

FILED

JUN 30 2014

NATIONAL FUTURES ASSOCIATION
BEFORE THE
BUSINESS CONDUCT COMMITTEE

NATIONAL FUTURES ASSOCIATION
LEGAL DOCKETING

In the Matter of:)	
)	
GLOBAL FUTURES EXCHANGE)	
& TRADING CO., INC.)	
(NFA ID #289721),)	
)	
and)	NFA Case No. 14-BCC-011
)	
KATTAYOUN HAKIMIAN)	
(NFA ID #289701),)	
)	
Respondents.)	

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 Global Futures Exchange and Trading Co., Inc. (Global Futures) and Kattayoun Hakimian (Hakimian).

ALLEGATIONS

JURISDICTION

1. At all times relevant to this Complaint, Global Futures was an independent introducing broker (IB) Member of NFA. As such, Global Futures 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, Hakimian was an associated person (AP), a forex AP, and a listed principal of Global Futures, and an NFA Associate. As such, Hakimian was and is required to comply with NFA Requirements and is subject to disciplinary proceedings for violations thereof. Global Futures is liable for violations of NFA Requirements committed by Hakimian in the course of her activities on behalf of the firm.

BACKGROUND

3. Global Futures is located in Tarzana, California and has been an IB NFA Member since 1998. The firm became a notice-registered broker dealer in November 2002 and was approved as a Forex Firm in October 2010.
4. Global Futures currently maintains two branch offices – one in Trout Creek, Montana and the other in Las Vegas, Nevada. As of February 2013, Global Futures had over 2,000 active futures accounts and 560 active forex accounts, and employed approximately 20 APs.
5. Hakimian is the owner and president, in addition to being a listed principal, AP, and forex AP, of Global Futures. Besides Hakimian, Global Futures currently lists four other principals, three of whom are also APs of the firm who report to Hakimian.
6. In May 2011, Global Futures became subject to the Enhanced Supervisory Requirements under NFA Compliance Rule 2-9(a) since 20% or more of its APs previously had been employed by one or more Disciplined Firms. As a result of being subject to the Enhanced Supervisory Requirements, Global Futures has an increased capital requirement of \$250,000, is required to record all telephone

calls between its APs and existing or potential customers and maintain logs of these calls, and submit its promotional material to NFA for pre-approval.

7. NFA has examined Global Futures regularly over the years, conducting ten exams of either its main office or a branch office since 1998, mainly because of repeat deficiencies noted during the exams.
8. NFA's 2009 exam cited Global Futures for failing to maintain accurate books and records regarding its net capital computations, incorrectly calculating its net capital requirement, failing to adopt and implement an adequate anti-money laundering (AML) program, and using deficient promotional material. In Global Futures' response to the 2009 exam report, it indicated that it had taken corrective measures to address the deficiencies cited in the exam.
9. NFA's 2013 exam of Global Futures found many repeat deficiencies from the 2009 exam mostly involving Global Futures' financial recordkeeping and AML program. These repeat deficiencies, which are alleged in detail below, constitute violations of NFA Requirements and demonstrate a failure on the part of Global Futures and Hakimian to diligently supervise Global Futures' operations.

APPLICABLE RULES

10. NFA Compliance Rule 2-10(a) provides, in pertinent part, that each Member shall maintain adequate books and records necessary and appropriate to conduct its business including, without limitation, the records required to be kept under Commodity Futures Trading Commission (CFTC) Regulations 1.18 and 1.32 through 1.37, 1.68, and 1.71.

11. NFA Financial Requirements Section 4 requires, in pertinent part, that an IB who violates any of CFTC Regulations 1.10, 1.12, 1.16, 1.17, 1.20 through 1.30, 5.6, 5.7, 30.7 or 22.2 through 22.16 (as applicable) is deemed to have violated an NFA Requirement.
12. 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.
13. NFA Compliance Rule 2-36(e) provides that each Forex Dealer Member (FDM) shall diligently supervise its employees and agents in the conduct of their forex activities for or on behalf of the FDM. Each Associate of an FDM who has supervisory duties shall diligently exercise such duties in the conduct of that Associate's forex activities for or on behalf of the FDM.
14. NFA Compliance Rule 2-39(a) provides that Members or Associates who solicit customers, introduce customers to a counterparty, or manage accounts on behalf of customers in connection with forex transactions shall comply with Sections (a), (b), (c), (d), (e), (h), and (l) of Compliance Rule 2-36.

