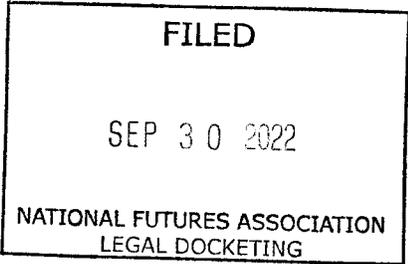


**NATIONAL FUTURES ASSOCIATION
BEFORE THE
BUSINESS CONDUCT COMMITTEE**



In the Matter of)
)
STAGE 5 TRADING CORP.)
(NFA ID #444666))
)
and)
)
ANTHONY GIACOMIN)
(NFA ID #407183),)
)
Respondents.)

NFA Case No. 22-BCC-014

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, NFA's Business Conduct Committee (Committee) issues this Complaint against Stage 5 Trading Corp (Stage 5) and Anthony Giacomini (Giacomini).

ALLEGATIONS

JURISDICTION

1. At all times relevant to this Complaint, Stage 5 has been an introducing broker (IB) Member of NFA. As such, Stage 5 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, Giacomini has been an associated person (AP) of Stage 5 and an NFA Associate. As such, Giacomini was and is required

to comply with NFA Requirements and is subject to disciplinary proceedings for violations thereof. Stage 5 is liable for violations of NFA Requirements committed by Giacomini during the course of his activities on behalf of Stage 5.

BACKGROUND

3. Stage 5 is located in Chicago, Illinois and has been an IB Member since November 2012. From July 2020 to May 2022, Stage 5 was also approved as a forex firm.
4. In addition to being an AP of Stage 5, Giacomini is the chief executive officer (CEO) and a principal of the firm.
5. NFA has conducted several exams of Stage 5 since the firm became a Member, with the most recent exam commencing in July 2021 (the 2021 exam).
6. Stage 5 had approximately 1,000 active futures accounts and 200 active forex accounts at the time of the 2021 exam.
7. For its forex accounts, Stage 5 conducted business with a firm located in Cyprus, called ZuluTrade International Limited (ZuluTrade).
8. ZuluTrade, which has never been registered with the Commodity Futures Trading Commission (CFTC or Commission) or an NFA Member, operates online trading platforms for forex products. The firm refers to itself as "ZuluTrade" or "ZuluTrade" (collectively, ZuluTrade) and uses the website www.zulustrade.com to promote its businesses.
9. Leon Yohai Giochais (Giochais), who is also known as Leon Yohai, was a founder of ZuluTrade. In addition, Giochais previously was an NFA Associate and a principal and AP of ZuluTrade, Inc. (Zulu), a former IB Member located in Greece and an affiliate of ZuluTrade.

10. Zulu was approved as an NFA Member in October 2008. The firm initially registered with the CFTC as a commodity trading adviser (CTA), which status was withdrawn in 2014. Zulu registered as an IB in 2010.
11. As an IB Member, Zulu's operations involved providing a trading platform that allowed customers with accounts at CFTC retail foreign exchange dealers (RFEDs)—who also were NFA forex dealer Members (FDMs)—to automatically place trades based on trading signals generated by third-party signal providers.
12. Zulu reported its website address in NFA's online registration system as www.zulutrade.com, which is the same web address that Zulutrade uses.
13. In 2011, this Committee issued a Complaint against Zulu for failing to maintain required minimum adjusted net capital (ANC) and failing to keep required books and records. Zulu settled the 2011 disciplinary case by paying a fine of \$10,000.
14. In April 2016, this Committee issued another Complaint against Zulu charging the firm with failing to implement its anti-money laundering program and with again failing to maintain minimum ANC. The Complaint also charged the firm and Giochais with failing to adequately supervise the firm's employees, agents, and operations.
15. After the Complaint was issued, Zulu and Giochais withdrew their NFA membership and CFTC registration statuses.
16. In September 2016, Zulu and Giochais settled the disciplinary case by agreeing that a \$30,000 fine would be paid to NFA if either of them reapplied for NFA membership at any time in the future. To date, neither one has reapplied for membership.

