

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

<b>FILED</b>
JAN - 5 2022
NATIONAL FUTURES ASSOCIATION LEGAL DOCKETING

In the Matter of:	)	
	)	
COQUEST INCORPORATED	)	
(NFA ID #232575),	)	
	)	
JOHN ALAN VASSALLO	)	
(NFA ID #221551),	)	NFA Case No. 22-BCC-001
	)	
and	)	
	)	
DENNIS TODD WEINMANN	)	
(NFA ID #206270),	)	
	)	
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 (BCC) issues this Complaint against Coquest Incorporated (Coquest), John Alan Vassallo (Vassallo), and Dennis Todd Weinmann (Weinmann).

**ALLEGATIONS**

**JURISDICTION**

1. At all times relevant to this Complaint, Coquest was registered with the Commodity Futures Trading Commission (CFTC) as an introducing broker (IB) and approved as an NFA Member. As such, Coquest 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, Vassallo was an associated person (AP) of Coquest and an NFA Associate. As such, Vassallo was and is required to comply with NFA Requirements and is subject to disciplinary proceedings for violations thereof. Coquest is liable for violations of NFA Requirements committed by Vassallo during the course of his activities on behalf of Coquest.
3. At all times relevant to this Complaint, Weinmann was an associated person (AP) of Coquest and an NFA Associate. As such, Weinmann was and is required to comply with NFA Requirements and is subject to disciplinary proceedings for violations thereof. Coquest is liable for violations of NFA Requirements committed by Weinmann during the course of his activities on behalf of Coquest.

#### **BACKGROUND**

4. Coquest has been an NFA Member since 1990. It has been registered as an IB from December 1990 to the present, as a commodity trading advisor (CTA) from 1990 to 2012 and again from January 2020 to the present, and as a commodity pool operator (CPO) from 1990 to 1994 and again from May 2010 to October 2021. The firm is headquartered in Dallas, TX with branch offices in Chicago, IL and Washington, D.C.
5. Vassallo has been an Associate Member of NFA since April 1989, and an AP and principal of Coquest since December 1990. He is president of Coquest.
6. From 2009 to 2016, Vassallo was also an AP and principal of another IB and CTA Member firm, Mega Capital LLC. In March 2014, Mega Capital LLC withdrew its

- IB and CTA registration and transferred its IB business to Coquest. At or about that time, Coquest began to use "Mega Capital" as a d/b/a.
7. Weinmann has been an Associate Member of NFA since October 1987, and an AP and principal of Coquest since December 1990. He is vice president of Coquest. He is also a former principal of Mega Capital LLC.
  8. Coquest has several affiliate firms, among which is The Woodbine Group, LLC (Woodbine). Woodbine is not and never has been a CFTC registrant or NFA Member.
  9. NFA commenced an examination of Coquest in July 2020 (the 2020 exam).
  10. As alleged in more detail below, during the 2020 exam, NFA discovered that Coquest had conducted futures business for several years with Woodbine, an entity that was required to be registered as a CPO with the CFTC but was not.
  11. After the 2020 exam, Coquest and Vassallo submitted inaccurate information to NFA that misrepresented Woodbine's purported eligibility for an exemption from CFTC registration. In so doing, Coquest and Vassallo acted negligently.
  12. The 2020 exam and related follow-up also revealed, in pertinent part, that Coquest has failed and refused to establish and enforce rules, procedures, and controls to prevent its affiliated persons from trading ahead of or against Coquest customer orders.

#### **APPLICABLE RULES**

13. NFA Bylaw 1101 provides, in pertinent part, that no Member may accept an order or handle a transaction in commodity futures contracts for or on behalf of any non-Member of NFA that is required to be registered with the CFTC as a CPO, and

that is acting in respect to the order or transaction for a customer, a commodity pool or participant therein, or any other person.

14. NFA Compliance Rule 2-4 provides, in pertinent part, 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.
15. NFA Compliance Rule 2-26 provides, in pertinent part, that any Member that violates CFTC Regulation 155.4, as applicable, shall be deemed to have violated an NFA Requirement.
16. CFTC Regulation 155.4(a) requires, in pertinent part, that each IB establish and enforce internal rules, procedures and controls to insure, to the extent possible, that each order received from a customer which is executable at or near the market price is transmitted to the futures commission merchant carrying the account of the customer before any order in any future or in any commodity option in the same commodity for any proprietary account, any other account in which an affiliated person has an interest, or any account for which an affiliated person may originate orders without the prior specific consent of the account owner, if the affiliated person has gained knowledge of the customer's order prior to the transmission to the appropriate contract market of the order for a proprietary account, an account in which the affiliated person has an interest, or an account in which the affiliated person may originate orders without the prior specific consent of the account owner; and to establish and enforce internal rules, procedures and controls to prevent affiliated persons of the IB from placing orders, directly or

indirectly, with any futures commission merchant in a manner designed to circumvent these provisions.

