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UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

THOMAS G. BRUTON
CLERK, U.S. DISTRICT COURT

Commodity Futures Trading Commission,)
)
Plaintiff,)
v.)
)
Dro Kholamian;)
)
and)
Blue Star Trading, LLC)
Defendants.)

Case No:
1:18-cv-07907
Judge Sara L. Ellis
Magistrate Judge Jeffrey Cole

COMPLAINT FOR INJUNCTIVE RELIEF AND OTHER EQUITABLE RELIEF AND FOR CIVIL MONETARY PENALTIES UNDER THE COMMODITY EXCHANGE ACT

The Commodity Futures Trading Commission (“CFTC” or “Commission”), an independent federal agency, by and through its attorneys, hereby alleges as follows:

I. SUMMARY

1. From at least January 2013 and continuing through the present (the “Relevant Period”), Dro Kholamian, a managing partner, and an unregistered associated person (“AP”), of Blue Star Trading, LLC (“Blue Star”), an unregistered commodity trading advisor (“CTA”) (collectively, “Defendants”), engaged in a scheme whereby they fraudulently solicited and accepted at least \$775,000 from at least three individuals—and on information and belief more than \$1.9 million from at least 30 clients—for the purpose of trading both leveraged off-

exchange foreign currency contracts (“forex”) and futures contracts on or subject to the rules of a designated contract market in individual accounts to be managed by the Defendants.

2. Kholamian, acting as an employee and/or agent of Blue Star, willfully, or with reckless disregard for the truth thereof, made misrepresentations of material fact, including but not limited to representing: (1) that an investment of \$25,000 would realize a return of 10-20% within one year; (2) that investment funds could be withdrawn by a client at any time without any penalty; and (3) that existing investments were “doing well” and were on target to make a 20% return after one year. In addition, Kholamian failed to disclose that he had not used their funds to trade forex and futures contracts, but, instead, had misappropriated client funds for his own purposes.

3. Defendants failed to trade their clients’ funds as promised and, instead, simply stole most of their money. During the relevant time, Kholamian commingled client funds with his personal and business funds in multiple bank accounts. Kholamian caused client funds to be deposited into Kholamian’s personal account, and subsequently used at least a portion of those funds to pay his business and personal expenses and also to pay another client in a manner akin to a Ponzi scheme.

4. By virtue of this conduct and the conduct further described below, Defendants have engaged, are engaging in, or are about to engage in acts and practices that violate the following sections of the Commodity Exchange Act (“Act” or “CEA”), 7 U.S.C. §§ 1-26 (2012), and Commission Regulations (“Regulations”) promulgated thereunder, 17 C.F.R. pts. 1-190 (2018):

- a. Section 4b(a)(1)(A) and (C) of the Act, 7 U.S.C. § 6b(a)(1)(A), (C) (2012) which prohibits fraud in connection with commodity futures transactions;

- b. Section 4b(a)(2)(A) and (C) of the Act, 7 U.S.C. § 6b(a)(2)(A), (C) (2012) and Regulation 5.2(b)(1) and (3) (2018) which prohibits fraud in connection with forex transactions;
- c. Section 4o(1)(A) and (B) of the Act, 7 U.S.C. § 6o(A), (B) (2102), which prohibits fraud by a commodity trading advisor (“CTA”) or by an associated person (“AP”) of a CTA;
- d. Section 4m(1) of the Act, 7 U.S.C. § 6m(1) (2012), which prohibits the exercise of discretionary trading authority over the accounts of retail commodity futures clients, without the benefit of registration as a CTA;
- e. Section 2(c)(2)(C)(iii)(I)(bb) of the Act, 7 U.S.C. § 2(c)(2)(C)(iii)(I)(bb) (2012), and Regulation 5.3(a)(3)(i), 17 C.F.R. § 5.3(a)(3)(i) (2018), which prohibit the exercise of discretionary trading authority over the accounts of retail forex clients who are outside of the definition of Eligible Contract Participants (“ECPs”), without the benefit of registration as a CTA;
- f. Section 4k(3) which prohibits the solicitation of client’s or prospective client’s discretionary trading accounts, o without the benefit of registration as an AP; and
- g. Section 2(c)(2)(C)(iii)(I)(aa) of the Act, 7 U.S.C. § 2(c)(2)(C)(iii)(I)(aa) (2012), and Regulation 5.3(a)(3)(ii), 17 C.F.R. § 5.3(a)(3)(ii) (2018), which prohibit the solicitation of a client’s or a prospective client’s discretionary account in connection with retail forex transactions, without benefit of registration as an AP of a CTA.

