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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING
whether there has been a violation
of the Securities Act of Washington by:

Josh J. Murakami;
GoTradeSignals,

Respondents.

Order Number S-15-1626-15-SC01

STATEMENT OF CHARGES AND
NOTICE OF INTENT TO ISSUE AN
ORDER TO CEASE AND DESIST,
IMPOSE FINES, AND CHARGE COSTS

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THE STATE OF WASHINGTON TO:

Josh J. Murakami (CRD No. 4446699)
GoTradeSignals

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that the Respondents Josh J. Murakami and GoTradeSignals have each violated the Securities Act of Washington. The Securities Administrator believes their violations justify the entry of an order of the Securities Administrator against each to cease and desist from such violations pursuant to RCW 21.20.390, to impose a fine pursuant to RCW 21.20.395, and to charge costs pursuant to RCW 21.20.390. The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

Respondents

1. Josh J. Murakami ("Murakami") (CRD No. 4446699) is a resident of Redmond, Washington. Murakami has never been registered with the Securities Division in any capacity. At various times between approximately August 2001 and July 2003, Murakami was registered as an

1 investment adviser representative in Oklahoma and Texas while employed with Profusion Holdings LLC
2 (“Profusion Holdings”). Profusion Holdings was a commodity pool operator of which Murakami was a
3 co-founder and managing member.

4 2. GoTradeSignals is a sole proprietorship formed by Murakami in approximately 2011,
5 with a principal place of business in Redmond, Washington. GoTradeSignals has never been registered
6 with the Securities Division in any capacity.

7 **Prior Enforcement Actions against Murakami**

8 3. On March 1, 2004, the National Futures Association (“NFA”) issued a Complaint against
9 Murakami, Josh Edwyn Allen (“Allen”), and Profusion Holdings, alleging that Profusion Holdings
10 (acting through Murakami and Allen) borrowed funds from the pool it operated without informing all of
11 the pool’s participants of the loans or getting their authorization. The Complaint alleged that Profusion
12 Holdings used a non-approved disclosure document that contained inaccurate information and failed to
13 include current information to solicit new customers, and distributed to pool participants account
14 statements that failed to contain required information. The Complaint further alleged that Murakami and
15 Profusion Holdings used deceptive and misleading promotional materials that labeled hypothetical
16 performance results as actual performance results, failed to disclose that in the months preceding the
17 results the pool had drawdowns of between 40-50%, and failed to include a required disclaimer. In
18 addition, Murakami and Profusion Holdings used promotional materials that contained material
19 misstatements of fact. In a Decision issued by the NFA in March 2004, Murakami’s NFA membership
20 was terminated and he was permanently barred from applying for future membership.

21 4. On December 22, 2009, the State of California, Department of Corporations, issued a
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1 Desist and Refrain Order against Murakami, Allen, and Profusion Holdings. The State of California
2 found that beginning in 2005, for a monthly fee, the respondents provided California residents with
3 trading signals that were used to implement speculative options and futures trades. The State of
4 California found that Murakami acted as an unregistered commodity trading advisor and/or commodity
5 merchant and failed to disclose the prior 2004 NFA action to subscribers.

6 **Overview**

7 5. Between approximately January 2011 and the present, Murakami has published the
8 GoTradeSignals subscription-based newsletter. This newsletter is disseminated by email, and contains
9 recommendations to buy or sell particular options products. There have been at least 41 subscribers to
10 GoTradeSignals, the majority of whom are Washington residents. Subscribers are charged monthly fees
11 ranging from approximately \$99 to \$499 per month.

12 6. Murakami promoted auto-trading of the GoTradeSignals newsletter, which resulted in the
13 provision of investment advice for compensation to subscribers. The majority of GoTradeSignals
14 newsletter subscribers opened auto-traded brokerage accounts. Through this arrangement, Murakami's
15 subscribers authorized their broker to automatically execute trades in their brokerage account using the
16 trade signals contained in Murakami's newsletter. Nearly 40 GoTradeSignals subscribers established
17 auto-trade accounts, including one subscriber who lost at least \$19,000 in his auto-trade accounts during
18 a six-month period in 2014.

19 7. By disseminating a subscription-based newsletter with specific trading instructions to
20 investors with auto-traded accounts, GoTradeSignals and Murakami have operated as an unregistered
21 investment adviser and investment adviser representative. In addition, Murakami failed to disclose
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1 material information to his GoTradeSignals subscribers regarding his history of prior enforcement
2 actions.

