In the Matter of: QUANTS CAPITAL MANAGEMENT INC. (NFA ID #418577), and GOKHAN KISACIKOGLU (NFA ID #418741),
Respondents.

NATIONAL FUTURES ASSOCIATION BEFORE THE BUSINESS CONDUCT COMMITTEE

NFA Case No. 17-BCC-014

COMPLAINT

Having reviewed the investigative report submitted by NFA’s Compliance Department, and having found reason to believe that NFA Compliance Rules (NFA Requirements) are being, have been, or are about to be violated and that the matter should be adjudicated, this Committee issues this Complaint against Quants Capital Management Inc. (Quants) and Gokhan Kisacikoglu (Kisacikoglu).

ALLEGATIONS

JURISDICTION

1. At all time relevant to this Complaint, Quants was a commodity pool operator (CPO) Member of NFA, located in El Segundo, California. As such, Quants 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, Kisacikoglu was a listed principal and associated person (AP) of Quants, and an NFA Associate. As such, Kisacikoglu
was and is required to comply with NFA Requirements and is subject to disciplinary proceedings for violations thereof.

**BACKGROUND**

3. Quants has been an NFA Member since May 2010 and Kisacikoglu has been the firm's sole AP and principal since the firm's inception.

4. In November 2012, the BCC issued a Complaint against Quants and Kisacikoglu charging them with failing to produce certain records requested by NFA in the course of an examination of Quants and failing to file an unaudited liquidation statement for a pool that the firm operated.

5. Quants and Kisacikoglu settled the 2012 BCC case by paying a $12,500 fine to NFA and agreeing, among other things, to produce to NFA the records that it had failed to produce during NFA's exam. Quants and Kisacikoglu also agreed to engage a third-party administrator to provide recordkeeping and administrative services to the firm and any pool that it operates to ensure that proper records are maintained for the firm and any of its pools.

6. NFA commenced an examination of Quants in February 2017 and found that the firm failed to prepare and distribute pool statements and that Quants and Kisacikoglu used a misleading disclosure document and promotional material, as alleged in detail below.

7. Moreover, throughout the exam, Kisacikoglu was continually late in complying with NFA’s document request deadlines. Kisacikoglu was also late in responding to the examination report, which NFA sent on June 30, 2017.

8. Upon receiving the exam report, Kisacikoglu sent an e-mail to NFA indicating that he would address the material findings of the exam, immediately. However,
Kisacikoglu did not immediately respond to the exam report nor did he respond by the July 17, 2017 deadline.

9. On August 2, 2017, after NFA inquired as to the status of Quants' response, Kisacikoglu sent an e-mail to NFA indicating that the exam response was finished and was being reviewed by his attorney.

10. On August 21, 2017, NFA received a "preliminary response" from Kisacikoglu, which addressed the deficiencies noted in the exam report and discussed the corrective action that Quants would take to remedy such deficiencies. However, to date, even after being notified by NFA, Quants and Kisacikoglu have failed to undertake any meaningful corrective action to address the deficiencies cited in the exam report.

**APPLICABLE RULES**

11. NFA Compliance Rule 2-13(a) provides, in pertinent part, that any Member who violates any of CFTC Regulations 4.1, 4.7, 4.12 and 4.16 through 4.41 shall be deemed to have violated an NFA requirement.

12. 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 customer.

13. NFA Compliance Rule 2-29(a)(1) provides that no Member or Associate shall make any communication with the public which operates as a fraud or deceit.

14. NFA Compliance Rule 2-29(b)(1) provides that no Member or Associate shall use any promotional material which is likely to deceive the public.

15. NFA Compliance Rule 2-29(b)(2) provides that no Member or Associate shall use any promotional material which contains any material misstatement of fact or which
the Member or Associate knows omits a fact if the omission makes the promotional material misleading.

16. NFA Compliance Rule 2-29(c)(1) provides, in pertinent part, that any Member or Associate who uses promotional material – which includes a measurement or description of or makes any reference to hypothetical performance results which could have been achieved had a particular trading system of the Member or Associate been employed in the past – must include in the promotional material the hypothetical disclaimer prescribed by the rule.

