

UNITED STATES OF AMERICA
Before the
COMMODITY FUTURES TRADING COMMISSION

In the Matter of:)

Silver Star FX, LLC d/b/a Silver Star)
Live, Silver Star Live Software, LLC,)
Candace Ross-Mahmoud and)
Hassan Mahmoud,)

Respondents.)

CFTC Docket No. 20-05

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Office of Proceedings
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12:20 pm, Nov 04, 2019

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

I.

The Commodity Futures Trading Commission (“Commission”) has reason to believe that between July 2018 and March 2019 (the “Relevant Period”), Silver Star FX, LLC d/b/a Silver Star Live (“SSL”) and Silver Star Live Software, LLC (“SSLS”) violated Sections 2(c)(2)(C)(iii)(I)(bb) and 4m(1) of the Commodity Exchange Act (“Act”), 7 U.S.C. §§ 2(c)(2)(C)(iii)(I)(bb), 6m(1) (2012), and Commission Regulation (“Regulation”) 5.3(a)(3)(i), 17 C.F.R. § 5.3(a)(3)(i) (2019), and that Candace Ross-Mahmoud (“Ross-Mahmoud”) and Hassan Mahmoud (“Mahmoud”) violated Sections 2(c)(2)(C)(iii)(I)(aa) and 4k(3) of the Act, 7 U.S.C. §§ 2(c)(2)(C)(iii)(I)(aa), 6k(3) (2012), and Regulation 5.3(a)(3)(ii), 17 C.F.R. § 5.3(a)(3)(ii) (2019). In addition, as a control person of SSL and SSLS, Ross-Mahmoud is liable for SSL’s and SSLS’s violations of the Act and Regulations pursuant to Section 13(b) of the Act, 7 U.S.C. § 13c(b) (2012). Therefore, the Commission deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted to determine whether SSL, SSLS, Ross-Mahmoud and Mahmoud (together, “Respondents”) 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, 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 Sections 6(c) and 6(d) of the

Commodity Exchange Act, Making Findings, and Imposing Remedial Sanctions (“Order”) and acknowledge service of this Order.¹

The Commission finds the following:

A. SUMMARY

Throughout the Relevant Period, SSL, and a successor entity, SSLS, acted as commodity trading advisors (“CTAs”) without being registered with the Commission as such, by exercising discretionary trading authority over the forex trading accounts of U.S. customers who were not eligible contract participants (“ECPs”). Throughout the Relevant Period Ross-Mahmoud and Mahmoud acted as associated persons (“APs”) of a CTA without being registered as such by acting as officers, employees, or agents of SSL and SSLS in capacities that involved soliciting customers to open discretionary trading accounts or supervising other persons so engaged. Ross-Mahmoud was also a control person for SSL and SSLS.

B. RESPONDENTS

Silver Star FX, LLC d/b/a Silver Star Live is a limited liability company organized and operated pursuant to the laws of the state of New Mexico. Silver Star FX, LLC has never been registered with the Commission in any capacity.

Silver Star Live Software, LLC is a limited liability company organized and operated pursuant to the laws of the state of Florida. SSLS has never been registered with the Commission in any capacity.

Candace Ross-Mahmoud is an individual residing in Clovis, California. During the Relevant Period, Ross-Mahmoud served as executive vice president and, later, president of SSL. She also served as president of SSLS. In those positions, Ross-Mahmoud was primarily responsible for live and digital events, customer acquisition, and marketing of the forex trading software (“forex autotrader”) sold by SSL and SSLS, both of which were multi-level marketing enterprises. Ross-Mahmoud has never been registered with the Commission in any capacity.

Hassan Mahmoud is an individual residing in Clovis, California. During the Relevant Period, Mahmoud served as executive vice president of SSL and SSLS. In those positions, Mahmoud was primarily responsible for communications with the affiliates (*i.e.*, downstream marketers) of SSL and SSLS, affiliate training, live and digital events, customer acquisition, and marketing of the forex autotrader sold by SSL and SSLS. Mahmoud has never been registered with the Commission in any capacity.

¹ Respondents consent to the use of the findings of fact and conclusions 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 agree 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.

D. FACTS

During the Relevant Period, SSL and SSLS marketed, under various names, computer software which Respondents described as a “forex autotrader.” By virtue of this forex autotrader, SSL and SSLS exercised discretionary trading authority over retail customers’ forex accounts.

