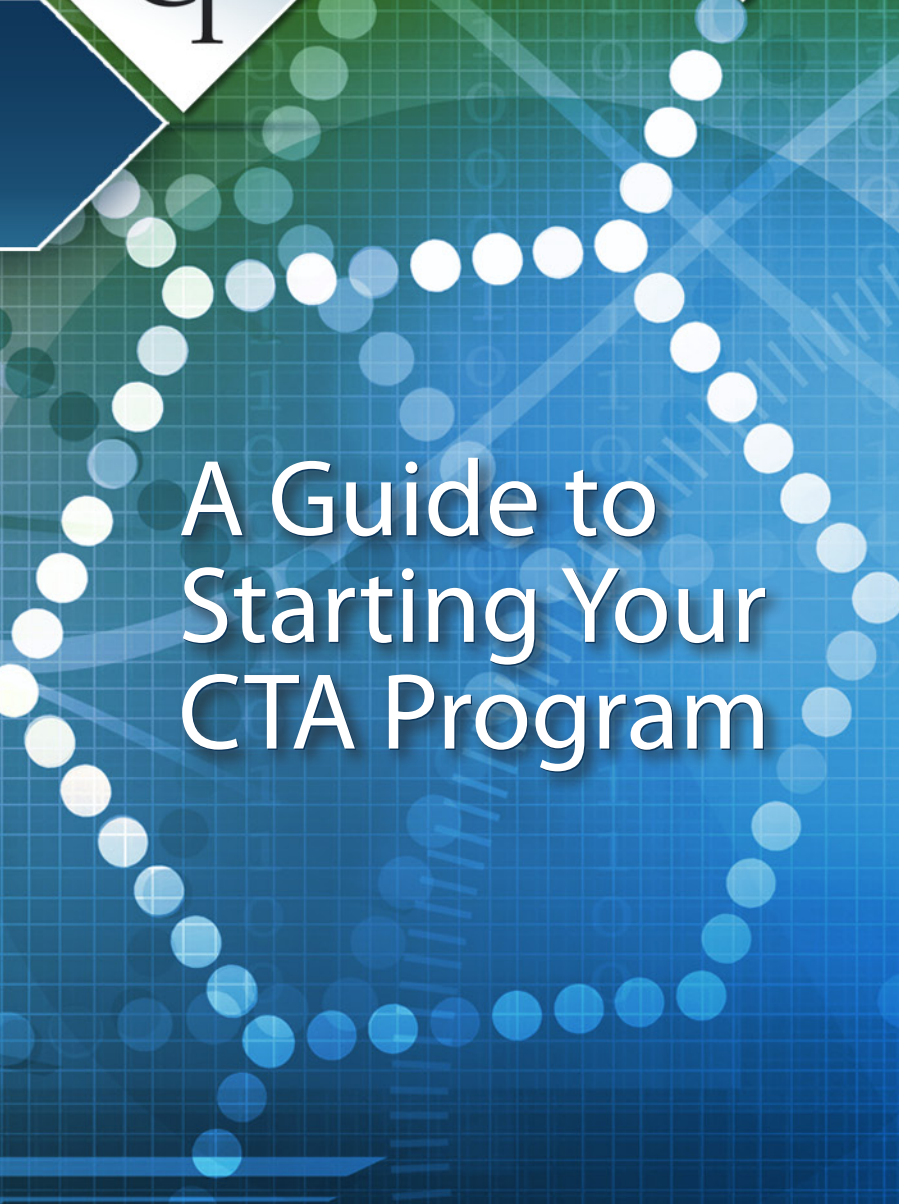




CT

CAPITAL TRADING GROUP



# A Guide to Starting Your CTA Program

[www.CTGtrading.com](http://www.CTGtrading.com)

**800.238.2610**

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# Guide to Starting Your CTA Program or Fund

Basically there are two types of investment CTA Programs or Funds. The first type is a Hedge Fund, which could invest in anything from stocks to Bitcoins. These CTA Programs or Funds are regulated by securities laws which are enforced by the Securities and Exchange Commission ("SEC"). The other type of CTA Programs or Funds is referred to as a Futures Fund. Futures Funds trade commodities and are regulated by the Commodities Futures Trading Commission ("CFTC"). To make it more interesting, a CTA Program or Fund can also invest into both securities and futures contracts. This type of fund is called "expensive".

