

UNITED STATES OF AMERICA
Before the
COMMODITY FUTURES TRADING COMMISSION

In the Matter of:

**J Squared Invest LLC and
Jozef Gherman,**

Respondents.

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) **CFTC Docket No. 21-06**
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10:27 am, Apr 19, 2021

**ORDER INSTITUTING PROCEEDINGS PURSUANT TO
SECTION 6(c) AND (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 from in or about June 2017 to at least July 2018 (“Relevant Period”), J Squared Invest LLC (“J Squared Invest”) and Jozef Gherman (“Gherman”) (collectively, “Respondents”) violated Section 6(c)(1) of the Commodity Exchange Act (“Act”), 7 U.S.C. § 9(1) (2018), and Regulation 180.1(a), 17 C.F.R. § 180.1(a) (2019) of the Commission Regulations (“Regulations”) promulgated thereunder. 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 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.

II. FINDINGS

The Commission finds the following:

A. SUMMARY

Between June 2017 and July 2018, Respondents solicited and accepted funds from over forty (40) customers to trade virtual currencies (also called cryptocurrencies or digital assets), including Bitcoin, Bitcoin Cash, Ether and other alternative coins² (“altcoins”), through the use of materially misleading statements and omissions. Respondents solicited retail customers for the purpose of, *inter alia*, purchasing sufficient quantities of virtual currencies to establish and operate masternodes. Respondents solicited customers through various means, including a website, social media and written and verbal communications, which: (i) made misleading representations about the growth and success of J Squared and Gherman’s success as a trader; and (ii) made misleading statements and omissions regarding the likelihood of profit and risk of loss, including by claiming that in purchasing the virtual currencies to operate the masternodes, the customer would make the original principal, set up fee and profit, even if the price of the underlying virtual currency suffered catastrophic losses.

In total, Respondents solicited over \$300,000 from over 40 individuals through the use of their misleading statements and omissions. Almost all of these customers who entrusted Respondents with their funds and followed Gherman’s recommendations lost most of their investments.

* * * * *

In accepting the Offer, the Commission recognizes the substantial cooperation of Respondents with the Division of Enforcement’s (“Division”) investigation of this matter. The Commission also acknowledges Respondents’ representations concerning their remediation in connection with this matter. The Commission’s recognition of Respondents’ substantial cooperation and remediation is further reflected in the form of a reduced penalty.

B. RESPONDENTS

Jozef Gherman, born in 1994, is a Florida resident. Gherman was an employee and one of the founders of J Squared and was its principal owner and CEO. Gherman has never been registered with the Commission in any capacity.

J Squared Invest LLC was a limited liability company organized under the laws of the State of Florida in October 2017. The company was dissolved in October 2018. Gherman was listed as the company’s manager in corporate filings, and as its CEO on its website. The company’s most recent address, according to corporate filings, was listed in St. Petersburg, Florida. J Squared has never been registered with the Commission in any capacity.

² Bitcoin Cash is a “forked” virtual currency derived from Bitcoin. “Forking” involves a splitting of the blockchain on which the virtual currency runs in a different direction. The term “altcoins” refers to virtual currencies other than Bitcoin. Ether is the largest altcoin by market capitalization as of September 2020.

C. FACTS

From at least in or around June 2017 through at least July 2018 (the “Relevant Period”), Respondents were engaged in the business of purchasing and selling Ether, Bitcoin, Bitcoin Cash along with other altcoins. Bitcoin is a form of virtual currency, which is a decentralized, peer-to-peer form of electronic currency.

As part of their operations, Respondents solicited and received both virtual currencies and fiat currency, including U.S. Dollars from customers in various states and countries for the purpose of entering into or facilitating the customers’ purchase or sale of various virtual currencies for customers, including Bitcoin, Bitcoin Cash, Ether and other altcoins. Initially, Respondents solicited customers to purchase virtual currencies in order to speculate on the price of the underlying virtual currency. In or around January 2018, Respondents changed their business model to identify and purchase particular altcoins in sufficient quantity that would allow them to operate masternodes³ and earn passive income. In total, Gherman and J Squared solicited over \$300,000 from over forty individuals (the “J Squared Customers” or “Customers”).

