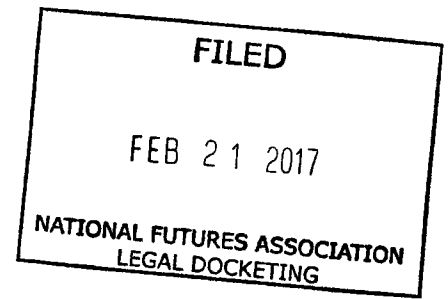


**NATIONAL FUTURES ASSOCIATION  
BEFORE THE  
BUSINESS CONDUCT COMMITTEE**



In the Matter of:  
  
PRATIK PATEL  
(NFA ID #431507),  
  
Respondent.

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NFA CASE NO. 17-BCC-002

**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, this Committee issues this Complaint against Pratik Patel (Patel).

**ALLEGATIONS**

**JURISDICTION**

1. At all times relevant to this Complaint, Patel was an NFA Associate and the sole associated person (AP) and principal of Patel Futures LLC (PFL), an NFA Member introducing broker located in Houston, Texas. As such, Patel was and is required to comply with NFA Requirements and is subject to disciplinary proceedings for violations thereof.

**BACKGROUND**

2. Patel was named in an NFA arbitration case in 2014. The Claimant in that case alleged that he had given Patel \$7,000 to trade futures on his behalf; that he sent the \$7,000 directly to Patel's personal bank account; that the last statement he

received from Patel showed that his investment had increased in value to approximately \$9,500; but that when he subsequently contacted Patel and asked to withdraw his funds Patel claimed that his funds had been lost through trading. At the conclusion of the arbitration, the Claimant was awarded \$3,750 in damages.

3. More recently, in January 2017, NFA received a customer complaint against Patel from a woman (Customer A) who represented that she had invested approximately \$17,000 in a fund operated by Patel called KCTP Investment Fund (KCTP); that she had received periodic written updates from Patel concerning her investment; that the most recent updates she had received showed her investment to be worth approximately \$40,000; that she had asked Patel to redeem her interest in the fund but Patel claimed that her redemption would take some time as he was in the process of trying to determine the final value of her investment; and that she still has not received her redemption and Patel has now stopped responding to her e-mails and phone calls.
4. Based on Customer A's complaint, and the fact that NFA's records did not show any listing for KCTP or any other pools, exempt or otherwise, operated by Patel or PFL, NFA commenced an exam of Patel on January 26, 2017.
5. NFA's exam found that Patel solicited and accepted funds from at least four customers; that he sent false monthly statements to at least one of these customers; and that he had misappropriated at least part of the funds he received from customers. In addition, Patel provided false and misleading information to NFA's exam team concerning his activities.

## APPLICABLE RULES

6. 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.
7. NFA Compliance Rule 2-2 (c) provides that no Member or Associate shall willfully make or cause to be made to a customer a false report, or willfully to enter or cause to be entered for a customer a false record, in or in connection with any commodity futures contract.
8. NFA Compliance Rule 2-2 (f) provides that no Member or Associate shall willfully submit materially false or misleading information to NFA or its agents.
9. NFA Compliance Rule 2-2 (h) provides that no Member or Associate shall embezzle, steal, purloin or knowingly convert any money, securities or other property received from or accruing to a customer, client or pool participant in or in connection with commodity futures contracts.

## COUNT I

**VIOLATION OF NFA COMPLIANCE RULES 2-2(A),(C), (F), AND (H): PROVIDING FALSE REPORTS TO CUSTOMERS CONCERNING THE VALUE OF THEIR INVESTMENTS, MISAPPROPRIATING CUSTOMERS' FUNDS, AND PROVIDING FALSE AND MISLEADING INFORMATION TO NFA .**

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10. The allegations contained in paragraphs 1 through 9 are realleged as paragraph 10.
11. In connection with NFA's exam, NFA learned that Patel had a total of three trading accounts, all of which were in his name – an account at Ironbeam, Inc. (Ironbeam), which was open from June 2007 through September 2010; an account at Open E Cry LLC (Open E Cry), which was open from October 2010

through January 2012; and an account at Dorman, which was open from March 2012 through December 2013. A total of approximately \$50,000 was deposited into these accounts, approximately \$13,000 was withdrawn, and most of the remainder was lost through trading.

