

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

FILED
MAR 18 2024
NATIONAL FUTURES ASSOCIATION
LEGAL DOCKETING

In the Matter of)
)
RIMAR CAPITAL LLC)
(NFA ID #544061),)
)
and)
)
ITAI ROYI LIPTZ)
(NFA ID #544160),)
)
Respondents.)

NFA Case No. 24-BCC-003

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 issues this Complaint against Rimar Capital LLC (Rimar Capital) and Itai Royi Liptz (Liptz).

ALLEGATIONS

JURISDICTION

1. At all times relevant to this Complaint, Rimar Capital was a registered commodity trading advisor (CTA) and an NFA Member. As such, Rimar Capital 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, Liptz was an associated person (AP) and listed principal of Rimar Capital, and an NFA Associate. As such, Liptz was and

is required to comply with NFA Requirements and is subject to disciplinary proceedings for violations thereof. Rimar Capital is liable for violations of NFA Requirements committed by Liptz during the course of his activities on behalf of Rimar Capital.

BACKGROUND

3. Rimar Capital became a registered CTA and NFA Member on January 25, 2022. Rimar Capital is located in Burlingame, CA.
4. Liptz is the president, chief executive officer and chief compliance officer (CCO) of Rimar Capital. Liptz has been an NFA Associate since January 25, 2022.
5. In January 2023, Rimar Capital submitted its first Annual Questionnaire (Questionnaire) to NFA. In the Questionnaire, Rimar Capital represented that it currently managed approximately 35 customer accounts that trade commodity interests and had managed approximately 50 customer accounts over the past 12 months.
6. Through a request for information (RFI), NFA obtained information from all futures commission merchants (FCM) and forex dealer Members that carried any accounts in the name of or owned or controlled by Rimar Capital, its affiliates, or Liptz.
7. NFA's RFI revealed that Rimar Capital managed approximately 40 customer accounts with approximately \$11.1 million in assets under management beginning in September 2022, when the accounts were opened and Rimar Capital obtained discretionary trading authority. The records obtained through

the RFI also reflected that Rimar Capital commenced trading on October 17, 2022.

8. Rimar Capital was required to file a disclosure document or an appropriate notice of exemption with NFA prior to commencing customer trading.
9. However, Rimar Capital never filed a disclosure document with NFA and did not file a notice of CFTC 4.7 exemption until December 29, 2022, more than two months after the firm commenced trading.
10. NFA also reviewed Rimar Capital's website (www.rimarcapital.com) and a Rimar Capital YouTube video.
11. Although Rimar Capital was only registered as a CTA, NFA noted that the firm website appeared to contain misleading information by referring to Rimar Capital as a "hedge fund", while the Rimar Capital YouTube video compared Rimar Capital to "traditional hedge funds."
12. These findings prompted NFA to commence an examination of the firm in February 2023 (2023 exam), which found several significant deficiencies.

APPLICABLE RULES

13. NFA Compliance Rule 2-2(a) provides that no Member or Associate shall cheat, defraud or deceive, or attempt to cheat, defraud or deceive, any commodity futures customers.
14. NFA Compliance Rule 2-4 provides 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 2-9(a) provides that each Member shall diligently supervise its employees and agents in the conduct of their commodity futures activities for or on behalf of the Member. Each Associate who has supervisory duties shall diligently exercise such duties in the conduct of that Associate's commodity futures activities on behalf of the Member.
16. NFA Compliance Rule 2-29(a)(1) provides, in pertinent part, that no Member or Associate shall make any communication related to its commodity interest business that operates as a fraud or deceit.
17. NFA Compliance Rule 2-29(b)(1) provides that no Member or Associate shall use any promotional material that is likely to deceive the public.
18. NFA Compliance Rule 2-29(b)(2) provides that no Member or Associate shall use any promotional material that contains any material misstatement of fact or which the Member or Associate knows omits a fact if the omission makes the promotional material misleading.
19. NFA Compliance Rule 2-29(c)(1) provides, in pertinent part, that any Members who uses promotional material which includes a measurement or description of hypothetical performance shall include certain disclaimer language set out in the Rule. The Rule further states, Members that have less than one year of experience in directing customer accounts or trading proprietary accounts must also include additional language pursuant to the Rule.
20. NFA Bylaw 301(b) provides, in pertinent part, that no person may be associated with a Member of NFA unless the person is registered as an AP and an NFA Associate.

COUNT I

VIOLATIONS OF NFA COMPLIANCE RULES 2-2(a), 2-29(a)(1), 2-29(b)(1), 2-29(b)(2), AND 2-29(c)(1): USING MISLEADING PROMOTIONAL MATERIAL AND COMMUNICATIONS.