Gherman and J Squared entered into written agreements with the Customers that referred to J Squared as the “Advisor” to the Customers. The form of the investor agreement changed over time, initially identifying Gherman as a fiduciary of the Customers, and later indicating that J Squared was responsible for proposing a “methodology to guide current and new investments” for the Customers. The Customers typically had little, if any, background in virtual currencies and relied on Gherman to select the virtual currencies for their investments. Many Customers were dependent on Gherman to make their investment decisions for them and trusted him as their investment “advisor” to make those decisions for them.

Gherman, in his communications with J Squared Customers, recklessly made misleading statements of material fact or omitted to state material facts which induced individuals to invest with J Squared, invest additional funds with J Squared, or continue to hold their investments with J Squared. Respondents made misleading statements regarding J Squared’s growth and success as a company, its expanding clientele, and its ability to be selective in acquiring customers. For instance, Respondents falsely stated that J Squared was “rapidly approaching multimillion dollar levels [under management].” In fact, J Squared’s assets under management did not approach the million-dollar mark. Financial records and emails indicate that, at the time of this claim, J Squared’s assets under management were approximately \$100,000. Similarly, Respondents made false statements that the company was focusing on “quality over quantity” and began imposing “minimum” investment requirements that exceeded most current Customers’ investment levels. In reality, J Squared continued to accept new Customers investing at levels far below the \$10,000 “minimum” investment level. Most Customers invested between \$2,000 and \$7,000 with J Squared.

³ A masternode is essentially computer wallet (also known as a crypto full node) that supports the network of a virtual currency by hosting an entire copy of the coin’s ledger in real time. In return for its hosting services, the owner of masternode will receive virtual currencies as a reward. See <https://cryptodigestnews.com/blockchain-basics-what-is-masternode-dbed481a846e?gi=6455a2eacb19>. To establish a masternode, a party needs to purchase a substantial quantity of the virtual currency in question to serve as the operator’s “stake” in the currency. <https://decryptionary.com/dictionary/masternode/>.

Furthermore, Respondents recklessly made materially false and misleading statements and omissions regarding the likelihood of profit and the risk of loss. For instance, when Gherman initially proposed liquidating the virtual currencies to accumulate altcoins to run masternodes, he explained it by saying “[t]he reason is simple. You are going to receive a check at the end every month,” and that customers have the opportunity “to generate substantial income at a fraction of the cost ...[and] can get a \$5,000 master node that can generate \$40,000 annually.” However, when touting the likelihood of profit for his investment recommendation, Gherman failed to disclose that the returns or rewards generated by masternodes tended to be “random” and could not be relied upon to generate enough rewards to warrant monthly checks or thousands of dollars annually. Gherman subsequently acknowledged to customers that masternode returns tended to be random only after Customers made their initial investment and then complained about the failure to produce the touted returns. Gherman also misrepresented the risk of loss in purchasing certain virtual currencies, claiming, for example, that “[i]n every scenario, especially the catastrophic scenario, the client [still] makes original principal, set up fee and profit.” While Gherman provided boilerplate disclosures in emails that his claims were not “guarantees,” he was reckless in misrepresenting to Customers the likelihood of profit and the risk of loss associated with their investments.

In almost every instance, the masternodes Gherman recommended failed to deliver the touted returns, and the virtual currencies purchased to run the masternodes suffered substantial declines in value. In total, Respondents solicited over \$300,000 from over forty (40) J Squared Customers during the Relevant Period. Respondents incurred near total net losses on the investments. Collectively, the Customers suffered unreimbursed losses totaling approximately \$247,110.

III. LEGAL DISCUSSION

A. **Violation of Section 6(c)(1) of the Act, 7 U.S.C. § 9(1) and Regulation 180.1(a), 17 C.F.R. § 180.1(a)**

Section 6(c)(1) of the Act makes it unlawful for any person, directly or indirectly, to:

use or employ, or attempt to use or employ, in connection with any swap, or a contract of sale of any commodity in interstate commerce, or for future delivery on or subject to the rules of any registered entity, any manipulative or deceptive device or contrivance, in contravention of such rules and regulations as the Commission shall promulgate ...

