

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

FILED

APR 23 2019

NATIONAL FUTURES ASSOCIATION
LEGAL DOCKETING

In the Matter of:

EXPRESS WEALTH GROUP LLC
(NFA ID #467806),

and

ARAVIND MAHADEVAN
(NFA ID #472633),

Respondents.

NFA Case No. 19-BCC-004

COMPLAINT

Having reviewed the investigative report submitted by the Compliance Department of National Futures Association (NFA), 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 Express Wealth Group LLC (Express Wealth) and Aravind Mahadevan (Mahadevan).

ALLEGATIONS

JURISDICTION

1. At all times relevant to this Complaint, Express Wealth was an NFA Member commodity trading advisor (CTA) located in Alpharetta, Georgia. As such, Express Wealth 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, Mahadevan was the firm's sole principal and associated person (AP) and an NFA Associate. As such, Mahadevan was

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

BACKGROUND

3. In November 2017, NFA received a complaint against Express Wealth and Mahadevan in which the customer claimed he was the victim of reckless trading and misleading sales solicitations by Mahadevan. As a result, NFA commenced an unannounced examination of Express Wealth in February 2018, the results of which are alleged below.
4. At the time of NFA's examination, Express Wealth had trading discretion over five customer accounts that were allocated to four different trading programs. The firm indicated that it had assets under management of approximately \$1.4 million, although about \$977,000 of that amount was notionally funded. Four other customers had revoked Express Wealth's trading authority shortly before NFA's exam commenced.

APPLICABLE RULES

5. NFA Compliance Rule 2-4 provides, in pertinent part, 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.
6. NFA Compliance Rule 2-2(a) provides, in pertinent part, 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 2-29(a)(1) provides, in pertinent part, that no Member or Associate shall make any communication with the public which operates as a fraud or deceit.
8. NFA Compliance Rules 2-29(b)(1) and (2) provides, in pertinent part, that no Member or Associate shall use any promotional material which is likely to deceive the public, or contains any material misstatement of fact or which the Member or Associate knows omits a fact if the omission makes the promotional material misleading.
9. NFA Compliance Rule 2-29(b)(3) provides, in pertinent part, that no Member or Associate shall use any promotional material which mentions the possibility of profit unless accompanied by an equally prominent statement of the risk of loss.
10. NFA Compliance Rule 2-29(d) provides, in pertinent part, that statements of opinion included in promotional material must be clearly identifiable as such and must have a reasonable basis in fact.
11. NFA Compliance Rule 2-13 provides, in pertinent part, that any Member who violates any of the Commodity Futures Trading Commission's (CFTC) Regulations 4.1, 4.7, 4.12 and 4.16 through 4.41 shall be deemed to have violated an NFA Requirement.

COUNT I

VIOLATION OF NFA COMPLIANCE RULES 2-2(a), 2-29(a)(1), 2-29(b)(1), 2-29(b)(2), 2-29(b)(3) AND 2-29(d): USING FRAUDULENT AND MISLEADING PROMOTIONAL MATERIAL AND SALES SOLICITATIONS.

12. The allegations contained in paragraphs 1 through 10 are re-alleged as paragraph 12.

13. During NFA's exam, NFA learned that Express Wealth used several pieces of promotional material – a brochure, a power point, and a website – to solicit customers. In reviewing these materials, NFA noted numerous statements that were misleading and/or unbalanced. These included, but were not limited to, the following:

- "We strongly believe that highest returns are awarded to those who focus on a wide array of markets and this is supported by the outsized positive returns that we see every year."
- "...we are proud to say that we are the top 5% with a unique trading strategy and risk management."
- "We are passionate about leveraging the power of financial markets to provide returns higher than traditional markets."
- "Returns – Profitable, Even in DOWN markets; SUPERIOR than stock market [sic]; CONSISTENT yearly returns"
- "Your account is 100% protected"
- "Account guaranteed for full amount by CFTC"
- "SDRP Program – Higher Returns; Profits even when Market Falls; Initiate Low Risk Positions"
- Full Service Team – "To help support our clients, we have a team & relationships to leverage skills around portfolio management, trading, programming, designing, legal and niche consulting."

