

UNITED STATES OF AMERICA
Before the
COMMODITY FUTURES TRADING COMMISSION

RECEIVED CFTC



Office of Proceedings
Proceedings Clerk

5:00 pm, Jul 12, 2019

_____)
In the Matter of:)
)
William Dean Katzelis and Shahin)
Maleki d/b/a Essex Futures,) CFTC Docket No. 19-12
)
Respondents.)
_____)

**ORDER INSTITUTING PROCEEDINGS PURSUANT TO
SECTIONS 6(c) AND 6(d) OF THE COMMODITY EXCHANGE ACT, MAKING
FINDINGS AND IMPOSING REMEDIAL SANCTIONS**

I. INTRODUCTION

The Commodity Futures Trading Commission (“Commission”) has reason to believe that William Dean Katzelis (“Katzelis”) and Shahin Maleki (“Maleki”) d/b/a Essex Futures (collectively, “Essex”) violated Section 4g(a) of the Commodity Exchange Act (“Act”), 7 U.S.C. § 6g(a) (2012), and Commission Regulations (“Regulations”) 1.31(a), 1.35(a)(3)(i), 1.35(b)(1), 1.57(c)(3), 3.31(c)(1)(ii), 155.4(a)(1), 166.2(a), 166.3 and 166.4, 17 C.F.R. §§ 1.31(a), 1.35(a)(3)(i), 1.35(b)(1), 1.57(c)(3), 3.31(c)(1)(ii), 155.4(a)(1), 166.2(a), 166.3, 166.4 (2018). Therefore, the Commission deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted to determine whether Respondents engaged in the violations set forth herein and to determine whether any order should be issued imposing remedial sanctions.

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

¹ Respondents consent to the use of these findings of fact and conclusion of law in this Order in this proceeding and in any other proceeding brought by the Commission or to which the Commission is a party or claimant, and agrees that they shall be taken as true and correct and be given preclusive effect therein, without further proof. Respondents do not consent, however, to the use of this Order, or the findings or conclusions herein, as the sole basis for any other proceeding brought by the Commission or to which the Commission is a party or claimant, other than: a proceeding in bankruptcy or receivership; or a proceeding to enforce the terms of this Order. Respondents do not consent to the use of the Offer or this Order, or the findings or conclusions in this Order, by any other party in any other proceeding.

II. FINDINGS

The Commission finds the following:

A. Summary

From at least January 1, 2014 to September 24, 2017 (the “relevant period”), Essex, a registered guaranteed introducing broker (“GIB”), failed to comply with the Act, 7 U.S.C. §§ 1-26 (2012), and Regulations, 17 C.F.R. §§ 1-190. (2018), in a number of respects.

In particular, Essex improperly combined proprietary and customer trades in bunched orders when it transmitted the orders to future commission merchants (“FCMs”) for execution. Essex also engaged in unauthorized trading for certain customer accounts by exercising trading discretion over customers’ accounts without powers of attorney from the customers and without obtaining the requisite specific authorizations from its customers. Essex also failed to (1) prepare the requisite written records for those transactions; and (2) maintain and produce to the Commission upon request required records.

Additionally, Essex failed to notify the National Futures Association (“NFA”) within thirty days of when an associated person (“AP”) terminated his/her association with Essex, failed to transmit checks that they received from Essex customers to an FCM on the date that they received the checks, and failed to identify to the public an Essex branch office.

Finally, Essex failed to diligently supervise the handling by its employees and agents of commodity interest accounts introduced by Essex and the activities of its employees and agents relating to its business as a GIB to ensure compliance with the Act and Regulations and to deter and detect misconduct. In particular, Essex had a supervisory system in place as evidenced by its compliance manual; nevertheless, Essex failed to adequately supervise its employees and agents to ensure they: (1) submitted bunched orders that properly segregated proprietary trades from customer trades; (2) submitted bunched orders that properly segregated trades from discretionary and non-discretionary customer accounts; (3) engaged only in authorized trading for customer accounts; (4) prepared the required written records for transactions.

B. Respondents

Dean Katzelis is a California resident who was listed as a principal with the NFA and registered as an AP of Essex, an unincorporated business located in Laguna Hills, California, from November 2000 until October 2017. Katzelis had supervisory responsibilities at Essex. As part of his supervisory responsibilities, among other things, Katzelis 1) supervised the Essex AP responsible for obtaining customer authorizations for trades; and 2) submitted Essex’s proprietary and customer trades for execution.