17. NFA Compliance Rule 2-9(a) provides, in pertinent part, that each IB, CPO or CTA Member shall diligently supervise its employees and agents in the conduct of their commodity interest activities for or on behalf of the Member. The Rule also provides, in pertinent part, that each Associate of an IB, CPO or CTA Member who has supervisory duties shall diligently exercise such duties in the conduct of that Associate's commodity interest activities on behalf of the Member.

#### COUNT I

#### **VIOLATIONS OF NFA BYLAW 1101: DOING FUTURES BUSINESS WITH A NON-MEMBER OF NFA REQUIRED TO BE REGISTERED WITH THE COMMISSION.**

18. The foregoing paragraphs are realleged as if fully stated herein.
19. Under NFA Bylaw 1101, in pertinent part, Coquest is prohibited from accepting an order or handling a transaction in commodity futures contracts for or on behalf of any non-Member that is required to be registered with the CFTC as a CPO, and that is acting in respect to the order or transaction for a commodity pool, a participant therein, or any other person.
20. Under CFTC Regulation 1.3, in pertinent part, a CPO is any person engaged in a business which is of the nature of a commodity pool, investment trust, syndicate, or similar form of enterprise, and who, in connection therewith, solicits, accepts, or receives from others, funds, securities, or property, either directly or through capital contributions, for the purpose of trading in commodity interests.
21. Under Section 4m of the Commodity Exchange Act (7 U.S.C. § 6m), in pertinent part, a CPO must be registered with the CFTC in order to make lawful use of any

means or instrumentality of interstate commerce in connection with its business as a CPO.

22. As alleged above, Woodbine is an affiliate of Coquest. Woodbine is a Texas limited liability corporation with a Texas address.
23. Vassallo and Weinmann founded Woodbine in 2010.
24. On August 23, 2010, Woodbine filed its certificate of formation with the Texas Secretary of State, listing Vassallo and Weinmann as Woodbine's LLC managers. Vassallo and Weinmann have continued to serve as the managers of Woodbine up to the present, with Vassallo acting as Woodbine's director.
25. Also on August 23, 2010, Woodbine adopted a resolution authorizing Vassallo and Weinmann to trade in commodities for present or future delivery and options on futures on behalf of Woodbine.
26. In or about 2010, Woodbine received capital contributions in the form of Vassallo's and Weinmann's personal funds, funds from relatives, and funds from outside investors.
27. Woodbine received a total of about \$2 million in capital contributions.
28. Of this \$2 million in capital contributions, more than \$400,000 was contributed by outside investors who were not principals, operators, or CTAs of Woodbine, and who were not relatives of any such persons.
29. Woodbine pooled these contributions and, in whole or in part, used them to trade commodity interests.

30. For example, in or about October 2010, Vassallo signed documents as director of Woodbine to open a futures account at an Illinois-based futures commission merchant (FCM).
31. At about the same time (October 2010), Vassallo as director of Woodbine also began signing management agreements with CTAs to direct the trading in Woodbine's futures accounts.
32. Over the next several years, Vassallo on behalf of Woodbine entered into additional management agreements with other CTAs located in various states, including New Jersey and Tennessee.
33. Initially, in 2010, Mega Capital LLC was the IB for Woodbine's FCM account or accounts. At the time, Vassallo was an AP and principal of Mega Capital LLC.
34. In 2014, Coquest became the IB on Woodbine's FCM accounts.
35. Based on available records, since 2015, Coquest received about \$140,000 in IB commissions on Woodbine's futures trading activity in these FCM accounts.
36. Woodbine continued to engage in futures trading until withdrawing all funds from its FCM accounts in or about March 2020.
37. In addition to its FCM accounts alleged above, in or about May 2015, Woodbine also invested some of its funds in a commodity pool or pools operated by a separate CPO and maintained an investment in that commodity pool(s) until August 2021. Vassallo signed the subscription agreement for the commodity pool(s) on behalf of Woodbine.
38. Based on the above, Woodbine was required to register with the CFTC as a CPO.
39. As previously alleged, Woodbine never registered with the CFTC.

