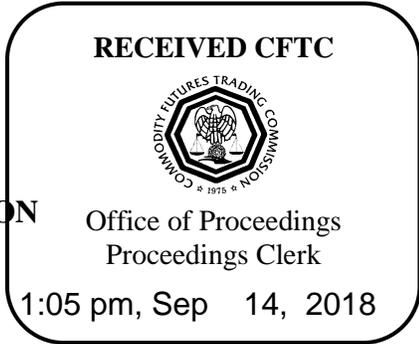


**UNITED STATES OF AMERICA**  
**Before the**  
**COMMODITY FUTURES TRADING COMMISSION**



\_\_\_\_\_ )  
**In the Matter of:** )  
 )  
**Ryan Jacob Allen,** ) **CFTC Docket No. 18 – 20**  
**Allen Investment Management LP, and** )  
**Allen Corporate Management &** )  
**Holdings LLC,** )  
 )  
**Respondents.** )  
\_\_\_\_\_ )

**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 2016 to at least February 2017 (“Relevant Period”), Allen Investment Management LP (“AIM”) and Allen Corporate Management & Holdings LLC (“ACMH”) violated Section 4m(1) of the Commodity Exchange Act (“Act”), 7 U.S.C. § 6m(1) (2012), and that Ryan Jacob Allen (“Allen”) violated Section 4k(2) of the Act, 7 U.S.C. § 6k(2) (2012). Therefore, the Commission deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted to determine whether AIM, ACMH, and Allen (collectively, “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.<sup>1</sup>

---

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

## II. FINDINGS

The Commission finds the following:

### A. SUMMARY

During the Relevant Period, AIM and ACMH, by and through the actions of its employees, officers, or agents, including Allen, acted as unregistered commodity pool operators (“CPOs”) by collecting over \$528,000 from approximately forty-five individuals residing in or around Yorktown, Indiana, for a pooled investment vehicle trading off-exchange binary options on commodities through a foreign binary options trading platform. AIM and ACMH have never been registered with the Commission and were not exempt from the requirement to register as CPOs. By and through these actions, AIM and ACMH violated Section 4m(1) of the Act, 7 U.S.C. § 6m(1) (2012). Allen has never been registered with the Commission in any capacity, including as an associated person (“AP”). Through his actions on behalf of AIM and ACMH, Allen violated Section 4k(2) of the Act, 7 U.S.C. § 6k(2) (2012).

### B. RESPONDENTS

**Ryan Jacob Allen** resides in Yorktown, Indiana. He has never been registered with the Commission in any capacity.

**Allen Corporate Management & Holdings LLC** is a limited liability company formed in Indiana in October 2016 with its principal office at the home address of Allen in Yorktown, Indiana. Allen is the registered agent and president of ACMH. ACMH has never been registered with the Commission in any capacity.

**Allen Investment Management LP** is a limited partnership formed in Indiana in June 2016 with its principal office at the home address of Allen in Yorktown, Indiana. Allen is the registered agent and general partner of AIM. AIM has never been registered with the Commission in any capacity.

### C. FACTS

Allen formed AIM and ACMH in Indiana in June 2016 and October 2016, respectively, for the purpose of collecting funds from others for a pooled investment vehicle to trade off-exchange binary options on commodities in an account in Allen’s name with Tradorax.com, an Internet trading platform purportedly based in London, England.<sup>2</sup> Initial pool participants were Allen’s family members, friends, and acquaintances, but word-of-mouth and Allen’s affirmative solicitations brought in additional participants. Allen held himself out as the “General Managing Partner” of AIM and the “CEO” of ACMH. In these roles, Allen was the main point of contact for current and prospective pool participants, signed all applications to invest, managed the companies’ bank accounts and his trading account, drafted mass communications periodically sent to pool participants, and engaged third parties to perform services for AIM and ACMH.

---

<sup>2</sup> Tradorax.com has never been registered with the Commission in any capacity.