5. The Commission brings this action pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2012), to enjoin Defendants’ unlawful acts and practices and to compel their

compliance with the Act and the Regulations promulgated thereunder. In addition, the Commission seeks civil monetary penalties, and remedial ancillary relief, including, but not limited to, trading and registration bans, restitution, disgorgement, rescission, pre- and post-judgment interest, and such other and further relief as the Court may deem necessary or appropriate.

6. Unless restrained and enjoined by this Court, Defendants will likely continue to engage in acts and practices alleged in this Complaint and similar acts and practices, as described below.

II. JURISDICTION AND VENUE

7. This Court has jurisdiction over this action under 28 U.S.C. § 1331 (2012) (federal question jurisdiction) and 28 U.S.C. § 1345 (2012) (district courts have original jurisdiction over civil actions commenced by the United States or by any agency expressly authorized to sue by Act of Congress). Section 6c(a) of the Act, 7 U.S.C. § 13a-1(a)(2012), authorizes the Commission to seek injunctive relief against any person whenever it shall appear that such person has engaged, is engaging, or is about to engage in any act or practice that violates any provision of the Act or any rule, regulation, or order promulgated thereunder.

8. The Commission has jurisdiction over the forex solicitations and transactions in this action pursuant to Section 2(c)(2)(C) of the Act, 7 U.S.C. § 2(c)(2)(C) (2012).

9. Venue properly lies with this Court pursuant to Section 6c(e) of the Act, 7 U.S.C. § 13a-1(e), because Defendants are found in, inhabit, or transact business in this District, and the acts and practices in violation of the Act occurred, are occurring, or are about to occur within this District.

III. PARTIES

10. Plaintiff **Commodity Futures Trading Commission** (“CFTC” or “Commission”) is an independent federal regulatory agency charged by Congress with the responsibility for administering and enforcing the provisions of the Act, 7 U.S.C. §§ 1-26 (2012), and the Commission’s Regulations promulgated thereunder, 17 C.F.R. Pts. 1-190 (2018).

11. Defendant **Dro Kholamian** is 56 years old and resides in Barrington, Illinois. Kholamian is the president and a managing member of Blue Star. Kholamian is not currently registered with the Commission in any capacity. Kholamian was registered with the Commission as an associated person of various firms from November 14, 2003 to November 17, 2008, and as a floor broker from July 20, 2013, until he withdrew that registration on September 2, 2016.

12. Defendant **Blue Star Trading, LLC** became a limited liability corporation in the state of Illinois on January 1, 2009. Its principal place of business is in Park Ridge, Illinois. Kholamian is the president and a managing member of Blue Star, and a signatory on Blue Star’s bank accounts. Kholamian solicited and accepted funds from Blue Star clients and controlled all aspects of Blue Star’s operations. Blue Star has never been registered in any capacity with the Commission.

IV. STATUTORY BACKGROUND

13. Section 1a(18) of the Act, 7 U.S.C. § 1a(18) (2012), defines, in relevant part, an ECP as an individual who has amounts invested on a discretionary basis, the aggregate of which is in excess of (I) \$10,000,000; or (II) \$5,000,000 and who enters into the agreement, contract, or transaction in order to manage the risk associated with an asset owned or liability incurred, or reasonably likely to be owned or incurred, by the individual.

V. FACTS

A. Overview of Kholamian's Trading Activity

14. During the relevant period, Kholamian had proprietary trading accounts in his own name where he traded commodity futures contracts at several futures commission merchants ("FCMs"). Further, Kholamian did not trade forex during the relevant period.

