



UNITED STATES OF AMERICA  
Before the  
COMMODITY FUTURES TRADING COMMISSION

In the Matter of:

JUSTIN BLAKE BARRETT,

Respondent.

CFTC Docket No. 18-44

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” or “CFTC”) has reason to believe that Justin Blake Barrett (“Barrett” or “Respondent”), violated Sections 4c(b), 4o(1), and 6(c)(1) of the Commodity Exchange Act (the “Act”), 7 U.S.C. §§ 6c(b), 6o(1), 9(1) (2012), and Commission Regulations (“Regulations”) 4.41(a)(1)-(3) and (b)(1)-(2), 32.4, and 180.1(a)(1)-(3), 17 C.F.R. §§ 4.41(a)(1)-(3), (b)(1)-(2), 32.4, 180.1(a)(1)-(3) (2018). Therefore, the Commission deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted to determine whether Respondent 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, Respondent has submitted an Offer of Settlement (“Offer”), which the Commission has determined to accept. Without admitting or denying any of the findings or conclusions herein, Respondent consents 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 acknowledges service of this Order.<sup>1</sup>

<sup>1</sup> Respondent consents 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. Respondent does 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. Respondent does 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 at least January 2014 and June 2016 (“Relevant Period”), Barrett solicited prospective customers throughout the United States and abroad to open and fund off-exchange binary options trading accounts (“binary options account(s)”) through websites operated by unregistered third-party binary options brokers (“Broker(s)”). Barrett partnered with his brother-in-law, Grayson Brookshire (“Brookshire”), to launch at least fifteen (15) binary options campaigns. For those campaigns, Barrett intentionally or recklessly disseminated solicitations containing numerous false and misleading material statements. Specifically, on websites, in sales videos, and in mass-distributed emails, Barrett and Brookshire working together (collectively, “GBBB”) offered prospective customers “free access” to trading software that would purportedly “autotrade” the customers’ binary options accounts on their behalf. Among the numerous false statements, the solicitations (1) guaranteed that the trading software would automatically generate significant profits for customers once they opened and funded a binary options account with a “recommended” Broker; (2) used actors pretending to be real users or owners of the trading software; and (3) included depictions of customer bank and trading statements that were fictitious, fictitious testimonials and fake “live” demonstrations, all of which falsely claimed profitable results generated by the automated trading software.

GBBB’s advertisements and solicitations advised prospective customers and customers of the value and advisability of trading binary options accounts through purported automated trading software, and consequently, Barrett acted as commodity trading advisor (“CTA”) pursuant to Section 1a(12) of the Act, 7 U.S.C. § 1a(12) (2012). In knowingly or recklessly making and disseminating material misrepresentations and false or misleading statements, Barrett committed fraud in violation of the Act and Regulations. Barrett knew or recklessly disregarded that his solicitations included false and misleading statements. In or around mid-2016, Barrett became aware of the full extent of the fraud committed by the Brokers. At that time, GBBB voluntarily exited the industry, abandoned their lucrative business assets, and tried to persuade others to do the same.

In accepting the offer of settlement in this matter, the Commission recognizes that Barrett has substantially assisted the Division in its investigations and ongoing litigation(s) involving binary options affiliate marketing fraud. In particular, Barrett informed the Division about certain marketing campaigns and/or supplied data for campaigns that the Division would not have otherwise obtained. Barrett also participated in proffers where he candidly provided useful information related to binary options solicitation fraud and spent hundreds of hours identifying relevant documents and information. Barrett entered into a cooperation agreement with the Division in April 2018. Barrett’s early, consistent, and substantial cooperation is recognized in terms of substantially reduced sanctions, including the Commission’s determination not to impose a significant civil monetary penalty as would otherwise be warranted for this conduct.

## **B. RESPONDENT**

**Blake Barrett** is a resident of Indian Trail, North Carolina and the brother-in-law of Brookshire. Barrett has never registered with the Commission in any capacity.

