in this matter who applies 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 Commodity Futures Trading Commission (CFTC) Regulation 1.63, penalties imposed in connection with this Complaint may temporarily or permanently render a Respondent who is an individual 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: 5/20/21

By: Gunnar F. Wolff
Chairman

m/cxc/complaints/Georgantones Complaint (final)