Shahin Maleki is a California resident who was listed as a principal with the NFA and registered with the Commission as an AP of Essex from October 2000 until October 2017. Maleki had supervisory responsibilities at Essex. As part of his supervisory responsibilities, among other things, Maleki managed Essex’s day-to-day operations and regulatory compliance.

In November 2016, Katzelis and Maleki were listed as principals with the NFA and registered with the Commission as APs of Essex Capital Management LLC, a registered commodity trading advisor also located in Laguna Hills.

C. Facts

During the relevant period, Essex publicly offered a trading strategy that utilized very deep, out of the money, weekly S&P 500 put options traded on the Chicago Mercantile Exchange (the “S&P Strategy”). As part of the S&P Strategy, customers hoped to profit from the premium they received for selling the option when the option itself, because it was so far out of the money, expired worthless.

1. Essex Submitted Bunched Orders Containing Trades for Proprietary and Customer Accounts, and Bunched Orders Containing Trades for Discretionary and Non-Discretionary Customer Accounts

During the relevant period, in connection with the S&P Strategy, Essex regularly submitted to FCMs bunched orders for post execution allocation that included both: (1) proprietary and customer trades; and (2) discretionary and non-discretionary customer trades. Further, during the relevant period, after submitting these bunched orders to the FCMs, Essex provided the floor brokers with post-allocation fill instructions informing the floor brokers which of the proprietary, discretionary, and non-discretionary accounts would receive the executed transactions. For example, in December 2014, Essex submitted to an FCM bunched orders for execution that contained: (a) trades for proprietary accounts, (b) trades for discretionary customer accounts, and (c) trades for non-discretionary customer accounts. Essex gave post-allocation fill instructions to the FCM for these three accounts. Likewise, on multiple occasions in January and March 2016, Essex submitted to an FCM bunched orders for execution that contained trades from the same three categories of accounts bunched together, and gave post-allocation fill instructions to the FCMs for these three accounts.

2. Essex Engaged in Unauthorized Trading for Customer Accounts and Failed to Prepare the Written Records for Those Transactions

During the relevant period, Essex regularly engaged in unauthorized trading for customer accounts. Specifically, Essex exercised trading discretion over customers’ accounts. However, Essex did not have powers of attorney from certain customers and had not obtained the requisite specific authorizations from those customers as to, among other things, the precise commodity interest that it was selling or the exact amount of the commodity interest that was being sold. For example, in or about 2014, Essex began utilizing the S&P Strategy as its main trading strategy for its proprietary accounts, as well as its discretionary and non-discretionary customer accounts. As a result, Essex began to forego obtaining specific customer authorizations for transactions utilizing the S&P Strategy. Instead, one specified Essex AP would leave voicemail messages for some of the customers either informing them of the terms of the transactions that Essex subsequently executed on their behalf and/or informing the customers of the transactions that had already been placed by Essex on their behalf. Additionally, Essex regularly failed to

obtain from its customers specific authorization when it canceled and replaced orders on their behalf.

Essex also failed to prepare the requisite written records for certain customer transactions. In particular, one specified Essex AP timestamped order tickets for those transactions with the times that the AP left voicemail messages with those Essex customers rather than the times that Essex received the orders and/or authorizations from its customers.

Further, during an inspection of Essex by Commission staff during the relevant period, Katzelis informed staff that he had the prior day's order tickets at his home. After producing the prior day's order tickets to staff, Katzelis also informed staff that more order tickets for additional days were at his home. Katzelis did not make those additional order tickets available for immediate inspection, but rather produced them to staff several weeks later.

3. Essex Failed to Timely Notify the NFA When APs Left the Firm

During the relevant period, Essex failed to notify the NFA within 30 days of when certain Essex APs terminated their association with Essex. For example, one AP, who was registered with Essex in October 2007, subsequently left Essex in February 2008 and moved to Dubai. Yet, Essex did not file a notice of the AP's termination of her association with the NFA until July 2016. Similarly, another AP, who was registered as an AP of Essex in June 2010, subsequently left Essex in 2014. Yet, again Essex did not file a termination of his association with the NFA until July 2016.

