NATIONAL FUTURES ASSOCIATION
BEFORE THE
BUSINESS CONDUCT COMMITTEE

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NATIONAL FUTURES ASSOCIATION
LEGAL DOCKETING

In the Matter of GMG BROKERS LTD (NFA ID #472434), MARCO SAVIOZZI (NFA ID #472554), and JASON TERENCE LYONS (NFA ID #468196), Respondents.	))))))))))))))	NFA Case No. 22-BCC-017

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 GMG Brokers LTD (GMG), Marco Saviozzi (Saviozzi), and Jason Terence Lyons (Lyons).

ALLEGATIONS

JURISDICTION

1. At all times relevant to this Complaint, GMG has been an introducing broker (IB) and swap firm Member of NFA. As such, GMG 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, Saviozzi has been an associated person (AP) of GMG and an NFA Associate. As such, Saviozzi was and is required to comply with NFA Requirements and is subject to disciplinary proceedings for violations thereof. GMG is liable for violations of NFA Requirements committed by Saviozzi during the course of his activities on behalf of GMG.

3. At all times relevant to this Complaint, Lyons has been an AP of GMG and an NFA Associate. As such, Lyons was and is required to comply with NFA Requirements and is subject to disciplinary proceedings for violations thereof. GMG is liable for violations of NFA Requirements committed by Lyons during the course of his activities on behalf of GMG.

BACKGROUND

4. GMG has been an IB swap firm Member of NFA since June 2014. The firm is headquartered in London, UK and has an office in Dubai, UAE. GMG is also authorized and regulated by the UK's Financial Conduct Authority.

5. GMG acts as an inter-dealer brokerage firm. The firm has approximately 20 APs who broker transactions for numerous financial institutions across several markets, primarily in Gulf, Middle East-North Africa (MENA), and Emerging Market interest rate derivatives (IRD) and foreign exchange (FX) swaps. GMG's APs provide market information (*e.g.*, product, price, quantity) their customers need to execute trades with each other as buyers and sellers. In return, GMG takes brokerage fees for arranging those trades.

6. GMG's customers include banks in the Gulf region and Africa, as well as other international investment banks and financial institutions located in the UK and US.

7. In addition to being an AP of GMG, Saviozzi is the chief executive officer (CEO) and a principal of the firm. Saviozzi has been an AP and principal of GMG and an NFA Associate since June 2014. Saviozzi works out of the firm's Dubai office.

8. Lyons has been an AP of GMG and an NFA Associate since April 2019. Lyons is located in London. GMG has also designated Lyons as a head of the firm's South African rand (ZAR) trading desk.

9. NFA commenced an examination of GMG in July 2020. As part of the exam, NFA obtained GMG's trade data covering the period March 1 through May 31, 2020.

10. This trade data included more than 1,600 IRD trades, the majority of which Lyons brokered and many of which involved ZAR forward rate agreements (FRAs).

11. FRAs are cash settled over-the-counter short-term IRD contracts between two counterparties that determine the interest rate to be paid on an agreed-upon date in the future. An FRA typically involves two parties exchanging a fixed interest rate for a variable one.

12. The format in which FRAs are noted is the term to settlement date and term to maturity date, both expressed in months and usually separated by the letter "x." For example, an FRA having a four-month period to the settlement date (forward) and a seven-month period to maturity is referred to as a "4x7" at a particular

interest rate. For FRA spreads, the format usually includes the letter "v" to differentiate the legs of the trade, such as 4x7 v 5x8.

13. A review of GMG's trade data revealed that a banking and financial company headquartered in South Africa was a frequent party to GMG's brokered IRD trades. This South African banking and financial company is referred to hereafter as the Favored Customer.

14. The trade data from March 1 through May 31, 2020 showed the Favored Customer was a counterparty—and that Lyons was the broker—to more than 500 of the 1,600 IRD trades described in paragraph 10 above. The Favored Customer's trades with Lyons during this three-month period generated approximately $600,000 in brokerage fees for GMG.

