

NATIONAL FUTURES ASSOCIATION
BEFORE THE
BUSINESS CONDUCT COMMITTEE

FILED

FEB - 8 2012

In the Matter of:)

PEREGRINE FINANCIAL GROUP, INC.)
(NFA ID #232217),)

RUSSELL R. WASENDORF, JR.)
(NFA ID #213806),)

SUSAN M. O'MEARA)
(NFA ID #276630),)

and)

NOLAN J. SCHIFF)
(NFA ID #364528),)

Respondents.)

NATIONAL FUTURES ASSOCIATION
LEGAL DOCKETING

NFA Case No. 12-BCC-001

DECISION

Having reviewed all matters relevant to the Complaint issued by the Business Conduct Committee ("Committee") of National Futures Association ("NFA") against Peregrine Financial Group, Inc. ("PFG"), Russell R. Wasendorf, Jr. ("Wasendorf, Jr."), Susan M. O'Meara ("O'Meara") and Nolan J. Schiff ("Schiff") (collectively "Respondents") in the above-captioned matter and having considered the Offer of Settlement ("Offer") submitted by the Respondents and having accepted the Offer, the Committee issues this Decision.

I

ALLEGED VIOLATIONS OF NFA REQUIREMENTS

The Committee issued a Complaint which alleged that the Respondents violated NFA Compliance Rule 2-9(a) in that PFG, Wasendorf, Jr. and O'Meara failed to

diligently supervise four of PFG's guaranteed introducing brokers ("GIBs") against which the Committee issued Complaints in 2010 and 2011. Those GIBs include Clash Financial LLC ("Clash"), Oxford Trading Group, Inc. ("OTG"), California Capital Trading Group LLC ("CCTG") and Patriot Financial Markets LLC. The Complaints against GIBs Clash, OTG and CCTG alleged that they made trade recommendations that maximized commissions without regard for the best interests of their customers and the Complaints against all four GIBs alleged that they made deceptive sales solicitations.

In addition, the Complaint alleged that all of the Respondents violated NFA Compliance Rule 2-9(a) in that they failed to diligently supervise activities related to the firm's forex customers' accounts by failing to ensure the implementation of effective anti-money laundering ("AML") procedures related to some of those accounts.

II

RESPONSE

The Respondents submitted their Offer in which PFG has agreed to pay a \$700,000 fine to NFA.

In addition, PFG has agreed to retain an independent consultant to review PFG's existing procedures for supervising its GIBs and make specific recommendations, which the Respondents will implement, for the supervision of trading in broker assisted retail customer accounts. Further, PFG has agreed, subject to certain provisions set out in the Penalty section of this Decision, that it shall not enter into new guarantee agreements with introducing brokers ("IBs") for two years. In addition, PFG has agreed to designate a full-time AML officer.

The Respondents neither admitted nor denied the allegations made against them in the Complaint, but consented to the use of their Offer and this Decision to enforce the terms of the Decision and to show their disciplinary history in any future proceeding.

III

PENALTY

The Committee, having considered this matter and having accepted the Offer made by the Respondents orders as follows:

1. PFG shall pay \$700,000 to NFA within 30 days of the issuance of this Decision.
2. PFG and the individual Respondents, so long as they are employed by PFG and to the extent it is within the scope of their duties, shall abide by the following undertakings and obligations:
 - (a) Within 60 days of the issuance of this Decision, they shall retain a qualified independent consultant familiar with the futures industry to review PFG's existing procedures for compliance with their supervisory responsibilities under NFA Compliance Rule 2-9 related to PFG's GIBs and tender a written report containing recommendations for the supervision of full-commission, broker-assisted, retail customer accounts introduced by PFG's GIBs. Specifically, the report shall review existing procedures and include recommendations for:
 - Reviewing trading strategies followed by any of PFG's individual GIBs or any individual associated persons ("APs") thereof for compliance with NFA Compliance Rule 2-4 relating to trading practices or recommending transactions to retail customers that maximize the commissions generated without regard for the best interests of the customers;
 - Reviewing commission-to-equity ratios of GIBs on a firm-wide and individual account basis;