COUNT I

VIOLATIONS OF NFA FINANCIAL REQUIREMENTS SECTION 4 AND NFA COMPLIANCE RULE 2-10(a): FAILURE TO MAINTAIN COMPLETE AND ACCURATE FINANCIAL RECORDS, PREPARE ACCURATE NET CAPITAL COMPUTATIONS, AND COMPLY WITH THE EQUITY WITHDRAWAL RESTRICTION.

15. The allegations contained in paragraphs 1 and 3 through 11 are realleged as paragraph 15.
16. As alleged above, NFA's 2013 exam of Global Futures identified several inadequacies with respect to the firm's financial recordkeeping which were similar to deficiencies noted in NFA's 2009 exam. For example, the 2013 exam – like the 2009 exam – found that Global Futures did not maintain accurate books and records as evidenced by the fact that the firm's balance sheet, general ledger, and other internal records were not in agreement even though they were supposedly generated from the same internal source.
17. Additionally, Global Futures did not properly calculate its net capital or accrue for certain accounts payable. There were also inconsistencies between balances reported in the firm's balance sheet and in its net capital computations.
18. As part of the 2013 exam, NFA required Global Futures to make numerous adjustments to its balance sheet. These adjustments were necessitated by the following errors on the balance sheet: reconciling items that had cleared the firm's bank account but were still reflected on the firm's internal cash reconciliation were not properly accounted for; receivables from futures commission merchants were not properly recorded; commissions receivable – which were outstanding more than 30 days – were misclassified as current rather

than non-current assets; and accounts payable were not properly accrued for.

The above adjustments were similar to the adjustments NFA proposed to the firm in the 2009 exam and, although such adjustments did not negatively affect Global Futures' capital, they should not have been necessary if the firm had taken corrective measures to address the financial recordkeeping deficiencies NFA noted during the 2009 exam.

19. The numerous adjustments that were required to be made to Global Futures' balance sheet calls into question the qualifications and competency of the firm's personnel – who prepared the firm's financial books and records – as well as the competency of the firm's outside accountant, who was unable to answer basic questions during the 2013 exam regarding the firm's monthly financials.
20. The financial deficiencies noted during the 2013 exam required Global Futures to amend its 1-FRs from June 2012 to June 2013. However, almost six months elapsed before Global Futures corrected all of its 1-FRs, despite numerous inquiries from NFA concerning the 1-FRs.
21. While Global Futures was in the process of making the adjustments to its monthly financial statements, the firm submitted its June 30, 2013 annual financial statement (AFS) to NFA. However, the AFS did not reflect any of the adjustments proposed by NFA during the 2013 exam and did not agree with either the 1-FR originally filed with NFA or the corrected 1-FR. The AFS also failed to include any reconciliation to explain differences between the firm's audited and unaudited financial statement.

22. In early February 2014, NFA advised Hakimian that all of Global Futures' monthly financial statements for January through December 2013, as well as the firm's June 30, 2013 AFS, were deficient.
23. At that time, Hakimian admitted that Global Futures had provided NFA with certain records that were incorrect and that the firm had not made all of the adjustments requested by NFA during the 2013 exam. However, Hakimian told NFA that she was confident that the firm's accounting staff was properly reconciling the firm's accounts and preparing timely net capital computations.
24. Yet, just a few weeks later, Global Futures submitted an inaccurate March 31, 2014 1-FR to NFA. The reason the 1-FR was inaccurate was because firm personnel had used an incorrect number for APs and branch offices in calculating the firm's minimum net capital requirement. Subsequently, the firm resubmitted the March 31, 2014 1-FR three more times before finally submitting a correct 1-FR.
25. Global Futures' adjusted net capital also fell below its equity withdrawal restriction level of \$300,000 at various times between July 1, 2012 and January 31, 2013 due to several capital withdrawals made by Hakimian – a \$200,000 withdrawal on July 3, 2012; a \$100,000 withdrawal on November 14, 2012; a \$20,000 withdrawal on January 23, 2013; and a \$2,000 withdrawal on January 31, 2013.
26. By reason of the foregoing acts and omissions, Global Futures is charged with violations of NFA Financial Requirements Section 4 and NFA Compliance Rule 2-10(a).

COUNT II

VIOLATION OF NFA COMPLIANCE RULES 2-9(a) AND 2-36(e): FAILURE TO ADEQUATELY SUPERVISE THE FIRM'S EMPLOYEES, AGENTS AND ITS FUTURES AND FOREX OPERATIONS.