15. Given the volume of trading and brokerage fees between Lyons and the Favored Customer, NFA decided to review a sample of the trades that Lyons brokered with the Favored Customer.

16. As alleged in more detail below, NFA's review found that Lyons engaged in deceptive trading activities that placed GMG's and his interests ahead of other GMG customers in order to generate additional brokerage fees for GMG. NFA's review also found that Lyons's activities often placed the interests of the Favored Customer ahead of other GMG customers since the Favored Customer frequently profited off basis point differences that Lyons negotiated, to the detriment of other GMG customers who received less favorable prices.

APPLICABLE RULES

17. NFA Compliance Rule 2-2(a) prohibits Members and Associates from cheating, defrauding, or deceiving, or attempting to cheat, defraud or deceive, any commodity futures or swap customer or counterparty.

18. NFA Compliance Rule 2-4 requires Members and Associates 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.

19. NFA Compliance Rule 2-9(a) requires each Member to diligently supervise its employees and agents in the conduct of their commodity interest activities for or on behalf of the Member. The Rule also requires each Associate who has supervisory duties to diligently exercise such duties in the conduct of that Associate's commodity interest activities on behalf of the Member.

COUNT I

VIOLATIONS OF NFA COMPLIANCE RULES 2-2(a) AND 2-4: ENGAGING IN DECEPTIVE TRADING ACTIVITY; FAILING TO OBSERVE HIGH STANDARDS OF COMMERCIAL HONOR AND JUST AND EQUITABLE PRINCIPLES OF TRADE; AND ACTING CONTRARY TO CUSTOMERS' BEST INTERESTS.

20. The foregoing paragraphs are realleged as if fully stated herein.

21. As part of its exam testing, NFA reviewed several trades placed from March through May 2020 involving Lyons and the Favored Customer. NFA's review relied on GMG's trade blotter, communication records (*e.g.*, chat messages, recorded calls), and other information NFA obtained.

22. NFA's review found that Lyons frequently inserted the Favored Customer as a counterparty into trades with other GMG customers for no apparent bona fide reason.

23. Most of the reviewed trades involved ZAR FRAs and several of them concerned three specific GMG customers, each of which was also a South African banking and financial company (hereafter referred to as Customer A, Customer B, and Customer C). Three of the trades that NFA analyzed are described below in more detail.

Trade 1 – March 24, 2020 ZAR FRA Spread

24. NFA reviewed a ZAR FRA spread trade that occurred on March 24, 2020 (also referred to as Trade 1). The trade resulted from an inquiry Customer A initiated with Lyons about a 4x7 v 5x8 FRA spread.

25. The results of Trade 1 are summarized in the following table based on information from an IRD trade blotter GMG provided to NFA during the exam.

Side	Customer	FRA	Notional Amt ZAR (billions)	Interest Rate	Brokerage Fees (in ZAR)	Brokerage Fees (in USD)
Buyer	Favored Customer	4x7	12	4.990	77260	5,135.86
Seller	Customer B	4x7	12	4.990	61808	3,565.09
Buyer	Customer B	5x8	12	4.970	0	0
Seller	Favored Customer	5x8	12	4.970	0	0
Buyer	Customer A	4x7	12	4.990	38630	2,228.18
Seller	Favored Customer	4x7	12	4.990	77260	5,135.86
Buyer	Favored Customer	5x8	12	4.965	0	0
Seller	Customer A	5x8	12	4.965	0	0

26. NFA reconstructed Trade 1 using chat messages and other information GMG provided.

27. The chats reflected that Customer B was willing to pay and accepted from Lyons a -2 price on the 4x7 v 5x8 FRA spread[1] (at 6:37:53). This matched the -2 price Customer A had given Lyons as an offer a couple of minutes earlier (at 6:35:27).

28. Instead of confirming a match to Customer A and Customer B on the 4x7 v 5x8 FRA spread and executing the trade with them at -2, Lyons told Customer A (at 6:39:54) that he had been shown a -2.5 offer on the spread, even though the only offer NFA found in the chats was Customer B's offer at -2.