From at least July 2018 to March 2019, on behalf of SSL and, later, SSLS, Respondents solicited customers to open discretionary trading accounts (or supervised other persons who did so) and offered to trade customers’ retail forex accounts through the forex autotrader. Respondents later marketed the forex autotrader under multiple different names during the Relevant Period. The forex autotrader used an algorithm to trade multiple currency pairs, automatically entering and exiting trades without customer intervention. The forex autotrader also purportedly automatically hedged losing trades to mitigate losses.²

Respondents marketed the forex autotrader using the slogan “Our Trades, Your Account.” In promotional video presentations, Mahmoud described the forex autotrader as “95% hands-off” after initial set up. As described by Respondents in promotional videos, although customers were required to set up the forex autotrader and load periodic updates, those efforts were supported by SSL and SSLS staff. In a promotional video featuring Ross-Mahmoud and Mahmoud, their business partner who developed the forex autotrader stated that it was “as close to a ‘set it and forget it’ type of trading system as you can get.”

Respondents touted the autotrader as suitable for people without any prior forex trading experience. Ross-Mahmoud and Mahmoud and, at their direction, the affiliates of SSL and SSLS, instructed individual customers to open retail forex accounts at retail forex exchange dealers, fund the accounts, and link the accounts to the forex autotrader. Customers paid an initial purchase price of \$199 for the software and recurring fee of \$145 per month to maintain access to the autotrader.

On behalf of SSL and SSLS, Ross-Mahmoud and Mahmoud solicited people to purchase the forex autotrader software, and supervised affiliates who solicited others to purchase it. At no time during the Relevant Period were Respondents registered with the Commission in any capacity or eligible for an exemption from the requirement to register.

III. LEGAL DISCUSSION

A. SSL and SSLS

Section 1a(12)(i) of the Act, 7 U.S.C. § 1a(12)(i)(2012), defines a CTA as any person who, for compensation or profit, engages in the business of advising others, either directly or through publications, writings, or electronic media, as to the value of or advisability of trading in, among other things, retail forex transactions pursuant to Section 2(c)(2)(C)(i) of the Act, 7 U.S.C. § 2(c)(2)(C)(i) (2012). Pursuant to Section 1a(38) of the Act, 7 U.S.C. § 1a(38)(2012), the term “person” imports the plural or singular, and includes individuals, associates, partnerships, corporations, and trusts.

² The forex trades were made on a leveraged or margined basis.

Section 2(c)(2)(C)(iii)(I)(bb) of the Act, 7 U.S.C. § 2(c)(2)(C)(iii)(I)(bb) (2012) states in relevant part that “[a] person, unless registered in such capacity as the Commission by rule, regulation, or order shall determine...shall not:

(bb) exercise discretionary trading authority or obtain written authorization to exercise written trading authority over any account for or on behalf of any person that is not an eligible contract participant in connection with [retail forex transactions] entered into with or to be entered into with a person who is not described in item (aa), (bb), (ee), or (ff) of subparagraph (B)(i)(II);

Section 4m(1) of the Act, 7 U.S.C. § 6m(1) (2012), requires a person who is acting as a CTA and makes use of the mails or any means or instrumentality of interstate commerce in connection with the person’s business as a CTA to register with the Commission unless an exemption from registration applies. SSL and SSLs were not exempt from registration as CTAs under any provision of the Act or Commission Regulations.

Regulation 5.1(e)(1), 17 C.F.R. § 5.1(e)(1) (2019), defines a commodity trading advisor, for purposes of Part 5 of the Regulations, as “any person who exercises discretionary trading authority or obtains written authorization to exercise discretionary trading authority over any account for or on behalf of any person that is not an eligible contract participant as defined in Section 1a(18) of the Act, in connection with retail forex transactions.”

Regulation 5.3(a)(3)(i), 17 C.F.R. § 5.3(a)(3)(i) (2019) requires that any person who meets the definition of a CTA as set forth in Regulation 5.1(e)(1) must register with the Commission as a CTA.

During the Relevant Period, SSL and SSLs acted as CTAs by making use of the mails or any means of interstate commerce by engaging, for compensation or profit, in the business of advising clients as to the value or advisability of trading in off-exchange forex transactions. By failing to register as CTAs, SSL and SSLs violated Section 4m(1) of the Act.

