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UNITED STATES OF AMERICA
Before the 2011 AUG 25 AM 11: 57
COMMODITY FUTURES TRADING COMMISSION

Office of
11-21
Proceedings
Proceedings Clerk
CFTC Docket No
In the Matter of:)
Craig A. Taffel,)
Respondent.)
ORDER INSTITUTING PROCEEDINGS
PURSUANT TO SECTIONS 6(c) and 6(d),
OF THE COMMODITY EXCHANGE ACT,
AS AMENDED, MAKING FINDINGS
AND IMPOSING REMEDIAL
SANCTIONS
)

I.

The Commodity Futures Trading Commission (“Commission”) has reason to believe that respondent Craig A. Taffel (“Taffel” or “Respondent”) violated Section 4d(a)(1) of the Commodity Exchange Act (the “Act”), as amended by the Food, Conservation, and Energy Act of 2008, Pub. L. No. 110-246, Title XIII (the CFTC Reauthorization Act of 2008), §§ 13101-13204, 122 Stat. 1651 (enacted June 18, 2008), to be codified at 7 U.S.C. § 6d(a)(1). Accordingly, the Commission deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted to determine whether Taffel engaged in the violations set forth herein and to determine whether any order should be issued imposing remedial sanctions.

II.

In anticipation of the institution of an administrative proceeding, Respondent has submitted an Offer of Settlement (“Offer”), which the Commission has determined to accept. Without admitting or denying any of the findings and conclusions herein, Respondent acknowledges service of this Order Instituting Proceedings Pursuant to Sections 6(c) and 6(d) of the Commodity Exchange Act, as Amended, Making Findings and Imposing Remedial Sanctions (“Order”).¹

¹ Respondent consents to the use of these findings in this proceeding and in any other proceeding brought by the Commission or to which the Commission is a party; provided, however, that Respondent does not consent to the use of the Offer, or the findings in this Order consented to in the Offer, as the sole basis for any other proceeding brought by the Commission, other than a proceeding in bankruptcy or to enforce the terms of this Order. Respondent also does not consent to the use of the Offer or this Order, or the findings consented to in the Offer or this Order, by any other party in any other proceeding.

III.

The Commission finds the following:

A. Summary

From at least March 2008 and continuing through at least March 2010 (“the relevant period”), Taffel, while registered with the Commission as a floor broker, solicited and/or accepted orders from at least four individuals for the purchase and sale of domestic exchange-traded commodity futures contracts (“futures”). Taffel accepted these orders into his personal trading account and then executed the orders on the Chicago Board of Trade (“CBOT”). In connection with those orders, Taffel accepted money from or extended credit to the individuals. At least three of the four individuals for whom Taffel accepted orders were employees of Taffel’s corporate customers. As such, Taffel engaged as a futures commission merchant (“FCM”) without being registered as an FCM. By virtue of this conduct and the further conduct described herein, Taffel violated Section 4d(a)(1) of the Act, as amended, to be codified at 7 U.S.C. § 6d(a)(1).

B. Respondent

Craig A. Taffel is registered with the Commission as a floor broker and operates a trading desk on the floor of the CBOT. He currently resides in Chicago, Illinois.

C. Facts

Taffel has been registered as a floor broker since 1994 and has been involved in the futures industry since 1986. During the relevant period, Taffel had an exclusive clearing agreement with an FCM and operated a trading desk on the floor of the CBOT. At this desk, Taffel executed orders on behalf of his own personal customers, generally large market participants, as well as large institutional customers of the FCM. Taffel also extensively traded his personal accounts held at the FCM.

Beginning in at least March 2008, Taffel allowed four individuals to place trades in subaccounts of Taffel’s personal account at the FCM. These individuals would instruct Taffel as to what trade they wanted made through instant messages, e-mails or telephone calls. Taffel would then execute these orders in his personal account through the electronic trading platform at his desk on the CBOT floor. Between March 2008 and March 2010, Taffel executed at least 141 trades in various grain futures for these four individuals, totaling at least 407 contracts.