## **C. FACTS**

Barrett began working as an affiliate marketer in approximately 2010, and for two years gained experience doing affiliate marketing for internet marketing (“IM”) and business opportunities (“BizOp”). Affiliate marketing is a form of performance based marketing that is predominantly conducted via email solicitations and promotional materials made available on internet websites. An affiliate marketing campaign is a promotion of a product or service designed to convince the audience to take a specific action, including purchasing a product or service or opening and funding a binary options trading account. Affiliate marketing is referred to as a campaign or funnel because the advertising is designed to funnel (or “drive”) customers to the service provider or product owner. Affiliate marketing occurs in various business segments, including binary options,<sup>2</sup> IM, BizOp, foreign exchange (“Forex”), and, more recently, virtual currencies or cryptocurrencies.

Affiliate marketing in binary options generally involves the creation and bulk dissemination of solicitation materials promoting access to automated trading software—available for free upon opening and funding a binary options trading account—that purports to trade successfully on behalf of prospective customers (“Marketing Materials”). Affiliate marketers in binary options earn a flat commission from Brokers for every customer that opens and funds a trading account as a result of their solicitation.

Affiliate marketers in binary options like Barrett launch campaigns by sending out mass email solicitations designed to entice the recipients to click an embedded electronic link that routes the user to a binary options campaign website. To lure prospective customers through the binary options website’s funnel, Barrett (and other affiliate marketers) intentionally or recklessly included numerous false and misleading representations about trading activity, results, risks, and profits in emails, websites, and promotional videos known in the affiliate marketing industry as video sales letters (“VSL”).

Barrett first became aware of binary options affiliate marketing around 2012, when a prominent affiliate marketer (Affiliate 2) presented him and Brookshire with an opportunity to earn commissions at least three times greater than their current affiliate marketing in IM and BizOp by participating in binary options affiliate marketing. Affiliate 2 explained that customers could trade in binary options by opening an account with a Broker and affiliate marketers could help grow Brokers’ business by directing web traffic to the Broker websites. Brokers paid

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<sup>2</sup> A binary option is a type of option contract in which the payout depends entirely on the outcome of a discrete event—usually a “yes/no” proposition. The yes/no proposition typically relates to whether the price of a particular asset—such as a currency pairing or commodity future—will rise above or fall below a specified amount at a specified date and time.

affiliate marketers commission for each new funded account opened as a result of the affiliate marketer's solicitation.

Starting around 2012, GBBB disseminated binary options marketing campaigns put together by Affiliate 2, essentially acting as sub-affiliate marketers ("sub-affiliate"). Over the next two years, Barrett sporadically participated in binary options campaigns as a sub-affiliate. GBBB worked together on all binary options affiliate marketing and split all profits derived from those activities during the Relevant Period. By 2014, GBBB began launching their own binary options campaigns, which became their primary focus. During the Relevant Period, GBBB launched one themselves and fourteen (14) other binary options campaigns in which they partnered with other affiliates. GBBB's fifteen (15) total campaigns advertised trading software, systems, and applications (collectively, "System") that purported to successfully automatically trade in binary options involving commodity futures, swaps, Forex, and/or other assets on behalf of customers.

GBBB's fifteen (15) campaigns included: Secret Wealth Club (July 2014), Fast Mobile Profits (November 2014), The Freedom Project (November 2014), The Truth About Cash (December 2014), Home Online Earners (April 2015), Wealthy Wheat Trader (May 2015), Peak Profits Formula (June 2015), HFT Shield (August 2015), Overnight Profits (September 2015), Coffee Cash Cheat Sheet (November 2015), Medallionaire App (December 2015), Stark Trading Systems (February 2016), Trade Tracker Pro (February 2016), Million Dollar Challenge (May 2016), and Globe Traders (May 2016).

For their launches, GBBB primarily worked on recruiting other affiliate marketers to disseminate Marketing Materials on their behalf. During the Relevant Period, GBBB partnered with Affiliate 3, sharing profits from their launches with Affiliate 3 and also assisted Affiliate 3 with his own fraudulent binary options campaigns. Affiliate 3 created solicitation materials, VSLs and served as the primary contact with Broker intermediaries and their launches.

