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 about January 2015 through 2019 (“Relevant Period”), Powerline Petroleum, LLC (“Powerline”), Darren Dohme (“Dohme”), and Adam Wright (“Wright”) (collectively, “Respondents”) violated Sections 401(A)-(B) and 9(a)(4) of the Commodity Exchange Act (“Act”), 7 U.S.C. §§ 601(A)-(B), 13(a)(4); that Powerline violated Section 4m(1) of the Act, 7 U.S.C. § 6m(1), and Commission Regulations (“Regulations”) 4.31 and 4.34, 17 C.F.R. §§ 4.31, 4.34 (2021); and that Dohme is liable for Powerline’s violations of the Act and Regulations, as set forth below, pursuant to Section 13(b) of the Act, 7 U.S.C. § 13c(b). 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
II. FINDINGS

The Commission finds the following:

A. SUMMARY

From about 2015 through 2019, Powerline offered clients advice, consulting, and execution services with respect to hedging strategies, including through the use of block trades comprised of options on energy futures contracts.

Powerline acted as a counterparty to its clients in certain of these block trade transactions and made money by, among other things, charging a markup, which was often highly disproportionate to the cost of the trade itself. Powerline defrauded clients by not disclosing Powerline’s counterparty status and failing to disclose the fact that it charged a markup or the amount of the markup. This conduct violated both the antifraud provisions set forth in Section 4(o)(1)(A)-(B) of the Act, 7 U.S.C. § 6(o)(1)(A)-(B), and the disclosure requirements of Regulations 4.31 and 4.34, 17 C.F.R. §§ 4.31, 4.34 (2021). At times, Respondents not only failed to disclose these key aspects of Powerline’s relationship with its clients but also defrauded clients by making false and misleading statements to clients suggesting that Powerline was a disinterested facilitator of block trades rather than a counterparty that earned an undisclosed markup, in violation of Section 4(o)(1)(A)-(B) of the Act.

In September 2019, Powerline sent a backdated letter to its clients, purporting to clarify its position vis a vis its clients on the block trades, stating Powerline was “acting as a Clearport Principle [sic] and will take Clearport trades into its own futures account before entering them into the client’s account.” The letter, however, did not explain that Powerline was acting as a counterparty to its clients. In January 2020, Powerline produced the backdated letter to the Chicago Mercantile Exchange (“CME”), a board of trade and designated contract market, to give CME the false impression that the purported disclosure had been made to clients as of January 2019. By providing the backdated letter to CME, Respondents made use of a false writing or document, knowing that it contained a false statement to CME, in violation of Section 9(a)(4) of the Act, 7 U.S.C. § 13(a)(4).

Moreover, because Powerline advised clients on commodity hedging strategies, tailored to client needs, by recommending, among other things, specific energy block trades, it was required to register as a Commodity Trading Advisor (“CTA”) or qualify for an applicable registration exemption. Indeed, at least for Powerline’s clients in the fuel industry, Powerline expressly marketed itself, and acted, as a consultant or advisor. However, Powerline was not registered as a CTA and did not qualify for any exemption. While Powerline was registered as an Introducing Broker (“IB”), its advisory business was not “solely in connection with” its brokerage business, as required in order to qualify for the CTA registration exemption available to registered IBs. Powerline’s failure to register as a CTA violated Section 4m(1) of the Act, 7 U.S.C. § 6m(1).

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.
In accepting Respondents’ Offer, the Commission recognizes the cooperation of Respondents with the Division of Enforcement’s investigation of this matter.

B. RESPONDENTS

Powerline Petroleum, LLC is an Illinois limited liability company located in Champaign, Illinois. According to Powerline’s website, the firm is “an independent consulting and execution resource for commercial commodity market hedging, price risk management, and alternative investing.” During the Relevant Period, Powerline offered clients advice, consulting, and execution services with respect to hedging strategies, including through the use of block trades comprised of options on energy futures contracts. The block trades were executed through CME, a designated contract market.

Powerline was registered with the Commission as an introducing broker from 2003 to 2008 and from 2010 to the present.