Taffel assigned each individual a separate subaccount to his master personal account at the FCM. Taffel placed trades for these individuals in the assigned subaccount. This allowed Taffel to track the profitability of the individuals’ trading. Taffel margined trading in the subaccounts through his master trading account at the FCM, effectively extending credit to the four individuals. Three of the four individuals lost small amounts of money trading in Taffel’s personal account, which Taffel wrote off. On at least two occasions, Taffel sent wire transfers from his trading account representing trading profits made by one of the individuals, totaling approximately \$22,000.

At least three of the four individuals trading in Taffel's personal accounts worked, during the relevant period, for Taffel's corporate customers. Job duties for these individuals included placing orders for futures trades on behalf of their employers, including trades placed with Taffel. As such, these individuals had regular communication with Taffel regarding market conditions and trades placed by their employers in the futures markets. These individuals traded futures contracts in many of the same markets as their employers.

D. Legal Discussion

Taffel Violated Section 4d(a)(1) of the Act, as Amended, 7 U.S.C. § 6d(a)(1), by Engaging as an FCM While Unregistered as an FCM.

Section 1a(20) of the Act, as amended, 7 U.S.C. § 1a(20), defines an FCM as:

an individual, association, partnership, corporation, or trust that— (A) is engaged in soliciting or in accepting orders for the purchase or sale of any commodity for future delivery on or subject to the rules of any contract market or derivatives transaction execution facility; and (B) in or in connection with such solicitation or acceptance of orders, accepts any money, securities, or property (or extends credit in lieu thereof) to margin, guarantee, or secure any trades or contracts that result or may result therefrom.

Pursuant to Section 4d(a)(1) of the Act, 7 U.S.C. § 6d(a)(1), it is unlawful for any individual or corporation to engage as an FCM, unless such individual or corporation is registered with the Commission as an FCM and such registration has not expired nor been suspended nor revoked.

As set forth above, from at least March 2008 to March 2010, without registering as an FCM, Taffel engaged as an FCM by accepting orders for the purchase and sale of futures and in or in connection with such acceptances of orders, accepted money, securities, or property (or extended credit in lieu thereof) to margin, guarantee, or secure any trades or contracts that resulted therefrom. This conduct violated Section 4d(a)(1) of the Act, as amended, to be codified at 7 U.S.C. § 6d(a)(1).

IV.

FINDINGS OF VIOLATIONS

Based on the foregoing, the Commission finds that Taffel violated Section 4d(a)(1) of the Act, as amended, to be codified at 7 U.S.C. § 6d(a)(1).

V.

OFFER OF SETTLEMENT

Respondent has submitted the Offer in which he, without admitting or denying the findings herein:

- A. Acknowledges receipt of service of this Order;
- B. Admits the jurisdiction of the Commission with respect to all matters set forth in this Order;
- C. Waives: the filing and service of a complaint and notice of hearing; a hearing; all post-hearing procedures; judicial review by any court; any and all objections to the participation by any member of the Commission's staff in consideration of the Offer; any and all claims that he may possess under the Equal Access to Justice Act (EAJA), 5 U.S.C. § 504 (2006) and 28 U.S.C. § 2412 (2006), and/or Part 148 of the Regulations, 17 C.F.R. §§ 148.1 *et seq.* (2010), relating to, or arising from, this proceeding; any and all claims that he may possess under the Small Business Regulatory Enforcement Fairness Act of 2006, Pub. L. No. 104-121 §§ 201-253, 110 Stat. 847, 857-868 (1996), as amended by Pub. L. No. 110-28, § 8302, 121 Stat. 112, 204-205 (2007), relating to, or arising from, this proceeding; and any claim of double jeopardy based upon the institution of this proceeding or the entry in this proceeding of any order imposing a civil monetary penalty or any other relief;
- D. Stipulates that the record upon which this Order is entered shall consist solely of the findings contained in this Order to which the Respondent has consented; and
- E. Consents, solely on the basis of the Offer, to entry of this Order that:
 - 1. makes findings by the Commission that Taffel violated Section 4d(a)(1) of the Act, as amended, to be codified at 7 U.S.C. § 6d(a)(1);
 - 2. orders Respondent to cease and desist from violating Section 4d(a)(1) of the Act, as amended, to be codified at 7 U.S.C. § 6d(a)(1);
 - 3. orders Respondent to pay a civil monetary penalty in the amount of one hundred eighty thousand dollars (\$180,000) within ten (10) days of the date of the entry of this Order; and
 - 4. orders Respondent to comply with the undertakings consented to in the Offer and set forth below in Section VI of this Order.