29. The trader for Customer A replied to Lyons by stating, "If you trade at -2.5 let me know." About 4 minutes later (at 6:45:21), Lyons told Customer A's trader that 4 billion of the 4x7 v 5x8 FRA spread was trading at the -2.5 level and he could do the balance with Customer A if Customer A wanted.

30. However, Lyons seemed to fabricate this trade activity (*i.e.*, 4 billion at -2.5) to induce Customer A to trade at that level since GMG's trade blotter did not show any trade on March 24 for 4 billion in the 4x7 v 5x8 FRA spread. Through his misrepresentation, Lyons induced Customer A to sell 10 billion (which increased later to 12 billion) of the spread at -2.5, while Customer B bought the same spread at -2.

31. Lyons then confirmed to Customer A that the Favored Customer was the counterparty at the -2.5 level and confirmed to Customer B that the Favored Customer was the counterparty at the -2 level, even though the chat messages

[1] For this trade, the price is quoted as the difference in the interest rates between the 4x7 and 5x8 legs of the spread, where the price of "-2" represents the difference between the interest rates of 4.970 and 4.990, as shown in the table above.

did not show that the Favored Customer had been involved in any of the activity up to this point.

32. After confirming the trades with Customer A and Customer B, Lyons contacted the Favored Customer and told the Favored Customer's trader that the Favored Customer had bought the -2.5's and sold the -2's on the 4x7 v 5x8 spread.

33. Lyons generated more than $16,000 in brokerages fees from this trade. Approximately $10,000 of that amount represented extra brokerage fees he earned by inserting the Favored Customer between Customer A and Customer B on the trade (*i.e.*, $5,135.86 each for the purchase and the sale).

34. The Favored Customer was apparently willing to pay the $10,000 in brokerage fees, in exchange for the .5 basis point gain that Lyons passed along on the transaction, which resulted from Customer A selling the 4x7 v 5x8 FRA at a -2.5 spread opposite the Favored Customer, and Customer B buying the 4x7 v 5x8 FRA at a -2 spread opposite the Favored Customer.

35. As alleged above, the chat messages associated with the trade did not show the Favored Customer communicating with or expressing any interest in the ZAR spread before Lyons told Customer A and Customer B (at 6:46:20 and 6:46:40, respectively) of the price and quantity that the Favored Customer had supposedly offered.

36. According to the chats, the first communication from the Favored Customer about the trade occurred at 6:47:16 when the Favored Customer trader says "je5u5" and then again at 6:49:33 when he thanked Lyons.

37. The chat messages also showed that Lyons gave Customer A the following prices during negotiations: -3 at 6:34:18; -2.5 at 6:39:54; and -3/-2.5 at 6:41:39. However, the chats contained nothing to establish that the foregoing prices came from the Favored Customer or Customer B.

38. Lyons also seemed to be fabricating the spread quantity since the chats showed that he discussed a quantity of 10 billion with Customer B (at 6:37:14), while telling Customer A about two minutes later that he had 16 billion even though the chats did not show where either quantity came from.

39. NFA presented its findings on Trade 1 to GMG. The firm claimed that due to the "regular occurrence" of credit issues between counterparties in the OTC derivatives markets involving the ZAR or GCC currencies, a "switching counterparty" is sometimes used to allow trading between counterparties without bilateral credit lines. GMG asserted that offering clients with credit issues the opportunity to "switch" is a standard market practice in illiquid emerging markets and part of a client's expectations in terms of services to be delivered.

40. Based on NFA staff's experience, the use of a "switching counterparty" generally comes into play after the terms of a transaction are agreed upon and the identities of the counterparties are revealed, where one counterparty may be unacceptable to the other due to limited availability of credit lines. In such situations, the counterparties agree to the substitution—or "switching"—of a third counterparty between them.

41. In addition to obtaining the counterparties' agreement to the insertion of a "switching counterparty," NFA staff understands other steps are taken that

usually include, among others, marking the trades and confirmation statements as being part of a "switch."