17. As alleged in more detail below, NFA's 2021 exam of Stage 5 found several deficiencies at the firm, the most significant of which involved Stage 5 conducting forex business with Zulutrade, which should have been registered with the CFTC as a forex IB and approved as an NFA Member but was not.

APPLICABLE RULES

18. NFA Compliance Rule 2-36(d), in pertinent part, prohibits a Member from carrying a forex account for, accepting a forex order or account from, handling a forex transaction for or on behalf of, receiving compensation (directly or indirectly) for forex transactions from, or paying compensation (directly or indirectly) for forex transactions to any non-Member of NFA 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 CTA, or any other person.
19. NFA Compliance Rule 2-36(e) requires each FDM to diligently supervise its employees and agents in the conduct of their forex activities for or on behalf of the FDM. The Rule further requires each Associate of an FDM who has supervisory duties to diligently exercise such duties in the conduct of that Associate's forex activities for or on behalf of the FDM.
20. NFA Compliance Rule 2-36(g) requires each FDM and, as applicable, Associates of FDMs, to comply with sections (a) through (h) of NFA Compliance Rule 2-29 and the Interpretive Notices related to these provisions.
21. NFA Compliance Rule 2-39(a) provides that Members or 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 (a), (b), (c), (d), (e), (g), (h), and (l) of Compliance Rule 2-36.

COUNT I

VIOLATION OF NFA COMPLIANCE RULE 2-36(d), INCORPORATED THROUGH NFA COMPLIANCE RULE 2-39(a): DOING BUSINESS WITH A NON-MEMBER OF NFA THAT IS REQUIRED TO BE REGISTERED WITH THE CFTC IN CONNECTION WITH ITS FOREX ACTIVITIES.

22. The foregoing paragraphs are realleged as if fully stated herein.
23. Part 5 of the CFTC Regulations provides, in pertinent part, that any person who solicits or accepts orders from a customer that is not an eligible contract participant, as defined in section 1(18) of the Commodity Exchange Act, in connection with forex transactions must register as an IB.
24. Factors the CFTC has considered in determining whether a person is acting as an IB include soliciting and accepting customer orders, soliciting customers for referral to a firm for instituting a trading relationship and executing those orders, and the form and manner of the compensation.
25. As alleged above, NFA commenced an exam of Stage 5 in July 2021. Approximately one year earlier, Giacomini had added "Zulutrade US" as a "dba" (or business name) for Stage 5, based on a partnership arrangement the firm had entered into with Zulutrade.
26. In view of Zulutrade's affiliation with former IB Member Zulu, NFA determined to look further into Stage 5's relationship with Zulutrade as part of the exam.
27. The exam found that Giacomini, on Stage 5's behalf, executed two agreements with Zulutrade dated June 30, 2020—a Technology License Agreement (Technology Agreement) and a Lead Purchase Agreement (Lead Agreement).

Zulutrade's CEO at the time, George Ilias (Ilias), signed the agreements on Zulutrade's behalf.

28. The Technology Agreement described Zulutrade as a technology license provider that owned a web-based and mobile electronic trading platform, called Zulutrade.
29. According to the Technology Agreement, Stage 5 would license, promote, and distribute a customized version of the platform from Zulutrade, under the brand name "Zulutrade US." The platform would provide functionality that allowed end users (*i.e.*, customers) to execute manual or automatic forex trades and/or access signal trader information for trading in the customers' accounts at an FDM.
30. According to the Technology Agreement, Stage 5 would pay Zulutrade a license fee based on the number of active users, a development fee, and a subscription fee. The Technology Agreement also stated Zulutrade would be responsible for the setup, development, and maintenance of the "Zulutrade US" website.
31. Under the Lead Agreement, Zulutrade would sell leads to Stage 5 for a fixed fee of \$5.00 for each lead or other fixed fee as agreed to between the parties. The Lead Agreement stated the leads would be for customers interested in trading forex and follow traders offered on Zulutrade's platform.
32. As part of the exam, NFA reviewed the website that Stage 5 used under the "Zulutrade US" business name to promote and solicit forex customers to use the Zulutrade platform (www.zulutrade.com).