Darren Dohme is a resident of Illinois. Dohme is a co-founder of Powerline and has been a principal, owner, and Managing Partner of the company throughout the Relevant Period. Dohme exercised control over Powerline and was responsible for supervising employee conduct. He has been registered with the Commission in various capacities, including as an Associated Person (“AP”) of Powerline from 2003 to 2008 and 2010 to the present.

Adam Wright is a resident of Illinois. Wright joined Powerline in 2013 as an employee, and became a principal and co-owner of the company in July 2019. Wright has been registered as an AP of Powerline since September 2013.

C. FACTS

1. Failures to Disclose Mark-ups and Counterparty Status

During the Relevant Period, Powerline held itself out as a consultant on energy and agricultural hedging strategies. Its website described the company as a “consulting and execution resource for commercial commodity market hedging, price risk management, and alternative investing.” The website stated that the company “help[s] energy and agricultural clients manage commodity price risk and increase profitability through use of customized hedging programs.” As part of its services, Powerline recommended various hedging strategies to its energy clients, including through the use of block trades (including options transactions on energy futures contracts), tailored to the clients’ individual needs. Powerline made these recommendations to clients in different parts of the United States, including Mississippi, Virginia, and across the mid-west.

In a typical block trade transaction for its energy clients, Powerline would contact the client with a suggested trade—usually a combination of options on various fuel-related futures contracts (e.g., RBOB gasoline) with expirations over a series of months. Powerline would quote the client a price per gallon for the recommended combination of fuel options. Powerline suggested, sometimes explicitly, that it was merely the facilitator of the transaction when, in fact, Powerline intended to act—and did act—as the counterparty to the trade. Respondents
defrauded clients by failing to disclose—and in some instances affirmatively misrepresenting—Powerline’s counterparty status. Moreover, Powerline charged the client a markup over the price at which Powerline was able to obtain the combination of options from a third party. Specifically, Powerline quoted the clients a price per gallon that was higher (if the client was buying) or lower (if the client was selling) than the price at which Powerline knew it could execute an offsetting trade with the third party. In short, Powerline charged its clients an undisclosed markup on the fuel option hedging strategies it recommended. Respondents defrauded clients by failing to disclose and at times affirmatively misrepresenting, the existence and amount of the markup that Powerline charged.

Select examples of this type of conduct are set forth below:

On March 4, 2016, Dohme emailed several Powerline clients, informing them that “This morning we decided to execute the three-way gasoline option strategy.” The strategy involved entering into a number of block trades, specifically buying RBOB gasoline options at one strike price, and selling an equal number of RBOB gasoline options at both higher and lower strike prices. Later in the day, Wright emailed several clients individually with the details of their respective trades, including the volume the client traded, the strike prices, and cost. Regarding the cost, Wright told the clients, “We . . . spent 3.5 cents/gal or $1,470 per contract on option premium for the hedge structure.” In fact, however, Powerline had purchased the strategy from a third party in the market for 1.5 cents/gallon (or $630 per contract) and then sold it to its clients for 3.5 cents/gallon. So, for example, a client that traded 60 contracts (each of which is for 42,000 gallons of gasoline) paid $88,200 for a series of options that Powerline bought in the market for $37,800—a markup of over 100%. This markup was not disclosed to clients.

On January 20, 2017, Dohme emailed several clients that “[W]e filled the Retail Gasoline Margin Hedge Strategy today . . . We executed the strategy as a strip meaning all the months are filled at the same strike prices. The strategy was costless in premium.” Again, the strategy involved several block trades, in this case buying RBOB gasoline options at one strike price, and selling an equal number of RBOB gasoline options at both higher and lower strike prices. This time, the net cost to the clients of buying and selling this set of options was zero dollars (or, in Dohme’s words, “costless”). Powerline, however, had entered into an offsetting series of trades with a third party in which Powerline was paid a net amount of 2 cents per gallon in option premium by the third party. So, for a client that traded 30 contracts of RBOB gasoline options over each of 5 months, this amounted to a $126,000 markup. Powerline did not disclose this markup to its clients or the fact that Powerline had been paid for a strategy that had been characterized to clients as “costless in premium.”