## Capital Needed

There is not a minimum equity level to start a CTA Program or Fund. CTA Programs or Funds can start with as little as \$500,000. In our experience, a typical CTA Program or Fund is launched with \$2,000,000 or more. Most CTA Programs or Funds start with family, friends and acquaintances for initial investors along with the Fund Operator. This displays a commitment and vested interest to the program and outside investors.

## Build It and Give Them What They Want

Once you have a commitment for the minimum equity level that you are comfortable with, it is now time to build your CTA Program or Fund. Build a CTA program or Fund based on what your investors want, not based on what you "think they want". Determine the CTA Program or Fund formation, fee structure, trading methodology, reporting requirements, etc. Once that list is compiled, it is time to build your CTA Program or Fund. Just like building a house you need an architect to draw up your plans. In this case you need a team of professionals to explain the requirements of the SEC, CFTC, and state regulations and how those rules affect your new CTA Program or Fund. Your team should explain your liabilities, monthly and annual reporting requirements, and your potential risks of the new venture. We recommend using an industry seasoned attorney, administrator, broker, and auditor to walk you through the process. An exceptionally experienced team is critical to your success.





# CTA Program Checklist



This list is not meant to be all encompassing but it gives you some items to think about before you start your new CTA Program or Fund:

**Amount of Initial Committed Capital**

**CTA Program Formation – Domestic / Offshore / Master Feeder Structure**

**Attorney**

**CTA Program Formation Administrator**

**Auditor and Tax Preparation**

**Brokerage Relations**

**Third Party Trading Advisors**

**Third Party Capital Sources**

**Fee Structures**

**Reporting requirements**

**Trading Methodology/Strategy**

**Back Office Requirements**

**Written Operating Procedures**

**Disaster Recovery Procedures**

**Marketing Material**

**Exit Strategies**

We have been working with CTA Programs or Funds for over 25 years and will be happy to share our knowledge with you when you are ready to start your new CTA Program or Fund. It might seem like an overwhelming task, however, by working together, we can break the overall project into manageable parts. We can help direct you into hiring your professional team to make your fund launch successful.

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# CTA Services Menu

## ◆ Administration

- Trade Allocations
- Daily Account Reconciliation
- Equity and Margin Updating
- Real-Time Position Updating
- Customizable Report Formats

## ◆ Brokerage

- Electronic Trading Platforms
- Direct Pit Execution Access
- Rating Site Updates

## ◆ CTA Online Portal®

- Access to Total CTA Positions
- Access to Individual Account Positions
- Access to Total CTA Margin/Equity
- Access to Individual Account Margin/Equity
- Account Performance-Daily, MTD, YTD

## ◆ New Accounts

- Oversee All New Account Forms
- Complete Client Customer Service

# CUSTOMIZED Position Reports


Our Customized Position Reports can be Configured to Your Preferences... and in Real-Time!

Our professional services are designed to make every aspect of your CTA business as efficient as possible. Our operations will be configured to help make your life easier so you can focus on what you do best: Trade.

CTG will oversee allocations –We'll help you set up your electronic or pit execution, and establish a single block trading account that will enable NFA required APS pricing across all FCMs. We'll make every one of your accounts, across any and all FCMs, receive their respective trades. Every day we reconcile each client account for accuracy: *positions, equity, margin, fees, etc.*

CTG customizes Position and Equity reports to just how you, the CTA, want to see them. We include the information that you want to see every day. Our position reports are updated in real-time throughout the trading day, so you always know exactly what positions you have one overall, and in each respective account.