42. A GMG FX trade that NFA reviewed during the exam generally followed this process. The chat messages corresponding to the FX trade revealed a customer had informed GMG that it could not face the customer on the opposite side of the trade. The GMG broker responded that he would try to get a "switch" and also told the customer on the opposite side of the trade about the need for a "switch." The broker then found another GMG customer to act as the "switching counterparty."

43. In contrast, the chats provided for Trade 1 contained nothing to show that either Customer A or Customer B discussed the need for a "switching counterparty" or that Lyons obtained their consent to insert the Favored Customer as a "switching counterparty" on the trade. Further, neither the confirmation statements NFA obtained, nor the firm's trading records indicated that Trade 1 involved a "switch."

44. Trade 1 also stands out because the supposed "switching counterparty" who stepped in to accommodate the trade (*i.e.*, the Favored Customer) paid twice as much in brokerage fees than the other two counterparties. This contrasts with the FX trade, described in paragraph 42 above, where the "switching counterparty" that stepped in to accommodate the trade paid no brokerage fees.

45. GMG acknowledged to NFA that the "switching" action involving Trade 1 should not have been taken without the specific written or verbal consent of both counterparties. According to the firm, Lyons inserted the Favored Customer into the trade between Customer A and Customer B as a "preventative measure"

taken at Lyons's discretion to avoid any credit issues due to the large size of the transaction (*i.e.*, 12 billion ZAR) and to serve the counterparties' best interests by enabling the transaction.

46. Despite GMG's representations about "credit issues" between Customer A and Customer B and Lyons's taking a "preventative measure," GMG trade records revealed at least two instances (in March and May 2020) where Customer A and Customer B traded opposite each other on ZAR trades.

47. NFA also questioned GMG about the source of pricing Lyons provided to Customer A and Customer B on this trade and received varying explanations from the firm. Initially, GMG stated Lyons's pricing information was taken from a financial data vendor to which the firm subscribed (hereafter referred to as the financial data vendor). After additional questioning, the firm said a bid of -3 came from Customer B, even though the chat messages showed that Lyons—not Customer B—gave the -3 bid.

48. NFA again asked the firm about the pricing. In response, GMG said prices from the financial data vendor may be used to quote an indicative price to the market. However, according to the chat messages NFA reviewed, Lyons never mentioned to Customer A or Customer B that the quotes he gave them represented indicative pricing.

49. As also alleged above, the chat messages GMG provided for Trade 1 did not show any contact between Lyons and the Favored Customer in advance of the trade to discuss price, quantity, or whether the firm had interest in the ZAR spread. Therefore, NFA requested Lyons's phone recordings to see if he had

any calls with the Favored Customer's trader to discuss the trade and the pricing that the Favored Customer's trader supposedly offered.

50. However, GMG again provided NFA with conflicting information. Initially, the firm indicated Lyons worked from home that day, so GMG did not have any recorded calls. Therefore, NFA asked for the call log Lyons was required to keep under the CFTC's COVID recordkeeping relief. In response, GMG changed its reply and represented the prices Lyons offered came from a "private" page of the financial data vendor that banks wishing to quote prices maintain and update, which page Lyons could access. GMG represented the prices were live and accessors of the page have permission to show those prices.

51. When NFA asked for something to substantiate this representation, GMG replied that Lyons only had access to one counterparty's "private" page. GMG claimed the page was viewable only and that the prices shown could not be recorded or saved. As a result, GMG did not provide any documents to show that the prices Lyons disseminated to Customer A and Customer B came from this "private page."

Trade 2 – May 14, 2020 ZAR FRA Spread

52. NFA reviewed another ZAR FRA spread trade that occurred on May 14, 2020 involving the Favored Customer, Customer A, and Customer B (also referred to as Trade 2). Customer A prompted the trade negotiations by expressing interest in a 2x5 v 3x6 ZAR FRA spread.