Promulgated under Section 6(c)(1) of the Act, Regulation 180.1(a) provides:

It shall be unlawful for any person, directly or indirectly, in connection with any swap, or a contract of sale of any commodity in interstate commerce, or for future delivery on or subject to the rules of any registered entity, to intentionally or recklessly:

- (1) Use or employ, or attempt to use or employ, any manipulative device, scheme, or artifice to defraud;

- (2) Make, or attempt to make, any untrue or misleading statement of a material fact or to omit to state a material fact necessary in order to make the statements made not untrue or misleading;
- (3) Engage, or attempt to engage, in any act, practice, or course of business, which operates or would operate as a fraud or deceit on any person.

Virtual currencies such as Bitcoin are encompassed in the definition of “commodity” under Section 1a(9) of the Act, 7 U.S.C. § 1a(9) (2018). *See CFTC v. McDonnell*, 287 F. Supp. 3d 213, 228 (E.D.N.Y.) (“[V]irtual currencies can be regulated by CFTC as a commodity.”), *aff’d on reconsideration*, 321 F. Supp. 3d 366 (E.D.N.Y. 2018); *In re BFXNA Inc.*, CFTC No. 16-19, 2016 WL 3137612, at *5 (June 2, 2016) (consent order) (“[V]irtual currencies are encompassed in the [Act’s] definition and properly defined as commodities.”); *In re Coinflip, Inc.*, CFTC No. 15-29, 2015 WL 5535736, at *2 (Sept. 17, 2015) (consent order) (“Bitcoin and other virtual currencies are encompassed in the definition [of Section 1a(9) of the Act] and properly defined as commodities.”); *see also CFTC v. My Big Coin Pay, Inc.*, No. CV 18-10077-RWZ, 2018 WL 4621727, at *5 (D. Mass. Sept. 26, 2018). Accordingly, Bitcoin, Litecoin and other virtual currencies are subject to applicable provisions of the Act and Commission Regulations, including Section 6(c)(1) of the Act and Regulation 180.1(a). *See, e.g., In re TeraExchange LLC*, CFTC No. 15-33, 2015 WL 5658082, at *3 n.3 (Sept. 24, 2015) (consent order) (“Further, bitcoin is a commodity under Section 1a of the Act, 7 U.S.C. § 1a (2012), and is therefore subject as a commodity to applicable provisions of the Act and Regulations.”).

The Commission has authority under Section 6(c)(1) of the Act and Regulation 180.1 to take action against persons who engage in fraud and fraudulent schemes in connection with contracts of sale of commodities in interstate commerce. *McDonnell*, 321 F. Supp. 3d at 367 (affirming on reconsideration that “Title 7 U.S.C. § 9(1) gives the CFTC standing to exercise its enforcement power over the fraudulent schemes alleged in the complaint.”); *My Big Coin Pay*, 2018 WL 4621727 at *5 (rejecting defense that Section 6(c)(1) of the Act and Regulation 180.1 were meant only to combat fraudulent market manipulation and not the alleged solicitation fraud). A person violates Section 6(c)(1) of the Act and Regulation 180.1 if he or she: (1) engages in prohibited conduct (i.e., employs a fraudulent scheme, makes material misrepresentations or omissions, or engages in fraudulent business practices); (2) in connection with the sale of a commodity in interstate commerce; (3) with scienter. *CFTC v. Hunter Wise Commodities, LLC*, 21 F. Supp. 3d 1317, 1347 (S.D. Fla. 2014). Each of these elements is present in this case.

During the course of J Squared’s operations, Gherman solicited and received virtual currency and fiat currency, including U.S. Dollars from Customers in various states and countries for the purpose of entering into or facilitating the Customers’ purchase or sale of cryptocurrency. Gherman engaged in prohibited conduct when he made misleading statements to Customers regarding J Squared’s growth and success as a company, its expanding clientele, including misleading statements that J Squared was “rapidly approaching multimillion dollar levels [under management].”

Similarly, Gherman made misrepresentations to Customers regarding the likelihood of profit of his investment recommendations and the risk of loss. For example, Gherman

recklessly made false statements asserting that Customers who purchased altcoins for the creation of masternodes were “going to receive a check at the end every month,” and that they could “get a \$5,000 master node that can generate \$40,000 annually.” Gherman failed to disclose to Customers that he understood the touted returns or rewards generated by masternodes tended to be “random.”

