

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

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**In the Matter of:**

**Arya Motazed,**

**Respondent.**

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**CFTC Docket No. 16 -02**

**RECEIVED CFTC**



Office of Proceedings  
Proceedings Clerk

**12:26 pm, Dec 02, 2015**

**ORDER INSTITUTING PROCEEDINGS PURSUANT TO  
SECTIONS 6(c) AND 6(d) OF THE COMMODITY EXCHANGE ACT, MAKING  
FINDINGS AND IMPOSING REMEDIAL SANCTIONS**

**I.**

The Commodity Futures Trading Commission (“Commission”) has reason to believe that from September 3, 2013, to at least November 26, 2013 (the “Relevant Period”), Arya Motazed (“Motazed” or “Respondent”) violated Sections 4b(a)(1)(A),(C), 4c(a), and 6(c)(1) of the Commodity Exchange Act, as amended (“Act”), 7 U.S.C. §§ 6b(a)(1)(A), (C), 6c(a), and 9(1) (2012) and Commission Regulations (“Regulations”) 1.38(a) and 180.1(a), 17 C.F.R. §§ 1.38(a) and 180.1 (2014). 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.

**II.**

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 Sections 6(c) and 6(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> Respondent consents to the entry of this Order and to the use of these findings in this proceeding and in any other proceeding brought by the Commission or to which the Commission is a party; provided, however, that Respondent does not consent to the use of the Offer, or the findings or conclusions in this Order consented to in the Offer, as the sole basis for any other proceeding brought by the Commission, other than in a proceeding in bankruptcy or to enforce the terms of this Order. Nor does Respondent consent to the use of the Offer or this Order, or the

### III.

The Commission finds the following:

#### A. Summary

Between September 3 and November 26, 2013, Motazedi orchestrated forty-six (46) fraudulent transactions in the New York Mercantile Exchange's ("NYMEX") RBOB Gasoline Physical Futures contract and CL Light Sweet Crude Oil Futures Contract between two trading accounts he owned or controlled (the "personal accounts") and a proprietary account he traded on behalf of his employer at the time ("the company" or "his employer"). These transactions enabled Motazedi to generate profits for himself and losses (or reduced profits) for the company.

Motazedi arranged thirty-four (34) of these transactions as fraudulent and fictitious trades between the company's account and the personal accounts at prices which disadvantaged the company's account, sometimes even engaging in "roundtrip" transactions between the accounts, trading the same number of contracts back and forth at different prices. Motazedi further engaged in fraud by placing twelve (12) orders for the personal accounts ahead of orders he placed for the company's account (a practice known as "frontrunning"), and thereby generated additional profits for himself to the detriment of the company.

Motazedi accomplished his fraud by misappropriating non-public, confidential and material information. Motazedi and his employer shared a relationship of trust and confidence that gave rise to a duty of confidentiality. In addition, his employer's internal policies prohibited the misuse of proprietary or confidential information, and prohibited employees from engaging in personal transactions involving energy contracts and other personal transactions that created an actual or potential conflict of interest. Based on his position as a gasoline trader, Motazedi routinely had access to material non-public information concerning the times, volume and prices at which his employer intended to trade energy commodity futures for its proprietary account. However, Motazedi breached his duties to his employer by using this information to trade in personal trading accounts and by failing to disclose such trading to his employer.

By this conduct, Motazedi has violated Sections 4b(a), 4c(a), and 6(c)(1) of the Act, 7 U.S.C. §§ 6b(a), 6c(a) and 9(1) (2012), and Regulations 1.38(a) and 180.1, 17 C.F.R. §§ 1.38(a) and 180.1 (2014).

#### B. Respondent

During the relevant period, Respondent Arya Motazedi resided in Chicago, Illinois and was employed by a large, publicly traded corporation ("the company" or "his employer"), in its Chicago office as a proprietary trader. He served as a trader in gasoline futures for the company and routinely placed orders for other types of energy futures contracts through the company's trading account. He has never been registered with the Commission.

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findings or conclusions in this Order consented to in the Offer, by any other party in any other proceeding.

### C. Facts

By virtue of his position as a gasoline trader for the company, Motazedi was routinely provided with confidential and proprietary trading information concerning the times, amounts, and prices at which the company intended to trade energy commodity futures for its own account.