40. By reason of the foregoing acts and omissions, Coquest is charged with violating NFA Bylaw 1101.

**COUNT II**

**VIOLATIONS OF NFA COMPLIANCE RULE 2-4: FAILURE TO OBSERVE HIGH STANDARDS OF COMMERCIAL HONOR AND JUST AND EQUITABLE PRINCIPLES OF TRADE.**

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41. The foregoing paragraphs are realleged as if fully stated herein.
42. Under NFA Compliance Rule 2-4, Coquest and Vassallo are required to observe high standards of commercial honor and just and equitable principles of trade in the conduct of their commodity futures business and swaps business.
43. Coquest and Vassallo failed to observe these high standards and principles by negligently misrepresenting to NFA that Woodbine was eligible for an exemption from CFTC registration.
44. On December 17, 2020, NFA sent Coquest a letter summarizing its findings from the 2020 exam. This letter noted in pertinent part that Coquest appeared to be in violation of Bylaw 1101 based on its dealings with Woodbine. NFA requested a response.
45. In a letter signed by Vassallo and dated January 18, 2021, Coquest responded to NFA's exam letter. Vassallo wrote in relevant part that "Woodbine Group was an account at Mega Capital that was not formed for trading commodities. The group had invested in some oil and gas opportunities, and later, Woodbine Group opened an account with Mega Capital in 2010. We have discussed their business activities in previous NFA Mega Capital audits. Going forward, we will register Woodbine Group as an Exempt Pool."



46. No notice for exemption from registration was filed by or on behalf of Woodbine.
47. Additionally, although the existence of Woodbine had been disclosed to NFA during a prior exam of Mega Capital LLC, there had been no discussion about the true nature of Woodbine's operations or its capital contributions.
48. On February 11, 2021, NFA sent a follow-up request to Coquest asking it to confirm that Woodbine met each prong of the CPO exemptions found in CFTC Regulation 4.13. NFA's request spelled out the relevant criteria for CPO exemptions, including that the total gross capital contributions did not exceed \$400,000. This exemption requirement is found under CFTC Regulation 4.13(a)(2), which also provides in pertinent part that funds invested by principals and their close family members do not count toward the capital contribution limit.
49. Coquest responded on February 17, 2021 by stating in pertinent part, "Dennis Weinmann, John Vassallo, Dennis' mother and cousin's initial investments were collectively enough to where the other participants were less than 400K."
50. NFA again wrote to Coquest, stating in pertinent part, "Please provide documentation that evidences that Woodbine Group has never had 15 or more investors [another exemption criterion being discussed] and has never collected \$400k or more from investors."
51. In response, on May 3, 2021, Coquest provided Woodbine's tax returns for the years 2016 and 2019 only, which reflected non-exempt assets of less than \$400,000 in those two years. Coquest also submitted a statement summarizing how, once deductions were made for the holdings of principals and family members, Woodbine's total assets were below \$400,000 for those two years.

52. NFA next requested and obtained from Coquest the Woodbine investor list, tax returns for the years 2010 through 2020, and company formation documents. Coquest produced these documents without objection.
53. These documents showed, among other things, that outside investors actually made significantly more than \$400,000 in initial contributions to Woodbine, thus making Woodbine ineligible for the exemption from registration found in CFTC Regulation 4.13(a)(2).
54. Accordingly, Coquest's statement alleged above that relevant "initial investments" in Woodbine totaled less than \$400,000, as well as its submission of only the 2016 and 2019 tax returns, misrepresented Woodbine's purported eligibility for an exemption from registering as a CPO.
55. Concerned that Coquest appeared to have made misrepresentations to NFA, NFA asked Coquest to identify who had drafted, reviewed, and approved Coquest's submissions regarding the nature of Woodbine's business and the capital contributions it had received.
56. In a response sent via email on September 9, 2021, Coquest stated that Vassallo provided the information in the submissions and reviewed them. Coquest further stated that Vassallo is always the final approver for such submissions.
57. Coquest's September 9 email also stated that any discrepancies in Coquest's submissions were due to Coquest not being as thorough as it should have been.
58. Accordingly, Coquest and Vassallo acted negligently in making the above-alleged misrepresentations to NFA.

59. Coquest's September 9, 2021 response further stated that the omissions and discrepancies in their previous submissions were due to Coquest's own "misinterpretation of what was being asked," as well as intermittent office attendance in December 2020 through February 2021 caused by COVID-19 and a severe winter storm in Texas.
60. Coquest and Vassallo, as a longstanding Member and Associate respectively, should have known that they needed to timely alert NFA if they were unable to answer NFA's inquiries fully, or if they were confused by NFA's inquiries. However, they never did so until the above-alleged September 9, 2021 response.
61. NFA next sent a further follow-up inquiry to Vassallo asking for explanations of particular statements, including the above-alleged submissions regarding Woodbine's purported eligibility for an exemption from registration based on receiving less than \$400,000 in capital contributions.
62. Vassallo responded via email on October 18, 2021. Regarding Woodbine's capital contributions, Vassallo now explained, "The original group was greater than \$400K. However, I believe that when we were discussing it in 2021, the assets were under \$400K."
63. By confusing capital contributions with present assets, Coquest and Vassallo acted negligently in responding to NFA's inquiries alleged above.
64. When a Member or Associate negligently provides inaccurate or incomplete information of the kind alleged herein, it seriously undermines NFA's ability to oversee its membership and hinders NFA's ability to protect the public.