4. Essex Failed to Transfer Customer Funds to FCMs in a Timely Manner

On at least three occasions from May 2014 through February 2015, Essex failed to transmit checks that it received from its customers to FCMs on the date that it received the checks.

5. Essex Failed to Identify to the Public an Essex Branch Office

From at least 2014, Katzelis regularly worked from his home, trading for Essex customers, and Katzelis maintained Essex records at his home, namely order tickets. Yet, at no time during the relevant period did Essex identify Katzelis's home as an Essex branch office.

6. FCMs' Compliance Manuals Adopted By Essex

During the relevant period, Essex served as a GIB of two FCMs. As part of the GIB agreement that Essex entered into with each of its FCMs, Essex adopted each of the FCMs compliance manuals as its own. The FCMs' compliance manuals, and by extension Essex's compliance manual, were, in relevant part, consistent with the requirements of the Regulations pertinent to the issues in this case.

During the relevant period, the FCMs', and thus Essex's, compliance manuals provided that orders for proprietary accounts, that is, accounts in which the firm had an ownership interest, could not be bunched with orders for customer accounts. The compliance manuals also provided

that orders for discretionary accounts, that is, accounts that had supplied powers-of-attorney, could not be bunched with non-discretionary accounts.

The FCMs', and thus Essex's, compliance manuals further required that a non-discretionary customer be informed of, and agree to all parameters of a trade (*i.e.*, quantity, commodity, delivery month, option type, and strike price(s)) and that individual tickets be prepared for each customer—initially timestamped at the time the customer agrees to the trade.

Finally, the FCMs' compliance manuals, and thus Essex's, required that its employees as well as the employees of its GIBs prepare and maintain written records for certain customer transactions at the time an order was received from the customer.

7. Essex's Supervision of Its Employees and Agents

As noted above, during the relevant period Essex employees and agents engaged in the following activities: (1) submitting bunched orders that contained trades for proprietary and customer accounts; (2) submitting bunched orders that contained discretionary and non-discretionary customer accounts; (3) engaging in unauthorized trading for customer accounts; and (4) failing to prepare the written records for those transactions. Moreover, while working from home, Katzelis was physically unable to supervise Essex's APs in the execution of their duties and, in particular, the one specified AP whose duty was to contact non-discretionary customers to obtain their authorization to trade.

III. LEGAL DISCUSSION

A. **Essex Submitted Illegal Bunched Orders Containing Trades for Proprietary and Customer Accounts**

Regulation 155.4(a)(1), 17 C.F.R. § 155.4(a)(1) (2018), requires that “[e]ach introducing broker [“IB”] shall, at a minimum, establish and enforce internal rules, procedures and controls to: (1) Insure, to the extent possible, that each order received from a customer which is executable at or near the market price is transmitted to the [FCM] carrying the account of the customer before any order in any future or in any commodity option in the same commodity for any proprietary account.”

Essex, routinely and improperly combined proprietary and customer trades in bunched orders when it transmitted the orders to FCMs for execution. Accordingly, Essex violated Regulation 155.4(a)(1).

B. **Essex Engaged in Unauthorized Trading and Violated Recordkeeping Requirements**

1. Failure to Obtain Authorization

Regulation 166.2, 17 C.F.R. § 166.2 (2018), prohibits IBs and their APs, directly or indirectly, from effecting a transaction on behalf of a customer without first obtaining from the customer or the person designated to control the account: (1) “[t]he precise commodity interest

to be purchased or sold; and (2) [t]he exact amount of the commodity interest to be purchased or sold[.]” Thus, “a liability analysis under Commission Rule 166.2 focuses on two issues: (1) whether there was a written power of attorney in effect at the time of the transaction at issue and, if not, (2) whether the transaction was specifically authorized by the customer in advance of its execution.” *Kacem v. Castle Commodities Corp.*, CFTC No. 95-R030, 1997 WL 265002, at *6 (May 20, 1997) (quoting *In re Heitschmidt*, CFTC No. 92-25, 1994 WL 621593, at *5 (Nov. 9, 1994)). A customer’s specific authorization must be in writing, *id.*, and post-transaction conduct is insufficient to constitute authorization, which must be provided in *advance* of the transaction, *Heitschmidt*, 1994 WL 621593, at *5.

