

**BEFORE THE  
NATIONAL FUTURES ASSOCIATION**

In the Matter of:	)	
	)	
PEREGRINE FINANCIAL GROUP, INC.	)	
(NFA ID #232217),	)	
	)	NFA Case No. 12-MRA-007
and	)	
	)	
PEREGRINE ASSET MANAGEMENT,	)	
INC., (NFA ID #396397)	)	

**NOTICE OF MEMBER RESPONSIBILITY ACTION  
UNDER NFA COMPLIANCE RULE 3-15**

National Futures Association ("NFA") hereby gives notice to Peregrine Financial Group, Inc. ("PFG"), an NFA Member futures commission merchant ("FCM") and Forex Dealer Member ("FDM"), and Peregrine Asset Management, Inc. ("PAM"), an NFA Member commodity trading advisor and commodity pool operator which is closely affiliated with PFG, that, pursuant to NFA Compliance Rule 3-15, the President of NFA, with the concurrence of NFA's Executive Committee, has taken a Member Responsibility Action ("MRA") against PFG and PAM whereby:

1. Effective immediately, PFG and PAM are prohibited from soliciting or accepting any additional customer accounts or customer funds, except as margin for existing positions.
2. Effective immediately, PFG and PAM are prohibited from accepting or placing trades for any customer accounts except for the liquidation of existing customer positions.
3. Effective immediately, PFG and PAM are prohibited from distributing, disbursing or transferring any funds, including to existing customers, without the prior approval of NFA.
4. In taking any action under this MRA, PFG and PAM must act in the best interests of their customers.

This action is effective immediately and is deemed necessary to protect customers because PFG has failed to demonstrate that it meets the capital requirements of NFA Financial Requirements Sections 1 and segregated funds requirements of NFA Financial Requirements Section 4. Additionally, it appears that PFG does not have sufficient assets to meet its obligations to its customers.

In support of these actions, NFA attaches the affidavit of Lauren Brinati, a Director in NFA's Compliance Department, and based thereon alleges as follows:

1. PFG is an FCM/FDM Member of NFA located in Chicago, Illinois.
2. PFG and PAM share several directors in common and PFG and its chief executive officer each own more than 10% of PAM.
3. Pursuant to NFA Financial Requirements Section 1, PFG was required to maintain Adjusted Net Capital of approximately \$31 million as of May 31, 2012.
4. Pursuant to NFA Financial Requirements Section 4, PFG was required to maintain segregated funds of approximately \$400 million as of July 6, 2012.
5. On or about June 29, 2012, PFG reported to NFA that it had approximately \$400 million in segregated funds, of which more than \$225 million were purportedly on deposit at U.S Bank.
6. On or about July 9, 2012, NFA received information indicating that PFG's Chairman may have falsified bank records.
7. On July 9, 2012, NFA made inquiry with U.S. Bank and learned that rather than the \$225 million that PFG had reported as being on deposit at U.S. Bank just days earlier, PFG had only approximately \$5 million on deposit at U.S. Bank.
8. Further, NFA learned that, in contrast to purported bank confirmations submitted to NFA that sought to confirm U.S. Bank account balances as of February 2010 and March 2011, that reported balances of approximately \$207 million and \$218 million, respectively, PFG's actual balances at U.S. Bank at those times was less than \$10 million for each one of these months.
9. As of the date of this MRA, PFG has been unable to demonstrate to NFA that it has sufficient capital to meet its minimum adjusted net capital requirement or segregated funds to meet its obligations to customers.

The MRA will remain in effect until such time as PFG and PAM have demonstrated to the satisfaction of NFA that they are in complete compliance with all NFA Requirements. PFG and PAM are required to provide copies of this MRA, by overnight courier, to all of their customers, to all banks and other financial institutions with which they have money on deposit, and to all persons and entities that solicit for PFG or PAM, introduce customers to PFG or that manage customer accounts held at PFG.

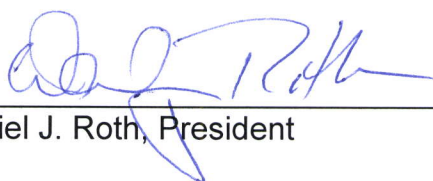
PFG and PAM are entitled to a prompt hearing on this matter before NFA's Hearing Committee if they so request. The request for a hearing shall be made in writing to:

National Futures Association  
300 South Riverside Plaza  
Suite 1800  
Chicago, IL 60606  
Attn: Legal Docketing Department  
E-mail: [Docketing@nfa.futures.org](mailto:Docketing@nfa.futures.org)  
Facsimile: 312-781-1672

Aggrieved parties may petition the CFTC for a stay of this MRA pending a hearing pursuant to and in conformity with the terms set forth in CFTC Regulation 171.41.