During the Relevant Period, AIM and ACMH, by and through the actions of Allen, acted as CPOs and used means or instrumentalities of interstate commerce in connection with their business as CPOs. As described below, on behalf of AIM and ACMH Allen sent applications to prospective pool participants via email; communicated with current and prospective pool participants via email; collected funds from pool participants by check, ACH, and wire transfer; communicated with Tradorax.com personnel via email and instant messaging; and transferred pool funds between the AIM and ACMH bank accounts and Tradorax.com via wire transfer.

On behalf of AIM (from June through November 2016) and ACMH (from November 2016 through February 2017), Allen sent via email to prospective pool participants an application to invest with either AIM or ACMH, as well as wire transaction instructions, a “Welcome Summary,” and a “General Policy.” An August 2016 version of the Welcome Summary described AIM as “a privately-managed, privately-owned hedge fund... We predominately use currencies and commodities, with very little asset allocation being spent on stocks... We predominately use options—specifically binary options trading—paired with insurance to get the results we see.” A 2017 version of the General Policy described ACMH as a “private investment firm” that was “owned and operated by” Allen, whose responsibilities included “[c]hoosing the investments; choosing managing brokers; gathering new investors; collecting and growing assets; writing company documents and notices...; [and] being the official point of contact for each [pool participant].” This document referred to the “collective assets” of the pool participants as “The Fund” and “an investment pool.” Allen also provided to prospective pool participants documents stating the percentage of profits that would be allocated to participant accounts, as account fees payable to AIM or ACMH, and as “payroll” to Allen.

In addition, Allen accepted cash, checks, and electronic or wire transfers from pool participants for deposit into the AIM (from June through October 2016) and ACMH (from October 2016 through February 2017) bank accounts. Allen was the sole authorized signatory on these bank accounts. Allen also arranged the transfer of pool funds between the AIM and ACMH bank accounts and his Tradorax.com account. Periodically, Allen, or someone acting on his behalf, advised pool participants via email of their account balance.

During the Relevant Period, Respondents collected a total of over \$528,000 from approximately forty-five individuals residing in or around Yorktown, Indiana. Allen stopped collecting funds from pool participants in February 2017.

### **III. LEGAL DISCUSSION**

#### **A. AIM and ACMH Violated Section 4m(1) of the Act**

Section 4m(1) of the Act, 7 U.S.C. § 6m(1) (2012), makes it unlawful for any CPO to use the mails or any instrumentality of interstate commerce in connection with the CPO’s business, without being registered with the Commission, subject to certain exceptions and exemptions not relevant here. Section 1a(11) of the Act, 7 U.S.C. § 1a(11) (2012), defines a CPO, in relevant part, as any person “engaged in a business that is of the nature of a commodity pool, investment trust, syndicate, or similar form of enterprise, and who, in connection therewith, solicits, accepts, or receives from others, funds, securities, or property . . . for the purpose of trading in

commodity interests, including any. . . swap.” Section 1a(47)(A) of the Act includes options based on the value of any commodity within the definition of “swap.”

As described above, during the Relevant Period, AIM and ACMH, by and through the actions of its employees, officers, or agents, including Allen, acted as CPOs and used means or instrumentalities of interstate commerce in connection with their CPO business by soliciting and collecting over \$528,000 from approximately forty-five individuals for a pooled investment vehicle to trade off-exchange binary options on commodities in Allen’s account with a foreign trading platform. Allen engaged in the foregoing acts within the scope of his employment, office, or agency with AIM and ACMH; therefore, pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2012), and Commission Regulation (“Regulation”) 1.2, 17 C.F.R. § 1.2 (2017), AIM and ACMH are liable for Allen’s actions. Because AIM and ACMH engaged in this conduct without being registered with the Commission as CPOs, AIM and ACMH violated Section 4m(1) of the Act.

**B. Allen Violated Section 4k(2) of the Act**

Section 4k(2) of the Act, 7 U.S.C. § 6k(2) (2012), provides that:

It shall be unlawful for any person to be associated with a commodity pool operator as a partner, officer, employee, consultant, or agent (or any person occupying a similar status or performing similar functions), in any capacity that involves (i) the solicitation of funds, securities, or property for a participation in a commodity pool or (ii) the supervision of any person or persons so engaged, unless such person is registered with the Commission under this Act as an associated person of such commodity pool operator. . . .