53. The results of Trade 2 are summarized in the following table based on information from GMG's trade blotter.

Side	Customer	FRA	Notional Amt ZAR (billions)	Interest Rate	Brokerage Fees (in ZAR)	Brokerage Fees (in USD)
Buyer	Favored Customer	2x5	5	3.780	0	0
Seller	Customer A	2x5	5	3.780	0	0
Buyer	Customer A	3x6	5	3.550	16096	866.05
Seller	Favored Customer	3x6	5	3.550	32192	1,853.94
Buyer	Customer B	2x5	5	3.780	0	0
Seller	Favored Customer	2x5	5	3.780	0	0
Buyer	Favored Customer	3x6	5	3.540	32192	1,853.94
Seller	Customer B	3x6	5	3.540	25753	1,385.65

54. The chat messages GMG provided for Trade 2 revealed that Lyons again inserted the Favored Customer into a trade that appears could have been brokered exclusively between Customer A and Customer B.

55. Specifically, several hours after Customer A initially expressed interest in the 2x5 v 3x6 ZAR FRA spread, Lyons indicated to Customer B that he had a buyer in the 2x5 v 3x6 ZAR FRA spread, with a bid of -24 (at 14:49:43).[2]

56. Customer B's trader replied, "Will look at it for sure, If you can get." However, rather than communicate to Customer A the -24 level that he had quoted to Customer B—and which price appeared to be acceptable to Customer B—Lyons gave Customer A a price of -23 (at 14:50:51) that its trader accepted, and which was higher than the price Lyons had just discussed a minute before with Customer B's trader.

57. The communication records GMG provided for Trade 2 do not give any indication why Lyons provided Customer A with a higher price. It also is unclear why

[2] For this trade, the quote is the difference in the interest rates between the 2x5 and 3x6 legs of the spread trade, where the "-24" is the difference between the interest rates of 3.540 and 3.780.

Lyons, as a broker, did not attempt to negotiate the price between Customer A and Customer B, which would have resulted in price improvement for each of them.

58. Instead, after negotiating the trade quantity with Customer A and Customer B to 5 billion, the chat messages reflected that Lyons reported the Favored Customer as the counterparty to Customer A and Customer B (at 14:54:37 and 14:55:07, respectively), even though the chats do not show the Favored Customer involved in the Trade 2 negotiations.

59. Thereafter, Lyons notified the Favored Customer of the sale of 5 billion at -23 on the 2x5 v 3x6 spread (to Customer A) and the offsetting purchase of 5 billion at -24 on the 2x5 v 3x6 spread (to Customer B), the result of which was a full basis point differential for the Favored Customer. In response, the Favored Customer trader said, "Fanks mate."

60. Similar to Trade 1, the chat messages provided to NFA for Trade 2 reflect that Lyons unilaterally negotiated two separate but offsetting FRA spreads on the Favored Customer's behalf, without the Favored Customer previously expressing any interest in the trade. Further, apparently on his own initiative, Lyons altered the price he provided to Customer A (*i.e.*, -23 instead of -24), which benefitted the Favored Customer. Again, none of the chat messages contained any discussion about the need for a "switch" between Customer A and Customer B.

61. Lyons generated close to $6,000 in brokerage fees for GMG from this transaction, over half of which (approximately $3,700) represented extra fees he earned by inserting the Favored Customer between Customer A and Customer B

(*i.e.*, $1,853.94 each for the purchase and sale). The Favored Customer was apparently willing to pay these brokerage fees in exchange for the basis point differential that Lyons obtained (*i.e.*, -23 versus -24).

Trade 3 – May 22, 2020 ZAR FRA Spread

62. NFA reviewed another ZAR FRA trade from May 22, 2020 (also referred to as Trade 3). Trade 3 involved the Favored Customer, Customer B, and another GMG customer that was also a bank in South Africa (Customer C). The trade resulted from Customer C's inquiry to Lyons about selling either a 6x9 v 21x24 FRA spread or a 3x6 v 21x24 FRA spread.