33. From the website, a customer could select a forex trader who had joined Zulustrade (and was promoted on the website) to copy or follow the trader's strategy and place trades in an account the customer had opened at an FDM.
34. One page on the website named an FDM Member of NFA as a "partner" of "Zulustrade US." The page also included a link to a section on the FDM's website where a customer could open a trading account or a demo account.
35. An e-mail NFA obtained during the exam showed Zulustrade had selected the FDM and introduced Stage 5 to the FDM in July 2020, shortly after Stage 5 and Zulustrade executed the Technology and Lead Agreements.
36. In addition, all the forex accounts that Stage 5 introduced for customers who used Zulustrade's platform had been opened at the FDM featured on the "Zulustrade US" website.
37. Based on these findings, it appeared Stage 5 was allowing Zulustrade to solicit customers for referral to an FDM for purposes of instituting a trading relationship and executing forex orders, even though Zulustrade was not a CFTC-registered forex IB.
38. Other aspects of Stage 5's relationship with Zulustrade showed Stage 5 was allowing Zulustrade to act as a forex IB without being registered with the CFTC. In particular, rather than receiving compensation based on the number of customer leads or active users licensing the Zulustrade platform (as described in the Technology and Lead Agreements), invoices, e-mails, and other documents NFA reviewed revealed Stage 5 paid Zulustrade based on customers' forex trading volume.

39. The payment arrangement between Stage 5 and Zulutrade generally worked in the following way. For each month, the FDM would notify Stage 5 and Zulutrade of the fees generated by the customers who used Zulutrade's platform (including a customized version of the platform called AKASH X). The notification included spreadsheets with the names and total trade volume of the FDM's customers who utilized the Zulutrade platform during the month, as well as the FDM's rebate and commission calculations.
40. Zulutrade apparently used the FDM's information to determine the monthly compensation owed to it by Stage 5 for the services provided under their business arrangement. After receiving the FDM's information, Zulutrade would send an e-mail to an accounting contact at Stage 5 for each month. The e-mail included an invoice that specified the Support Fees and Zulutrade's share of the revenue—labeled as "Lead & Subscription Fees"—that Stage 5 owed to Zulutrade. NFA noted some of these Zulutrade e-mails included Giacomini.
41. In an invoice from Zulutrade to Stage 5, dated March 31, 2021, Zulutrade billed Stage 5 for \$150 in Support Fees and \$6,642.47 in "Lead & Subscription" fees, for a total monthly fee of \$6,792.47.
42. NFA reviewed an April 9, 2021 e-mail exchange between Zulutrade and Giacomini regarding the March 2021 invoice, which attached a spreadsheet that Zulutrade had prepared itemizing the specific fees that Zulutrade had billed to Stage 5 for March 2021.
43. The attachment contained the terms "volume-based," "2 pips/round turn," and "revenue." The breakdown also appeared to show a "revenue" split of 50/50 between Zulutrade and Stage 5.

44. NFA reviewed other e-mails with different attachments that included similar terms (e.g., "volume-based fees," "revenue," and "trading activity").
45. These references suggested that Stage 5 paid Zulutrade mainly based on customers' forex trade volume, rather than on lead and subscription fees.
46. Therefore, NFA looked further into the compensation arrangement between Stage 5 and Zulutrade and analyzed data from the FDM involving trade revenue, system fee revenue, and support fees for the Zulutrade/Stage 5 accounts covering a 10-month period from August 2020 through May 2021.
47. Using the itemized fee breakdown details for March 2021 (discussed in paragraph 41 above), together with the FDM's trading volume data (discussed in paragraph 39 above), NFA recalculated the fees for March 2021. NFA's recalculation corresponded to Zulutrade's monthly invoice to Stage 5, including the revenue amount based off March's trading volume. NFA's calculations also matched the amount Stage 5 paid to Zulutrade for the month (before factoring in a credit Zulutrade owed to Stage 5 for a prior month).
48. After applying this analysis to the other nine months from August 2020 through May 2021, NFA found the amount Stage 5 paid to Zulutrade each month matched the invoice amount. NFA's recalculation also matched Zulutrade's invoices to Stage 5 (and Stage 5's corresponding payments to Zulutrade) for five other months, with only slight differences in the remaining months. This analysis further supported that Stage 5's payments to Zulutrade mainly included revenue based on customers' forex trade volume.
49. Overall, for the period August 2020 through May 2021, NFA determined Stage 5 paid Zulutrade approximately \$50,000, including support, subscription, and other