A statement of fact is material if “there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision.” *Saxe v. E.F. Hutton & Co.*, 789 F.2d 105, 111 (2d Cir. 1986). Any fact that enables investors to assess the risk inherent in their investment and the likelihood of profit is material. *See In re Commodities Int’l Corp.*, CFTC No. 83-43, 1997 WL 11543, at *8-9 (Jan. 14, 1997). Misrepresentations concerning profit and risk go to the heart of a customer’s investment decision and are therefore material as a matter of law. *CFTC v. Int’l Fin. Servs. (N.Y.), Inc.*, 323 F. Supp. 2d 482, 501 (S.D.N.Y. 2004) (citations omitted). Here, Respondents’ misrepresentations about the growth, success, and expanding clientele of J Squared, as well as Respondents’ misrepresentations regarding likelihood of profit and risk of loss were material.

By and through the aforementioned conduct, Respondents violated Section 6(c)(1) of the Act and Regulation 180.1 when they either knowingly or recklessly made false and misleading statements and omissions in connection with contracts of sale of virtual currencies in interstate commerce such as Ether, Bitcoin, Bitcoin Cash and other altcoins.

B. Gherman Is Liable as a Control Person for J Squared’s Conduct.

Gherman is liable for J Squared’s conduct as a controlling person. Section 13(b) of the Act, 7 U.S.C. § 13c(b) (2018), states that a controlling person of an entity is liable for the violations of that entity if the controlling person knowingly induced the violations, directly or indirectly, or did not act in good faith. “A fundamental purpose of Section 13[(b)] is to allow the Commission to reach behind the corporate entity to the controlling individuals of the corporation and to impose liability for violations of the Act directly on such individuals as well as the corporation itself.” *CFTC v. R.J. Fitzgerald & Co., Inc.*, 310 F.3d 1321, 1334 (11th Cir. 2002) (quoting *JCC, Inc. v. CFTC*, 63 F.3d 1557, 1567 (11th Cir. 1995)). A controlling person “knowingly induced” the conduct if he “had actual or constructive knowledge of the core activities that make up the violation at issue and allowed them to continue.” *Id.*

To establish the control element, Plaintiff must prove by a preponderance of the evidence that the alleged control person had “general control over the operation of the entity principally liable.” *Monieson v. CFTC*, 996 F.2d 852, 859 (7th Cir. 1993) (quoting *Donohoe v. Consol. Operating & Prod. Corp.*, 982 F.2d 1130, 1138 (7th Cir. 1992)). Control person liability will attach if the defendant “possessed the power or ability to control the specific transaction or activity upon which the primary violation was predicated.” *Id.* Making management and hiring decisions and overseeing day-to-day operations support a finding that the alleged controlling person exercised “general control” over the enterprise. *See id.* at 860 (citing *G.A. Thompson & Co., Inc. v. Partridge*, 636 F.2d 945, 958 (5th Cir. 1981)). It is the existence of the “power” or ability to control the illegal transaction or activity “that matters, not whether he exercised it by actually participating in or benefitting from the illegal acts.” *See id.*

Gherman was one of founders and chief operating officer of J Squared. Gherman had actual knowledge of the violations at issue here. Gherman exercised general control over J Squared by making management and personnel decisions for the company, was the main point of contact for soliciting and interacting with J Squared Customers, and conducted the trading activities for the company and its Customers. Therefore, pursuant to Section 13(b) of the Act, Gherman as a controlling person is liable for J Squared's violations of Section 6(c)(1) and Regulation 180.1.

C. J Squared Is Liable for Gherman's Conduct

J Squared is liable for Gherman's conduct. Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2018), and Regulation 1.2, 17 C.F.R. § 1.2 (2019), provide that "[t]he act, omission, or failure of any official, agent, or other person acting for any individual, association, partnership, corporation, or trust within the scope of his employment or office shall be deemed the act, omission, or failure of such individual, association, partnership, corporation, or trust." Pursuant to Section 2(a)(1)(B) of the Act and Commission Regulation 1.2, strict liability is imposed on principals for the actions of their agents. *See, e.g., Rosenthal & Co. v. CFTC*, 802 F.2d 963, 966 (7th Cir. 1986); *Dohmen-Ramirez v. CFTC*, 837 F.2d 847, 857-58 (9th Cir. 1988); *CFTC v. Byrnes*, 58 F. Supp. 3d 319, 324 (S.D.N.Y. 2014).