21. The foregoing paragraphs are realleged as if fully stated herein.
22. As part of the 2023 exam, NFA reviewed Rimar Capital's promotional materials, which included the firm's website, a trading strategy tearsheet (tearsheet), a slide deck presentation (presentation), as well as e-mail communications either Liptz or an individual affiliated with the firm (Affiliated Individual) sent to solicit prospective Rimar Capital customers.
23. Rimar Capital and Liptz used promotional materials that included misstatements of fact, which made their solicitations misleading.
24. To illustrate, the firm's website, presentation, and several e-mail communications included statements that identified the firm's operations as "a new kind of hedge fund" or a "hedge fund." However, the firm was registered only as a CTA and did not operate a commodity pool or other type of investment fund, which made solicitations misleading.
25. Liptz and Affiliated Individual also used hypothetical returns in firm promotional materials to solicit customers (e.g., Rimar Capital website, e-mail communications) without indicating the returns were hypothetical.
26. To illustrate, the firm's website included a table that showcased a "5-year track record" and listed average returns that ranged from 26.2% to 69.1% for 2017 through 2021. A sentence below the table of purported annual results stated, "the results speak for themselves."

27. Liptz and Affiliated Individual also sent e-mails to prospective customers that touted similar annual returns (e.g., 20% to 67%, with averages of 46%) as the firm's website.
28. As the firm did not commence trading until October 2022, the returns touted on the firm's website and in e-mails were not actual. Therefore, Rimar Capital and Lipz should have labelled the trading results as hypothetical.
29. In response to NFA's examination report, the firm and Liptz (through their attorney) acknowledged that the rates of return used in e-mails and on the firm's website refer to hypothetical results.
30. However, all the firm's promotional material that presented hypothetical performance results (i.e., firm website, tearsheet, presentation, e-mail communications) failed to include the required disclaimers.
31. Additionally, none of the firm's promotional materials included the disclaimer for firms that have less than one year of experience in directing customer accounts or trading proprietary accounts.
32. Further, Rimar Capital and Liptz were unable to provide NFA with any support showing that the hypothetical returns touted in the firm's promotional materials were reasonable.
33. By reasons of the foregoing acts and omissions, Rimar Capital and Liptz are charged with violating NFA Compliance Rules 2-2(a), 2-29(a)(1), 2-29(b)(1), 2-29(b)(2), and 2-29(c)(1).

COUNT II

VIOLATION OF NFA COMPLIANCE RULE 2-4: ACTING CONTRARY TO JUST AND EQUITABLE PRINCIPLES.

34. The foregoing paragraphs are realleged as if fully stated herein.
35. As part of the 2023 exam, NFA reviewed Rimar Capital's written procedures, the firm's trading activity at a Member FCM (FCM A), and the managed customer accounts, which also traded at FCM A.
36. In a sample of trades tested by NFA, NFA found that Rimar Capital's proprietary trading account traded ahead of orders for the firm's customer accounts and at prices detrimental to the customer accounts.
37. According to Rimar Capital's bunched order and order entry procedures (procedures), the firm offered a trading program (the Program) with multiple participants comprised of individual clients (managed customer accounts or Program participants) and the Rimar Capital Flagship LP pool operated by a Rimar Capital affiliate (the Fund).
38. The procedures indicated the firm would attempt to place orders for all the Program participants in positions proportionate with each account's size at the same price.
39. The firm's procedures stated that placing a single bunched order in initiating and exiting positions inclusive of all the Program participants would likely accomplish this result.
40. However, the procedures stated that, due to certain limitations relating to the order entry process at FCM A, which maintained all the Program participants'

accounts, orders entered as a result of trading signals generated by the Program could only contain a single "Lead Account."

41. The firm's procedures also stated to "attempt to ensure that all accounts participating in the Program have the same positions and the same prices," Rimar Capital would follow a specific order entry process, where the Fund's account would be the Lead Account while orders for all the managed customer accounts would be included as a single bunched order, referred to as the "Bunched Order Account."
42. According to the procedures, after the Program generated a trading signal, a market order would be entered for the Lead Account and, as soon as possible thereafter, a market order would be placed for the Bunched Order Account, which included the managed customer accounts.
43. The procedures continued by specifically stating that:

The Process will result in the Lead Account's market orders always being executed before the market orders placed for the Bunched Order Account. As a result, there is a possibility that the Lead Account may receive more favorable filling prices than the Bunched Order Account.
44. At the time of the exam, Rimar Capital did not operate or manage any funds, and the Rimar Capital Flagship pool had not commenced trading. Therefore, Rimar Capital and Liptz used the firm's proprietary account as the Lead Account.
45. However, by following the firm's procedures, Rimar Capital and Liptz entered orders for the firm's proprietary account prior to entering orders for its managed customer accounts.

46. NFA found in the five reviewed instances that Rimar Capital's proprietary account, because of the procedures utilized, traded ahead of managed customer account orders and received beneficial pricing in each instance.
47. The results of NFA's reviewed instances are summarized in the following table.