63. The results of Trade 3 are summarized in the following table based on information from GMG's trade blotter.

Side	Customer	FRA	Notional Amt ZAR (billions)	Interest Rate	Brokerage Fees (in ZAR)	Brokerage Fees (in USD)
Buyer	Favored Customer	6x9	2	3.710	12603	725.81
Seller	Customer B	6x9	2	3.710	10082	542.47
Buyer	Customer B	21x24	2	4.690	0	0
Seller	Favored Customer	21x24	2	4.690	0	0
Buyer	Customer C	6x9	2	3.710	6301	339.06
Seller	Favored Customer	6x9	2	3.710	12603	725.81
Buyer	Favored Customer	21x24	2	4.670	0	0
Seller	Customer C	21x24	2	4.670	0	0

64. As alleged above, Customer C expressed interest in selling an FRA spread of 6x9 v 21x24 or 3x6 v 21x24, which interest Lyons shared with other GMG clients, including Customer B and the Favored Customer. Within seconds, Customer B's trader responded that Customer B would buy the 6x9 v 21x24 FRA spread and asked Lyons for price levels.

65. However, rather than acting in a neutral capacity to facilitate and negotiate the trade, the chat messages GMG provided for Trade 3 show Lyons misled Customer B and Customer C so he could insert the Favored Customer into the deal and generate additional brokerage fees.

66. Specifically, after receiving Customer B's expression of interest, Lyons told Customer C that he was seeing prices between 95 and 96 (from 6:31:37 to 6:37:07). Customer C's trader responded that Customer C would sell 2 billion for 96.[3] Lyons replied by informing Customer C that he would show a 98 offer (at 6:38:34), intimating that he was going to do so in order to get Customer C a better bid.

67. However, Lyons's statement to Customer C was deceitful since Lyons had already shown the 98 offer for 2 billion to Customer B a few seconds earlier (at 6:38:07), which Customer B accepted (at 6:38:34).

68. Further, rather than trying to negotiate the price between Customer B and Customer C to gain price improvement for each of them, Lyons instead used the price discrepancy he had created on the spread (96 to Customer C and 98 to Customer B) to insert the Favored Customer between them on the trade. Lyons reported the Favored Customer as the counterparty to Customer B (at 6:40:16) and told the trader at Customer C that "96 works" but did not mention the Favored Customer as the counterparty.

[3] In Trade 3, the "96" price is the difference between the interest rates of 3.71 and 4.67.

69. After confirming the trade to Customer B and Customer C, Lyons reported to the Favored Customer's trader the purchase of 2 billion 6x9 v 21x24 at 96 (opposite Customer C) and the sale of 2 billion 6x9 v 21x24 at 98 (opposite Customer B).

70. The trader for the Favored Customer responded starting at 6:49:45 with "hehehehe" and "Luf your work." Based on GMG's chats, these two messages were the first that Lyons received from the Favored Customer about the 6x9 v 21x24 FRA spread, after Lyons initially announced interest in the spread (at 6:30:19) to other GMG customers, including the Favored Customer.

71. The chats associated with Trade 3 showed Lyons misled Customer C by implying active negotiations were underway with the eventual counterparty (the Favored Customer) about the price when Lyons apparently never conducted any negotiations with the Favored Customer about the trade. To illustrate, starting around 6:38:34, Lyons told the trader for Customer C that he would, "show him [the other counterparty] 98 and see;" followed by, "Ha 96 works;" and then, "If I showed 96 he would say 94."

72. Similar to Trade 1 and Trade 2, described above, the chat messages for Trade 3 did not show any discussion about the need for a "switch" between Customer B and Customer C.

73. Lyons generated over $2,300 in brokerage fees for GMG on this transaction, approximately $1,400 of which represented extra fees Lyons earned by inserting the Favored Customer between Customer B and Customer C (*i.e.*, $725.81 each for the purchase and sale). The Favored Customer was apparently willing to pay

these brokerage fees in exchange for the 2-basis point differential that Lyons obtained (*i.e.*, 98 instead of 96).

74. In addition to the three trades described above, NFA tested several additional trades placed from March through May 2020 involving Lyons and the Favored Customer. Six of them also involved Lyons inserting the Favored Customer as a counterparty to trades involving other GMG customers, which generated additional brokerage fees for Lyons and GMG and worked to the detriment of the customers involved given the basis point differentials Lyons obtained and passed along to the Favored Customer.