27. The allegations contained in paragraphs 1 through 9, 12 through 14 and 16 through 25 are realleged as paragraph 27.
28. Hakimian is the owner and president of Global Futures and is ultimately responsible for the firm's overall operations. As such, Hakimian was obligated to ensure that Global Futures and its employees complied with NFA Requirements, including NFA financial requirements.
29. As evidenced by the violations alleged above, Global Futures and Hakimian failed to adequately carry out their supervisory duties to ensure that Global Futures maintained complete and accurate financial books and records, prepared accurate net capital computations, and complied with the equity withdrawal restriction. Moreover, Hakimian – by making capital withdrawals that caused Global Futures to fall below its equity withdrawal restriction – was directly responsible for the firm's multiple breaches of the equity withdrawal restriction.
30. Global Futures and Hakimian also failed to supervise the firm's AML program, as evidenced by the firm's failure to: a) obtain essential information from customers as part of the customer identification process (e.g., the date of birth for individual customers, and the tax identification number for customers which were U.S. entities), and b) adopt procedures as part of its AML program that address how often Global Futures would review accounts for suspicious activity, and what additional monitoring the firm would perform of high-risk accounts.

31. In addition, Global Futures and Hakimian failed to supervise and monitor Global Futures compliance with the Enhanced Supervisory Requirements, particularly the requirement to file promotional material with NFA for pre-approval. As a consequence, Global Futures failed to submit several pieces of promotional material to NFA prior to first use, including three websites and a webinar.
32. Global Futures and Hakimian also failed to adequately supervise the firm's supervisory personnel to ensure that they reviewed and approved all of the firm's promotional material. As a result, two of the firm's websites were never reviewed or approved by supervisory personnel. Moreover, Global Futures and Hakimian failed to take steps to guarantee that the firm adopted written procedures to monitor the use of its promotional materials by third parties (e.g., banner ads, webinars).
33. Additionally, Global Futures and Hakimian failed to ensure that the firm had procedures in place to make certain that customers who traded according to a particular trading program – pursuant to letters of direction – experienced reasonably similar rates of return. Further, after NFA cited this deficiency in the 2013 exam report, it took Global Futures almost four months to implement procedures to monitor the performance of customers trading a particular trading program to ensure that their results were similar.
34. Recently, Global Futures entered into a relationship with a commodity trading advisor (CTA) NFA Member to offer the CTA's trading program to the public through Global Futures' website. Global Futures submitted procedures to NFA's Promotional Material Group outlining the ways it would supervise this

arrangement, and monitor clients' trading activity to ensure that any advertised rates of returns were reflective of actual results. These procedures were deemed inadequate by NFA's Promotional Material Group which required Global Futures to submit revised procedures.

35. Subsequently, Global Futures submitted several versions of revised procedures that were also inadequate and incomplete. It was Global Futures and Hakimian's responsibility to oversee the preparation and submission of these procedures and to make certain that they were acceptable to NFA's Promotional Material Group. However, it is apparent that Global Futures and Hakimian failed to fulfill their responsibilities in this regard.
36. The facts and circumstances detailed above demonstrate an ongoing failure on the part of Global Futures and Hakimian – due to their inability or lack of commitment – to diligently supervise the firm's operations to ensure compliance with NFA Requirements.
37. By reason of the foregoing acts and omissions, Global Futures and Hakimian are charged with violations of NFA Compliance Rule 2-9(a) and 2-36(e), as incorporated by and in NFA Compliance Rule 2-39(a).

PROCEDURAL REQUIREMENTS

ANSWER

You must file a written Answer to the Complaint with NFA within thirty 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 infor-

mation 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 S. Riverside Plaza, Suite 1800
Chicago, Illinois 60606-3447
Attn: Legal Department-Docketing

E-Mail: Docketing@nfa.futures.org
Facsimile: 312-781-1672

Failure to file an Answer 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 shall also be deemed a waiver of the right to a hearing.

POTENTIAL PENALTIES, DISQUALIFICATION AND INELIGIBILITY

At the conclusion of the proceedings conducted in connection with the issuance of this Complaint, NFA 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.

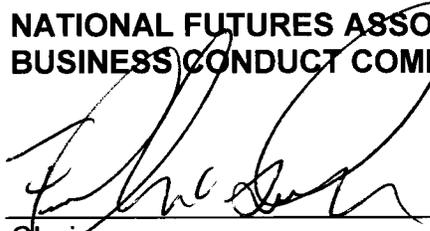
The allegations in this Complaint may constitute a statutory disqualification from registration under Section 8a(3)(M) of the Commodity Exchange Act.

Respondents herein 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: 04/30/2014

By: 
Chairperson

m/cxc/Complaints/Global Futures Exchange & Trading