fees. Of this amount, over \$30,000 represented compensation from trade volume that Stage 5 paid to Zulutrade.

50. When NFA shared its findings with Giacomini, he said the arrangement with Zulutrade was supposed to be based on monthly trader subscriptions, leads, and a support fee. However, NFA found messages with Zulutrade and Stage 5 personnel discussing trade volume, volume-based fees, and/or monthly commissions, which contradicted Giacomini's assertion.
51. Giacomini also acknowledged that he authorized the payments to Zulutrade and agreed the payments seemed to reference and derive from the amount of revenue Stage 5 earned, primarily through commissions.
52. On December 3, 2021, NFA issued a report to Stage 5 and Giacomini citing Stage 5 for doing business with Zulutrade, an unregistered IB, along with other findings from the exam.
53. In response to the exam report, Stage 5 informed NFA the firm would wind down the relationship and cease doing business with Zulutrade, which occurred on or about December 31, 2021.
54. Based on the above, Zulutrade was required to register as a forex IB with the CFTC and become an NFA Member.
55. However, as alleged above in paragraph 8, Zulutrade never registered with the CFTC or became a Member.
56. By reason of the foregoing acts and omissions, Stage 5 is charged with violating NFA Compliance Rule 2-36(d), as incorporated by NFA Compliance Rule 2-39(a).

COUNT II

VIOLATION OF NFA COMPLIANCE RULES 2-36(g), INCORPORATED THROUGH NFA COMPLIANCE RULE 2-39(a): USING MISLEADING PROMOTIONAL MATERIAL.

57. The foregoing paragraphs are realleged as if fully stated herein.
58. Under NFA Compliance Rule 2-29, which is incorporated by reference in NFA Compliance Rule 2-36(g), no Member shall use any promotional material which is likely to deceive the public.
59. During the 2021 exam, NFA reviewed the website that Stage 5 used under its "Zulutrade US" business name (www.zulutrade.com), apparently through its business arrangement with Zulutrade.
60. Despite this arrangement, the "Zulutrade US" website focused mainly on Zulutrade and contained only minimal references to Stage 5 and its "Zulutrade US" business name (e.g., in small-font disclaimers at the bottom of certain web pages).
61. The "Zulutrade US" website also failed to distinguish Stage 5 from Zulutrade, which made the website misleading. For example, the "About Us" page of the "Zulutrade US" website identified six individuals as members of the management team, including Zulutrade CEO Ilias. However, Stage 5 did not employ any of the individuals identified. The "Zulutrade US" website also made no mention of Giacomini, despite his position as CEO of Stage 5.
62. The "Zulutrade US" website included other statements that did not apply to Stage 5, such as the following:
 - "Zulutrade has clients from 183 countries around the world, 50+ Brokers worldwide..."

- "Zulutrade has an excess of 1.5 million registered users and more than 100k registered trading strategies."

63. In addition, some Stage 5 customers whom NFA interviewed said they did not learn of Stage 5 until they were opening their forex accounts at the FDM featured on the "Zulutrade US" website.
64. As alleged above, Stage 5 failed to ensure that the website the firm used to promote its forex IB business under the "Zulutrade US" name complied with NFA's promotional material requirements.
65. By reason of the foregoing acts and omissions, Stage 5 is charged with violating NFA Compliance Rule 2-36(g), as incorporated by NFA Compliance Rule 2-39(a).

COUNT III

VIOLATION OF NFA COMPLIANCE RULE 2-36(e), INCORPORATED THROUGH NFA COMPLIANCE RULE 2-39(a): FAILURE TO SUPERVISE.