GBBB used VSLs produced by Affiliate 3 and/or Broker intermediaries in their launches, but they drafted certain email solicitations, participated in aspects of creating the fictitious VSLs, and provided input to Affiliate 3 and Broker intermediaries throughout the launch process to ensure a successful campaign. Whether or not they created the VSL, however, for each of these advertising campaigns, Barrett knew or was reckless in not knowing that the solicitation materials included false and misleading statements about the purported automated trading software's profits, risk of loss, limited availability, and the system's functionality and performance. For example, one campaign GBBB launched with Affiliate 3 around August 2015 included a depiction of trading profits in a bank account and PayPal records that were fictitious, fictitious testimonials, and unsubstantiated promises to "make an average of at least \$3,150 per day on complete autopilot!"

In the "Wealthy Wheat Trader" campaign, GBBB's and Affiliate 3's VSL claimed that "as this Wealthy Wheat Trader trades wheat only, it therefore is optimized and will always win! Well, almost always, as I said a 99.85% win rate, that's 15 losses on 10,000 trades." That VSL included a depiction of customer account statements that were fictitious, fictitious "live account" statistics over time, and false claims that the System was "RISK FREE." In fact, "Wealthy

Wheat Trader” had no track record or statistics of its use over time, nor was there any basis to claim its 99.85% risk free success rate. Other VSLs included in GBBB’s launches falsely claimed that the advertised System had been tested for nine years with only one month showing any losses and that (fake) beta testers made between \$12,521 and \$146,334 per month when the advertised System had not even been finalized at the time the VSLs were created.

Barrett knew that customers could not expect risk-free, guaranteed profits of any kind, let alone be assured of the fake outsized profits and win-win trading results touted in their campaigns.

During the Relevant Period, GBBB’s and sub-affiliates’ solicitations for the fifteen binary options campaign websites they launched with Affiliate 3 were viewed at least six million times; at least 8,000 customers opened a new binary options account at various firms/platforms and deposited at least \$2 million in initial investments into those accounts as a result.

GBBB voluntarily exited the industry, abandoned their lucrative business assets, and tried to persuade others to do the same around mid-2016. They did so because at that time they became aware of the full extent of the fraud and the Brokers’ misconduct. Between January 2014 and June 2016, GBBB made approximately \$2.6 million related to all of their binary options activities, \$481,099.90 of which related to advertiser profits derived from the fifteen (15) campaigns they launched.

Barrett has accepted responsibility for his violations and cooperated with the Commission in its investigations and ongoing litigations related to binary options fraud. In particular, Barrett informed the Division about certain marketing campaigns and/or supplied data for campaigns that the Division would not have otherwise obtained. Barrett also participated in proffers where he candidly provided useful information related to binary options solicitation fraud and spent hundreds of hours identifying relevant documents and information. Barrett entered into a cooperation agreement with the Division in April 2018. Barrett’s early, consistent, and substantial cooperation is recognized in terms of substantially reduced sanctions, including the Commission’s determination not to impose a significant civil monetary penalty as would otherwise be warranted for this conduct.

### **III. LEGAL DISCUSSION**

#### **A. Violation of Section 4c(b) of the Act and Regulation 32.4: Option Fraud**

Section 4(c)(b) of the Act, 7 U.S.C. § 6c(b) (2012), makes it unlawful for any person to offer to enter into, enter into, or confirm the execution of, any transaction involving any commodity regulated under the Act which is of the character of, or is commonly known to the trade as, inter alia, an “option,” “bid,” “offer,” “put,” or “call,” contrary to any rule, regulation, or order of the Commission prohibiting any such transaction or allowing any such transaction under such terms and conditions as the Commission shall prescribe. Binary options qualify as commodity option transactions within the meaning of the Act and Regulations. *See CFTC v. Vision Fin. Partners, LLC*, Case No. 16-60297-CIV-Cohn/Seltzer, 2016 WL 3163071, at \*3 (S.D. Fla. June 3, 2016) (denying motion to dismiss; holding that binary options are commodity options within the meaning of Section 4c(b) of the Act).