March 24, 2014  
CTA Trading LP



Acct #	Start Date	Start Amount	Net Liquidation Value	% Return Day	% Return Month	% Return YTD	% Return Inception
<b>TOTALS</b>			125,340,500	146,558,284.42			
1	12345	2012-07-23	300,000.00	316,520.76	0.04%	0.01%	0.41%
2	12346	2012-12-03	500,000.00	490,992.31	0.03%	0.02%	0.13%
3	12347	2012-12-19	1,000,000.00	1,086,336.38	0.06%	0.10%	0.68%
4	12348	2013-01-04	750,000.00	725,538.91	0.06%	0.17%	0.94%
5	12349	2012-11-02	1,000,000.00	975,807.27	0.06%	0.00%	0.70%
6	12350	2013-01-02	250,000.00	240,749.68	0.05%	-0.17%	0.36%
7	12351	2013-02-22	5,550,000.00	5,527,975.57	0.06%	-0.15%	0.43%
8	12352	2013-06-24	250,000.00	250,461.55	0.06%	-0.14%	0.26%
9	12353	2013-06-24	350,000.00	349,569.62	0.04%	-0.14%	0.01%
10	12354	2013-07-01	1,250,000.00	1,251,389.85	0.05%	-0.14%	0.16%
11	12355	2013-08-01	250,000.00	251,336.61	0.05%	-0.22%	-0.09%
12	12356	2013-09-03	2,250,000.00	2,253,741.13	0.05%	-0.14%	0.38%
13	12357	2012-12-03	500,000.00	481,480.97	0.04%	-0.08%	0.54%
14	12358	2012-12-11	1,750,000.00	1,712,401.84	0.03%	-0.11%	0.43%
15	12359	2013-01-16	1,250,000.00	1,232,366.95	0.10%	-0.15%	0.29%
16	12360	2013-01-16	250,000.00	232,576.72	0.10%	-0.15%	0.29%
17	12361	2013-01-31	1,250,000.00	1,234,320.51	0.10%	-0.15%	0.29%
18	12362	2013-01-30	250,000.00	217,521.45	0.11%	-0.15%	0.33%
19	12363	2013-02-07	4,250,000.00	4,234,441.48	0.10%	-0.15%	0.29%
20	12364	2013-02-08	250,000.00	234,441.48	0.10%	-0.15%	0.29%
21	12365	2013-02-25	250,000.00	252,489.94	0.10%	-0.15%	0.29%