As described above, during the Relevant Period, Allen was associated with AIM and ACMH and acted on their behalf in soliciting and collecting funds from others for participation in pooled investment vehicles trading binary options on commodities. Because Allen was not registered with the Commission as an AP of AIM or ACMH, Allen violated Section 4k(2) of the Act.

**IV. FINDINGS OF VIOLATION**

Based on the foregoing, the Commission finds that, during the Relevant Period, AIM and ACMH violated Section 4m(1) of the Act, 7 U.S.C. § 6m(1) (2012), and Allen violated Section 4k(2) of the Act, 7 U.S.C. § 6k(2) (2012).

**V. OFFER OF SETTLEMENT**

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

A. Acknowledge receipt of 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 Commission's Regulations, 17 C.F.R. pt. 148 (2017), 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, §§ 201-53, 110 Stat. 847, 857-74 (codified as amended at 28 U.S.C. § 2412 and in scattered sections of 5 U.S.C. and 15 U.S.C.), relating to, or arising from, this proceeding; and
  8. Any claims of Double Jeopardy based on the institution of this proceeding or the entry in this proceeding of any order imposing a civil monetary penalty or any other relief;
- 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 AIM and ACMH violated Section 4m(1) of the Act, 7 U.S.C. § 6m(1) (2012);
  2. Makes findings by the Commission that Respondent Allen violated Section 4k(2) of the Act, 7 U.S.C. § 6k(2) (2012);
  3. Orders AIM and ACMH to cease and desist from violating Section 4m(1) of the Act;
  4. Orders Allen to cease and desist from violating Section 4k(2) of the Act;

5. Orders Respondents to pay, jointly and severally, a civil monetary penalty in the amount of one hundred thousand dollars (\$100,000) plus post-judgment, interest;
6. Orders that Respondents be permanently 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) (2012)), and all registered entities shall refuse them trading privileges; 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:**

- A. Respondents AIM and ACMH and their successors and assigns shall cease and desist from violating Section 4m(1) of the Act, 7 U.S.C. § 6m(1) (2012).
- B. Respondent Allen shall cease and desist from violating Section 4k(2) of the Act, 7 U.S.C. § 6k(2) (2012).
- C. Respondents shall pay, jointly and severally, a civil monetary penalty of one hundred thousand dollars (\$100,000) (“CMP Obligation”) within ten (10) days of the date of the entry of this Order. If the CMP Obligation is not paid in full within ten (10) 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 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.  
Oklahoma City, OK 73169  
(405) 954-6569 office  
(405) 954-1620 fax  
9-AMC-AR-CFTC@faa.gov

If payment is to be made by electronic funds transfer, Respondents shall contact Marie

Thorne or her successor at the above address to receive payment instructions and shall fully comply with those instructions. Respondents shall accompany payment of the CMP Obligation with a cover letter that identifies the paying 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, N.W., Washington, DC 20581.

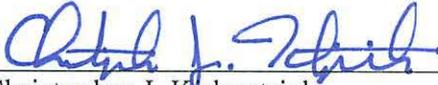
- C. Respondents are permanently prohibited from, directly or indirectly, engaging in trading on or subject to the rules of any registered entity (as that term is defined in Section 1a(40) of the Act, 7 U.S.C. § 1a(40) (2012)), and all registered entities shall refuse them trading privileges; and
- D. 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. Respondents agree that they shall never, 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 (2017, as amended by 83 Fed. Reg. 7979, 7980 (Feb. 23, 2018))), 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;
    - d. Solicit, receive, or accept any funds from any person for the purpose of purchasing or selling any commodity interests;
    - 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) (2017); and/or

- f. Act as a principal (as that term is defined in Regulation 3.1(a), 17 C.F.R. § 3.1(a) (2017)), agent or any other officer or employee of any person (as that term is defined in Section 1a(38) of the Act), 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 the Commission: Respondents shall cooperate fully and expeditiously with the Commission, including the Commission's Division of Enforcement, in this action and in any current or future Commission investigation or action related thereto. Respondents shall also cooperate in any investigation, civil litigation, or administrative matter related to, or arising from, this action.
4. 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.
5. 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 (10) calendar days of the change.

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

By the Commission.

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

Dated: September 14, 2018