Regulation 32.4, 17 C.F.R. § 32.4 (2018), provides that, in connection with an offer to enter into, the entry into, or the confirmation of the execution of, any commodity option transaction, it shall be unlawful for any person, directly or indirectly: (a) to cheat or defraud or attempt to cheat or defraud any other person; (b) to make or cause to be made to any other person any false report or statement thereof or cause to be entered for any person any false record thereof; or (c) to deceive or attempt to deceive any other person by any means whatsoever. Fraud involving commodity options is established when a person or entity: (A) makes a misrepresentation, misleading statement, or a deceptive omission; (B) acts with scienter; and (C) the misrepresentation or omission is material. *CFTC v. R.J. Fitzgerald & Co., Inc.*, 310 F.3d 1321, 1328 (11th Cir. 2002) (finding commercial that overemphasized profit potential, downplayed risk of loss, and urged viewers to take immediate action or risk missing the opportunity materially misleading despite inclusion of boilerplate risk disclosures); *CFTC v. Rosenberg*, 85 F. Supp. 2d 424, 446-47 (D.N.J. 2000) (holding to establish a claim for futures and options fraud under section 4b(a) and 4c(b) of the CEA . . . the CFTC must demonstrate that the defendant made a material misrepresentation of presently existing or past fact with scienter).

For each of GBBB's fifteen (15) binary options campaigns, Barrett intentionally or recklessly created and/or disseminated solicitations regarding the automated binary options trading software that repeatedly misrepresented, among other things: (i) hypothetical and fictitious trading results as real results; (ii) outsized fake profits; (iii) the risk of loss; (iv) actors as true users of the Systems; (v) fake "proof" as real; (vi) the fictitious experience, background and skill of the "creators" of the Systems; (vii) the System's limited availability; and/or (viii) fabricated testimonials. Barrett violated Section 4c(b) of the Act and Regulation 32.4 when he intentionally or recklessly created and disseminated binary options solicitation materials replete with material misrepresentations as described above.

## **B. Violation of Section 4o(1) of the Act: CTA Fraud**

Section 4o(1) of the Act, 7 U.S.C. § 6o(1) (2012), makes it unlawful for a commodity trading advisor ("CTA"), using the instrumentalities of interstate commerce, directly or indirectly:

- (A) 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.

Section 1a(12) of the Act, 7 U.S.C. § 1a(12) (2012), defines 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 the advisability of trading in any swap or commodity option. *See CFTC v. Wall St. Underground, Inc.*, 281 F. Supp. 2d 1260, 1269 (D. Kan. 2003) (entering preliminary injunction on CTA fraud claims; defendants "acted as CTAs in that the trading systems they author and sell provide specific recommendations for clients and prospective clients to use to trade commodity futures and commodity options"), *aff'd*, 128 F. App'x 726 (10th Cir. 2005).

Section 4o(1) of the Act applies to CTAs regardless of whether or not they register with the Commission. *Wall St. Underground, Inc.*, 281 F. Supp. 2d at 1269-70; *CFTC ex rel. Kelley v. Skorupskas*, 605 F. Supp. 923, 932 (E.D. Mich. 1985).

Barrett acted as a CTA by advising potential customers through emails, websites and VSLs as to the value and advisability of trading in binary options using the advertised automated trading software that purported to trade in customers' accounts on their behalf. Barrett earned compensation, not directly from customers, but as commissions for at least 8,000 customer accounts opened and funded as a result of solicitation materials for the fifteen (15) campaigns he launched with Brookshire. Therefore, Barrett acted as a CTA for compensation. *See CFTC v. Savage*, 611 F.2d 270, 279-80 (9th Cir. 1979) ("We do not believe that the definition of commodity trading advisor requires that the 'compensation or profit' flow directly from the person or persons advised" (citing CFTC Interpretive Letter No. 75-11 (1975-77 Transfer Binder) Comm. Fut. L. Rep. (CCH) ¶ 20,098 at 20,763 n.6)).

By the same conduct that violated Section 4c(b) of the Act and Regulation 32.4, Barrett violated Section 4o of the Act when he created and disseminated binary options solicitation materials replete with material misrepresentations and false statements as described above.