On April 5, 2019, Wright emailed a client a proposed call butterfly options strategy for heating oil. He quoted the client a cost of 3.5 cents per gallon for the block trades. Over instant message, the client communicated “let’s do 50 of the call flies.” Wright responded, “I’ll get those bought the best I can.” A few minutes later, Powerline placed a bid with a third party for the strategy at 3 cents/gallon and subsequently got filled by the third party at 3.15 cents/gallon. Wright then communicated to the client, “we got those 50 . . . call [butterflies] bought for 3.5 cents.” Powerline did not disclose to the client that it had actually purchased the strategy for its own book at 3.15 cents/gallon and passed it along to the client at 3.5 cents/gallon—a markup of
0.35 cents. In addition, by telling the client that he would “get those bought the best I can,” Wright suggested, falsely, that Powerline was merely facilitating the transaction and that Powerline was trying to get the client the best price possible.

On none of these occasions did Powerline disclose that it was trading against the client and that it was charging a markup.

2. **False Statements to CME**

In September 2019, after receiving a request from CME regarding certain block trades, Powerline sent a letter to its clients stating that Powerline was “acting as a Clearport Principle [sic] and will take Clearport trades into its own futures account before entering them into the client’s account.” Wright and Dohme drafted the letter together and backdated it to make it appear that this Clearport “disclosure” had been made as of January 2019. While the letter was purportedly intended to disclose Powerline’s status as a counterparty to its clients, it did not do so. Indeed, nothing in the letter states that Powerline trades directly against its clients.

In January 2020, in response to a follow-up request by CME for information, including “documents related to Powerline acting in a principal only capacity,” Powerline produced the backdated letter to CME, to give CME the false impression that the disclosure had been made to clients as of January 2019 when in fact it had not. By providing the backdated letter to CME, Respondents made use of a false writing or document, knowing that it contained a false statement to CME. It was not until May 2020, prior to producing the September 2019 letter to the Commission in response to a document request, that Powerline disclosed to both the Commission and CME that the letter had been backdated.

3. **Failure to Register as a Commodity Trading Advisor**

As described above, Powerline advised clients on commodity hedging strategies, tailored to client needs, by recommending, among other things, specific energy block trades, and Powerline, at least for its clients in the fuel industry, expressly marketed itself as a consultant or advisor. Consequently, Powerline was required to register as a CTA or qualify for an applicable registration exemption. However, Powerline was not registered as a CTA and did not qualify for any exemption. While Powerline was registered as an IB, its advisory business was not “solely in connection with” its brokerage business, as required in order to qualify for the CTA registration exemption available to registered IBs.

### III. LEGAL DISCUSSION

A. **Violations of Section 40(1)(A)-(B) of the Act by Powerline, Dohme, and Wright**

Section 40(1)(A)-(B) of the Act 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, futures, options, or swaps. 7 U.S.C. § 40(1)(A). During the Relevant Period, Powerline acted as
a CTA by engaging, for compensation or profit, in the business of advising clients as to the value or advisability of trading in commodity options and swaps.

Section 401(l) of the Act, 7 U.S.C. § 601(l), makes it unlawful for a CTA, or any associated person of a CTA, using the mails or any means or instrumentality of interstate commerce, directly or indirectly:

(A) to employ any device, scheme, or artifice to defraud any client or participant or prospective client or participant; or

(B) to engage in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or participant or prospective client or participant.


To prevail on a Section 401(A) claim, the Commission must prove the CTA, or AP thereof, made a misrepresentation or omission that was material, plus scienter. *Messer v. E.F. Hutton & Co.*, 847 F.2d 673, 677 (11th Cir. 1988). The scienter requirement of 401(A) may be satisfied by a showing of knowing misconduct or recklessness. *Id.* (adopting the securities fraud standard for scienter). Scienter is satisfied where defendant had an “intent to deceive” or a “reckless disregard for the truth.” *SEC v. Bauer*, 723 F.3d 758, 775 (7th Cir. 2013) (citation omitted).

The focus of Section 401(B) of the Act is on whether the respondent’s conduct “had the effect of a fraud upon a customer or potential customer.” *CFTC v. Heffernan*, 245 F. Supp. 2d 1276, 1290 (S.D. Ga. 2003). The Commission need not prove that the respondent acted with scienter. *E.F. Hutton*, 847 F.2d at 677; *Heffernan*, 245 F. Supp. 2d at 1292; see also *CFTC v. Savage*, 611 F.2d 270, 285 (9th Cir. 1980) (“If the [CTA] intended to do what was done and its consequence is to defraud the client or prospective client that is enough to constitute a violation of section [401(B)]”).