15. During the relevant period, Kholamian's proprietary trading accounts at these FCMs had deposits in the aggregate sum of \$209,764. Kholamian withdrew \$55,535 from his trading accounts and lost \$153,838 overall trading commodity futures contracts. As of October 31, 2018, Kholamian had a total remaining balance of \$591.14 in three FCM accounts.

16. Blue Star never had any trading accounts at any licensed FCMs.

B. Kholamian's Fraudulent Solicitations

17. During the relevant period, Kholamian sought out clients who would agree to let him trade forex and commodity futures contracts on their behalf through his company, Blue Star. Kholamian approached potential clients at his Armenian church located in Glenview, Illinois, and through word of mouth and social contacts to U.S. citizens, primarily those of Armenian heritage.

18. Kholamian told prospective clients that he would trade for them through his company, Blue Star, which had a physical office location in Park Ridge, Illinois. He also told them that he had been a trader for more than 32 years and had worked with "millions of dollars." In addition, he told at least one prospective client that he had \$500,000 to \$700,000 of client funds under management.

19. In connection with his operation of Blue Star and solicitation of prospective clients for trading forex and commodity futures contracts in managed accounts, Kholamian promised prospective clients:

(a) That he would generate for them a 10-20% profit on a \$25,000 investment within one year; and

(b) That they could withdraw their funds at any time, without penalty.

20. After having accepted client funds, Kholamian represented that existing investments were “doing well” and were on target to make a 20% return after one year.

21. In fact, Kholamian did not invest all of his clients’ funds in any forex or commodity futures accounts and he, instead, knowingly misappropriated at least a portion of their funds. Further, Kholamian knew, or was reckless in not knowing, that his proprietary trading accounts had lost \$153,979 overall during the relevant period.

C. Kholamian Misappropriated Client Funds

22. The Defendants received at least \$775,000 in Kholamian’s personal account from at least three clients for futures and/or forex trading. Defendants returned \$575,500 to those clients through his personal account and the Blue Star account and misappropriated at least \$199,500 of their funds. Kholamian used the misappropriated funds to pay other clients and for his personal and business expenses, including making cash transfers to his personal bank accounts.

23. On information and belief, at least 28 additional clients invested a total of more than \$1.1 million with Kholamian and Blue Star, and their losses have exceeded \$900,000.

24. An illustration of Kholamian’s misappropriation involves an investment made by Client GG, a non-ECP, on September 30, 2016. In connection with Kholamian’s solicitation, Client GG understood that his investment would be used to trade commodity futures and forex in his account that would be set up for him and managed by Kholamian. Client GG followed instructions given to him by Kholamian and sent a \$25,000 wire payable to Kholamian’s personal bank account number ending in #1294 to fund his investment for trading forex and

commodity futures. Kholamian did not send Client GG's funds to a trading account and, instead, used some of Client GG's funds to withdraw \$6,000 cash on the day that he received Client GG's funds. Although Kholamian paid Client GG the sum of \$5,000 in "profits," via a check drawn from the Blue Star bank account, Kholamian made up various excuses when Client GG demanded the return of his \$25,000 principal, claiming, among other excuses, that he was "stuck in a trade." Eventually, Kholamian gave Client GG a \$25,000 check drawn on the Blue Star bank account that could not be negotiated due to insufficient funds. Thereafter, Kholamian told Client GG that he had "lost the money." Kholamian has not returned any of Client GG's remaining investment to him.

25. Another illustration of Kholamian's misappropriation involves an investment made by Client DG, Client GG's brother and a non-ECP, who invested \$25,000 intended for trading forex and commodity futures on December 7, 2016. Client DG sent a wire payable to Kholamian's personal bank account number ending # 1294, as he had been directed to do by Kholamian. Kholamian did not send Client DG's funds to any trading account. Rather, he used \$15,000 of Client DG's funds to pay another client the same day that he received Client DG's funds. When Client DG later demanded the return of his funds, Kholamian told him that he could not get his money because it was "tied up in trades." After Client DG made repeated demands, Kholamian sent him a check for \$30,000 drawn on the Blue Star account that could not be negotiated due to insufficient funds. In late 2017, Kholamian told Client DG that he was "going through a rough time." Client DG has not received the return of any of his investment funds from Kholamian.