Further, during the Relevant Period, SSL and SSLs exercised discretionary trading authority over accounts of customers via the forex autotrader. The solicitations of SSL and SSLs did not limit or restrict customers to ECPs, as defined by Section 1(a)(18)(A)(ix) of the Act, 7 U.S.C. § 1(a)(18)(A)(ix) (2012). As such, SSL and SSLs were required to be registered as CTAs pursuant to Section 2(c)(2)(C)(iii)(I)(bb) of the Act and Regulation 5.3(a)(3)(i) but were not so registered.

B. Ross-Mahmoud and Mahmoud

Section 2(c)(2)(C)(iii)(I)(aa) of the Act, 7 U.S.C. § 2(c)(2)(C)(iii)(I)(aa) (2012) states in relevant part that “[a] person, unless registered in such capacity as the Commission by rule, regulation, or order shall determine...shall not:

(aa) solicit or accept orders from any person that is not an eligible contract participant in connection with [retail forex transactions]

entered into with or to be entered into with a person who is not described in item (aa), (bb), (ee), or (ff) of subparagraph (B)(i)(II);

Pursuant to Section 4k(3) of the Act, 7 U.S.C. § 6k(3) (2012), it shall be unlawful for any person to be associated with a CTA as a partner, officer, employee, consultant or agent (or any person occupying a similar status or performing similar functions), in any capacity which involves (i) the solicitation of a client's or prospective client's discretionary account or (ii) the supervision of any person or person so engaged, unless such person is registered with the Commission as an AP of such CTA.

Pursuant to Regulation 5.3(a)(3)(ii), 17 C.F.R. § 5.3(a)(3)(ii) (2019), any natural person associated with a CTA as a partner, officer, employee, consultant, or agent (or any natural person occupying a similar status or performing similar functions) in any capacity which involves (i) the solicitation of a client's or prospective client's discretionary account or (ii) the supervision of any person or persons so engaged, must register with the Commission as an AP of a CTA.

During the Relevant Period, Ross-Mahmoud and Mahmoud were associated with SSL and SSLS as partners, officer, employee, consultants or agents in capacities which involved (i) the solicitation of a client's or prospective client's discretionary account or (ii) the supervision of any person or person so engaged. As such, Ross-Mahmoud and Mahmoud were each required to register with the Commission as an AP of a CTA. By failing to register with the Commission as APs of a CTA, Ross-Mahmoud and Mahmoud each violated Sections 2(c)(2)(C)(iii)(I)(aa) and 4k(3) of the Act, and Regulation 5.3(a)(3)(ii).

C. Ross-Mahmoud

Additionally, Section 13(b) of the Act, 7 U.S.C. § 13c(b) (2012), provides that “[a]ny person who, directly or indirectly, controls any person who has violated any provision of this chapter or any of the rules, regulations, or orders issued pursuant to this chapter may be held liable for such violation in any action brought by the Commission to the same extent as such controlled person.” Under Section 13(b) of the Act, the Commission must establish that the controlling person did not act in good faith or knowingly induced, directly or indirectly, the act or acts constituting the violation. As discussed above, Ross-Mahmoud was the president of SSL and SSLS. In those positions, Ross-Mahmoud was primarily responsible for live and digital promotional events, customer acquisition, and marketing of the forex autotrader sold by SSL and SSLS. She also set up payment processes for the affiliates of SSL and SSLS. Therefore, Ross-Mahmoud had the requisite control over SSL and SSLS and knowledge of both entities actions, including their failure to register as CTAs. As such, pursuant to Section 13(b) of the Act, Ross-Mahmoud is liable for their violations as a control person.

IV. FINDINGS OF VIOLATIONS

Based on the foregoing, the Commission finds that during the Relevant Period: (a) SSL and SSLS violated Sections 2(c)(2)(C)(iii)(I)(bb) and 4m(1) of the Act, 7 U.S.C. §§ 2(c)(2)(C)(iii)(I)(bb), 6m(1) (2012), and Regulation 5.3(a)(3)(i), 17 C.F.R. § 5.3(a)(3)(i)

(2019); (b) Ross-Mahmoud and Mahmoud violated Sections 2(c)(2)(C)(iii)(I)(aa) of the Act and 4k(3) of the Act, 7 U.S.C. §§ 2(c)(2)(C)(iii)(I)(aa), 6k(3) (2012) and Regulation 5.3(a)(3)(ii), 17 C.F.R. § 5.3(a)(3)(ii) (2019); and (c) Ross-Mahmoud is liable as a control person for SSL's and SSL's violations of Sections 2(c)(2)(C)(iii)(I)(bb) and 4m(1) of the Act and Regulation 5.3(a)(3)(i).