12. At the beginning of the exam, NFA discussed the 2014 arbitration case with Patel. Patel admitted that he had accepted funds from the arbitration Claimant and that such funds were deposited directly into Patel's personal trading account. However, Patel maintained that the Claimant was fully aware of the activity in Patel's trading account, including the trading losses that the account had sustained.
13. NFA asked Patel if he had ever taken money, for purposes of trading, from anyone besides the arbitration Claimant; if he had ever operated a pool; and/or if he had ever managed funds of any other individuals. Patel represented to NFA that he had not engaged in any of those activities.
14. NFA also asked Patel what trading accounts he currently maintained or had maintained in the past. Patel indicated that he had previously had accounts at Open E Cry and Dorman, but failed to mention the account at Ironbeam, even though it had more deposits than either the Open E Cry or the Dorman account.
15. In light of Patel's claim that he had never traded any customer's funds other than the arbitration Claimant's, NFA asked him about Customer A and her claim that she had invested in Patel's KCTP fund. Patel told NFA that Customer A was an old girlfriend who had "given" him money that he invested in KCTP – which he said was a D/B/A name that he used – and that all of Customer A's money had

- been lost through trading. Patel claimed that he had informed Customer A that all of her money had been lost.
16. NFA asked Patel about the "updates" Customer A claimed she had received from him. Patel represented that these updates showed the profits Customer A "could have made" had she not sustained trading losses. Patel also represented that he had not been in contact with Customer A, recently. Later, however, Patel changed his story and admitted that he had corresponded with Customer A in the last few months and that she had asked for her money back.
  17. Patel also admitted telling Customer A that he would be able to reimburse her once the "accounting" for her investment was completed. He claimed that this was done to "keep her at bay" and was meant to give her the impression that he would be willing to settle with her for the losses she had sustained. Patel described Customer A's requests as a "shakedown" and opined that Customer A must have seen recent social media postings in which he boasted of his recent purchase of a Corvette and a new house for his parents.
  18. NFA subsequently contacted and spoke with the arbitration Claimant in the 2014 arbitration case about his dealings with Patel. During their conversation, the arbitration Claimant told NFA that he had two cousins (Customers B and C) who had also invested with Patel and had received full redemptions of their investments.
  19. NFA subsequently contacted Customers B and C. Customer B told NFA that he had invested \$2,000 with Patel and produced e-mails he had received from Patel in which Patel solicited him to invest in a "futures trading fund." According to

Patel's e-mails, Customer B's funds would be held in a "segregated trading account" which Patel would manage. Patel agreed to split the profits – 50/50 – with Customer B.

20. In one of the e-mails, Customer B asked Patel what his monthly return would be and Patel responded that Customer B had made 10% his first month and could expect "an average return per month" ranging "from 10%-40%."
21. NFA reviewed a monthly account statement that Customer B received from Patel which was dated May 3, 2013 and was purportedly from Open E Cry. The account number on the statement matched the account number for Patel's account at Open E Cry. The statement contained an account summary and listed a cash balance of \$4,700.
22. The May 3, 2013 monthly account statement was a phony statement. There was no name on the statement, but – as alleged, above – the account number on the statement was Patel's account number at Open E Cry. However, Patel's account at Open E Cry had been closed for over a year prior to May 3, 2013, the date of the statement.
23. NFA confronted Patel with the inconsistencies surrounding the May 3, 2013 statement. At first, Patel denied sending any statements to Customer B, but when NFA showed him the May 3, 2013 statement, Patel admitted that he "could have" sent it. Patel also admitted that – in addition to the 2014 arbitration Claimant, and Customers A, B and C – he had also received money from another customer, Customer D. Patel further admitted that he had provided some, if not all, of these customers with falsified carrying broker statements.

24. For example, Patel sent Customer D statements from Open E Cry that Patel had doctored to reflect trading gains when, in fact, the account had suffered trading losses. In addition, when Customer D asked to redeem his remaining interest in the Open E Cry account, Patel used deposits from the arbitration Claimant and Customers B and C to pay Customer D. Patel also repaid Customers B and C with deposits received from the arbitration Claimant.
25. In addition to interviewing the above customers, NFA requested a number of records from Patel, including records relating to his bank accounts, statements that he sent to investors, and e-mails between him and investors. However, Patel failed to produce many of these records, claiming that some had been lost in a fire at his parents' home and that e-mails older than thirty days had been permanently deleted by him.
26. Although Patel's fraud started prior to the time that he became an Associate of NFA, he continued to send false statements to investors, and operate what was in effect a Ponzi-like scheme, after his registration and associate membership became effective. Patel also provided false and misleading information to NFA throughout the course of NFA's exam and it was not until NFA confronted him with his numerous falsehoods that he finally confessed.
27. By reason of the foregoing acts and omissions, Patel is charged with violations of NFA Compliance Rules 2-2(a), (c), (f), and (h).

## **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 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](mailto: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 herein and a waiver of a hearing. Failure to respond to any allegation of the Complaint shall be deemed an admission thereof.

### **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 herein may constitute a statutory disqualification from registration under Section 8a(3)(M) of the Commodity Exchange Act. Respondents in this matter 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 proceeding.

Pursuant to Commodity Futures Trading Commission (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: 02-21-2017

By:   
Chairperson

m/rvh/Patel Complaint