26. Neither Client GG's funds nor Client DG's funds were ever used for forex or commodity trading purposes and their funds were, instead, misappropriated by Kholamian for his own business and personal expenses.

D. Kholamian Acted as Controlling Person for Blue Star

27. During the Relevant Period, Kholamian conducted all solicitations with prospective clients on behalf of Blue Star, engaged in all communications with clients, and made all financial and strategic decisions for Blue Star by directing, among other things, the opening of bank accounts and signing of checks on behalf of Blue Star, the payment of Blue Star's operating expenses, and the deposit and withdrawals of client funds from Blue Star accounts.

VI. VIOLATIONS OF THE COMMODITY EXCHANGE ACT

COUNT I

**Violations of Section 4b(a)(1)(A) and (C) of the Act, 7 U.S.C. § 6b(a)(1)(A), (C) (2012):
Fraud in Connection with Commodity Futures Transactions by Fraudulent Solicitation
and Misappropriation**

28. The allegations in the foregoing paragraphs are re-alleged and incorporated herein by reference.

29. 7 U.S.C. § 6b (a)(1)(A) and (C) makes it unlawful for any person, in or in connection with any order to make or the making of any contract of sale of any futures contract to cheat, defraud or willfully deceive, or attempt to cheat, defraud, or willfully deceive any other person by any means whatsoever in regard to any order or contract or the disposition or execution of any order or contract, or in regard to any act of agency performed, with respect to any order or contract for such other person.

30. During the relevant period, Defendants violated 7 U.S.C. § 6b (a)(1)(A) and (C), by, *inter alia*:

- (1) Falsely promising to clients that they would generate a 10-20% return on a \$25,000 investment within one year;
- (2) Falsely promising to clients that they could withdraw their funds at any time, without penalty;
- (3) Telling clients that their existing investments were “doing well” and were on target to make a 20% return after one year; .and
- (4) Misappropriating client funds for Kholamian’s personal benefit.

31. Defendants committed the acts and practices described above using instrumentalities of interstate commerce, including the use of interstate wires for transfer of funds.

32. Defendants committed the acts and practices describes herein willfully, or with reckless disregard for the truth.

33. Each act of misrepresentation, misappropriation and omission of material fact, including, but not limited to, those specifically alleged herein, constitutes a separate and distinct violation of 7 U.S.C. § 6b(a)(1)(A) and (C).

34. The foregoing acts, omissions and failures of Kholamian, and all other agents of Blue Star, occurred and are occurring within the scope of their employment, office or agency with Blue Star; therefore, Blue Star is liable for these acts, omissions and failures pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2012), and Regulation 1.2, 17 C.F.R. § 1.2 (2018).

35. Kholamian directly or indirectly controls Blue Star, and did not act in good faith, or knowingly induced, directly or indirectly, the acts constituting Blue Star’s violations, and is thus liable for its violations pursuant to Section 13(b) of the Act, 7 U.S.C. § 13c(b) (2012).

COUNT II

Violations of Section 4b(a)(2)(A) and (C) of the Act, 7 U.S.C. § 6b(a)(2)(A),(C) (2012), and Regulation 5.2(b)(1) and (3), 17 C.F.R. § 5.2(b)(1),(3) (2018): Fraud in Connection with Forex Transactions by Fraudulent Solicitation and Misappropriation

36. The allegations in the foregoing paragraphs are re-alleged and incorporated herein by reference.

37. 7 U.S.C. § 6b(a)(2)(A) and (C) makes it unlawful for any person, in or in connection with any order to make, or the making of, any contract of sale of any commodity for future delivery that is made, or to be made, for or on behalf of, or with, any other person, other than on or subject to the rules of a designated contract market (A) to cheat or defraud or attempt to cheat or defraud the other person; and (C) willfully to deceive or attempt to deceive the other person by any means whatsoever in regard to any order or contract or the disposition or execution of any order or contract, or in regard to any act of agency performed, with respect to any order or contract for or, in the case of paragraph (2), with the other person.