75. From the trades reviewed, NFA estimates that Lyons's activities generated additional brokerage fees of more than $40,000 for GMG.

76. Additionally, for several trades, GMG apparently utilized a different ZAR conversion rate to calculate the Favored Customer's brokerage fees compared to the ZAR conversion rate the firm used to calculate the brokerage fees for the other counterparties to the trades.

77. GMG also charged brokerage rates to the Favored Customer that were higher than the brokerage rates the firm charged to the other GMG customers involved in Lyons's activity. To illustrate, NFA calculated that the Favored Customer paid a brokerage rate of .0025, while the rates for the other GMG counterparties named above (*i.e.*, Customers A, B, and C) ranged from .0013 to .0020.

78. As a result, the higher brokerage rate that GMG charged the Favored Customer likely further incentivized Lyons to insert the Favored Customer into trades

opposite these GMG customers to compensate for the lower rates they paid to the firm.

79. Despite the higher brokerage rate that GMG charged the Favored Customer, the Favored Customer typically made money off the basis point differentials Lyons obtained, which amount was usually sufficient to overcome the brokerage fees that the Favored Customer paid to GMG.

80. However, for three trades NFA reviewed (including Trade 1 described above), the Favored Customer's P&L from the basis point differentials was not enough to offset completely GMG's brokerage fees, which left the Favored Customer with small net losses.

81. Overall, NFA estimates that the basis point differentials Lyons garnered for the Favored Customer in the reviewed trades resulted in positive P&L of approximately $20,000, even after factoring in the brokerage fees paid to GMG.

82. Chat messages NFA reviewed also alluded to the Favored Customer's trader acknowledging what Lyons was doing, such as the remarks described above in paragraph 70 (*e.g.*, "hehehehe" and "Luf your work").

83. Another chat, on March 4, 2020, shows the Favored Customer's trader relied on Lyons to report what trading had been done on the bank's behalf, where he said to Lyons, "mate, remind me please, What did we do, I have 40+ trades in MW and am clueless." In response, Lyons identified to the Favored Customer several trades that had transpired during the day, to which the trader replied, "brill, Luff u pal."

84. In a March 18, 2020 chat message with the Favored Customer's trader, Lyons says, "To be honest the market on that is where I put it hahaha." This chat furthered NFA's concerns about the source of Lyons's price quotes to customers.

85. NFA also reviewed a trade from 2019 that showed Lyons had apparently been engaging in similar activity for some time (*i.e.*, inserting the Favored Customer as a counterparty to generate additional brokerage fees for GMG).

86. In the 2019 trade, a GMG customer indicated an interest in buying an 8x11 ZAR FRA. After Lyons shared the interest with GMG customers, he received a quote of 37.5/39.5 on the FRA[4] that he shared with the customer who had initially expressed interest in the trade.

87. After the customer accepted the offer, Lyons proceeded to insert the Favored Customer into the trade between the two other GMG customers, even though the communication records (*i.e.*, chats and recorded calls) showed no interest from the Favored Customer on the trade. The initiating customer ended up buying 3 billion ZAR at 6.395 from the Favored Customer, while the customer who gave Lyons the quote sold 3 billion ZAR at 6.39 to the Favored Customer. As a result, Lyons generated additional brokerage fees of more than $2,400 by inserting the Favored Customer into the trade and passed a .5 basis point differential (6.395 – 6.390) on to the Favored Customer.

88. As alleged above, Lyons engaged in deceptive trading activities that placed his and GMG's interests—as well as the interests of the Favored Customer—ahead of other GMG customers. Lyons misled GMG customers by negotiating basis

[4] The price quote refers to an interest rate range of 6.375 and 6.395 for the trade.

point differences that often benefitted the Favored Customer, to the detriment of other GMG customers who received less favorable prices, so he could insert the Favored Customer as a counterparty to the trades to generate additional brokerage fees for GMG and himself.

89. By reason of the foregoing acts and omissions, GMG and Lyons are charged with violations of NFA Compliance Rules 2-2(a) and 2-4.