Gherman, an employee, official and agent of J Squared, engaged in the conduct described herein within the course and scope of his employment or office with J Squared. Therefore, pursuant to Section 2(a)(1)(B) of the Act and Regulation 1.2, J Squared is liable for the acts, omissions, and failures of Gherman in violation of the provisions of the Act and Regulations cited above.

IV. FINDINGS OF VIOLATION

Based on the foregoing, the Commission finds that, during the Relevant Period, Respondents violated Section 6(c)(1) of the Act, 7 U.S.C. § 9(1) (2018), and Regulation 180.1(a), 17 C.F.R. § 180.1(a) (2019).

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 (2018), and 28 U.S.C. § 2412 (2018), 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, tit. II, §§ 201–253, 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. 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; and
- E. Consent, 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 6(c)(1) of the Act, 7 U.S.C. § 9(1) (2018), and Regulation 180.1(a), 17 C.F.R. § 180.1(a) (2019);
 2. Orders Respondents to cease and desist from violating Section 6(c)(1) of the Act and Regulation 180.1(a);
 3. Orders Respondents to pay restitution in the amount of two hundred-forty seven thousand one hundred and ten dollars (\$247,110), plus post-judgment interest within thirty days of the date of entry of this Order, with the amount to be paid by Gherman to be capped at one hundred and twenty-three thousand five hundred and fifty-five dollars (\$123,555), plus any post-judgment interest, and the amount to be paid by J Squared to be capped at one hundred and twenty-three thousand five hundred and fifty-five dollars (\$123,555), plus any post-judgment interest;
 4. Orders Respondents to pay a civil monetary penalty in the amount of one hundred and fifty thousand dollars (\$150,000), plus post-judgment interest within thirty days of the date of entry of this Order, with the amount to be paid by Gherman to be capped at seventy-five thousand dollars (\$75,000), plus any post-judgment interest, and the amount to be paid by J Squared to be capped at seventy-five thousand dollars (\$75,000), plus any post-judgment interest;

5. Appoints the National Futures Association (“NFA”) as Monitor in this matter;
6. Orders that Respondents be prohibited from, directly or indirectly, engaging in trading on or subject to the rules of any registered entity (as that term is defined in Section 1a(40) of the Act, 7 U.S.C. § 1a(40) (2018)), for a period of ten (10) years after the date of entry of this Order, and all registered entities shall refuse them trading privileges during that period; and
7. 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:

1. Respondents shall cease and desist from violating Section 6(c)(1) of the Act, 7 U.S.C. §9(1) (2018), and Regulation 180.1(a), 17 C.F.R. § 180.1(a) (2019).
2. Respondents shall pay restitution in the amount of two hundred-forty seven thousand one hundred and ten dollars (\$247,110), plus post-judgment interest within thirty days of the date of entry of this Order, with the amount to be paid by Gherman to be capped at one hundred and twenty-three thousand five hundred and fifty-five dollars (\$123,555), plus any post-judgment interest, and the amount to be paid by J Squared to be capped at one hundred and twenty-three thousand five hundred and fifty-five dollars (\$123,555), plus any post-judgment interest (“Restitution Obligations”). If the Restitution Obligations are not paid in full within thirty days of the date of entry of this Order, then post-judgment interest shall accrue on the Restitution Obligations 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 (2018).

To effect payment by Respondents and the distribution of restitution to Respondents’ customers, the Commission appoints NFA as “Monitor.” The Monitor shall receive payments of the Restitution Obligations and any post-judgment interest from Respondents and make distributions as set forth below. Because the Monitor is not being specially compensated for these services, and these services are outside the normal duties of the Monitor, it shall not be liable for any action or inaction arising from its appointment as Monitor other than actions involving fraud.

Respondents shall make their respective payments of the Restitution Obligations and any post-judgment interest under this Order in the name of the “J Squared/Jozef Gherman Settlement Fund” and shall send such payments by electronic funds transfer, or U.S. postal money order, certified check, bank cashier’s check, or bank money order to the Office of Administration, National Futures Association, 300 South Riverside Plaza, Suite 1800, Chicago, Illinois 60606, under 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.