**NATIONAL FUTURES ASSOCIATION**

Date: July 9, 2012

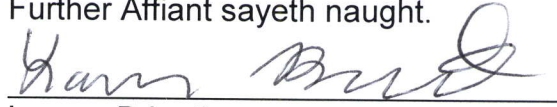
By:   
Daniel J. Roth, President

**AFFIDAVIT**

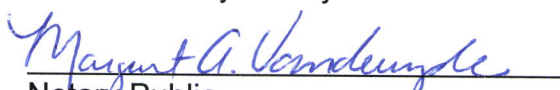
THE AFFIANT, LAUREN BRINATI, BEING DULY SWORN AND UNDER OATH STATES THAT:

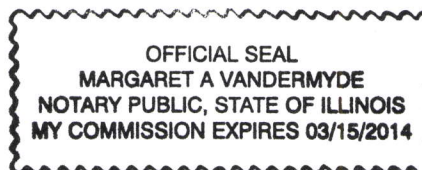
1. My name is Lauren Brinati and I am employed by National Futures Association ("NFA") as a Director in the Compliance Department.
2. Peregrine Financial Group, Inc. ("PFG"), which is located in Chicago, Illinois, is an NFA Member futures commission merchant ("FCM") and Forex Dealer Member ("FDM") and Peregrine Asset Management, Inc. ("PAM") is an NFA Member commodity trading advisor and commodity pool operator which is closely affiliated with PFG.
3. PFG and PAM share several directors in common and PFG and its chief executive officer each own more than 10% of PAM.
4. Pursuant to NFA Financial Requirements Section 1, PFG was required to maintain Adjusted Net Capital of approximately \$31 million as of May 31, 2012.
5. Pursuant to NFA Financial Requirements Section 4, PFG was required to maintain segregated funds of approximately \$400 million as of July 6, 2012.
6. On or about June 29, 2012, PFG reported to NFA that it had approximately \$400 million in segregated funds, of which more than \$225 million were purportedly on deposit at U.S Bank.
7. On or about July 9, 2012, NFA received information indicating that PFG's Chairman may have falsified bank records.
8. On July 9, 2012, NFA made inquiry with U.S. Bank and learned that rather than the \$225 million that PFG had reported as being on deposit at U.S. Bank just days earlier, PFG had only approximately \$5 million on deposit at U.S. Bank.
9. Further, NFA learned that, in contrast to purported bank confirmations submitted to NFA that sought to confirm U.S. Bank account balances as of February 2010 and March 2011, that reported balances of approximately \$207 million and \$218 million, respectively, PFG's actual balances at U.S. Bank at those times was less than \$10 million for each one of these months.
10. As of the date of this MRA, PFG has been unable to demonstrate to NFA that it has sufficient capital to meet its minimum adjusted net capital requirement or segregated funds to meet its obligations to customers.

Further Affiant sayeth naught.

  
\_\_\_\_\_  
Lauren Brinati

Subscribed and sworn to before me  
on this 9th day of July 2012.

  
\_\_\_\_\_  
Notary Public



## AFFIDAVIT OF SERVICE

I, Myra Lewis, on oath state that on July 9, 2012, I served copies of the attached Notice of Member Responsibility Action Under NFA Compliance Rule 3-15, by sending such copies by e-mail and regular mail, first-class delivery, in envelopes addressed as follows to:

David Stawick  
Office of the Secretariat  
Commodity Futures Trading  
Commission  
Three Lafayette Centre  
1155 21st Street, NW  
Washington, DC 20581  
E-mail: [dstawick@cftc.gov](mailto:dstawick@cftc.gov)

Tempest Thomas  
Office of Proceedings  
Commodity Futures Trading  
Commission  
Three Lafayette Centre  
1155 21st Street, NW  
Washington, DC 20581  
E-mail: [tthomas@cftc.gov](mailto:tthomas@cftc.gov)

and by sending such copies by e-mail and messenger service, in envelopes addressed as follows to:

Peregrine Financial Group, Inc.  
Peregrine Asset Management, Inc.  
311 West Monroe Street  
Suite 1300  
Chicago, IL 60606  
Attn: Susan O'Meara  
Chief Compliance Officer  
E-mail: [someara@pfgbest.com](mailto:someara@pfgbest.com)


Peregrine Financial Group, Inc.  
Peregrine Asset Management, Inc.  
311 W. Monroe Street  
Suite 1300  
Chicago, IL 60606  
Attn: Rebecca Wing  
General Counsel  
E-mail: [rwing@pfgbest.com](mailto:rwing@pfgbest.com)

Peregrine Asset Management, Inc.  
311 W. Monroe Street  
Suite 1300  
Chicago, IL 60606  
Attn: Rita Tandarcic  
Compliance Officer  
E-mail: [rtandarcic@pfgbest.com](mailto:rtandarcic@pfgbest.com)

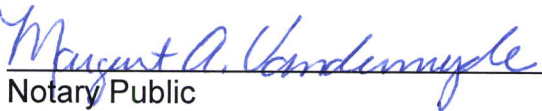
and by sending such copies by e-mail and overnight delivery, in envelopes addressed as follows to:

Jefferies Bache LLC  
One New York Plaza  
13<sup>th</sup> Floor  
New York, NY 10004  
Attn: Donald Levine  
Senior Counsel  
E-mail: [dlevine@jefferies.com](mailto:dlevine@jefferies.com)

Gregory Mocek, Esq.  
Cadwalader, Wickersham & Taft LLP  
700 South Sixth Street, N.W.  
Washington, DC 20001  
E-mail: [gregory.mocek@cwt.com](mailto:gregory.mocek@cwt.com)

  
\_\_\_\_\_  
Myra Lewis

Subscribed and sworn to before me  
on this 9<sup>th</sup> day of July 2012.

  
\_\_\_\_\_  
Notary Public

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