During the relevant period, Essex violated Regulation 166.2 by placing orders for customers without a power of attorney and without obtaining specific information from customers about the quantity and/or precise commodity interest to be purchased or sold. Instead, one specified Essex AP left voicemail messages for some of the customers informing them of the terms of the transactions that Essex subsequently executed on their behalf or informing them that transaction had already been executed on their behalf.

2. Failure to Prepare Written Records of Futures Transactions

Regulation 1.35(b)(1), 17 C.F.R. § 1.35(b)(1) (2018), requires that “each introducing broker . . . receiving a customer’s order that cannot immediately be entered into a trade matching engine shall immediately upon receipt thereof prepare a written record of the order including the account identification . . . and order number, and shall record thereon, by timestamp or other timing device, the date and time, to the nearest minute, the order is received, and in addition, for commodity option orders, the time, to the nearest minute, the order is transmitted for execution.”

During the relevant period, Essex failed to prepare written records of orders upon receipt in compliance with Regulation 1.35(b)(1). In particular, one specified Essex AP timestamped order tickets for those transactions with the times that he left voicemail messages with Essex customers rather than the times that Essex received the orders and/or authorizations from its customers. Accordingly, Essex violated Regulation 1.35(b)(1).

3. Failure to Maintain Records for Inspection by the Commission

Essex failed to maintain required records of transactions such that they were available for inspection by the Commission. Section 4g(a) of the Act, 7 U.S.C. § 6g(a) (2012), provides that every person registered as an IB shall keep books and records pertaining to transactions and positions of their customers and commodities for future delivery, and shall make such records available for inspection by the Commission. In relevant part, as implemented pursuant to this authority, Regulation 1.31(a), 17 C.F.R. § 1.31(a) (2018), requires that all books and records required to be kept by the Act or by the Regulations shall be kept for a period of five years from the date thereof, “be readily accessible during the first 2 years of the 5-year period[.]” and be subject to inspection by any representative of the Commission.

Under Regulation 1.35(a)(3)(i), 17 C.F.R. § 1.35(a)(3)(i) (2018), IBs “not subject to paragraph (a)(1) or (2) of this section shall keep all commodity interest and related records.” A

failure to retain and promptly produce such records for inspection to Commission staff constitutes a violation of Section 4g and Regulations 1.31 and 1.35. See *In re GNP Commodities, Inc.*, CFTC No. 89-1, 1992 WL 201158, at *15 (Aug. 11, 1992), *aff'd sub nom. Monieson v. CFTC*, 996 F.2d 852 (7th Cir. 1993) (FCM violated Section 4g and Regulations 1.31 and 1.35 by failing to retain office orders and carbons that were the subject of a Division investigation); *In re E*Trade Securities LLC, et al.*, CFTC No. 17-07, 2017 WL 413517, at *3 (Jan 26., 2017) (Among other things, IB violated Section 4g and Regulations 1.31 and 1.35 by failing to preserve and maintain certain audit trail logs for its customers). As explained by the Commission in holding an FCM liable for failing to maintain microfilm or hard copies of three forms of reports used in a commodity futures trading program operated by the FCM and marketed by a guaranteed IB of the FCM:

The requirements of Regulations 1.31 and 1.35 are straightforward. Regulation 1.35(a) required [the FCM] to keep complete and systematic records, “together with all pertinent data and memoranda, of all transactions relating to its business of dealing in commodity futures, commodity options” Further, the rule required [the FCM] to maintain copies of “all other records data and memoranda . . . prepared in the course of its business” *Id.* (emphasis added). Regulation 1.31 requires records to be kept either in hard copy or microfilm form. The trade sequence reports clearly relate to [the FCM’s] business of dealing in commodity futures and were kept in the course of [the FCM’s] business. Failure to maintain them thus violates Regulations 1.31 and 1.35(a).

In re JCC, Inc., CFTC No. 89-4, 1994 WL 183817, at * 13 (May 12, 1994), *aff'd sub nom. JCC, Inc. v. CFTC*, 63 F.3d 1557 (11th Cir. 1995).

During the relevant period, Essex, a registered GIB, violated Section 4g of the Act and Regulations 1.31(a) and 1.35(a)(3)(i) by failing to maintain required records of transactions at Essex, namely order tickets, such that they were not available promptly for inspection by the Commission.