### **C. Violation of Section 6(c)(1) and Regulation 180.1(a) (1)-(3): Manipulative or Deceptive Devices**

Section 1a(47)(A) of the Act, 7 U.S.C. § 1a(47)(A) (2012), defines "swap" to include, among other things, any agreement, contract, or transaction that: (a) is an option of any kind; (b) provides for payment dependent on the occurrence, nonoccurrence, or the extent of the occurrence of an event or contingency; or (c) provides on an executory basis for payments based on the value or level of one or more interest or other rates, currencies, commodities, securities, instruments of indebtedness, indices, quantitative measures, or other financial or economic interests or properly of any kind, without also conveying an ownership interest in any asset or liability. Binary options qualify as swaps based on the plain language of Section 1a(47)(A). *See CFTC v. Vault Options, Ltd.*, No. 1:16-CV-01881, 2016 WL 5339716, at \*6 (N.D. Ill. July 20, 2016) (default judgment, holding that binary options are swaps).

Section 6(c)(1) of the Act, 7 U.S.C. § 9(1) (2012), provides in relevant part, "[i]t shall be 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 as the Commission shall promulgate . . . ."

Regulation § 180.1(a)(1)-(3), 17 C.F.R. § 180.1(a)(1)-(3) (2018), provides in relevant part, that it shall be unlawful for any person, in directly or indirectly:

In connection with any swap, or contract of sale of any commodity in interstate commerce, or contract 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 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 upon any person . . . .

By intentionally or recklessly engaging in the same conduct that violated Sections 4c(b) and 4o of the Act and Regulation 32.4, Barrett violated Section 6(c)(1) of the Act and Regulation 180.1(a)(1)-(3). *See CFTC v. Hunter Wise Commodities, LLC*, 21 F.Supp.3d 1317, 1347 (S.D. Fla. 2014) (finding that material misrepresentations and omissions in connection with the sale of commodities violated Section 6(c)(1) of the Act and Regulation 180.1).

**D. Violation of Regulation 4.41(a)(1)-(3) and (b)(1)-(2): Respondent’s Fraudulent Advertising**

Regulation 4.41(a)(1)-(2), 17 C.F.R. § 4.41(a)(1)-(2) (2018), prohibits fraudulent advertising by a CTA. Regulation 4.41(a)(3) makes it unlawful for any CTA to refer to any testimonial, unless the advertisement or sales literature providing the testimonial prominently discloses, in pertinent part: (i) That the testimonial may not be representative of the experience of other clients; (ii) That the testimonial is no guarantee of future performance or success; and (iii) If, more than a nominal sum is paid, the fact that it is a paid testimonial. Regulation 4.41(b)(1)-(2) requires CTAs to include specific disclosures in immediate proximity to any simulated or hypothetical performance presented in advertisements.

Barrett acted as a CTA when launching fifteen (15) binary options advertising campaigns rife with materially false and misleading statements. GBBB’s promotional materials, including emails, websites, and VSLs, include testimonials without prominently disclosing for each testimonial that: (i) it may not represent the experience of other users of the advertised System; (ii) the testimonial was not a guarantee of future performance; and (iii) the testimonial was entirely fake and portrayed by paid actors.

Further, GBBB’s promotional materials, including emails, websites and VSLs, further depicted fabricated performance results of binary options transactions in, among other instruments, commodity futures, options, swaps and forex, without displaying the required disclosure in immediate proximity to those statements. To the contrary, the VSLs repeatedly referred to trading performance, activity and results as real and/or “live”. This conduct violated Regulation 4.41(a)(1)-(3) and (b)(1)-(2). *See Wall St. Underground, Inc.*, 281 F. Supp. 2d at 1270 (finding that a CTA’s advertising of a trading system in a manner that was misleading and omitted material information regarding commodity trading violated Regulation 4.41(a)); *CFTC v. Heffernan*, 245 F.Supp.2d 1276, 1296-99 (S.D. Ga. 2003) (finding CTA advertising of hypothetical results without the required disclaimer regarding such results violated Regulation 4.41(b)).