17. NFA Compliance Rule 2-29(c)(5) requires that any Member or Associate utilizing promotional material containing hypothetical performance results must adhere to all the requirements contained in the Board’s Interpretive Notice (Notice) relating to this issue. In pertinent part, the Notice requires Members and Associates to describe in the promotional material all of the material assumptions that were made in preparing the hypothetical results. At a minimum, the description of material assumptions must cover points such as initial investment amount, reinvestment or distribution of profits, commission charges, management and incentive fees, and the method used to determine purchase or sale prices for each trade.

**COUNT I**

**VIOLATION OF NFA COMPLIANCE RULE 2-13: FAILING TO PREPARE AND DISTRIBUTE POOL STATEMENTS**

18. The allegations contained in paragraphs 1, 6 and 7, and 11 are realleged as paragraph 18.

19. In 2016, Quants listed a new pool with NFA – Quants Fund LP (Quants Fund) – which prompted NFA to conduct an examination of Quants which commenced in February 2017.
20. At the beginning of the exam, Kisacikoglu represented to the NFA exam team that the Quants Fund had not started trading but that Quants was in the process of soliciting participants for the pool. In April 2017, the Quants Fund obtained its first participant, who invested $1 million, and the pool began trading.

21. Due to the Quants Fund accepting funds from its first participant and commencing trading in April 2017, Quants was required to complete an account statement for the Quants Fund as of April 30, 2017 and provide the account statement to the participant by May 30, 2017.

22. NFA contacted Kisacikoglu and requested a copy of the April 2017 account statement but Kisacikoglu represented that the account statement was still in the process of being completed. Over the next several weeks, NFA contacted Kisacikoglu numerous times in an effort to obtain the account statement and determine the cause of the delay in completing it.

23. On June 6, 2017, Kisacikoglu sent an e-mail to NFA representing that the April 2017 pool statement should be "issued later today." However, the statement was not issued that day. Several days later, on June 13, 2017, Kisacikoglu sent another e-mail to NFA stating that the April pool statement still had not been completed because the pool's administrator had gone on vacation but that he planned to finish the statement "by myself shortly this week."

24. Not having received the April 2017 pool statement, NFA e-mailed Kisacikoglu on June 20, 2017, requesting an update on the status of the April 2017 pool statement for the Quants Fund. However, Kisacikoglu failed to reply to NFA's e-mail.

25. The following day (June 21, 2017), NFA sent another e-mail to Kisacikoglu requesting contact information for the administrator of the Quants Fund and also
reminding him that the April 2017 pool statement was past due and that the May 2017 pool statement for Quants Fund was nearing its due date.

26. Kisacikoglu replied to NFA's e-mail by stating that the pool's administrator should be able to produce the bank statements and carrying broker statements for the Quants Fund later that day. However, such documents were not provided to NFA until the following day (June 22, 2017) and still missing from these documents was the April 2017 pool statement for the Quants Fund.

27. On June 29, 2017, NFA received an e-mail from the administrator for the Quants Fund stating that she was still working on completing the April and May 2017 pool statements for the Quants Fund and that they should be completed in early July 2017. The administrator also stated that she had been delayed in completing the pool statements because Kisacikoglu had just provided her with the organizational expenses for the pool the previous day (June 28, 2017). Subsequently, the administrator quit her position with Quants and the firm is in the process of hiring a new administrator.

28. On September 13, 2017, Kisacikoglu sent NFA a document called an "interim report" which he claimed he had given to the pool's sole participant for his use until the formal April 2017 pool account statement could be finalized.

29. The "interim report" contained some of the information required by CFTC Regulation 4.22 to be included in a monthly pool account statement but not all required information, e.g., it did not include a statement of changes in NAV, it failed to include certain expenses, and it did not identify gains/losses from non-commodity trading activity.
30. To date, NFA still has not received copies of the final April monthly pool statement or the May and June 2017 pool statements.

31. Quants filed a 4.7 exemption for the Quants Fund on August 3, 2017, which allowed the Quants Fund to provide account statements to pool participants on a quarterly, instead of a monthly, basis.

32. Kisacikoglu represented to NFA that he had provided "quarterly reporting" to the Quants Fund's sole participant relating to the quarter ending June 30, 2017. However, Kisacikoglu indicated that this "quarterly reporting" could be revised and reissued after a new administrator was retained. Thus, it appears that the quarterly pool statement for the above quarter still has not been finalized.