C. Essex Failed to Report the Termination of Essex APs to the NFA in a Timely Manner

Regulation 3.31(c)(1)(ii), 17 C.F.R. § 3.31(c)(1)(ii) (2018), requires an IB to report the termination of the association of an AP with the IB within 30 days to the NFA.²

² Regulation 3.31(c)(1)(ii) provides:

(1) After the filing of a Form 8-R or updating a Form 8-R by or on behalf of any person for the purpose of permitting that person to be an associated person of a futures commission merchant, retail foreign exchange dealer, commodity trading advisor, commodity pool operator, introducing broker, or a leverage transaction merchant, that futures commission merchant, retail foreign exchange dealer, commodity trading advisor, commodity pool operator, introducing broker or leverage transaction

Essex failed to notify the NFA within 30 days of when certain Essex APs terminated their association with Essex. As such, Essex violated Regulation 3.31(c)(1)(ii).

D. Essex Failed to Transmit Customer Checks to an FCM in a Timely Manner

Regulation 1.57(c)(3), 17 C.F.R. § 1.57(c)(3) (2018), requires that an IB may not accept any money from a customer to margin, guarantee, or secure trades except that an IB may forward a customer check that it receives to the FCM that carries the customer's account so long as the IB transmits the check to the FCM on the same day that it receives the check.

On at least three occasions from May 2014 through February 2015, Essex failed to transmit checks that it received from its customers to the FCMs on the date that it received the checks. Consequently, Essex violated Regulation 1.57(c)(3).

E. Essex Failed to Identify to the Public a Branch Office of Essex

Regulation 166.4, 17 C.F.R. § 166.4 (2018), requires that “[e]ach branch office of each Commission registrant must use the name of the firm of which it is a branch for all purposes, and must hold itself out to the public under such name.”³

Katzelis worked from his home on a regular basis and maintained Essex records there, namely order tickets. As such, Katzelis's home was an Essex branch office. Despite this, Essex failed to identify to the public that Katzelis's home was an Essex branch office. Accordingly, Essex violated Regulation 166.4.

F. Essex Failed to Diligently Supervise its Employees and Agents

Regulation 166.3, 17 C.F.R. § 166.3 (2018), requires:

Each Commission registrant, except an associated person who has no supervisory duties, must diligently supervise the handling by its partners, officers, employees and agents (or other persons occupying a similar status or performing a similar function) of all commodity interest accounts carried, operated, advised or introduced by the registrant and all other activities of its partners, officers, employees, and agents (or other persons occupying a

merchant must, within thirty days after the occurrence of either of the following, file a notice thereof with the National Futures Association indicating:

(ii) The termination of the association of the associated person with the futures commission merchant, retail foreign exchange dealer, commodity trading advisor, commodity pool operator, introducing broker, or leverage transaction merchant, and the reasons therefor.

³ See also: NFA Interpretive Notice 9002 which, as relevant here, defines a branch office as any location, other than the main business address, at which an FCM or an IB employs persons engaged in activities requiring registration as an AP.

similar status or performing a similar function) relating to its business as a registrant.

Under Regulation 166.3, a registrant has a “duty to develop procedures for the ‘detection and deterrence of possible wrongdoing by its agents.’” *Samson Refining Co. v. Drexel Burnham Lambert, Inc.*, CFTC No. 82-R448, 1990 WL 282783, at *11 (Feb. 16, 1990) (quoting *Lobb v. J.T. McKerr & Co.*, CFTC No. 85-R185, 1989 WL 242384, at *11 (Dec. 14, 1989)).

A violation of Regulation 166.3 is established by showing either that: (1) the registrant’s supervisory system was generally inadequate, or (2) the registrant failed to perform its supervisory duties diligently. *In re FCStone, LLC*, CFTC No. 15-21, 2015 WL 2066891, at *3 (May 1, 2015) (consent order) (citing *In re Murlas Commodities*, CFTC No. 85-29, 1995 WL 523563 (Sept. 1, 1995)). So, even if proper procedures are in place, a supervisory violation may occur if a registrant fails to implement those procedures, or fails to ensure that its agents follow those procedures. *See, e.g., GNP Commodities*, 1992 WL 201158, at *17 (providing that, even if an adequate supervisory system is in place, Regulation 166.3 can still be violated if the supervisory system is not diligently administered and stating that “a proper determination of a FCM’s supervisory diligence must remain sensitive to the particular facts and circumstances that influenced the design and execution of the system at issue”), *aff’d sub nom. Monieson v. CFTC*, 996 F.2d 852 (7th Cir. 1993).