3 **GoTradeSignals Newsletter**

4 8. Between approximately October 2013 and September 2015, Murakami received over
5 \$25,000 through the sale of GoTradeSignals subscriptions. GoTradeSignals presently offers only one
6 subscription option, the Gold newsletter for \$99 per month. Prior to approximately March 2016,
7 GoTradeSignals also offered a Platinum newsletter for \$499 per month. Both newsletters provide
8 recommendations for trading iron condors, an options strategy that buys and holds four options with
9 different strike prices. The majority of subscriptions were to the Gold newsletter, which was designed
10 for accounts of less than \$150,000. The Platinum newsletter was designed for accounts over \$150,000.

11 9. Murakami used a variety of methods to find subscribers to his newsletter. Murakami
12 solicited friends and acquaintances, who provided him with additional referrals. At least one subscriber
13 attended a Meetup.com group that Murakami founded and hosted several times per month in the Seattle
14 area. Murakami advertised the Meetup.com group as a place to discuss options trading. When meeting
15 with group members, Murakami described his GoTradeSignals newsletter and invited group members to
16 visit the GoTradeSignals website.

17 10. Murakami represented to at least one subscriber that he would earn a return of 3-9% per
18 month through a subscription to the GoTradeSignals newsletter. The subscriber was told that these
19 returns were based on Murakami's previous iron condor trades. Murakami misleadingly represented to
20 the subscriber that he would not lose more than 10% of his account value with a GoTradeSignals
21 subscription. Murakami failed to disclose that in fact, the investor could lose all of the funds in his
22

1 account.

2 11. The Platinum newsletter was typically published 3-6 times per month, and the Gold
3 newsletter was published less frequently. The newsletters were published at irregular intervals in
4 response to specific market activity. The newsletters typically contained a brief market commentary,
5 along with trade signals for U.S. index option products, including SPX (S&P 500 Index options) and
6 SPXpm. Beginning in at least September 2015, GoTradeSignals also began disseminating a “Midweek
7 Update” and “Weekend Update” which contained market commentary, but no trade signals.

8 *Auto-Trade Accounts*

9 12. As part of the GoTradeSignals newsletter, Murakami promoted auto-trading, which
10 authorized the subscriber’s broker to execute the trades recommended in the newsletter. Between at
11 least November 2014 and February 2015, the GoTradeSignals website stated:

12 Autotrade with GoTradeSignals. Autotrading provides hands free
13 trading to our subscribers with a direct connection between
14 GoTradeSignals’ trading technology and the subscriber’s broker.

15 The website further stated that GoTradeSignals had “partnered with excellent brokers to facilitate
16 individual accounts” and that the “benefit is immediate execution of trades as they are released.”

17 13. The majority of GoTradeSignals subscribers opened auto-trade accounts, which were
18 available for no additional fee as part of their subscription. Between approximately January 2011 and
19 the present, at least 39 subscribers to the Gold and Platinum newsletters established brokerage accounts
20 that were auto-traded, including several retirement accounts. Subscribers established accounts with one
21 of two auto-trade brokers used by GoTradeSignals. Subscribers signed limited trading authorization

1 (“LTA”) forms with the broker-dealer, which authorized the broker-dealer to automatically execute all
2 trade signals recommended in the GoTradeSignals newsletter. Through this arrangement,
3 GoTradeSignals has discretionary authority to purchase and sell securities on behalf of its auto-trading
4 subscribers.

5 14. Murakami disseminated the GoTradeSignals newsletters via an email service provider
6 which allowed for simultaneous delivery to subscribers and their auto-trade broker. The auto-trade
7 brokers received one copy of each Gold and Platinum newsletter that was published. Murakami often
8 sent follow-up messages with updates to the trading instructions included in the newsletters. Murakami
9 would also speak by telephone with the auto-trade brokers to answer questions regarding the trade
10 instructions in the newsletter. The auto-trade brokers sent Murakami an email notifying him of the price
11 at which the orders in each Gold and Platinum newsletter were filled.