Current Acct Value	\$2,513	\$69,456	\$209,411	\$105,144	\$125,411	\$104,522	\$145,522	\$111,566	\$2,096,978	End 2013 Return
Starting Acct Value	\$2,122	\$24,930	\$90,268	\$50,000	\$50,000	\$51,261	\$55,474	\$100,000	\$1,616,628	11.7%
Margin & ME req:	\$22,900	63%	47%	31%	31%	42%	31%	22%	31%	Change in dr: -55,889
<b>CONTRACTS</b>										
FCM	Newsedge	Newsedge	Stash	RIO	RIO	Vision	RCG	FC Stone	TOTAL	
Client	91246	91247	91248	91249	91250	91251	91252	91253		
Account #	91246	91247	91248	91249	91250	91251	91252	91253		
Entry	9	9	18	9	9	9	9	18	228	APR14 Loan Hops
APR14 Loan Hops	\$7,500.00	\$7,500.00	\$15,000.00	\$7,500.00	\$7,500.00	\$7,500.00	\$7,500.00	\$15,000.00	\$15,120.00	
APR14 Live Value										
JUN14 Loan Hops	127,050	127,050	-7	-7	-14	-7	-7	-14	176	JUN14 Loan Hops
JUN14 Loan Hops Value	(\$1,540,000)	(\$1,540,000)	(\$3,080,000)	(\$1,540,000)	(\$1,540,000)	(\$1,540,000)	(\$1,540,000)	(\$3,080,000)	(\$3,720,000)	
JUN14 Live Contracts	137,400	137,100	-1	-1	-2	0	-2	-1	1	29
JUN14 Live Contracts Value	\$120,000	\$120,000	\$240,000	\$0	\$240,000	\$120,000	\$120,000	\$120,000	\$140,000	
DEC14 Live Contracts	140,250	139,520	1	1	2	0	2	1	1	29
DEC14 Live Contracts Value	(\$292,000)	(\$292,000)	(\$584,000)	\$0	(\$584,000)	(\$292,000)	(\$292,000)	(\$584,000)	(\$848,000)	
NOV14 Soybeans	1198,000	1191,000	-8	-8	-16	-8	-8	-16	200	NOV14 Soybeans
NOV14 Soybeans Value	\$12,400,000	\$12,400,000	\$44,800,000	\$22,400,000	\$22,400,000	\$22,400,000	\$22,400,000	\$44,800,000	\$50,000,000	
JUL14 Soybeans	1425,000	1420,000	3	3	6	3	3	6	75	JUL14 Soybeans
JUL14 Soybeans Value	\$4,800,000	\$4,800,000	\$9,600,000	\$4,800,000	\$4,800,000	\$4,800,000	\$4,800,000	\$9,600,000	\$120,000,000	
JUL14 Wheat	694,000	690,000	5	5	10	5	5	10	125	JUL14 Wheat
JUL14 Wheat Value	\$12,000,000	\$12,000,000	\$24,000,000	\$12,000,000	\$12,000,000	\$12,000,000	\$12,000,000	\$24,000,000	\$300,000,000	
DEC14 Wheat	715,000	714,000	-1	-1	-2	-1	-1	-2	26	DEC14 Wheat
DEC14 Wheat Value	\$500,000	\$500,000	\$1,000,000	\$500,000	\$500,000	\$500,000	\$500,000	\$1,000,000	\$1,500,000	
OTE										
\$1,127,812.00										

March 27, 2014

Account	01	02	03	04	05	06	07	08	TOTAL
Client	Client 26	Client 27	Client 28	Client 29	Client 30	Client 31	Client 32	Client 33	
Account	BBB333	ABC123	ABC134	BCD123	BC4345	RST123	XY2345	NOP567	
SOYBEANS									
MAY14	1483	-2	-4	-4	-2	-3	-1	-19	-19
PUT MAY14 1290	0.01875	-2	-4	-4	-2	-3	-1	-19	-19
SOYBEANS									
CALL JUN14 1350	1450.000	-3	-5	-5	-7	-5	-2	-27	-24
PUT JUN14 1200	1200.000	-3	-5	-5	-7	-5	-2	-27	-24
EURO CURRENCY									
CALL MAY14 1050	0.640	6	10	10	8	10	4	54	48
CALL MAY14 1050	0.530	-6	-10	-10	-8	-10	-4	-54	-48
CALL MAY14 1040	0.649	3	5	5	4	5	2	27	24
CALL MAY14 1040	0.530	-3	-5	-5	-4	-5	-2	-27	-24
PUT MAY14 900	0.670	-1	-4	-4	-2	-4	-2	-18	-18
PUT MAY14 900	0.990	-3	-5	-5	-4	-5	-2	-27	-24
CALL JUN14 1120	0.150	-4	-10	-10	-8	-10	-2	-46	-46
GOLD									
CALL JUN14 1350	1450.000	-3	-5	-5					
PUT JUN14 1200	1200.000	-3	-5	-5					

**CTA Trader LLC**  
Tuesday, April 1

Program A			
Total Contracts	Total AUM	Initial Margin Req	% Margin Excess
45	\$6,501,849	\$74,560	55%
Open Positions			
Long 84 Jun14 T-Bonds			
Short 42 Jun14 Dollar Index			
Long 168 Jun14 Gold			
Short 84 Jun14 Gold 1300 Calls			
Performance Summary			
Mar Real-time MTD Gain	\$25,432		
% MTD Gain/Loss	+1.50%		
1st QTR Return 2014	-4.42%		
YTD Return 2014	-2.92%		



# CTA Online Portal<sup>©</sup>

Our one of a kind access lets you log on from anywhere you have an internet connection to view your program's positions, account balances, P&L, performance, and more.