38. Section 2(c)(2)(C)(iv) of the Act, 7 U.S.C. § 2(c)(2)(C)(iv) (2012), provides that 7 U.S.C. § 6b(a)(2)(A) and (C) also applies to Defendants' forex transactions "as if" they were a contract of sale of a commodity for future delivery.

39. 17 C.F.R. § 5.2(b)(1) and (3) makes it unlawful for a person by use of the mails, or any means or instrumentality of interstate commerce, directly or indirectly, in or in connection with any retail forex transaction: (1) to cheat or defraud or attempt to cheat or defraud any person; or (3) willfully to deceive or attempt to deceive any person by any means whatsoever.

40. During the relevant period, Defendants violated 7 U.S.C. § 6b(a)(2)(A) and (C) and 17 C.F.R § 5.2(b) (1) and (3), by, *inter alia*:

- (1) Falsely promising to clients that they would generate a 10-20% return on a \$25,000 investment within one year;
- (2) Falsely promising to clients that they could withdraw their funds at any time, without penalty;
- (3) Telling clients that their existing investments were “doing well” and were on target to make a 20% return after one year; and
- (4) Misappropriating client funds for Kholamian’s personal benefit.

41. Defendants committed the acts and practices described above using instrumentalities of interstate commerce, including the use of interstate wires for transfer of funds.

42. Defendants committed the acts and practices describes herein willfully, or with reckless disregard for the truth.

43. Each act of misrepresentation, misappropriation and omission of material fact, including, but not limited to, those specifically alleged herein, constitutes a separate and distinct violation of 7 U.S.C. § 6b(a)(2)(A) and (C) and 17 C.F.R. § 5.2(b)(1) and (3).

44. The foregoing acts, omissions and failures of Kholamian, and all other agents of Blue Star, occurred and are occurring within the scope of their employment, office or agency with Blue Star; therefore, Blue Star is liable for these acts, omissions and failures pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2012), and Regulation 1.2, 17 C.F.R. § 1.2 (2018).

45. Kholamian directly or indirectly controls Blue Star, and did not act in good faith, or knowingly induced, directly or indirectly, the acts constituting Blue Star’s violations, and is thus liable for its violations pursuant to Section 13(b) of the Act, 7 U.S.C. § 13c(b) (2012).

COUNT III

Violations of Section 4o(1)(A) and (B) of the Act, 7 U.S.C. §§ 6o(1)(A) and (B): Fraud by a Commodity Trading Advisor and Its Associated Person in Connection with Commodity Futures and Forex

46. The allegations in the foregoing paragraphs are re-alleged and incorporated herein by reference.

Blue Star Acted as a CTA

47. In connection with commodity futures transactions, a CTA is defined, in part, in Section 1a(12) of the Act, 7 U.S.C. § 1a(12) (2018), 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
(1) any contract of sale of a commodity for future delivery, security futures product or swap; or
(2) any agreement, contract, or transaction described in Section 2(c)(2)(C)(i).

48. In connection with retail forex transactions, a CTA is defined in Regulation 5.1(e), 17 C.F.R. § 5.1(e) (2018), as any person who:

Exercises discretionary trading authority or obtains written authorization to exercise discretionary trading authority over any account for or on behalf of any person that is not an eligible contract participant as defined in section 1a(18) of the Act, in connection with retail forex transactions.

49. During the relevant period, Blue Star has been operating as a CTA in that it, for profit, engaged in the business of advising others of the advisability of trading in commodity futures and forex trades for profit.