“A representation or omission is ‘material’ if a reasonable investor would consider it important in deciding whether to make an investment.” *CFTC v. Kratville*, 796 F.3d 873, 895 (8th Cir. 2015) (quoting *CFTC v. R.J. Fitzgerald*, 310 F.3d 1321, 1328-29 (11th Cir. 2002)).

Respondents violated the antifraud provisions of Section 401(A)-(B) of the Act by concealing from clients Powerline’s status as a counterparty and failing to disclose to clients the markup that Powerline charged on the clients’ block trades or the amount of the markup. Furthermore, Respondents, at times, violated the antifraud provisions by affirmatively, and falsely, indicating the opposite: that Powerline was merely a facilitator of the transaction on the clients’ behalf, and was trying to get clients the best price. These statements suggest that Respondents intended to obfuscate—or recklessly disregarded the fact that their statements
would obfuscate—Powerline’s position as a counterparty and the fact that Powerline charged clients a higher price for their hedging strategies than Powerline received in the market from a third party. By omitting material information about its role in the transactions and the markup that it charged, and by making misleading statements about the same, Respondents violated Section 4o(l)(A)-(B) of the Act.2

B. Violations of Section 9(a)(4) of the Act by Powerline, Dohme, and Wright

Section 9(a)(4) of the Act, 7 U.S.C. § 13(a)(4), makes it unlawful for any person “willfully to falsify, conceal, or cover up by any trick, scheme, or artifice a material fact, make any false, fictitious, or fraudulent statements or representations, or make or use any false writing or document knowing the same to contain any false, fictitious, or fraudulent statement or entry to a registered entity, board of trade, or futures association designated or registered under [the Act] acting in furtherance of its official duties under [the Act].”

As described above, Wright and Dohme, on behalf of Powerline, submitted a backdated document to CME that they knew to contain false information—specifically, a letter that was dated eight months before it was actually drafted and sent to clients. The letter was intended to give CME the misimpression that a disclosure was made to Powerline clients earlier than it actually was. This conduct violated Section 9(a)(4) of the Act.

C. Violation of Section 4m(1) of the Act by Powerline

Section 4m(1) of the Act requires a person who is acting as a CTA and making use of the mails or any means or instrumentality of interstate commerce in connection with the person’s CTA business to register with the Commission unless the person provides such commodity trading advice to fewer than fifteen persons in the preceding twelve months and does not hold itself out generally to the public as a CTA or otherwise qualify for a registration exemption. See 7 U.S.C. § 6m(1); 17 C.F.R. § 4.14 (2021).

Powerline held itself out publicly as a CTA by offering to others its hedging services, including commodity trading advice concerning commodity options, through its website. Powerline was not exempt from registration as a CTA under any provision of the Act or Regulations. Importantly, Powerline’s advisory business was not solely in connection with its brokerage business; consequently, although registered as an IB, Powerline did not qualify for the CTA registration exemption that is available to certain registered IBs. 17 C.F.R. § 4.14(a)6) (2021). Accordingly, Powerline’s failure to register as a CTA violated Section 4m(1) of the Act.

D. Violation of Regulations 4.31 and 4.34 by Powerline

Commission Regulations require that CTAs, registered or required to be registered as such, make certain disclosures to clients regarding the trading program pursuant to which the CTA seeks to guide client trading, including “a complete description of each fee which the commodity trading advisor will charge the client” and “a full description of any actual or


Powerline recommended hedging programs to its clients without disclosing that Powerline would be the counterparty to the clients’ trades and without disclosing that Powerline charged the clients a higher price for the hedges than the price at which Powerline was able to acquire them in the market from a third party. More specifically, no document articulated the conflict between, on the one hand, Powerline advising its clients on the merits of entering into commodity option transactions and, on the other hand, Powerline’s undisclosed financial interest in those very same transactions. Importantly, Powerline’s undisclosed financial interest—the markup—was, dollar for dollar, at the clients’ expense. As set above in Section III.C., Powerline was required to register as a CTA; consequently, Powerline was required to make disclosures to clients pursuant to Regulations 4.31 and 4.34, including disclosures regarding fees and conflicts of interest. By failing to disclose these facts and circumstances, Powerline violated Regulations 4.31 and 4.34.

