

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

FILED
NOV 30 2023
NATIONAL FUTURES ASSOCIATION
LEGAL DOCKETING

In the Matter of)
)
LIME TRADING CORP.) NFA Case No. 23-BCC-010
(NFA ID #430385),)
)
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, NFA's Business Conduct Committee (Committee) issues this Complaint against Lime Trading Corp. (Lime Trading).

ALLEGATIONS

JURISDICTION

1. At all times relevant to this Complaint, Lime Trading has been a Member of NFA. As such, Lime Trading was and is required to comply with NFA Requirements and is subject to disciplinary proceedings for violations thereof.

BACKGROUND

2. Lime Trading is a futures commission merchant (FCM) Member of NFA located in New York, New York. The firm currently has eight principals and four associated persons.
3. Lime Trading became a Member in August 2016 when the firm registered with the Commodity Futures Trading Commission (CFTC) as an introducing broker

(IB). In October 2020, the firm registered as an FCM, at which time it withdrew as an IB.

4. Lime Trading is regulated by FINRA and active as a broker-dealer. Lime Trading was formerly known by several other names, including Score Priority Corp.
5. Lime Trading does not currently have any commodity interest proprietary or customer accounts. However, the firm recently began test trading in a non-customer account.
6. As an FCM, the firm is required to comply at all times with NFA and CFTC requirements.
7. However, as alleged in more detail below, Lime Trading's conduct over the past two years illustrates an inability and/or reluctance by firm personnel to understand and pay attention to regulatory obligations.
8. This conduct includes Lime Trading's repeated failure to comply with its financial reporting deadlines and inadequate measures to ensure its filings are timely, despite directives from NFA and the CFTC. Lime Trading's conduct also involves an inadequate understanding of its regulatory obligations and lax commitment to compliance.
9. The foregoing circumstances, together with high turnover in the firm's chief compliance officer position, also demonstrate that Lime Trading lacks preparedness and capability to comply completely with regulatory requirements as an FCM and reveals inadequate supervision of the firm's overall operations.

APPLICABLE RULES

10. NFA Financial Requirements Section 1(e) requires, in pertinent part, each Member FCM for which NFA is the designated self-regulatory organization (DSRO) that is required to file any document with or give any notice to its DSRO under CFTC Regulation 1.12 [Maintenance of minimum financial requirements by futures commission merchants and introducing brokers], or is required to file any financial report or statement (*e.g.*, FOCUS Reports) with any other securities or futures self-regulatory organization of which it is a member shall also file one copy of such document with or give such notice to NFA, in a form and manner required by NFA, no later than the date such document or notice is due to be filed with or given to the CFTC or the self-regulatory organization.
11. NFA Financial Requirements Section 16(e) requires, in pertinent part, each Member FCM to report financial and operational information to NFA in the form and manner prescribed by NFA and in accordance with respective specified time periods, including (i) on a monthly basis, within 17 business days after the end of each month, adjusted net capital, minimum net capital, and excess net capital (listed in U.S. dollar figures) as of the close of business on the last business day of the month; (ii) by 11:59 pm Eastern time on the business day following the 15th and the last business day of each month, a segregated investment detail report (SIDR) that provides, among other information, the dollar amount of customer segregated funds held in cash and each type of permitted investment identified in CFTC Regulation 1.25(a) and the identity and location of each

depository holding customer segregated funds and the dollar amount held at each depository as of the close of business on the 15th (or the following business day if the 15th falls on a weekend) and the last business day of each month; and (iii) by noon each business day, the daily segregated funds computation, the daily secured amount funds computation and the daily cleared swaps collateral as of the close of the preceding business day.

12. 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.

COUNT I

VIOLATIONS OF NFA FINANCIAL REQUIREMENTS SECTION 16(e): FAILURE TO FILE TIMELY DAILY SEGREGATION REPORTS, TIMELY SEGREGATED INVESTMENT DETAIL REPORTS, AND TIMELY MONTHLY FINANCIAL REPORTS.

13. The foregoing paragraphs are realleged as if fully stated herein.
14. As alleged above, Lime Trading became an FCM in October 2020. In early 2021, the firm reported that it had commenced futures operations with one customer account.
15. However, NFA determined during a 2021 exam of Lime Trading that the firm should have classified the account as non-customer since the account owner did not meet the "customer" definition under CFTC Regulation 1.3.
16. Since then, Lime Trading has not carried any commodity interest customer accounts. The firm has, however, retained its segregated and secured depository accounts.