Further, a violation of Regulation 166.3 is an independent violation for which no underlying violation is necessary. *FCStone*, 2015 WL 2066891, at *3. Instead, evidence of underlying violations that “should be detected by a diligent system of supervision, either because of the nature of the violations or because the violations have occurred repeatedly” is probative of a failure to supervise. *CFTC v. Sidoti*, 178 F.3d 1132, 1137 (11th Cir. 1999) (defendant was liable for failure to supervise because he “knew of specific instances of misconduct yet failed to take reasonable steps to correct the problems”).

During the relevant period, Katzelis, Maleki and Essex were all registered with the Commission and Katzelis and Maleki had supervisory duties at Essex. In this case, Essex had a supervisory system in place but failed to perform its supervisory duties diligently. In particular, Essex employees and agents routinely: (1) submitted bunched orders that contained trades for proprietary and customer accounts; (2) submitted bunched orders that contained discretionary and non-discretionary customer accounts; (3) engaged in unauthorized trading for customer accounts; (4) and failed to prepare the written records for those transactions. Further, from at least 2014, Katzelis routinely worked from home which prevented him from supervising Essex’s APs in the execution of their duties and, in particular, the one specified AP whose duty was to contact non-discretionary customers to obtain their authorization to trade. By allowing its employees and agents to engage in these activities, even though these activities did not comport with the Act and Regulations, or adhere to the procedures set out in the FCMs’, as adopted by Essex, compliance manuals, Essex failed to perform its supervisory duties diligently.

Accordingly, Essex failed to perform its duty to diligently supervise the handling by its employees and agents of commodity interest accounts introduced by Essex and the activities of its employees relating to its business as a GIB. Consequently, Essex violated Regulation 166.3.

IV. FINDINGS OF VIOLATIONS

Based on the foregoing, the Commission finds that, during the relevant period, Respondents violated Section 4g of the Act, 7 U.S.C. §§ 6g (2012), and Regulations 1.31, 1.35(a)(3)(i); 1.35(b)(1), 1.57(c)(3), 3.31(c)(1)(ii), 155.4(a)(1), 166.2(a), 166.3 and 166.4, 17 C.F.R. §§ 1.31, 1.35(a)(3)(i), 1.35(b)(1), 1.57(c)(3), 3.31(c)(1)(ii), 155.4(a)(1), 166.2(a), 166.3, 166.4 (2018).

V. OFFER OF SETTLEMENT

Respondent has submitted the Offer in which it, without admitting or denying the findings and conclusions herein:

- A. Acknowledges service of this Order;
- B. Admits the jurisdiction of the Commission with respect to all matters set forth in this Order and for any action or proceeding brought or authorized by the Commission based on violation of or enforcement of this Order;
- C. Waives:
 1. The filing and service of a complaint and notice of hearing;
 2. A hearing;
 3. All post-hearing procedures;
 4. Judicial review by any court;
 5. Any and all objections to the participation by any member of the Commission's staff in the Commission's consideration of the Offer;
 6. Any and all claims that it may possess under the Equal Access to Justice Act, 5 U.S.C. § 504 (2012), and 28 U.S.C. § 2412 (2012), and/or the rules promulgated by the Commission in conformity therewith, Part 148 of the Regulations, 17 C.F.R. pt. 148 (2018), relating to, or arising from, this proceeding;
 7. Any and all claims that it may possess under the Small Business Regulatory Enforcement Fairness Act of 1996, Pub. L. No. 104-121, tit. II, §§ 201-53, 110 Stat. 847, 857-74 (codified as amended at 28 U.S.C. § 2412 and in scattered sections of 5 U.S.C. and 15 U.S.C.), relating to, or arising from, this proceeding; and
 8. Any claims of Double Jeopardy based on the institution of this proceeding or the entry in this proceeding of any order imposing a civil monetary penalty or any other relief, including this Order.
- D. Stipulates that the record basis on which this Order is entered shall consist solely of the findings contained in this Order to which Respondent has consented in the Offer;