33. By reason of the foregoing acts and omissions, Quants is charged with violating NFA Compliance Rule 2-13.

COUNT II

VIOLATION OF NFA COMPLIANCE RULES 2-13, 2-2(a), 2-29(a)(1), 2-29(b)(1), 2-29(b)(2), 2-29(c)(1), and 2-29(c)(5): PREPARING AND DISTRIBUTING MISLEADING PROMOTIONAL MATERIAL, INCLUDING A MISLEADING DISCLOSURE DOCUMENT

34. The allegations contained in paragraphs 1, 2, 6, and 11 through 17 are realleged as paragraph 34.

35. As part of the examination, NFA also reviewed Quants' promotional material, including the Quants Fund's website, its September 21, 2016 disclosure document, and a December 2016 tear sheet. NFA's review of this promotional material found that it contained misleading information concerning Quants' trading history and performance.

36. The Quants Fund's disclosure document included performance information for a "Quants S&P 500 Arbitrage Program" which reflected returns of 64% for 2012, 49%
for 2013, and average assets under management totaling $6.7 million. NFA questioned Kisacikoglu about these numbers and he claimed that they represented the performance and assets under management of a foreign broker who had discretion over customer accounts of a foreign bank.

37. Kisacikoglu claimed that he "consulted" on these accounts but he had no brokerage statements or other third-party documents to substantiate the returns purportedly achieved by the foreign broker. Moreover, Kisacikoglu admitted that neither he nor Quants had discretion over these accounts or received any performance or incentive fees for these accounts. Kisacikoglu did not even know the identities of the customers.

38. As neither Quants nor Kisacikoglu had discretion over the above accounts, the inclusion of their purportedly highly-profitable performance in the Quants Fund's disclosure document was extremely misleading.

39. The Quants Fund's December 2016 tear sheet and website also included a number of dramatic profit claims, e.g., that the Fund had annual returns in excess of 70%. However, these performance claims had nothing to do with Quants or the Quants Fund.

40. Kisacikoglu admitted that these claims related to the accounts purportedly traded by the foreign broker. However, as previously alleged, Kisacikoglu did not have discretion over these accounts. Thus, including the foregoing performance claims in the promotional material for Quants and the Quants Fund was highly deceptive and misleading.

41. Additionally, the tear sheet also contained profitable hypothetical performance. However, the performance was not labeled as hypothetical and – although the tear
sheet included a disclaimer that referenced hypothetical performance – the disclaimer also discussed actual performance results, making it unclear whether the returns were actual or hypothetical.

42. The tear sheet also failed to disclose the material assumptions that were made when preparing the hypothetical results, such as initial investment amount, reinvestment or distribution of profits, commission charges, management or incentive fees, and the method used to determine the purchase or sale price of each trade.

43. The above violations were compounded by the fact that Kisacikoglu was continually late in complying with NFA's document request deadlines. Kisacikoglu was also late in responding to the examination report which NFA sent on June 30, 2017. Upon receiving the exam report, Kisacikoglu sent an e-mail to NFA indicating that he would address the material findings of the exam, immediately. However, Kisacikoglu did not immediately respond to the exam report nor did he respond by the July 17, 2017 deadline.

44. On August 2, 2017, after NFA inquired as to the status of Quants' response, Kisacikoglu sent an e-mail to NFA indicating that the exam response was finished and was being reviewed by his attorney.

45. On August 21, 2017, NFA received a "preliminary response" from Kisacikoglu, which addressed the deficiencies noted in the exam report and discussed the corrective action that Quants would take to remedy such deficiencies. However, to date, even after being notified by NFA, Quants and Kisacikoglu have failed to undertake any meaningful corrective action to address the deficiencies cited in the exam report.
46. By reason of the foregoing acts and omissions, Quants is charged with violating
NFA Compliance Rule 2-13 and – together with and Kisacikoglu – NFA Compliance
Rules 2-2(a), 2-29(a)(1), 2-29(b)(1), 2-29(b)(2), 2-29(c)(1), and 2-29(c)(5).

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
Facsimile: 312-781-1672

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, the Committee may impose one or more of the following
penalties:
(a) expulsion or suspension for a specified period from NFA membership;
(b) bar or suspension for a specified period from association with an NFA Member;
(c) censure or reprimand;
(d) a monetary fine not to exceed $250,000 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. Respondents in this case who apply for registration in any new capacity, including as an AP with a new sponsor, may be denied registration based on the pendency of this case.

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: 10/04/2017
By: [Signature]
Chairperson