66. The foregoing paragraphs are realleged as if fully stated herein.
67. Under NFA Compliance Rule 2-36(e), incorporated through NFA Compliance Rule 2-39(a), Stage 5 is required to diligently supervise its employees and agents in the conduct of their forex activities for or on behalf of the firm. The Rule also requires Giacomini, as an Associate of Stage 5, to diligently exercise his supervisory duties in the conduct of his forex activities on behalf of the firm.
68. As alleged above, Stage 5 and Giacomini knew or should have known that they were doing business with a company that was required—but failed—to register as a forex IB with the CFTC and become an NFA Member.
69. Stage 5 and Giacomini enabled Zulutrade to act as an unregistered IB by soliciting customers through a website that focused overall on the unregistered

company (and had little or nothing to do with Stage 5 or "Zulutrade US") and refer them to an FDM to open an account and trade forex by following the strategy of forex traders who had joined Zulutrade.

70. Giacomini permitted Stage 5 to compensate Zulutrade based, in large part, on revenue generated from the trading activity in the forex accounts that Stage 5 introduced to an FDM Member to trade using Zulutrade's platform.
71. In addition, Stage 5 and Giacomini permitted Stage 5 to use a website that supposedly touted its "Zulutrade US" business name but, in reality, predominantly promoted Zulutrade's forex business and did not distinguish clearly between the two companies.
72. As the CEO of Stage 5, Giacomini has controlling influence over the firm's operations and activities. He is also the individual who entered into the business relationship with Zulutrade.
73. In view of the disciplinary history of Zulutrade's affiliate (*i.e.*, former IB Member Zulu), NFA asked Giacomini what due diligence he performed before Stage 5 entered into the business arrangement with Zulutrade.
74. In response, Giacomini provided NFA with a copy of a June 2019 letter addressed to Zulutrade and its CEO Ilias from an attorney Zulutrade had retained (the Attorney Letter).
75. According to the Attorney Letter, Zulutrade wished to assume operating the platform of its affiliate (*i.e.*, former IB Member Zulu), by making modifications that would enable Zulutrade to avoid engaging in activities that required the company to register with the CFTC as an IB. Therefore, the Attorney Letter described the

modifications Zulutrade would undertake to ensure the company did not act as an IB.

76. Without opining on the accuracy of the Attorney Letter (and recognizing that the CFTC has the ultimate authority to determine whether a person is required to register as an IB), NFA noticed Stage 5's actual relationship with Zulutrade deviated from the Attorney Letter that Giacomini relied on to enter into, and conduct, business with Zulutrade.
77. For example, to avoid soliciting customers, the Attorney Letter stated Zulutrade would not recommend, propose, or encourage customers to use any particular IB or RFED. However, as alleged above, the Zulutrade website that promoted Stage 5 under the "Zulutrade US" business name advertised an FDM that Zulutrade had selected where customers could open an account to trade forex using Zulutrade's platform.
78. To avoid acting as an IB, the Attorney Letter indicated Zulutrade would receive subscription fees and a fixed fee, rather than transaction-based compensation. However, as also alleged above, most of the fees that Zulutrade billed to Stage 5 for "services rendered" (which fees Stage 5, in turn, paid to the unregistered company) were based off of customers' forex trade volume.
79. Giacomini knew or should have known that Zulutrade was engaging in activities that deviated from the Attorney Letter that he possessed and relied upon. However, as alleged above, he failed to exercise his supervisory duties to ensure that Stage 5 complied with NFA's Compliance Rules in its dealings with Zulutrade.

80. By reason of the foregoing acts and omissions, Stage 5 and Giacomini are charged with violations of NFA Compliance Rule 2-36(e), as incorporated by NFA Compliance Rule 2-39(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 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

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, one or more of the following penalties may be imposed:

- (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, after opportunity for hearing, be denied registration or conditionally registered 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:

9/30/2022

By:

Ernst Wolff
Chairperson

m/cxc/Complaints/Stage 5 et al Complaint