V. OFFER OF SETTLEMENT

Respondents have submitted the Offer in which they, without admitting or denying the findings and conclusions herein:

- A. Acknowledge service of this Order;
- B. Admit 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. Waive:
 - 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 they 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 (2019), relating to, or arising from, this proceeding;
 - 7. Any and all claims that they may possess under the Small Business Regulatory Enforcement Fairness Act of 1996, Pub. L. No. 104-121, §§ 201-53, 110 Stat. 847, 857-74 (codified as amended 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. Stipulate that the record basis on which this Order is entered shall consist solely of the findings contained in this Order to which Respondents have consented in the Offer;

- E. Consent, solely on the basis of the Offer, to the Commission's entry of this Order that:
1. Makes findings that SSL, SSLS, and Ross-Mahmoud violated Sections 2(c)(2)(C)(iii)(I)(bb) and 4m(1) of the Act, 7 U.S.C. §§ 2(c)(2)(C)(iii)(I)(bb), 6m(1) (2012), and Regulation 5.3(a)(3)(i), 17 C.F.R. § 5.3(a)(3)(i) (2019);
 2. Makes findings that Ross-Mahmoud and Mahmoud violated Sections 2(c)(2)(C)(iii)(I)(aa) and 4k(3) of the Act, 7 U.S.C. §§ 2(c)(2)(C)(iii)(I)(aa), 6k(3) (2012), and Regulation 5.3(a)(3)(ii), 17 C.F.R. § 5.3(a)(3)(ii) (2019);
 3. Orders SSL, SSLS, and Ross-Mahmoud to cease and desist from violating Sections 2(c)(2)(C)(iii)(I)(bb) and 4m(1) of the Act and Regulation 5.3(a)(3)(i)
 4. Orders Ross-Mahmoud and Mahmoud to cease and desist from violating Sections 2(c)(2)(C)(iii)(I)(aa) and 4k(3) of the Act and Regulation 5.3(a)(3)(ii);
 5. Orders Respondents to pay, jointly and severally, a civil monetary penalty in the amount of seventy-five thousand dollars (\$75,000.00) ("CMP Obligation"), plus post-judgment interest;
 6. Orders Respondents and their successors and assigns 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. SSL, SSLS, and Ross-Mahmoud shall cease and desist from violating Sections 2(c)(2)(C)(iii)(I)(bb) and 4m(1) of the Act, 7 U.S.C. §§ 2(c)(2)(C)(iii)(I)(bb), 6m(1) (2012) and Regulation 5.3(a)(3)(i), 17 C.F.R. § 5.3(a)(3)(i) (2019);
- B. Ross-Mahmoud and Mahmoud shall cease and desist from violating Sections 2(c)(2)(C)(iii)(I)(aa) and 4k(3) of the Act, 7 U.S.C. §§ 2(c)(2)(C)(iii)(I)(aa), 6k(3) (2012) and Regulation 5.3(a)(3)(ii), 17 C.F.R. § 5.3(a)(3)(ii) (2019);
- C. Respondents shall pay, jointly and severally, a civil monetary penalty in the amount of seventy-five thousand dollars (\$75,000) ("CMP Obligation"), plus post-judgment interest, within ten days of the date of the entry of this Order. If the CMP Obligation is not paid in full within ten days of the date of entry of this Order, then post-judgment interest shall accrue on the CMP Obligation beginning 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 (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:

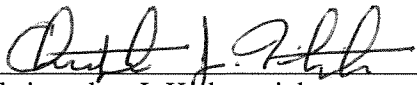
MMAC/ESC/AMK326
Commodity Futures Trading Commission
Division of Enforcement
6500 S. MacArthur Blvd.
HQ Room 181
Oklahoma City, OK 73169
(405) 954-6569 office
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If payment is to be made by electronic funds transfer, Respondents shall contact Marie Thorne 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 Respondent and the name and docket number of this proceeding. The paying Respondent 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.

- D. Respondents and their successors and assigns shall comply with the following conditions and undertakings set forth in the Offer:
1. Public Statements: Respondents agree that neither they nor any of their successors and assigns, 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 and their successors and assigns 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. 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 their 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.
 3. Change of Address/Phone: Until such time as Respondents satisfy in full their CMP Obligation as set forth in this Order, Respondents shall provide written notice to the Commission by certified mail of any change to their telephone number and mailing address within ten 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: November 4, 2019