Kholamian Acted as an AP

50. In connection with commodity futures transactions, an AP of a CTA is defined by Regulation 1.3, 17 C.F.R. § 1.3 (2108), as any natural person who is a “partner, officer,

employee, consultant, or agent (or any natural person occupying a similar status or performing similar functions), in any capacity which involves the solicitation of a client's or prospective client's discretionary account.”

51. In connection with retail forex transactions, 17 C.F.R. § 5.1(e)(2) defines an AP of a CTA as any natural person associated with a CTA as a partner, officer, employee, consultant or agent, in any capacity, which involves the solicitation of a client's or prospective client's discretionary account. Except in circumstances not relevant here, 17 C.F.R. § 5.3(a)(3)(ii) requires those that meet the definition of a forex AP of a CTA to register with the Commission.

52. During the relevant period, Kholamian acted as an AP of Blue Star by soliciting clients for discretionary trading accounts for trading commodity futures and retail forex.

Violations of 7 U.S.C. § 6o(1)

53. 7 U.S.C. § 6o(1)(A) provides, in relevant part, that it shall be unlawful for a CTA, or an AP of a CTA, by use of the mails or any means or instrumentality of interstate commerce, directly or indirectly “to employ any device, scheme or artifice to defraud any client . . . or prospective client. . . .”

54. 7 U.S.C. § 6o(1)(B) provides, in relevant part, that it shall be unlawful for a CTA, or an AP of a CTA, by use of the mails or any means or instrumentality of interstate commerce, directly or indirectly “to engage in any transaction, practice, or course of business which operates as a fraud or deceit upon any client . . . or prospective client. . . .”

55. 7 U.S.C. § 2(c)(2)(C)(ii)(I)(2012) states that 7 U.S.C. § 6o applies to any agreement, contract, or transaction in foreign currency offered on a leveraged or margined basis to non ECPs.

56. By reason of the foregoing, Defendants violated 7 U.S.C. § 6o(1).

57. Each act of misrepresentation, misappropriation and omission of material fact, including, but not limited to, those specifically alleged herein, constitutes a separate and distinct violation of 7 U.S.C. §§ 6o(1)(A) and (B).

58. The foregoing acts, omissions and failures of Kholamian, and all other agents of Blue Star, occurred and are occurring within the scope of their employment, office or agency with Blue Star; therefore, Blue Star is liable for these acts, omissions and failures pursuant to 7 U.S.C. § 2(a)(1)(B) and 17 C.F.R. § 1.2.

59. Kholamian directly or indirectly controls Blue Star, and did not act in good faith, or knowingly induced, directly or indirectly, the acts constituting Blue Star's violations, and is thus liable for its violations pursuant to Section 13(b) of the Act, 7 U.S.C. § 13c(b) (2012).

COUNT IV

Violations of Sections 2(c)(2)(C)(iii)(I)(bb) and 4m(1) of the Act, 7 U.S.C. §§ 2(c)(2)(C)(iii)(I)(bb), 6m(1) (2012), and Regulation 5.3(a)(3)(i), 17 C.F.R. § 5.3(a)(3)(i) (2018): Failure to Register as a CTA in connection with commodity futures and forex

60. The allegations in the foregoing paragraphs are re-alleged and incorporated herein by reference.

61. 7 U.S.C. §6m(1) makes it unlawful for any CTA, unless registered with the CFTC, to make use of the mails or any means or instrumentality of interstate commerce in connection with its business as a CTA.

62. 7 U.S.C. § 2(c)(2)(C)(iii)(I)(bb) makes it unlawful for any person, unless registered in such capacity as the CFTC shall determine, to exercise discretionary trading authority over any account for or on behalf of any person that is not an ECP, in connection with leveraged or margined forex transactions.

63. 17 C.F.R. § 5.3(a)(3)(i) requires any CTA as defined in Regulation 5.1(e)(1), 17 C.F.R. § 5.1(e)(1) (2018), and in connection with leveraged or margined forex transactions, to register as a CTA.