The Monitor shall oversee Respondents' Restitution Obligations and shall have the discretion to determine the manner of distribution of funds in an equitable fashion to the Respondents' customers or may defer distribution until such time as the Monitor may deem appropriate. In the event that the amount of payments of the Restitution Obligations to the Monitor are of a *de minimis* nature such that the Monitor determines that the administrative cost of making a restitution distribution is impractical, the Monitor may, in its discretion, treat such restitution payments as civil monetary penalty payments, which the Monitor shall forward to the Commission, as discussed below. To the extent any funds accrue to the U.S. Treasury for satisfaction of Respondents' Restitution Obligations, such funds shall be transferred to the Monitor for disbursement in accordance with the procedures set forth in this Order.

3. Respondents shall pay a civil monetary penalty in the amount of one hundred fifty thousand dollars (\$150,000), plus post-judgment interest within thirty days of the date of entry of this Order; with the amount to be paid by Gherman to be capped at seventy-five thousand dollars (\$75,000), plus any post-judgment interest, and the amount to be paid by J Squared to be capped at seventy-five thousand dollars (\$75,000), plus any post-judgment interest ("CMP Obligations"). If the CMP Obligations are not paid in full within thirty days of the date of entry of this Order, then post-judgment interest shall accrue on the CMP Obligations 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 (2018).

J Squared and Gherman shall pay their respective CMP Obligations and any post-judgment interest 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 Obligations with a cover letter that identifies the paying Respondent and the name and docket number of this proceeding. The paying Respondent shall simultaneously transmit

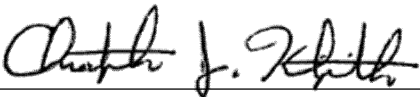
copies of the cover letter and the form of payment to the Chief Financial Officer, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, NW, Washington, D.C. 20581.

4. Respondents are prohibited from, directly or indirectly, engaging in trading on or subject to the rules of any registered entity (as that term is defined in Section 1a(40) of the Act, 7 U.S.C. § 1a(40) (2018)), for a period of ten (10) years after the date of entry of this Order, and all registered entities shall refuse them trading privileges during that period; and
5. 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. Respondents agree that, for a period of ten (10) years, they shall not, directly or indirectly:
 - a. enter into any transactions involving "commodity interests" (as that term is defined in Regulation 1.3, 17 C.F.R. § 1.3 (2019), or virtual currencies, for Respondents' own personal accounts or for any accounts in which Respondents have a direct or indirect interest;
 - b. have any commodity interests traded, or virtual currency transactions conducted, on Respondents' behalf;
 - c. control or direct the trading for or on behalf of any other person or entity, whether by power of attorney or otherwise, in any account involving commodity interests or virtual currencies;
 - d. solicit, receive, or accept any funds from any person for the purpose of purchasing or selling any commodity interests or virtual currencies;
 - e. apply for registration or claim exemption from registration with the Commission in any capacity, and engage in any activity requiring such registration or exemption from registration with the Commission except as provided for in Regulation 4.14(a)(9), 17 C.F.R. § 4.14(a)(9) (2019); and/or

- f. act as a principal (as that term is defined in Regulation 3.1(a), 17 C.F.R. § 3.1(a) (2019)), agent or any other officer or employee of any person (as that term is defined in Section 1a(38) of the Act, 7 U.S.C. § 1a(38) (2018)), registered, required to be registered, or exempted from registration with the Commission except as provided for in Regulation 4.14(a)(9).
3. Cooperation with Monitor: Respondents shall cooperate with the Monitor as appropriate to provide such information as the Monitor deems necessary and appropriate to identify Respondents' customers, whom the Monitor, in its sole discretion, may determine to include in any plan for distribution of any restitution payments. Respondents shall execute any documents necessary to release funds that they have in any repository, bank, investment or other financial institution, wherever located, in order to make partial or total payment toward the Restitution Obligations.
4. Cooperation, in General: Respondents shall cooperate fully and expeditiously with the Commission, including the Commission's Division of Enforcement in this action.
5. Partial Satisfaction: Respondents understand and agree that any acceptance by the Commission or the Monitor of any partial payment of Respondents' Restitution Obligations or CMP Obligations 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.
6. Change of Address/Phone: Until such time as Respondents satisfy in full their Restitution Obligations and CMP Obligations 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: April 19, 2021