17. As of August 31, 2023, Lime Trading reported approximately \$8.3 million in excess net capital, \$46,000 in excess segregated funds, and \$40,000 in excess secured funds.
18. As an FCM Member, Lime Trading is required to report financial and other operational information to NFA through various reports and deadlines required under NFA and CFTC Requirements, which includes the reporting obligations applicable to Lime Trading's segregated and secured depository accounts.
19. Those reporting obligations include the requirements under NFA Financial Requirements Section 16 to make daily segregation, secured amount, and cleared swaps customer collateral computations as of the close of each business day, which calculations Lime Trading must complete and submit to NFA by noon the next business day.
20. The same NFA Financial Requirements require Lime Trading to provide NFA with the SIDR, which contains financial and operational information and must be submitted to NFA semi-monthly by 11:59 p.m. on the business day following the 15th and the last business day of each month.
21. In addition, under Financial Requirements Section 16, Lime Trading is required to file its month-end financial report (*i.e.*, FOCUS report) with NFA no later than 17 business days after the month end.
22. Despite these obligations, Lime Trading has a history of not complying with NFA and CFTC financial filing requirements.
23. NFA's 2021 exam report cited Lime Trading for filing its November 12, 2021 segregation and secured statement computations after the noon deadline on

November 15, 2021, and for filing its July 2021 month-end FOCUS report one day late.

24. In its December 22, 2021 response to the exam report, Lime Trading explained the late filings were unintentional and attributed the late FOCUS report to the submitter missing the deadline due to a meeting and the late November filing due to the submitter being ill.
25. The December 22, 2021 response also described steps the firm had taken to ensure timely filing of future submissions (e.g., implemented an internal deadline of one hour prior to the official filing deadline, developed a daily checklist for the Finance Department to confirm that each required filing is submitted no later than one hour prior to the relevant deadline).
26. Despite these steps, Lime Trading filed its July 26, 2022 daily segregation statement late.
27. The July 2022 late filing prompted NFA to send an August 11, 2022 letter requiring Lime Trading to explain the circumstances that led to the violation and the changes the firm would make to its procedures and/or internal controls to address the issue. NFA's letter also notified Lime Trading that the late financial filing was a serious violation of NFA and CFTC requirements and could subject the firm to disciplinary action.
28. In its response, Lime Trading attributed the late filing to a third-party consultant and indicated the firm would transfer responsibility for the daily segregation statement to firm personnel.

29. Several months later, Lime Trading filed the May 31, 2023 month-end financial statement one business day late. In response to this late filing, the CFTC's Market Participants Division (MPD) sent Lime Trading a letter on June 28, 2023 that directed the firm to modify its procedures to prevent a recurrence of the firm's apparent regulatory violations.
30. Lime Trading replied to MPD in a July 10, 2023 letter and described steps the firm had taken in response to the late filing (*e.g.*, making changes to the firm's compliance calendar).
31. Shortly thereafter, Lime Trading submitted another late financial report to NFA by not filing its August 31, 2023 SIDR, which was due on September 1, 2023, until September 5, 2023.
32. The late August 31, 2023 SIDR and the other late filings described above demonstrate that Lime Trading failed to take adequate steps to ensure the firm consistently complies with its financial and regulatory reporting obligations.
33. NFA sent Lime Trading a letter on September 12, 2023. NFA's letter again notified Lime Trading that submitting late financial reports and other regulatory filings is a significant violation of NFA and CFTC requirements, especially when it occurs repeatedly, and that the continued failure to comply with NFA Requirements could subject the firm to disciplinary action.
34. NFA's September 12, 2023 letter also directed Lime Trading to explain why the firm continued to file its financial statements late, describe the corrective action the firm would take to ensure future statements are filed on time, and address

why the corrective actions Lime Trading had implemented in response to the prior letters from NFA and the CFTC failed to remediate the firm's late filing issues.

35. Lime Trading responded to NFA on October 3, 2023, describing updates made to its written procedures and internal controls to improve compliance with the financial reporting requirements, including creating a weekly and monthly reporting calendar and expanding internal reporting deadlines.
36. However, these remediation steps were similar in nature to prior actions Lime Trading has taken to address its tardiness, but which have failed to resolve the issue.
37. Further, to deter late financial filings, NFA imposes a fee of \$1,000 for each business day a financial filing is late. To date, Lime Trading has paid \$5,000 for its late financial filings, described above.
38. Despite paying late fees and repeat warnings from NFA and the CFTC, Lime Trading's failure to file timely financial reports has continued.
39. By reason of the foregoing acts and omissions, Lime Trading is charged with violations of NFA Financial Requirements Section 16(e).

COUNT II

VIOLATIONS OF NFA FINANCIAL REQUIREMENTS SECTION 1(e): FAILURE TO TIMELY FILE REQUIRED NOTIFICATIONS WITH NFA.

40. The foregoing paragraphs are realleged as if fully stated herein.
41. FCMs, like Lime Trading, are required to file within twenty-four hours specific items and notifications with NFA. These items and notifications involve changes in the firm's senior management; notice the firm is the "subject of a formal investigation" by the SEC or a securities or futures self-regulatory organization (SRO); and exam reports issued by the SEC or a securities SRO.