- Selecting IBs and terminating guarantee agreements with IBs;
 - Determining when GIBs should be subject to enhanced supervisory procedures, including more than one on-site audit per year;
 - Staffing of PFG's supervision and/or compliance department(s); and
 - Reviewing trading activity in customer accounts that are traded pursuant to a letter of direction granted to either PFG or to a third-party trading provider promoted by PFG.
- (b) The consultant shall submit a Preliminary Report to the Respondents and NFA's Compliance Department within 90 days of being retained by PFG. PFG and NFA's Compliance Department may provide comments on the Preliminary Report to the consultant and to each other. The consultant shall issue a Final Report within 30 days of the Preliminary Report. Based on the Final Report, the Respondents shall implement updated or revised supervisory procedures within 30 days of the issuance of the Final Report.
- (c) For two years from the date of the issuance of this Decision, the consultant shall perform a review of the ongoing implementation of the updated or revised supervisory procedures at least every six months following their implementation and shall issue a total of three timely detailed reports of the findings of those reviews to PFG and NFA.
- (d) Within 30 days of the effective date of this Decision, PFG shall designate an individual to act as PFG's full-time AML officer. Such individual shall have principal responsibility for fully adopting and implementing adequate procedures and staffing – or enhancing PFG's existing procedures and staffing – to ensure compliance with NFA's AML requirements.
- (e) Except as provided in this paragraph, PFG shall not enter into guarantee agreements with any IBs for two years from the date of the issuance of this Decision. After PFG has implemented all updated or revised supervisory procedures recommended in the Consultant's Final Report, or if the

Consultant does not recommend any changes to PFG's current procedures in his Final Report, PFG may petition the Committee to partially or completely lift this restriction. The Committee will have sole discretion to grant or deny any request by PFG to lift the restrictions in this paragraph. In the event the Committee grants PFG's request and allows PFG to enter into guarantee agreements with IBs or with a particular IB, but later determines that PFG has failed to implement the updated or revised supervisory procedures in a material manner, the Committee, in its sole discretion, may re-institute the restriction and bar PFG from entering into guarantee agreements with any IBs for no longer than two years from the date of issuance of this Decision.

Nothing in the undertakings set forth above shall apply to the supervision of bona fide hedge accounts, commodity trading advisor managed accounts, or self-directed discount accounts (which are not traded pursuant to a letter of direction) traded on an electronic front-end trading system, provided that no recommendation is made by an AP to the customer. Notwithstanding any comments on the Preliminary Report that the NFA Compliance Department may make, nothing contained therein shall be understood to be an endorsement by NFA of the consultant's opinions, recommendations or the Report. Further, compliance with the consultant's Final Report shall not bar further disciplinary action by NFA in the event that the Respondents fail to diligently supervise PFG's GIBs and/or any APs thereof in the future.

The Offer and this Decision shall not be used as the sole basis for any other action or proceeding by NFA against any of the Respondents, including any registration matter, except that the Offer and this Decision may be introduced in any future proceeding against any Respondent to enforce the terms thereof or for the sole purpose of showing disciplinary history.

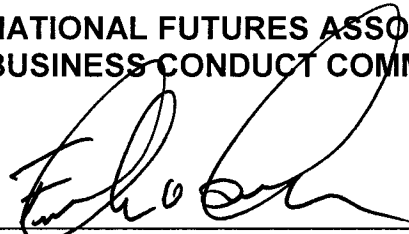
IV

INELIGIBILITY

Pursuant to the provisions of Commodity Futures Trading Commission ("CFTC") Regulation 1.63, this Decision and the sanctions imposed herein render Wasendorf, O'Meara and Schiff ineligible to serve on a disciplinary committee, arbitration panel, oversight panel or governing board of any self-regulatory organization, as that term is defined in CFTC Regulation 1.63, until the later of three years after the effective date of this Decision, or until they have satisfied all the sanctions and conditions imposed by this Decision.

**NATIONAL FUTURES ASSOCIATION
BUSINESS CONDUCT COMMITTEE**

Date: 02/08/2012

By: 
Chairman

AFFIDAVIT OF SERVICE

I, Nancy Miskovich-Paschen, on oath state that on February 8, 2012, I served copies of the attached Decision, by sending such copies in the United States mail, first-class delivery and by overnight mail, in envelopes addressed as follows to:

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6003 Hillcrest Ct.
Downers Grove, IL 60516

Russell R. Wasendorf, Jr.
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and sending such copies in the United States mail, first-class delivery and by messenger service to:

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Attn: Susan O'Meara
Chief Compliance Officer

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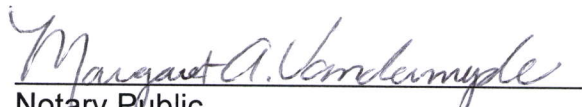
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Nancy Miskovich-Paschen

Subscribed and sworn to before me
on this 8th day of February 2012


Margaret A. Vandermyde
Notary Public