Table 1: Rimar Capital Proprietary Trades vs. Managed Customer Account Trades

Account Name	Account Number	Symbol	Date/Time	Quantity	Trade Price	Realized P/L	Notes
RIMAR Capital LLC	x2066	QGZ2	2022-10-24, 23:01:31	1.0000	5.80000		Opening Trade
RIMAR Capital LLC	x2066	QGZ2	2022-10-26, 22:43:36	-1.0000	6.16500	\$ 909.76	Closing Trade
Managed Account A	X1117	QGZ2	2022-10-24, 23:01:44	1.0000	5.80458		Opening Trade
Managed Account A	X1117	QGZ2	2022-10-26, 22:43:46	-1.0000	6.16500	\$ 898.30	Closing Trade
RIMAR Capital LLC	x2066	QGZ2	2022-10-25, 09:27:46	1.0000	5.85000		Opening Trade
RIMAR Capital LLC	x2066	QGZ2	2022-10-30, 19:40:48	-1.0000	5.98000	\$ 322.26	Closing Trade
Managed Account A	X1117	QGZ2	2022-10-25, 09:28:03	1.0000	5.86000		Opening Trade
Managed Account A	X1117	QGZ2	2022-10-30, 19:45:30	-1.0000	5.96500	\$ 259.76	Closing Trade
RIMAR Capital LLC	x2066	QGF3	2022-11-30, 08:53:38	1.0000	7.19000		Opening Trade
RIMAR Capital LLC	x2066	QGF3	2022-11-30, 12:59:29	-1.0000	6.98500	\$ (515.24)	Closing Trade
Managed Account A	X1117	QGF3	2022-11-30, 08:53:49	8.0000	7.19000		Opening Trade
Managed Account A	x1117	QGF3	2022-11-30, 13:00:12	-8.0000	6.97500	\$ (4,321.92)	Closing Trade
Managed Account B	x3849	QGF3	2022-11-30, 08:53:49	1.0000	7.19000		Opening Trade
Managed Account B	x3849	QGF3	2022-11-30, 13:00:12	-1.0000	6.97500	\$ (540.24)	Closing Trade
RIMAR Capital LLC	x2066	ESH3	2022-12-29, 10:00:02	1.0000	3,856.75		Opening Trade
RIMAR Capital LLC	x2066	ESH3	2022-12-29, 16:01:53	-1.0000	3,871.00	\$ 708.20	Closing Trade
Managed Account C	x4522	ESH3	2022-12-29, 10:00:32	1.0000	3,857.50		Opening Trade
Managed Account C	x4522	ESH3	2022-12-29, 16:02:11	-1.0000	3,870.75	\$ 658.80	Closing Trade
RIMAR Capital LLC	x2066	ESH3	2022-12-30, 10:00:01	-1.0000	3,841.00		Opening Trade
RIMAR Capital LLC	x2066	ESH3	2022-12-30, 16:00:54	1.0000	3,860.75	\$ (991.80)	Closing Trade
Managed Account C	x4522	ESH3	2022-12-30, 10:00:30	-1.0000	3,841.67		Opening Trade
Managed Account C	x4522	ESH3	2022-12-30, 16:01:12	1.0000	3,861.75	\$ (1,007.33)	Closing Trade

48. To illustrate, on October 24, 2022 at 23:01:31, Rimar Capital's proprietary account bought one E-mini Natural Gas contract at a price of 5.80000. Approximately 13 seconds later, Rimar Capital placed a similar trade for a managed customer account (*i.e.*, Managed Account A) at a less favorable price of 5.80458.
49. On October 26, 2022 at 22:43:36, Rimar Capital's proprietary account unwound its position and sold one E-mini Natural Gas contract at a price of 6.16500 for a

realized profit of \$909.76. Approximately 10 seconds later, Rimar Capital placed a similar trade for Managed Account A at the same price for a lesser profit of \$898.30.

50. Thus, by executing the buy trade for its own account at a more favorable price (*i.e.*, 5.80000) prior to executing the trade for its customer at an inferior price (*i.e.*, 5.80458), Rimar Capital generated a greater profit for its proprietary account.
51. In another example, on October 25, 2022 at 9:27:46, Rimar Capital's proprietary account bought one E-mini Natural Gas contract at a price of 5.85000. Nearly 17 seconds later, the firm placed a similar trade for Managed Account A at a less favorable price of 5.86000.
52. On October 30, 2022 at 19:40:48, the firm's proprietary account unwound its position and sold one E-mini Natural Gas contract at a price of 5.9800 for a realized profit of \$322.26. Nearly five minutes later, the firm unwound the E-mini Natural Gas position for Managed Account A at a less desirable price of 5.9650 and a realized profit of \$259.76, which was less than what the firm's proprietary account earned for its similar trade.
53. In each of the orders NFA reviewed, Rimar Capital's proprietary account benefited – either by realizing a greater profit or a lesser loss – to the detriment of managed customer accounts.
54. NFA questioned Liptz about the firm consistently placing trades in its proprietary account ahead of the orders placed on behalf of its customers' managed accounts. In response, Liptz claimed that these types of trading methods were

compliant in South Africa and Israel, other countries he resided and did business in, and that he was unaware this was not allowed in the US.