64. Blue Star has never been registered as a CTA.

65. Blue Star does not qualify for a CTA registration exemption under either the Act or the Regulations.

66. Blue Star, through the relevant period, used the mails, wires, or other instrumentalities of interstate commerce in or in connection with its activities as a CTA, in connection with commodity futures and forex trading, while failing to register as a CTA and violated 7 U.S.C. §§ 6m(1) and 2(c)(2)(C)(iii)(I)(bb), and 17 C.F.R. § 5.3(a)(3)(i).

67. Each instance of exercising discretionary trading authority over any commodity futures trading account for profit, including but not limited to those specifically alleged herein, is alleged as a separate and distinct violation of 7 U.S.C. § 6m(1).

68. Each instance of exercising discretionary trading authority on behalf of any person that is not an ECP, in connection with leveraged or margined forex transactions, including but not limited to those specifically alleged herein, is alleged as a separate and distinct violation of 7 U.S.C. § 2(c)(2)(C)(iii)(I)(bb), and 17 C.F.R. § 5.3(a)(3)(i).

69. Kholamian directly or indirectly controls Blue Star, and did not act in good faith, or knowingly induced, directly or indirectly, the acts constituting Blue Star's violations, and is thus liable for its violations pursuant to Section 13(b) of the Act, 7 U.S.C. § 13c(b) (2012).

COUNT V

Violations of Sections 2(c)(2)(C)(iii)(I)(aa) and 4k(3) of the Act, 7 U.S.C. §§ 2(c)(2)(C)(iii)(I)(aa), 6k(3) (2012), and Regulation 5.3(a)(3)(ii), 17 C.F.R. § 5.3(a)(3)(ii) (2018): Failure to Register as an AP of a CTA in connection with commodity futures and forex

70. 7 U.S.C. § 6k(3) makes it unlawful for any AP, unless registered with the CFTC, to solicit a client's or prospective client's discretionary account or to supervise any person or persons so engaged.

71. 7 U.S.C. § 2(c)(2)(C)(iii)(I)(aa) makes it unlawful for any person, unless registered in such capacity as the CFTC shall determine, to solicit or accept orders from any person that is not an ECP, in connection with leveraged or margined forex transactions.

72. 17 C.F.R. § 5.3(a)(3)(ii) requires any AP as defined in Regulation 5.1(e)(2), 17 C.F.R. § 5.1(e)(2) (2018), and in connection with leveraged or margined forex transactions, to register as an AP.

73. By reason of the conduct described above, Kholamian was a partner, officer, employee, consultant, or agent of Blue Star, and he was involved in the solicitation of Blue Star's clients' or prospective clients' discretionary accounts.

74. Kholamian was not registered with the Commission as an AP.

75. By reason of the foregoing, Kholamian violated 7 U.S.C. §§ 2(c)(2)(C)(iii)(I)(aa) and 6k(3), and 17 C.F.R. § 5.3(a)(3)(ii).

76. Each instance of soliciting clients or prospective clients' discretionary account in connection with commodity futures trading, including but not limited to those specifically alleged herein, is alleged as a separate and distinct violation of 7 U.S.C. § 6k(3).

77. Each instance of soliciting clients or prospective clients who were not ECPs, in connection with leveraged or margined forex transactions, including but not limited to those

specifically alleged herein, is alleged as a separate and distinct violation of 7 U.S.C. § 2(c)(2)(C)(iii)(I)(aa), and 17 C.F.R. § 5.3(a)(3)(ii).

78. The foregoing acts, omissions and failures of Kholamian, and all other agents of Blue Star, occurred and are occurring within the scope of their employment, office or agency with Blue Star; therefore, Blue Star is liable for these acts, omissions and failures pursuant to 7 U.S.C. § 2(a)(1)(B) and 17 C.F.R. § 1.2.