Multiple views allow CTA to view positions and P&L by individual account, commodity, FCM, and market sector.

Net liquidation value and margin balance are broken down for each managed account.

Trading performance is tracked for each account. Daily, MTD, and YTD returns are displayed.

# A General Guide to Becoming a Commodity Trading Advisor (“CTA”)

The following is a general guide to registration as a CTA. There are four parts that must be satisfied to gain successful registration: (1) Forms and NFA Fees, (2) Compiling Past Performance Tables (3) Preparation of a Disclosure Document (4) Preparation of Written Procedures and Policies.

## 1 Forms and NFA Fees

- Form 7R, Completed and filed on behalf of the firm
- Form 8R, Completed and filed on behalf of each principal of your firm
- Finger print cards for each principal
- Series 3 for each principal who is required to be an Associated Person

## 2 Compiling Past Performance Tables

- Actual performance for the last 5 years
- Proforma tables based on notional trading levels and/or fee structures
- Proprietary trading
- Hypothetical trading

## 3 Preparation and Submission of Disclosure Document

A CTA Disclosure Document must be prepared and submitted to NFA prior to trading. The disclosure document outlines the following:

- Risk of trading and background information
- Fee structures and conflicts of interest
- Past performance and types of trading programs available

## 4 Preparation of Written Procedures and Policies

The following written operational procedures and written policies must be prepared:

- General Operating Procedures incorporating NFA Rule 2-29, NFA Rule 2-30, etc.
- Business Continuity and Disaster Recovery Plan
- Ethics Training Policy
- Privacy Policy



# A General Guide to Becoming a Commodity Pool Operator (“CPO”)

The following is a general guide to registration as a CTA. There are four parts that must be satisfied to gain successful registration: (1) Forms and NFA Fees, (2) Compiling Past Performance Tables (3) Preparation of a Disclosure Document (4) Preparation of Written Procedures and Policies.

## 1 Forms and NFA Fees

- Form 7R, Completed and filed on behalf of the firm
- Form 8R, Completed and filed on behalf of each principal of your firm
- Finger print cards for each principal
- Series 3 for each principal who is required to be an Associated Person

## 2 Compiling Past Performance Tables

- Actual performance for the last 5 years
- Proforma tables based on notional trading levels and/or fee structures
- Proprietary trading
- Hypothetical trading

## 3 Preparation and Submission of Disclosure Document

An offering document for each fund needs to be prepared and submitted to NFA prior to trading. Also when preparing the offering document you should consider each states Blue Sky requirements and the applicable securities regulations. The offering document outlines the following:

- Risk of trading and background information
- Fee structures and conflicts of interest
- Past performance and types of trading programs available

## 4 Preparation of Written Procedures and Policies

The following written operational procedures and written policies must be prepared:

- General Operating Procedures incorporating NFA Rule 2-29, NFA Rule 2-30, etc.
- Business Continuity and Disaster Recovery Plan
- Ethics Training Policy
- Privacy Policy

# CTG Leaders

## Principal - Patrick Lafferty

Patrick Lafferty is a principal and co-owner of Capital Trading Group (CTG). Patrick has a degree in Economics from DePauw University and has worked in the futures and options industry for 25 years. Patrick is the author of the books *Single Stock Futures*, *The Option Strategy Guide*, and *Breaking Through to Success: The Commodity Investor's Guidebook*. He also edits the weekly *TradeView* and the *Easy Options Advantage* newsletters. Patrick speaks at investment and trading conferences around the US.

In 2006, Patrick formed Capital Trading Group, LP (CTGtrading.com) with Nell Sloane. An independent Introducing Brokerage, CTG was launched in an effort to provide clearing diversification and mitigate counter-party risk for large customers, including CTAs and institutional clients.