55. NFA also cited the firm in the exam report for trading its own account ahead of the firm's customer orders. In its response to NFA's exam finding, the firm (through its attorney) stated it "did not purposefully place trades for the proprietary account ahead of client accounts."

56. However, as alleged above, Rimar Capital and Liptz caused the trading ahead to occur by following the firm's deficient written procedures.

57. By reason of the foregoing acts and omissions, Rimar Capital and Liptz are charged with violating NFA Compliance Rule 2-4.

COUNT III

VIOLATION OF NFA BYLAW 301(b): ALLOWING AN UNREGISTERED INDIVIDUAL TO ACT AS AN ASSOCIATED PERSON WITHOUT BEING REGISTERED IN SUCH CAPACITY AND AN NFA ASSOCIATE.

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

59. NFA Bylaw 301(b) provides, in part, that no person may be associated with an NFA Member unless the person is registered with the CFTC as an AP and an NFA Associate.

60. An AP is an individual who solicits orders, customers, or customer funds (or supervises persons so engaged) on behalf of a CTA or other registrant (e.g., FCMs).

61. As alleged above, Affiliated Individual solicited prospective customers to open managed accounts even though he was not registered as an AP of the firm and an NFA Associate.

62. By reason of the foregoing acts and omissions, Rimar Capital is charged with violation of NFA Bylaw 301(b).

COUNT IV

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

63. The foregoing paragraphs are realleged as if fully stated herein.
64. As the foregoing discussion illustrates, the firm and Liptz had significant deficiencies with their e-mail communications and promotional materials, permitted an unregistered individual to solicit customers, and failed to adhere to high standards of commercial honor. Each deficiency independently demonstrates significant supervisory shortcomings.
65. In addition, Liptz lacked the necessary compliance knowledge to supervise firm operations and employees in adherence with CFTC and NFA requirements.
66. During the exam, NFA requested investment advisory agreements for a sample of the firm's managed account clients, which Rimar Capital subsequently provided.
67. Through the e-communication review, NFA identified that Liptz sent the advisory agreements to customers to sign – not before the firm commenced trading or began funding accounts as required – but instead, only after receiving NFA's request for the agreements.
68. Specifically, the day after NFA's request for the agreements, Liptz e-mailed a customer instructing him to review and complete attached disclosure documents (*i.e.*, investment advisory agreements). In a subsequent e-mail to the same customer, Liptz explained "this is a general doc for the NFA."

69. The firm and Liptz also failed to follow firm procedures related to customer complaints.
70. Firm procedures dictate that any complaints (*i.e.*, a grievance in connection with investment advice or placing orders on behalf of customers) be immediately forwarded to the CCO; that no supervisory personnel attempt to resolve a complaint without CCO involvement; and that the firm maintain a complaint log, among other things.
71. During the 2023 exam, NFA requested the firm and Liptz to provide their customer complaint log. In response, Liptz stated "no complaints have been received, therefore [t]here is no complaint log." However, through a review of the firm's e-mails, NFA noted several complaints from customers, ranging from concerns about trading losses to a customer questioning why the firm charged inactivity fees when the firm had not commenced trading.
72. Additionally, personnel other than Liptz often attempted to resolve complaints and, on at least one occasion, did not escalate a complaint (*i.e.*, about the firm's failure to provide investor account documents) to Liptz for several months.
73. The firm and Liptz also failed to adequately supervise their promotional material distribution process as they did not track which versions they provided to prospective participants or the date of distribution.
74. By reason of the foregoing acts and omissions, Rimar Capital and Liptz 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 (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

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;

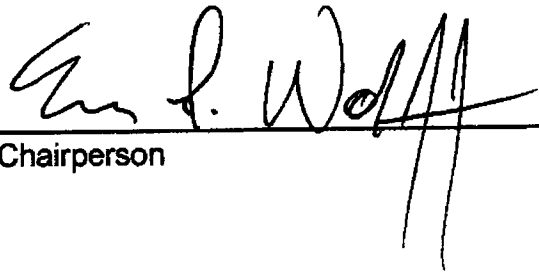
- (d) a monetary fine not to exceed \$500,000 for each violation found; and
- (e) order to cease and desist or any other fitting penalty or remedial action not inconsistent with these penalties.

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 Respondents who are individuals 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: March 18, 2024

By: 
Chairperson