COUNT II

VIOLATION OF NFA COMPLIANCE RULE 2-9(a): FAILURE TO SUPERVISE.

90. The foregoing paragraphs are realleged as if fully stated herein.

91. As alleged above, GMG and Saviozzi failed to meet their supervisory obligations.

92. In addition to failing to supervise Lyons's trading activities, as described above, GMG's supervisory deficiencies are illustrated through the firm's deficient policies, procedures, and practices.

93. According to GMG's written supervisory policies and procedures in effect at the time of the 2020 exam (hereafter referred to as the Procedures), GMG periodically supervised APs by reviewing communications and conducting random reviews. The Procedures also provided for the compliance officer to perform a quarterly review of employees' electronic communications, while NFA learned through the interview of firm personnel, including Saviozzi, that the compliance officer also performed quarterly trade reviews.

94. However, the thoroughness of these communication and trade reviews are questionable and reflect insufficient supervision of GMG APs. To illustrate, the communication reviews only involved e-mails, which made up a small portion of

GMG APs' overall communications, while the quarterly trade reviews consisted of the compliance officer completing a checklist in a form to ensure various aspects of the trade had occurred (*e.g.*, confirmation statements and invoices issued, trade details verified).

95. During the exam, NFA also assessed some of the trades that GMG had reviewed during its quarterly review process and identified issues involving the trade reviews' completeness, which further reflect insufficient supervision of GMG APs.

96. For two FX trades NFA reviewed, GMG could not provide NFA with all of the corresponding communications. For an IRD trade, GMG provided NFA with communication records corresponding to the trade that consisted only of chat messages. However, NFA could not locate in the accompanying chats the source of price information the broker (*i.e.*, Lyons) had given to a customer. This finding raised questions about whether the review failed to include all of the communications that corresponded to the trade and furthered NFA's concerns about the source of pricing that Lyons gave to GMG customers.

97. The Procedures also stated GMG had a duty to adequately supervise its personnel and a fiduciary responsibility to "protect the interests" of the firm's clients and "place their interests" before the interests of GMG and its employees. However, the deceitful activities of Lyons, as alleged above, show that he frequently put himself and GMG, as well as the Favored Customer, ahead of other customers to secure additional brokerage fees for himself and GMG and advantageous basis point differentials for the Favored Customer.

98. As alleged above, GMG named Lyons as a head of the firm's ZAR desk. In this role, GMG designated Lyons as a supervisor responsible for overseeing trading in real time, which meant that Lyons essentially managed himself. It is no surprise that he failed to identify any of his conduct as improper.

99. Saviozzi is the CEO of GMG and the individual at the firm with ultimate supervisory responsibility over Lyons, the firm's other APs, and GMG's overall operations.

100. GMG's organizational chart and the Procedures identified Saviozzi as one of the individuals responsible for supervising the firm's APs. The organizational chart also showed that Lyons and other APs reported to Saviozzi.

101. Information NFA obtained from GMG showed that Lyons's compensation far exceeded several other individuals at the firm (*e.g.*, desk heads, trading supervisors). In addition, the Favored Customer was Lyons's biggest customer and the counterparty to almost one-third of GMG's IRD business in the three-month period NFA reviewed (*i.e.*, more than 500 of the 1,600 IRD trades). As alleged previously, Lyons also brokered all of the Favored Customer's trades during this period and generated approximately $600,000 in brokerage fees for GMG.

102. The significant brokerage fees that Lyons generated from a single customer should have caused Saviozzi to look into Lyons's productivity and his relationship with the Favored Customer to ensure nothing improper was occurring. However, Saviozzi either failed to review how Lyons brokered trades that involved the Favored Customer and other GMG customers, or he knew what Lyons was doing

and ignored his apparent misconduct due to the financial benefit Lyons garnered for GMG, which reflects a failure to supervise by Saviozzi.

103. By reason of the foregoing acts and omissions, GMG and Saviozzi are charged with violations of NFA Compliance Rule 2-9(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: 12/20/2022

By: Eric L. Wolff
Chairperson

m/cxc/Complaints/GMG et al Complaint