14. The above statements concerning customer accounts being 100% protected and guaranteed for the full amount by the CFTC were blatantly false and highly misleading. Moreover, the profit claims suggesting that Express Wealth is a highly successful trading firm that every year achieves "outsized positive returns" were also highly misleading, as three of the five trading programs that the firm used had overall negative returns, ranging from almost 16% to over 23%. The

- other two programs experienced small profits ranging from about 1.7% to about 2.6%.
15. The firm's website also included a world map that implied the firm had a global presence with offices in the United States, India, and Southeast Asia. In reality, Express Wealth operates as a small, one-man shop out of Mahadevan's home in Alpharetta, Georgia and has less than a dozen retail customers.
 16. The firm's promotional material also misstated the risk of loss by representing that a customer's risk for a \$100,000 notionally funded investment would be limited to 10% without clarifying whether this referred to the notional amount or the customer's actual investment. More importantly, however, this statement improperly suggested that a customer's risk could be limited which was untrue.
 17. By reason of the foregoing acts and omissions, Express Wealth and Mahadevan are charged with violating NFA Compliance Rules 2-2(a), 2-29(a)(1), 2-29(b)(1), 2-29(b)(2), 2-29(b)(3) and 2-29(d).

COUNT II

VIOLATION OF NFA COMPLIANCE RULES 2-4 AND 2-13: INSTRUCTING A CUSTOMER TO FALSIFY INFORMATION ON HIS ACCOUNT APPLICATION; AND PROVIDING A CUSTOMER A DISCLOSURE DOCUMENT THAT WAS NOT SUBMITTED TO NFA FOR REVIEW 21 DAYS PRIOR TO ITS FIRST USE.

18. The allegations contained in paragraphs 1 through 5 and 11 are re-alleged as paragraph 18.
19. NFA interviewed five current or former customers of Express Wealth, all of whom were friends or acquaintances of Mahadevan. Most of these customers had never traded futures prior to investing with Express Wealth, and relied almost exclusively on Express Wealth and Mahadevan for investment advice on futures

- trading. It was also apparent to NFA that these customers did not fully understand the mechanics of notional funding.
20. In emails between Mahadevan and several customers, the customers questioned the substantial losses in their trading accounts and criticized Mahadevan for making futures trades that they regarded as having too much risk. Several of these emails discussed ways in which Express Wealth supposedly planned to recoup the losses experienced by customers.
 21. In one email, Mahadevan indicated that "We'll sell options and collect money to fund our futures trades. The 25% of the profits from futures options will be used to put on positions that may have varying risk, but we will not exceed the 25% mark that we have set." This implied that the customer's risk in selling short options could be limited when, in fact, selling short options subjected the customer to unlimited risk of loss.
 22. Mahadevan downplayed the importance of the disclosure document and its risk disclosures to several customers telling them that they were simply legal disclosures that were required to be given. Mahadevan also told customers not to bother reviewing their trading account statements as he would have in-person meetings with them to discuss their trading results. However, these meetings were rarely held, and customers often waited weeks after contacting Mahadevan before he would reply to them to discuss their accounts.
 23. Mahadevan also assisted at least two customers, who had no futures trading experience, in completing their account opening documents. Mahadevan told these customers to indicate that they had experience in trading futures. Based on Mahadevan's instructions, one customer indicated in his account application

that he had two years of experience trading both futures and forex and that his knowledge level for both futures and forex was "good." The other customer indicated on his application that he had three years of experience trading futures, commodity options, and commodity funds.

24. NFA confronted Mahadevan about coaching customers to lie on their account applications and he admitted that he sometimes did tell customers to include false information in their account opening papers because "sometimes FCMs will not open accounts if you don't have trading experience."
25. In instructing customers to falsify information on their account applications, Mahadevan breached his obligation, as an NFA Associate, to uphold high standards of commercial honor and just and equitable principles of trade.
26. Express Wealth also provided one customer with a disclosure document, dated August 26, 2016, which it had not submitted to NFA for review prior to use. Moreover, the disclosure document omitted a required performance capsule for one of the firm's trading programs.
27. By reason of the foregoing acts and omissions, Express Wealth and Mahadevan are charged with violating NFA Compliance Rule 2-4, and Express Wealth is also charged with violating NFA Compliance Rule 2-13.

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

Email: 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.

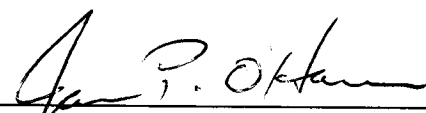
The allegations in this Complaint may constitute a statutory disqualification from registration under Section 8a(3)(M) of the Commodity Exchange Act.

Respondents in this 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 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: 04/23/2019

By: 
Chairperson

m/rvh/Express Wealth (April 18)