#### **IV. FINDINGS OF VIOLATIONS**

Based on the foregoing, the Commission finds that, during the Relevant Period, Respondent violated Sections 4c(b), 4o(1), and 6(c)(1) of the Act, 7 U.S.C. §§ 6c(b), 6o(1), 9(1) (2012), and Regulations 4.41(a)(1)-(3) and (b)(1)-(2), 32.4, and 180.1(a)(1)-(3), 17 C.F.R. §§ 4.41(a)(1)-(3), (b)(1)-(2), 32.4, 180.1(a)(1)-(3) (2018), by creating and disseminating binary options advertising campaigns that fraudulently solicited prospective customers and customers to open an account with a Broker and trade in binary options using purported successful automated trading software.

#### **V. OFFER OF SETTLEMENT**

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

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

- D. Stipulates that the record basis on which this Order is entered shall consist solely of the findings contained in this Order to which Respondent has consented in the Offer;
- E. Consents, solely on the basis of the Offer, to the Commission's entry of this Order that:
1. Makes findings by the Commission that Respondent violated Sections 4c(b), 4o(1), and 6(c)(1) of the Act, 7 U.S.C. §§ 6c(b), 6o(1), 9(1) (2012), and Regulations 4.41(a)(1)-(3) and (b)(1)-(2), 32.4, and 180.1(a)(1)-(3), 17 C.F.R. §§ 4.41(a)(1)-(3), (b)(1)-(2), 32.4, 180.1(a)(1)-(3) (2018), by creating and disseminating binary options advertising campaigns that fraudulently solicited prospective customers and customers to open an account with a Broker and trade in binary options using purported successful automated trading software;
  2. Orders Respondent to cease and desist from violating Sections 4c(b), 4o(1), and 6(c)(1) of the Act and Regulations 4.41(a) and (b), 32.4, and 180.1(a)(1)-(3), by creating and disseminating binary options advertising campaigns that fraudulently solicit prospective customers and customers to open an account with a Broker and trade in binary options using purported successful automated trading software;
  3. Orders that Respondent 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 him trading privileges; and
  4. Orders Respondent and his 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. Respondent shall cease and desist from violating Sections 4c(b), 4o(1), and 6(c)(1) of the Act, 7 U.S.C. §§ 6c(b), 6o(1), 9(1) (2012), and Regulations 4.41(a)(1)-(3) and (b)(1)-(2), 32.4, and 180.1(a)(1)-(3), 17 C.F.R. §§ 4.41(a)(1)-(3), (b)(1)-(2), 32.4, 180.1(a)(1)-(3) (2018), by creating and disseminating binary options advertising campaigns that fraudulently solicit prospective customers and customers to open an account with a Broker and trade in binary options using purported successful automated trading software.
- B. Respondent is 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 him trading privileges; and
- C. Respondent shall comply with the following conditions and undertakings set forth in the Offer:
  1. Public Statements: Respondent agrees that neither he nor any agents or employees under his 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 Respondent's: (i) testimonial obligations; or (ii) right to take legal positions in other proceedings to which the Commission is not a party. Respondent shall comply with this agreement, and shall undertake all steps necessary to ensure that all agents and/or employees under his authority or control understand and comply with this agreement.
  2. Respondent agrees that he 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 (2018)), for Respondent's own personal accounts or for any accounts in which Respondent has a direct or indirect interest;
    - b. have any commodity interests traded on Respondent's 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) (2018); and/or
  - f. act as a principal (as that term is defined in Regulation 3.1(a), 17 C.F.R. § 3.1(a) (2018)), 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) (2012)), registered, required to be registered, or exempted from registration with the Commission except as provided for in Regulation 4.14(a)(9).
3. Respondent shall pay disgorgement in the amount of four hundred and eighty-one thousand and ninety-nine dollars and ninety cents (481,099.90) (the “Disgorgement Obligation”), jointly and severally with Barrett, who is a Respondent in a separate Commission Order also to be issued today and is ordered therein to pay the same amount of disgorgement, also on a joint and several basis. Barrett shall receive a dollar for dollar credit for any payments made by Brookshire. Disgorgement shall be payable as follows: \$340,000 within ten (10) days of the date of entry of this Order and \$141,099.90 within one year from the date of entry of this Order.