65. Coquest's and Vassallo's conduct, as alleged throughout this Count, reflects a failure to observe the high standards of commercial honor and just and equitable principles of trade required of all NFA Members and Associates.
66. Additionally, and as alleged above in Count I, Vassallo further failed to observe high standards of commercial honor and just and equitable principles of trade by facilitating a decade-long violation of NFA Bylaw 1101. Both while serving as an AP and principal of former Member firm Mega Capital LLC, and while serving as an AP and principal of Member firm Coquest, Vassallo knew or should have known that Woodbine was required to register as a CPO since 2010.
67. The other acts and omissions by Coquest and Vassallo alleged throughout this Complaint also reflect a failure by Coquest and Vassallo to observe high standards of commercial honor and just and equitable principles of trade expected of NFA Members and Associates.
68. By reason of the foregoing acts and omissions, Coquest and Vassallo are charged with violating NFA Compliance Rule 2-4.

### **COUNT III**

#### **VIOLATIONS OF NFA COMPLIANCE RULE 2-26: FAILURE TO COMPLY WITH CFTC REGULATION 155.4.**

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69. The foregoing paragraphs are realleged as if fully stated herein.
70. Under NFA Compliance Rule 2-26, Coquest is required to comply with CFTC Regulation 155.4.
71. CFTC Regulation 155.4(a) requires Coquest to establish and enforce internal rules, procedures, and controls to insure that Coquest's affiliated persons do not directly or indirectly trade ahead of or against Coquest customers.

72. As alleged above, Coquest has at least nine affiliate entities, several of which trade or have traded futures. All or nearly all of Coquest's affiliate entities are controlled by Coquest's affiliated persons.
73. The 2020 exam found that Coquest failed to establish and enforce the rules, procedures, and controls required by CFTC Regulation 155.4(a).
74. Specifically, Coquest lacked rules, procedures, or controls to insure that its affiliated persons were not placing trades ahead of or against Coquest customers, whether directly or indirectly (i.e., through an affiliate entity).
75. Despite NFA bringing this deficiency to Coquest's attention, Coquest failed and refused to adopt the required rules, procedures, or controls.
76. By reason of the foregoing acts and omissions, Coquest is charged with violating NFA Compliance Rule 2-26.

#### **COUNT IV**

#### **VIOLATIONS OF NFA COMPLIANCE RULE 2-9(a): FAILURE TO SUPERVISE.**

77. The foregoing paragraphs are realleged as if fully stated herein.
78. Under NFA Compliance Rule 2-9(a), Coquest is required to diligently supervise its employees and agents in the conduct of their commodity interest activities for or on behalf of the firm.
79. Under NFA Compliance Rule 2-9(a), Vassallo and Weinmann are required to diligently exercise their supervisory duties in the conduct of their commodity interest activities on behalf of their Member firms.
80. Coquest permitted a violation of NFA Bylaw 1101 to continue for roughly six years.

81. Coquest also permitted its AP and principal Vassallo to negligently review and approve submissions to NFA that included inaccurate or incomplete information regarding Woodbine's purported eligibility for an exemption from CFTC registration.
82. Additionally, Coquest failed and refused to establish the rules, procedures, and controls required by NFA Compliance Rule 2-26 and CFTC Regulation 155.4(a), even after NFA brought the deficiency to the firm's attention.
83. Coquest's organizational structure is such that Vassallo and Weinmann, as president and vice president respectively, share ultimate supervisory authority for all of the firm's operations.
84. Vassallo and Weinmann, as founders and managers of Woodbine, also had control over and knowledge of Woodbine's operations.
85. Vassallo and Weinmann each individually failed to exercise their supervisory duties to ensure that Coquest abided by NFA Bylaw 1101 in its dealings with Woodbine.
86. As for Vassallo individually, and as alleged above, he personally approved submissions to NFA that he knew or should have known provided inaccurate or incomplete facts about Woodbine's purported eligibility for an exemption from registration.
87. By reason of the foregoing acts and omissions, Coquest, Vassallo, and Weinmann are charged with violating NFA Compliance Rule 2-9(a).

## **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](mailto: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, 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;

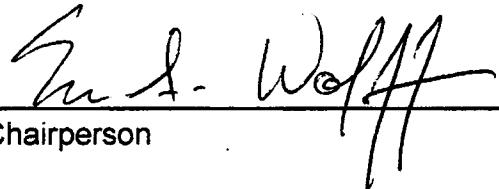
- (d) a monetary fine not to exceed \$500,000 for each violation found; and
- (e) order to cease and desist or any other fitting penalty or remedial action not inconsistent with these penalties.

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 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: 1/5/2022

By:   
Chairperson