E. Dohme Is Liable as a Control Person for Powerline’s Conduct

Dohme is liable for Powerline’s conduct as a controlling person. Section 13(b) of the Act, 7 U.S.C. § 13c(b), 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)).

To establish the control element, the Commission must show 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 respondent “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)).

With respect to the failure to act in good faith element, proof of recklessness will demonstrate that the controlling person acted in bad faith, although negligence alone is insufficient. Monieson, 996 F.2d 852 at 860 (7th Cir. 1993) (finding FCM’s chairman of the board liable as controlling person because he failed to enforce supervision system with reasonable diligence, including failing to act in response to repeated charges of illegal behavior from different sources). “Knowing inducement” requires a showing that “the controlling person had actual or constructive knowledge of the core activities that constitute the violation at issue and allowed them to continue.” In re Spiegel, CFTC No. 85-19, 1988 WL 232212, at *7 (Jan. 12, 1988) (footnote omitted).
Throughout the Relevant Period, Dohme was one of the founders and a Managing Partner and principal of Powerline. In this position, Dohme had control over day-to-day operations of the company. Moreover, Dohme had knowledge of the core activities that constitute the violations at issue here. Therefore, pursuant to Section 13(b) of the Act, Dohme is liable for Powerline’s violations of Section 4m(1) of the Act and Regulations 4.31 and 4.34.

IV. FINDINGS OF VIOLATION

Based on the foregoing, the Commission finds that, during the Relevant Period, Respondents violated Sections 4o(1)(A)-(B) and 9(a)(4) of the Act, 7 U.S.C. §§ 6o(1)(A)-(B), 13(a)(4), and that Powerline and Dohme violated Section 4m(1) of the Act, 7 U.S.C. § 6m(1), and Regulations 4.31 and 4.34, 17 C.F.R. §§ 4.31, 4.34 (2021).

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;


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 Powerline, Dohme, and Wright violated Sections 4o(1)(A)-(B) and 9(a)(4) of the Act, 7 U.S.C. §§ 6o(1)(A)-(B), 13(a)(4), and that Powerline and Dohme violated Section 4m(1) of the Act, 7 U.S.C. § 4m(1), and Regulations 4.31 and 4.34, 17 C.F.R. §§ 4.31 and 4.34 (2021).

2. Orders Dohme and Powerline to cease and desist from violating Sections 4o(1)(A)-(B), 9(a)(4), and 4m(1) of the Act and Regulation 4.31 and 4.34;

3. Orders Wright to cease and desist from violating Sections 4o(1)(A)-(B) and 9(a)(4) of the Act;

4. Orders Respondents to pay, jointly and severally, a civil monetary penalty in the amount of $375,000, plus post-judgment interest, within ten (10) business days of the date of entry of this Order;

5. 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, including but not limited to the undertaking by Respondents to pay, on a joint and several basis, disgorgement in the amount of five hundred thousand dollars ($500,000) plus post-judgment interest, within ten (10) business days of the date of entry of this Order, and the undertaking not to register or engage in any activity requiring registration with the Commission for a period of three (3) months after the date of entry of this Order;

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)), for a period of six (6) months after the date of entry of this Order, and all registered entities shall refuse them trading privileges during that period; and

7. Appoints the National Futures Association (“NFA”) as Monitor in this matter.

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

Accordingly, IT IS HEREBY ORDERED THAT:

1. Dohme and Powerline shall cease and desist from violating Sections 4o(1)(A)-(B), 9(a)(4), and 4m(1) of the Act, 7 U.S.C. §§ 6o(1)(A)-(B), 13(a)(4), and 6m(1), and Regulations 4.31 and 4.34, 17 C.F.R. §§ 4.31, 4.34 (2021).