VII. RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that this Court, as authorized by Section 6c of the Act, 7 U.S.C. § 13a-1, and pursuant to its own equitable powers:

A. Find that Dro Kholamian and Blue Star Trading, LLC violated Sections 4b(a)(1)(A) and (C), 4b(a)(2)(A) and (C), 4o(1)(A) and (B); 4k(3), 4m(1), and 2(c)(2)(C)(iii)(I)(aa) and (bb) of the Act, 7 U.S.C. §§ 6b(a)(1)(A),(C), 6b(a)(2)(A),(C), 6o(1)(A) and (B), 6k(3) 6m(1), and 2(c)(2)(C)(iii)(I)(aa) and (bb) (2012), and Regulations 5.2(b)(1) and (3) and 5.3(a)(3)(i) and (ii), 17 C.F.R. §§ 5.2(b)(1), (3) and 5.3(a)(3)(i), (ii)(2018);

B. Enter an order of permanent injunction enjoining Kholamian and Blue Star, and their affiliates, agents, servants, employees, successors, assigns, attorneys, and all persons in active concert with them, who receive actual notice of such order by personal service or otherwise, from engaging in the conduct described above, in violation 7 U.S.C. §§ 6b(a)(1)(A) and (C), 6b(a)(2)(A) and (C), 6o(1)(A) and (B), 6m(1), and 2(c)(2)(C)(iii)(I)(bb) (2012), and 17C.F.R. §§ 5.2(b)(1) and (3) and 5.3(a)(3)(i) and (ii)(2018);

C. Enter an order of permanent injunction restraining and enjoining Kholamian and Blue Star, and their affiliates, agents, servants, employees, successors, assigns, attorneys, and all persons in active concert with them, from directly or indirectly:

- 1) 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));
- 2) Entering into any transactions involving “commodity interests” (as that term is defined in Regulation 1.3, 17 C.F.R. § 1.3 (2018)), for accounts held in the name of any Defendant or for accounts in which any Defendant has a direct or indirect interest;
- 3) Having any commodity interests traded on any Defendant’s behalf;
- 4) Controlling or directing 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;
- 5) Soliciting, receiving, or accepting any funds from any person for the purpose of purchasing or selling any commodity interests;
- 6) Applying for registration or claiming exemption from registration with the CFTC in any capacity, and engaging in any activity requiring such registration or exemption from registration with the CFTC, except as provided for in Commission Regulation 4.14(a)(9), 17 C.F.R. § 4.14(a)(9) (2018); and
- 7) Acting 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 or entity registered, exempted from registration or required to be registered with the CFTC except as provided for in 17 C.F.R. § 4.14(a)(9).

D. Enter an order directing Kholamian and Blue Star as well as any third-party transferee and/or successors thereof, to disgorge, pursuant to such procedure as the Court may order, all benefits received including, but not limited to, salaries, commissions, loans, fees, revenues, and trading profits derived, directly or indirectly, from acts or practices which constitute violations of the Act and Regulations as described herein, including pre-judgment and post-judgment interest;

E. An order requiring Kholamian and Blue Star, as well as any successors thereof, to make full restitution to every person who sustained losses proximately caused by the violations described herein, including pre-judgment and post-judgment interest;

F. Enter an order directing Kholamian and Blue Star, as well as any successors thereof, to rescind, pursuant to such procedures as the Court may order, all contracts and agreements, whether implied or express, entered into between, with or among Kholamian and Blue Star and any of the clients whose funds were received by Kholamian and Blue Star as a result of the acts and practices that constituted violations of the Act and Regulations as described herein;

G. Enter an order directing Kholamian and Blue Star to pay a civil monetary penalty assessed by the Court, in an amount not to exceed the penalty described by Section 6c(d)(1) of the Act, 7 U.S.C. § 13a-1(d)(1) (2012), as adjusted for inflation pursuant to the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, Pub. L. 114-74, Tit. VII, § 701, 129 Stat. 584, 599-600, *see* Regulation 143.8, 17 C.F.R. § 143.8 (2018), for each violation of the Act and Regulations, as described herein;

H. Enter an order requiring Kholamian and Blue Star to pay costs and fees as permitted by 28 U.S.C. §§ 1920 and 2413(a)(2) (2012); and

I. Enter an order providing such other and further relief as this Court may deem necessary and appropriate under the circumstances.

Date: _____

Respectfully submitted,
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