Upon consideration, the Commission has determined to accept Respondent's Offer.

VI.

Accordingly, IT IS HEREBY ORDERED THAT:

1. Respondent shall cease and desist from violating Section 4d(a)(1) of the Act as amended, to be codified at 7 U.S.C. § 6d(a)(1);
2. Respondent shall pay a civil monetary penalty in the amount of \$180,000 within ten (10) days of the date of the entry of this Order (the "CMP Obligation"). Should the Respondent not satisfy this CMP Obligation within ten (10) days of the date of the entry of this Order, then post-judgment interest shall accrue commencing on the date of entry of this Order and shall be determined by using the Treasury Bill rate prevailing on the date of entry of this Order pursuant to 28 U.S.C. § 1961. Respondent shall pay his civil monetary penalty by electronic funds transfer, U.S. postal money order, certified check, bank cashier's check, or bank money order. If payment is to be made other than by electronic funds transfer, the payment shall be made payable to the Commodity Futures Trading Commission and sent to the address below:

Commodity Futures Trading Commission
Division of Enforcement
ATTN: Linda Zurhorst – AMZ-300
DOT/FAA/MMAC
6500 S. MacArthur Blvd.
Oklahoma City, OK 73169
Telephone 405-954-5644

If payment by electronic funds transfer is chosen, Respondent shall contact Linda Zurhorst or her successor at the above address to receive payment instructions and shall fully comply with those instructions. The Respondent shall accompany payment of the civil monetary penalty with a cover letter that identifies the Respondent and the name and docket number of this proceeding. The Respondent shall simultaneously transmit copies of the cover letter and the form of payment to: (1) the Director, Division of Enforcement, Commodity Futures Trading Commission, Three Lafayette Centre, 1151 21st Street, NW, Washington, DC 20581; and (2) the Chief, Office of Cooperative Enforcement, Division of Enforcement, Commodity Futures Trading Commission at the same address. In accordance with Section 6(e)(2) of the Act, as amended, to be codified at 7 U.S.C. § 9a(2), if this amount is not paid in full within fifteen (15) days of the due date, Respondent shall be prohibited automatically from the privileges of all registered entities, and, if Respondent is registered with the Commission, such registration(s) shall be suspended automatically until Respondent has shown to the satisfaction of the Commission that payment of the full amount of the civil monetary penalty with post-judgment interest thereon to the date of the payment has been made; and

3. Respondent and his successors and assigns shall comply with the following undertakings set forth in the Offer:

a. Actions or Public Statements

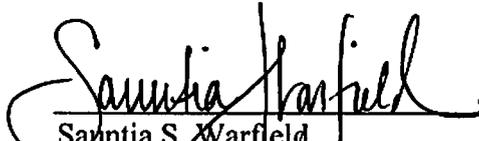
Neither Respondent nor any of his agents or employees under his authority or control shall take any action or make any public statement denying, directly or indirectly, any findings or conclusions in this Order, or creating, or tending to create, the impression that this Order is without factual basis; provided, however, that nothing in this provision shall affect Respondent's: (i) testimonial obligations; or (ii) rights to take legal positions in other proceedings to which the Commission is not a party. Respondent and his successors and assigns shall undertake all steps necessary to ensure that all of his agents and employees under his authority or control understand and comply with this undertaking.

b. Miscellaneous Provisions

Respondent agrees that the Order shall inure to the benefit of and be binding on successors, assigns, beneficiaries and administrators of Respondent.

The provisions of this Order shall be effective as of this date.

By the Commission.


Sauntia S. Warfield
Assistant Secretary of the Commission
Commodity Futures Trading Commission

Dated: August 25, 2011