2. Wright shall cease and desist from violating Sections 4o(1)(A)-(B) and 9(a)(4) of the Act.

3. Respondents shall pay, jointly and severally, a civil monetary penalty in the amount of three hundred seventy-five thousand dollars ($375,000) (“CMP Obligation”), to be paid within ten (10) business days of the date of the entry of this Order, provided that Dohme’s and Wright’s joint and several liability for the Total Monetary Obligation (defined as the CMP Obligation plus the Disgorgement Obligation set forth below) shall be capped at one hundred fifty thousand dollars ($150,000) each. If the CMP Obligation is not paid in full or otherwise satisfied within ten (10) business days of the date of the entry of this Order, then post-judgment interest shall accrue beginning on the date following entry of this Order and shall be determined by using the Treasury Bill rate prevailing on the date of the entry of this Order pursuant to 28 U.S.C. § 1961.

Respondents shall pay the CMP Obligation 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, the payment should 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 facsimile
9-AMC-AR-CFTC@faa.gov

If payment is to be made by electronic transfer, Respondents shall contact Tonia King 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 Respondent and the name and docket number of this proceeding. 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, DC 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)), for a period of six (6) months after the date of entry of this Order, and all registered entities shall refuse them trading privileges during that period;

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 they shall not, for a period of six (6) months after the entry of this order, 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 (2021)), for Respondents’ own personal accounts or for any accounts in which Respondents have a direct or indirect interest;

      b. have any commodity interests traded 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; and/or

      d. solicit, receive, or accept any funds from any person for the purpose of purchasing or selling any commodity interests;

   3. Respondents agree that they shall not, for a period of three (3) months after the entry of this order, directly or indirectly:

      a. apply for registration or claim exemption from registration with the Commission in any capacity, or 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) (2021); and/or

      b. act as a principal (as that term is defined in Regulation 3.1(a), 17 C.F.R. § 3.1(a) (2021)), 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)), registered, required to be registered, or exempted from registration with the Commission except as provided for in Regulation 4.14(a)(9).
4. Respondents agree to pay, jointly and severally, disgorgement in the amount of five hundred thousand dollars ($500,000) ("Disgorgement Obligation"), representing the gains received in connection with such violations, within ten days of the date of the entry of this Order. If the Disgorgement 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 Disgorgement 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.

To effect payment by Respondents of the Disgorgement Obligation and the distribution of disgorgement to Respondents’ clients, the Commission appoints the NFA as “Monitor.” The Monitor shall receive payments of the Disgorgement Obligation 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 payments of the Disgorgement Obligation and any post-judgment interest under this Order in the name of the “Powerline 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’ Disgorgement Obligation and shall have the discretion to determine the manner of distribution of funds in an equitable fashion to the Respondents’ clients or may defer distribution until such time as the Monitor may deem appropriate. In the event that the amount of payments of the Disgorgement Obligation to the Monitor are of a de minimis nature such that the Monitor determines that the administrative cost of making a disgorgement distribution is impractical, the Monitor may, in its discretion, treat such disgorgement payments as civil monetary penalty payments, which the Monitor shall forward to the Commission. To the extent any funds accrue to the U.S. Treasury for satisfaction of Respondents’ Disgorgement Obligation, such funds shall be transferred to the Monitor for disbursement in accordance with the procedures set forth in this Order.

Any amounts paid by Respondents toward the Total Monetary Obligation shall first be paid in satisfaction of the Disgorgement Obligation.

5. 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’ clients, whom the Monitor, in its sole
discretion, may determine to include in any plan for distribution of any
disgorgement 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
Disgorgement Obligation.

6. Cooperation, in General: 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.

7. Partial Satisfaction: Respondents understand and agree that any acceptance by
the Commission or the Monitor of any partial payment of Respondents’
Disgorgement 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.

8. Change of Address/Phone: Until such time as Respondents satisfy in full their
Disgorgement 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.

9. Until such time as Respondents satisfy their Disgorgement Obligation and CMP
Obligation, upon the commencement by or against Respondents of insolvency,
receivership or bankruptcy proceedings or any other proceedings for the
settlement of Respondents’ debts, all notices to creditors required to be furnished
to the Commission under Title 11 of the United States Code or other applicable
law with respect to such insolvency, receivership bankruptcy or other
proceedings, shall be sent to the address below:

   Secretary of the Commission
   Legal Division
   Commodity Futures Trading Commission
   Three Lafayette Centre
   1155 21st Street N.W.
   Washington, DC 20581

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 19, 2022