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Sent: Thursday, May 29, 2014 10:38 AM
To: Joanna Jasina <Joanna.Jasina@fca.org.uk>
Subject: Information

Dear Ms Jasina

Below is the answers to your questions as well as a general overview of my trading and how I would advise the market could become more fair and efficient. I have tried to be as thorough as I can, I hope this helps.

1) NSF was incorporated on 1st July 2005. I am the only employee, the business is entirely trading futures and I am the only one who has ever traded.

2) NSF is basically me, it is a one man band, which is why I'm always so busy!

3) If I remember correctly, I moved from MF Global when they went bust to Marex (I rarely traded there for numerous reasons), then onto Knight Futures, for an even shorter period of time (because they also were about to go bust so I believe I was only there for 1 week or so) and finally to my present broker RJ O'Brien.

4) I mainly only trade e-mini SP 500 futures, and almost exclusively now. I have traded in the time period in the Eurostoxx, I believe I traded one day in the Daxx, a handful of days in the GBP USD (6B) and some trading in the e-mini nikkei (NIY and NDJ).

5) I am an old school point and click prop trader. To this day I am still using the mouse to trade. That is how I trade, that is how I always have traded, admittedly very very fast because I have always been good with reflexes and doing things quick. My trading is for the most part very short term and for very small profits, a large proportion of my profits are 1 price movements, which in the e-miniSP's case would be a quarter of a tick. I have also taken longer term positions in the past and my biggest day was actually made for the most part whilst I was sleeping!

I am a trader who changes his mind very very quickly, one second I am prepared to buy the limit of 2,000, the next second I may change my mind and get out. This is what is unique about my trading. I trade very large but change my mind in a second. This is why MF Global had to speed up their systems for me, yes they have other hedge funds etc trading 2,000 lots, but they didn't have anyone buying 2,000 and getting out seconds later and then going short a thousand! All this traded volume was something that MF Global's system was not prepared for and I remember at the start their system was too slow for me. And all this is done with my hand and a mouse.

What makes me change my mind? Well it could be anything, a move in one of the other markets that I look at, a chart set up that I suddenly remember from my 11 years of trading, or simply the WAY I was filled made me doubt my position, or for the large part it is just my INTUITION.

This is why I do so much volume, in and out, big trades, intra-second, all day. On busier days I can typically do between 4 and 7% of the daily volume in the eMiniSp. My orders are 100% at risk, 100% of the time. If I want to trade 300 lots I clip 300 lots as one order, I do not trade 300 one lot trades (so that it counts as 300 orders) in order to fulfil the CME messaging policy like HFT's have to do in order to make up for their 95% of orders which are neither genuine or possibly not even tradeable. Certainly not for a guy like me who is trading from the UK and whose system is miles too slow compared to these people due to the fact my orders have to travel further than everyone else's who are trading in USA. No wonder they can be manipulative on top of my orders without any risk, for even when I change my mind and decide to sell into my buy order, the manipulative orders on top of my initial buy order disappear in the 4 milliseconds it takes for my buy order to be cancelled and replaced with my sell order so that I do not trade with myself!!!!

I don't like the HFT arena and have complained to the exchange numerous times about their manipulative

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practices, please BAN IT. Another good rule change would be to increase the maximum clip size of the market from 2,000 to 5,000 lots. This would make people more wary of putting fake orders up and down the market depth because they would be more at risk of getting hit. I have asked the exchange a few times for this, and this was then proposed, but unfortunately rejected by the other people questioned !!!!

6) I have traded using a basic TT for numerous years. Due to the fact that there were some individuals in the emini SP who quite remarkably seemed to know WHERE 100% OF MY ORDERS WERE RESTING, even if they were over 90% partially filled !!! and hence made a concentrated effort to manipulate around those orders so they would not get filled, I decided to pay Edge Financial to build a program for me that would help disguise my orders more effectively. Initially I was told that the reason these individuals knew where all my orders were was because I traded so big and was as such 'the elephant in the room'. However, it is worth noting that further examination showed that their special manipulative activity occurred exactly the same if I did a 20 lot order or a 200 lot order.

I asked Edge to design 3 more functions specifically to help try and hide my orders from these people. I do not know if this can be described as HFT, to me it is just giving me the ability to have some extra functions that my base trading software (TT) does not give me and it should be noted that I only use these functions intermittently and sometimes not at all. It is called Navtrader, but it could be called anything and I was the only one who helped design it, albeit my design ideas were 100% generated from what I had already seen other traders using already in the emini SP. Please note I believe I have only had this NavTrader since the beginning of 2013 at the very earliest.

I decided that the only way I could mask my orders, was to place them as the market changed price so that they may not be seen in the 'chaos' of a price change. So I would have my orders pending to be placed as the market went from bid to offer or offer to bid.

The 3 main functions are as follows:

JOIN : These are pending orders that will be joined anywhere requested along the order book and become active when the price changed. Remarkably, these orders were still subject to the insider trading I describe above, even when they are as small as a 50 lot !

SNAP : These are orders that are the same as JOIN but at the market best price so that they become traded almost immediately. I also have a function that lets you put in a minimum quantity so that the buy/sell SNAP order only becomes active when there is a minimum of that number of contracts on the offer/bid. This worked rather beautifully when the mass manipulator of the e-mini sp was doing his normal manipulative activity at price 1800.00 on Friday 24th January circa 12.23pm. The fake bids he had placed were being removed too quickly for me to hit. If I had put a snap for 700 with 0 as minimum volume, it would not have been filled because as soon the bid was more than 1 lot bid the 700 would have been active. With my 699 then resting the normal forms of manipulation that occur on 100% of my orders EXCLUSIVELY would then have preceded to follow. So I put a 700 lot SNAP with a minimum volume of 600, et voila I got my full 700.

ICE : The Iceberg function on the CME isn't adequate for me, I hardly ever use it because it puts me at the back of the queue all the time. Hence, 2,000 needs to trade to get me out of 800 lots for example. My iceberg function is placed at a price and as soon as it is bid/offered at the price the iceberg will take all contracts at the price up to and including the number of my order. Again, there is a minimum volume box, so for example I can put 50 into it and put a sell ICE of 1,000 and then at that price every time the bid is more than 50, the ICE will take all contracts out until 1,000 is traded. This is a good way of catching spoofers, and et voila I can trade 1,000 lots at one price (following on from the above example).

The other orders I sometimes place during the day are slightly away from the market price and move up and down as the market moves with it. This is to catch any blips up/down in the market so that I can make a small profit as the market comes back into line (almost immediately). These orders are placed rarely and only when I believe the market is excessively weak or strong. Again, this was inspired by other traders I could see doing the exact same thing.

I am a member of the CME.

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I shall forward you on my last 2 months statements for your perusal. Furthermore I will forward this months statement on Monday.

I hope this is helpful and sufficient for you.

All the best

Nav

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