42. In early 2021, Lime Trading received an exam report from FINRA that contained several findings. Lime Trading also received a subsequent report from FINRA indicating certain anti-money laundering deficiencies from the prior exam had been referred to FINRA enforcement, which case FINRA filed against the firm (when it was doing business as Score Priority Corp.) in April 2021.
43. Although NFA Requirements obligated Lime Trading firm to file the FINRA reports with NFA within 24 hours after receiving them, Lime Trading did not provide them to NFA until July 2021, some months after Lime Trading had received them.
44. By reason of the foregoing acts and omissions, Lime Trading is charged with violations of NFA Financial Requirements Section 1(e).

COUNT III

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

45. The foregoing paragraphs are realleged as if fully stated herein.
46. As alleged above, Lime Trading failed to meet its obligation to diligently supervise its employees and agents in the conduct of their commodity interest activities for or on behalf of the firm.
47. The supervision deficiencies include Lime Trading's failure to comply with its obligation to file timely financial reports with NFA and the late filing of FINRA exam reports.
48. Lime Trading's supervisory shortcomings are further illustrated by its recent responses to NFA's inquiries about the late filings. To illustrate, when NFA inquired on September 5, 2023 about the reason for the late SIDR, Lime Trading

attributed the delay to "human error" and indicated the firm would file the late SIDR by the end of the day since the firm was working on its NFA annual questionnaire.

49. While completing the annual questionnaire on the anniversary of a firm's NFA membership date is an important regulatory requirement since the questionnaire provides NFA with information about the firm's operations and activities (*e.g.*, number of customers, transaction types), an FCM must nevertheless ensure the firm is complying with all of its regulatory requirements at all times.
50. Therefore, Lime Trading's explanation for filing its August 31, 2023 SIDR late raises questions about whether the firm understands the importance of, and takes seriously, its financial reporting obligations.
51. Lime Trading also failed to timely comply with a reporting obligation required under the firm's risk management program, which program Lime Trading based on CFTC Regulation 1.11 [Risk Management Program for FCMs] and established, maintains, and enforces to ensure the firm adheres to its regulatory responsibilities and effectively monitors and controls the risks inherent in the firm's business lines.
52. Consistent with CFTC Regulation 1.11, Lime Trading's written risk management program dated April 30, 2021 requires, among other things, periodic reporting of risk exposures on a quarterly basis or immediately upon detection of any material change in the firm's risk exposure, via a written report prepared and presented to the firm's senior management and governing body.

53. Lime Trading's risk management program requires the firm to use best efforts to present the risk exposure reports to the governing body by no later than the end of the quarter following the previous quarter's end and to furnish copies to the CFTC within five business days after providing the reports to the firm's senior management. In practice, Lime Trading also provides its quarterly risk exposure reports to NFA.
54. For the quarter ending June 30, 2023 (2Q 2023), Lime Trading personnel should have provided the quarterly risk exposure report to its senior management by the end of the following quarter or, in this case, by no later than September 30, 2023, and filed the report with NFA within five business days thereafter.
55. As of October 6, 2023, Lime Trading had not filed its 2Q 2023 periodic risk exposure report with NFA.
56. Therefore, on October 9, NFA contacted Lime Trading about the report, which prompted firm personnel to present the report to senior management that day and then submit it to NFA the following day.
57. Further, when NFA inquired about the reason for the late risk exposure report, the firm's chief compliance officer (who assumed the position in April 2023, but recently left the firm) explained he had been working on various FINRA and SEC exams, which delayed addressing "non-operating items" apparently in reference to the firm's futures business.
58. Lime Trading's failure to comply with its regulatory obligations and internal procedures, along with the other conduct alleged above, demonstrate the firm's

lax approach to supervising its operations and employees and complying with its NFA and CFTC regulatory obligations.

59. By reason of the foregoing acts and omissions, Lime Trading is 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 (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
320 South Canal Street
Suite 2400
Chicago, Illinois 60606
Attn: Legal Department-Docketing

Email: 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:

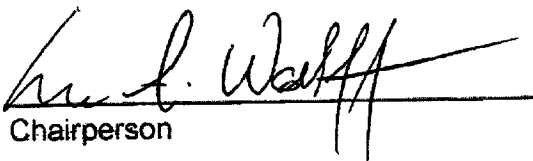
- (a) expulsion or suspension for a specified period from NFA membership;
- (b) bar or suspension for a specified period from association with an NFA Member;
- (c) censure or reprimand;
- (d) a monetary fine not to exceed \$500,000 for each violation found; and
- (e) order to cease and desist or any 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.

**NATIONAL FUTURES ASSOCIATION
BUSINESS CONDUCT COMMITTEE**

Dated: November 30, 2023

By:


Chairperson

m/cxc/Complaints/Lime Trading Complaint (Final)