

UNITED STATES OF AMERICA  
before the  
COMMODITY FUTURES TRADING COMMISSION

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In re )  
 )  
Maros Miklas, )  
 )  
Respondent. )  
\_\_\_\_\_ )

CFTC Docket No. 07-10

**INITIAL DECISION ON DEFAULT**

The Commission issued a Notice and Order on February 6, 2008, directing that a public hearing be conducted on March 3, 2008, in Chicago, Illinois to determine whether Respondent Maros Miklas ("Miklas") violated Section 4b(a)(2)(i) and (iii) of the Act, 7 U.S.C. §§ 6b(a)(2)(i) and (iii) (2002). Miklas was forewarned that failure to apprise the Proceedings Clerk, on or before, February 26, 2008, of his intent to appear would be deemed a waiver of his right to a hearing.

Miklas did not comply with the Order, and on February 25, 2008, this Court deemed the allegations set forth in the Notice to be true, and directed the Division of Enforcement to file proposed findings of fact and conclusions of law based on the deemed truth of the allegations set forth in the Notice, and to recommend sanctions to be imposed. The Division made its filing on March 10, 2008. This Court finds and concludes as follows:

**I.**

**FINDINGS OF FACT**

1. Miklas is a citizen of the Slovak Republic. Miklas has never been registered with the Commission in any capacity.
2. Paltalk is an internet website with various "chat rooms" that allow participants to discuss a variety of subjects, including the trading of futures and options on United States exchanges. Miklas was a participant in Paltalk.
3. Kim Lim ("Lim"), is a Canadian citizen and resident of Ottawa, Canada, and also participated in Paltalk chat rooms and came to know Miklas through this media in late 2005. Lim has never met Miklas personally.
4. Through conversations within Paltalk and by e-mail, Miklas convinced Lim that

Miklas was a successful futures trader. Among other things, Miklas e-mailed Lim numerous charts and graphs that purported to show Miklas' trading success over the past several years.

5. The information Miklas transmitted to Lim was fictitious and had no basis in fact.

6. Lim relied to his detriment upon Miklas's representations and opened two futures trading accounts that Miklas would trade on Lim's behalf. In exchange for managing the trading in Lim's accounts, Miklas was to receive 30% of any profits made from trading.

7. On January 24, 2006, Lim opened and funded a \$100,000 trading account in his own name ("Lim's personal account") at Goldenberg, Hehmeyer & Co., a registered futures commission merchant ("FCM") located in Chicago, Illinois, and signed a power of attorney allowing Miklas to trade that account.

8. On February 13, 2006, Lim opened and funded a \$250,000 business trading account ("Lim's business account") in the name of Wall-St.-Trader.com, Inc., a Delaware corporation solely owned by Lim, at another FCM, Man Financial, Inc., also located in Chicago, Illinois, and signed a power of attorney allowing Miklas to trade that account.

9. On December 21, 2006, Miklas misappropriated Lim's funds through a series of trades that essentially transferred funds from Lim's accounts to Miklas' personal account at Interactive Brokers, LLC ("Interactive"), another FCM, also located in Chicago, Illinois. Miklas made these trades in the back months contracts of the T-Bond futures on the Chicago Board of Trade's eCBOT electronic trading platform, which the Chicago Board of Trade operates from facilities located in Chicago, Illinois.

10. On December 21, 2006, although there were more than 30,000 trades in the March 2007 T-Bond futures (the front month contract), there was only one trade in the September 2007 and December 2007 T-Bond futures contracts (the two most deferred back months contracts) other than those that were made by Miklas. Further, the bid/ask spread in the two deferred month contracts was extremely wide, about 48 ticks, which was equivalent to one and  $\frac{1}{2}$  points or \$1,500 per contract.

11. Miklas took advantage of these thin market conditions to defraud Lim. The eCBOT system allowed Miklas to see the best five bids and offers in the September 2007 and December 2007 T-Bond futures contracts. This permitted Miklas to determine how best to place his bids and offers on eCBOT for purposes of trading opposite Lim.

12. On December 21, 2006, Miklas entered a series of trades involving his own account and Lim's two accounts in the September 2007 and December 2007 T-Bond futures contracts. The execution of the trades all followed this basic pattern:

- a. Miklas, for his own account, placed a sell order at a price that was the best offer in the eCBOT system, from Miklas' perspective;
- b. Within seconds, Miklas initiated a trade in one of Lim's accounts that

accepted the offer Miklas had made for his own account;

- c. Miklas then placed a buy order for his own account for the same quantity that had been sold in step b above at a price that was the best bid in the system, from Miklas' perspective; and
- d. Within seconds, Miklas initiated a trade in one of Lim's accounts that accepted the bid Miklas had made for his own account.

13. Miklas executed five transactions in this manner, one in the September 2007 T-Bond contract and the other four in the December 2007 T-Bond contract. The first three transactions, involving a total of 120 contracts, were done between Miklas' personal account and Lim's business account. The last two transactions, involving a total of 45 contracts, were done between Miklas' personal account and Lim's personal account.

14. Miklas did not disclose this trading strategy to Lim.

15. The five sets of transactions Miklas executed proximately caused losses of \$138,772.50 to Lim's business account and \$74,293.80 to Lim's personal account, for total losses to Lim of \$213,066.30. Meanwhile, the five transactions resulted in profits of \$211,304.10 to Miklas' personal trading account.

## II.

### CONCLUSIONS OF LAW

1. During the relevant time, Miklas violated Section 4b(a)(2)(i) and (iii) of the Act, 7 U.S.C. §§ 6b(a)(2)(i) and (iii) (2002), in that he cheated or defrauded or attempted to cheat or defraud Lim and willfully deceived or attempted to deceive Lim, by knowingly placing orders virtually simultaneously for his personal account and the accounts of his customer that were designed to result in profits for himself and losses for his customer.

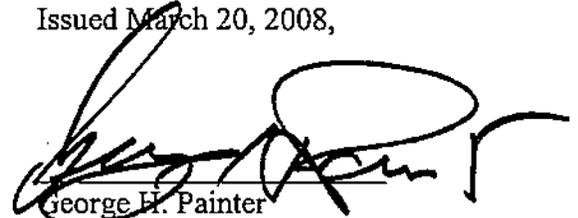
2. Miklas engaged in this conduct in or in connection with orders to make, or the making of, any contract of sale of any commodity for future delivery, made, or to be made, for or on behalf of other persons where such contracts for future delivery were or may have been used for (a) hedging any transaction in interstate commerce in such commodity, or the products or byproducts thereof, or (b) determining the price basis of any transaction in interstate commerce in such commodity, or (c) delivering any such commodity sold, shipped, or received in interstate commerce for the fulfillment thereof.

### ORDER

The Court orders Miklas to cease and desist from violating Section 4b(a)(2)(i) and (iii) of the Act, 7 U.S.C. §§ 6b(a)(2)(i) and (iii) (2002). Accordingly, Miklas is permanently

prohibited from trading on or subject to the rules of any registered entities, and the Court requires that all registered entities refuse Miklas all privileges thereon. The Court assesses a civil monetary penalty of \$211,000, the amount of Miklas' monetary gain, against Miklas, and orders that Miklas pay restitution to Lim in the amount of \$213,066.30.

Issued March 20, 2008,

A handwritten signature in black ink, appearing to read "George H. Painter", is written over a horizontal line.

George H. Painter  
Administrative Law Judge