## Principal - Nell Sloane

Nell Sloane is a principal and co-owner of Capital Trading Group (CTG). Nell began her career over 30 years ago at the Chicago Futures Exchanges. She initiated her introductory to the industry by working for a grain trader at the CBOT. As she continued to handle the trade execution, reconciliation and capital raising, she moved on to becoming a featured contributor to various online industry related publications. Nell eventually launched her own commodity newsletter providing fundamental and technical analysis entitled "The Opening Belle".

In addition to being principal and an associated person of CTG, Nell is a managing member of a commodity fund. Her registrations include the Series 3 and 7. Ms. Sloane presently is a member of the Vistage International, which is the world's leading chief executive organization helping business owners make better decisions and becoming better leaders in their communities. She is an active participant in raising money for charities such as American Cancer Society, Mercy Home for Boys and Girls, Diabetes foundation and Make-a-Wish. Nell previously volunteered with the international au pair agency matching host families with childcare and was previously an Executive Member of Chicago Finance Committee. She's a proud mother of two sons, one a marine and another that is attending college majoring in finance. During her spare time she loves to golf, horseback ride and travel.

## Contact Us

To find out more about what CTG can do to assist your CTA Program, as well as customized pricing options, please contact Patrick Lafferty or Nell Sloane directly:

One Financial Place  
440 S. LaSalle, Suite 2301  
Chicago, IL 60605

**Toll Free (US): 800-238-2610**  
**Direct Tel:** 312-572-6118  
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#### **DISCLAIMER**

TRADING IN THE COMMODITY FUTURES AND OPTIONS ON FUTURES MARKETS INVOLVES SUBSTANTIAL RISK. THE AUTHORS OF THIS EBOOK DO NOT INTEND IN ANY WAY, SHAPE OR FORM TO IMPLY THAT FUTURES TRADING AND OPTIONS ON FUTURES TRADING DOES NOT INVOLVE RISK OR THAT PROFITS CAN EASILY BE MADE. THERE IS A SUBSTANTIAL AMOUNT OF LEVERAGE INVOLVED IN TRADING FUTURES AND OPTIONS ON FUTURES SO ALTHOUGH PROFITS CAN BE MADE WITH CAREFUL RISK MANAGEMENT POLICIES, THERE IS AN EQUAL AMOUNT OF POSSIBILITY THAT SUBSTANTIAL LOSSES CAN OCCUR, AMOUNTS WHICH CAN SURPASS THE AMOUNT OF FUNDS ON DEPOSIT, WHICH WILL REQUIRE YOU TO DEPOSIT MORE FUNDS INTO THE ACCOUNT. TRADING MANAGED FUTURES DOES NOT MEAN THERE IS NO RISK. WHILE YOUR ACCOUNT WILL BE MANAGED BY A FUTURES PROFESSIONAL, THE RISK OF INCURRING SUBSTANTIAL LOSSES IS ALWAYS PRESENT. FURTHERMORE, YOU WILL NEED TO OVERCOME SUBSTANTIAL FEES CHARGED IN A MANAGED ACCOUNT PROGRAM. YOU SHOULD CAREFULLY REVIEW YOUR FINANCIAL CONDITION BEFORE INVESTING IN THE FUTURES MARKETS. YOU SHOULD ALWAYS INVEST RISK CAPITAL AND ONLY RISK CAPITAL. SHOULD YOU LOSE YOUR ENTIRE INVESTMENT, SUCH LOSSES SHOULD NOT HAVE ANY IMPACT ON YOUR LIFESTYLE OR YOUR LIVING HABITS. SHOULD YOU INVEST MONEY IN THE FUTURE MARKETS WITH THE INTENTIONS OF EARNING A MONTHLY LIVING TO SUSTAIN YOUR LIFESYTLLE, YOU SHOULD NOT BE INVESTING IN THE FUTURES MARKETS.