To effect payment by Respondent and distribution to customers, the Commission appoints the National Futures Association (“NFA”) as Monitor. The Monitor shall receive payments of the Disgorgement Obligation from Respondent 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.

Respondent and Brookshire shall pay the Disgorgement Obligation under this Order in the name of the “BO Fraud Settlement Fund” and shall send such payments by electronic funds transfer, 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 Disgorgement Obligation is due and owing and is to be paid in two separate increments to the NFA of \$340,000 and \$141,099.90. The \$340,000 payment is due within ten (10) days of the date of entry of the Order and the \$141,099.90 balance is due within one year from the date of entry of the Order, provided however, that the Respondent may elect to pay, in full or in part, the entire \$481,099.90 Disgorgement Obligation before the due dates set forth above and in the event that Respondent fails to make any payment towards the \$481,099.90

Disgorgement Obligation by the dates and/or in the amounts agreed according to the schedule, all outstanding payments and monetary amounts, minus any payments made, including post-judgment interest, shall become immediately due and owing at the discretion of the CFTC staff. Post-judgment interest shall accrue on the Disgorgement Obligation beginning on the date of the first failure to make any payment and shall be determined by using the Treasury Bill rate prevailing on the date of entry of the Order pursuant to 28 U.S.C. § 1961 (2012).

The Securities and Exchange Commission (“SEC”) is seeking disgorgement from Respondent for the same conduct at issue in this case. Consequently, any disgorgement that Respondent pays to the SEC for his binary options solicitation fraud shall result in a dollar for dollar reduction of Respondent’s disgorgement obligation in this matter.

The Monitor shall oversee Respondent’s Disgorgement Obligation and shall have the discretion to determine the manner of distribution of funds in an equitable fashion to Respondent’s customers 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 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 Respondent’s Disgorgement Obligation, such funds shall be transferred to the Monitor for disbursement 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

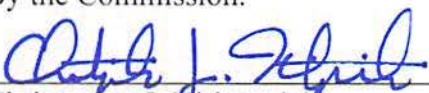
If payment is to be made by electronic funds transfer, the Monitor shall contact Marie Thorne or her successor at the above address to receive payment instructions and shall fully comply with those instructions. The Monitor shall accompany payment of the Disgorgement Obligation with a cover letter that identifies the paying Respondent and the name and docket number of this

proceeding. The Monitor shall simultaneously transmit copies of the cover letter and the form of payment to: (i) the Chief Financial Officer, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, NW, Washington, D.C. 20581; and (ii) Regional Counsel, Division of Enforcement, Commodity Futures Trading Commission, 525 West Monroe, Suite 1100, Chicago, Illinois 60661.

4. Cooperation with Monitor: Respondent shall cooperate with the Monitor as appropriate to provide such information as the Monitor deems necessary and appropriate to identify Respondent's customers, whom the Monitor, in its sole discretion, may determine to include in any plan for distribution of any restitution payments. Respondent shall execute any documents necessary to release funds that he has in any repository, bank, investment or other financial institution, wherever located, in order to make partial or total payment toward the Disgorgement Obligation
5. Cooperation, in General: Respondent 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. Respondent shall also cooperate in any investigation, civil litigation, or administrative matter related to, or arising from, this action. Respondent must also comply with the terms of the Cooperation Agreement entered into in April 2018 with the CFTC.
6. Partial Satisfaction: Respondent understands and agrees that any acceptance by the Commission or the Monitor of any partial payment of Respondent's Disgorgement Obligation shall not be deemed a waiver of his obligation to make further payments pursuant to this Order, or a waiver of the Commission's right to seek to compel payment of any remaining balance.
7. Change of Address/Phone: Until such time as Respondent satisfies in full his Disgorgement Obligation as set forth in this Order, Respondent shall provide written notice to the Commission by certified mail of any change to his telephone numbers and mailing addresses within ten (10) calendar days of the change.

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

By the Commission.

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

Dated: September 27, 2018