12 *Failure to Disclose Prior Enforcement Actions*

13 15. Murakami failed to disclose material information relating to his prior enforcement action
14 in 2004. Murakami provided subscribers with a misleading Subscription Agreement that omitted
15 material information. The Subscription Agreement stated, in part:

16 “A principle of GoTradeSignals was formerly registered with the NFA voluntarily, and enlisted
17 an advisor to assist in launching a trading business just after college in 2001. There was a
18 conflict of interest with the advisor resulting in improper advice given to the principle. The
19 advisor was disciplined by a regulatory body for actions taken, and the principle was also
20 targeted. Without the means to mount a legal team at the time, the NFA leveled accusations
21 without inhibition. No accusations were admitted to, or proven. The principle did not
22 misappropriate funds to themselves.” [sic]

23 16. Murakami failed to disclose that he is the “principle” of GoTradeSignals that is
24 referenced in the Subscription Agreement. The Subscription Agreement misleadingly states that the

1 “principle” (Murakami) was “also targeted” but fails to clearly disclose that the NFA took action against
2 him individually. The Subscription Agreement also misleadingly states that the NFA “leveled
3 accusations” that were not “admitted to, or proven” while failing to disclose the fact that the NFA issued
4 a decision against Murakami that terminated his membership and permanently barred him from applying
5 for future membership.

6 17. In addition to failing to fully disclose the 2004 NFA action, Murakami also failed to
7 disclose to subscribers that he was subject to the 2009 California Desist and Refrain Order.
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9 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

10 **CONCLUSIONS OF LAW**

11 1. Respondents GoTradeSignals and Josh J. Murakami acted as an investment adviser and
12 an investment adviser representative, respectively, as defined in RCW 21.20.005(8) and (9) by, for
13 compensation, engaging in the business of advising others, either directly or through publications or
14 writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling
15 securities, or, for compensation and as a part of a regular business, issuing or promulgating analyses or
16 reports concerning securities.

17 2. Respondents GoTradeSignals and Josh J. Murakami violated RCW 21.20.040 by
18 transacting business as an investment adviser and investment adviser representative, respectively, while
19 not registered in the State of Washington.

20 3. Respondents GoTradeSignals and Josh J. Murakami violated RCW 21.20.020 by
21 engaging in an act, practice, or course of business which operated as a fraud or deceit upon subscribers.
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2 **NOTICE OF INTENT TO ISSUE AN ORDER TO CEASE AND DESIST**

3 Pursuant to RCW 21.20.390(1), and based upon the above Tentative Findings of Fact and
4 Conclusions of Law, the Securities Administrator intends to order that the Respondents Josh J. Murakami
5 and GoTradeSignals shall cease and desist from violations of RCW 21.20.040 and RCW 21.20.020.

6 **NOTICE OF INTENT TO IMPOSE FINES**

7 Pursuant to RCW 21.20.395, and based upon the above Tentative Findings of Fact and
8 Conclusions of Law, the Securities Administrator intends to order that:

- 9 (1) Respondent Josh J. Murakami shall be liable for and pay a fine of \$20,000; and
10 (2) Respondent GoTradeSignals shall be liable for and pay a fine of \$15,000.

11 **NOTICE OF INTENT TO CHARGE COSTS**

12 Pursuant to RCW 21.20.390(5), and based upon the above Tentative Findings of Fact and
13 Conclusions of Law, the Securities Administrator intends to order that the Respondents Josh J. Murakami
14 and GoTradeSignals shall be jointly liable for and shall pay the Securities Division the costs, fees and
15 other expenses incurred in the administrative investigation and hearing of this matter, in an amount not
16 less than \$5,000.

17 **AUTHORITY AND PROCEDURE**

18 This Statement of Charges is entered pursuant to the provisions of RCW 21.20.390 and RCW
19 21.20.395, and is subject to the provisions of RCW 34.05. The Respondents may each make a written
20 request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND
21 OPPORTUNITY FOR HEARING accompanying this Statement of Charges.

1 If a Respondent does not request a hearing, the Securities Administrator intends to adopt the
2 above Tentative Findings of Fact and Conclusions of Law as final, enter a permanent order to cease and
3 desist, and impose the fines and costs sought.

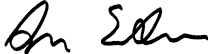
4 DATED AND ENTERED this 16th day of June, 2016.

5 By:

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7 _____
8 William M. Beatty
9 Securities Administrator

10 Approved by:

11 

12 _____
13 Suzanne Sarason
14 Chief of Enforcement

10 Presented by:

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12 _____
13 Bridgett Fisher
14 Financial Legal Examiner

15 Reviewed by:

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18 Robert Kondrat
19 Financial Legal Examiner Supervisor

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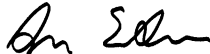
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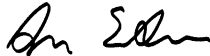
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