- E. Consents, solely on the basis of the Offer, to the Commission's entry of this Order that:
1. Makes findings by the Commission that Respondents violated Section 4g of the Act, 7 U.S.C. § 6g (2012), and Regulations 1.31, 1.35(a)(3)(i); 1.35(b)(1), 1.57(c)(3), 3.31(c)(1)(ii), 155.4(a)(1), 166.2(a), 166.3 and 166.4, 17 C.F.R. §§ 1.31, 1.35(a)(3)(i), 1.35(b)(1), 1.57(c)(3), 3.31(c)(1)(ii), 155.4(a)(1), 166.2(a), 166.3, 166.4 (2018);
 2. Orders Respondents to cease and desist from violating Section 4g of the Act and Regulations 1.31, 1.35(a)(3)(i), 1.35(b)(1), 1.57(c)(3), 3.31(c)(1)(ii), 155.4(a)(1), 166.2(a), 166.3 and 166.4;
 3. Orders Respondents to pay a civil monetary penalty, jointly and severally, in the amount of five-hundred thousand dollars (\$500,000), plus post-judgment interest;
 4. Orders Respondents to comply with the conditions and undertakings consented to in the Offer and as set forth in Part VI of this Order.

Upon consideration, the Commission has determined to accept the Offer.

VI. ORDER

Accordingly, IT IS HEREBY ORDERED THAT:

- A. Respondents shall cease and desist from violating Section 4g of the Act, 7 U.S.C. § 6g (2012), and Regulations 1.31, 1.35(a)(3)(i); 1.35(b)(1), 1.57(c)(3), 3.31(c)(1)(ii), 155.4(a)(1), 166.2(a), 166.3 and 166.4, 17 C.F.R. §§ 1.31, 1.35(a)(3)(i), 1.35(b)(1), 1.57(c)(3), 3.31(c)(1)(ii), 155.4(a)(1), 166.2(a), 166.3, 166.4 (2018);
- B. Respondents shall pay, jointly and severally, a civil monetary penalty in the amount of five-hundred thousand dollars (\$500,000) ("CMP Obligation"), plus post judgment interest. Post-judgment interest shall accrue on the CMP Obligation beginning ten calendar days after the date of the entry of the 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 (2012).

Respondents shall pay the CMP Obligation 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, then the payment shall be made payable to the Commodity Futures Trading Commission and sent to the address below:

MMAC/ESC/AMK326
Commodity Futures Trading Commission
Division of Enforcement
6500 S. MacArthur Blvd.
HQ Room 181
Oklahoma City, OK 73169
(405) 954-6569 office

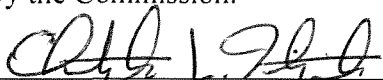
(405) 954-1620 fax
9-AMC-AR-CFTC@faa.gov

If payment is to be made by electronic funds transfer, Respondents shall contact Marie Thorne or her successor at the above address to receive payment instructions and shall fully comply with those instructions. Respondents shall accompany payment of the CMP Obligation with a cover letter that identifies the paying Respondents and the name and docket number of this proceeding. The paying Respondents shall simultaneously transmit copies of the cover letter and the form of payment to the Chief Financial Officer, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, NW, Washington, D.C. 20581.

- C. Respondents shall comply with the following conditions and undertakings set forth in the Offer:
1. Public Statements: Respondents agree that neither they nor any agents or employees under their 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 a factual basis; provided, however, that nothing in this provision shall affect Respondents': (i) testimonial obligations; or (ii) right to take legal positions in other proceedings to which the Commission is not a party. Respondents shall comply with this agreement, and shall undertake all steps necessary to ensure that all of their agents and/or employees under their authority or control understand and comply with this agreement.
 2. Cooperation with the Commission: Respondents shall cooperate fully and expeditiously with the Commission, including the Commission's Division of Enforcement, in this action, and in any current or future Commission investigation or action related thereto. Respondents shall also cooperate in any investigation, civil litigation, or administrative matter related to, or arising from, this action.
 3. Partial Satisfaction: Respondents understand and agree that any acceptance by the Commission of any partial payment of Respondents' CMP Obligation shall not be deemed a waiver of his obligation to make further payments pursuant to this Order, or a waiver of the Commission's right to seek to compel payment of any remaining balance.
 4. Change of Address/Phone: Until such time as Respondents satisfy in full their CMP Obligation as set forth in this Consent Order, Respondents shall provide written notice to the Commission by certified mail of any change to his telephone number and mailing address within ten (10) calendar days of the change.

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

By the Commission.



Christopher J. Kirkpatrick
Secretary of the Commission
Commodity Futures Trading Commission

Dated: July 12, 2019