The company's trading guidelines expressly prohibited employees, including Motazedi, from entering into transactions in personal accounts which posed an "actual or potential conflict of interest" or involved the "improper use of [the company's] proprietary or confidential information." The company's trading guidelines also specifically prohibited Motazedi and other employees from conducting personal financial transactions in energy commodities.

Motazedi repeatedly violated these prohibitions by entering into personal account transactions in energy futures contracts for gas and oil through the NYMEX's Globex electronic trading platform. He conducted these trades in two individual futures accounts he controlled, one of which he also owned.

From September through November, 2013, Motazedi repeatedly cheated and defrauded his employer by engaging in a series of trades between these personal accounts and the company account at prices favorable to the personal accounts as well as misappropriating his employer's confidential business information by placing personal orders ahead of the orders he placed for the company's trading account.

Motazedi entered into these fraudulent and fictitious trades between the personal accounts and the company's trading account thirty-four (34) times during the relevant period by intentionally placing orders for the personal accounts at times, prices, and in amounts intended to be matched with the orders he was contemporaneously placing for the company's account.

In some of these instances, Motazedi would place these successive buy and sell orders for the personal accounts and the company account, so that the "buy orders" and "sell orders" would ultimately offset one another (a "roundtrip") resulting in no net change in open positions held by either the company's account or the personal accounts.

However, Motazedi intentionally orchestrated various trades between accounts at prices that ensured that the personal accounts would profit from the trades. He prearranged the trades so the company account bought futures at a high price opposite a sale from one or both of the personal accounts and would on some occasions arrange a subsequent offsetting trade in which the company sold the same number of contracts back to one or both of the personal accounts at a lower price.

This practice permitted Motazedi to establish positions in the personal accounts without competitive execution. Motazedi never informed his employer that he was executing personal trades in markets that he was also trading for the company, nor that he was placing orders for the company in a manner so that they would match with his own personal orders, thereby generating profits for personal accounts and disadvantaging the company account.

Motazedi further cheated and defrauded the company twelve (12) times during the relevant period by placing orders for gas and oil futures contracts in the personal accounts immediately before placing orders for the same futures contract on the same side of the market on behalf of the company.

By trading ahead of, or “frontrunning” the company’s orders, Motazedi misappropriated the company’s confidential financial information regarding the prices, amounts, and times at which the company intended to trade futures.

Motazedi traded ahead of, or “frontran” the company orders he was placing in the hope that his personal orders would benefit from any price movement that might result from the subsequent execution of the company’s orders. The company’s orders were thus disadvantaged by being placed after Motazedi’s personal orders because they may have been filled at less advantageous prices because of the frontrunning.

Motazedi earned profits from this conduct and the company sustained losses (or earned reduced profits) totaling two hundred sixteen thousand nine hundred fifty-five dollars and eighty cents (\$216,955.80).

#### IV.

### LEGAL DISCUSSION

#### A. Section 4b: Fraud

Section 4b(a) 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 in interstate commerce or for future delivery that is made, on or subject to the rules of a designated contract market, for or on behalf of any other person: (A) to cheat or defraud or attempt to cheat or defraud such other person; or (C) willfully to deceive or attempt to deceive such other person by any means whatsoever in regard to any such order or contract or the disposition or execution of any such order or contract, or in regard to any act or agency performed with respect to such order or contract for such person.

Misappropriation constitutes “willful and blatant” fraudulent activity that violates the anti-fraud provisions of the Act. *CFTC v. Noble Wealth Data Info. Serv., Inc.*, 90 F. Supp. 2d 676, 687 (D. Md. 2000), *aff’d in relevant part, vacated in part sub nom. CFTC v. Baragosh*, 278 F.3d 319 (4th Cir. 2002); *see also In re Slusser*, [1998-1999 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 27,701, 1999 CFTC LEXIS 167, at \*36 (CFTC July 19, 1999) (respondents violated Section 4b of the Act by surreptitiously retaining money in their own bank accounts that should have been traded on behalf of customers), *aff’d in relevant part sub nom. Slusser v. CFTC*, 210 F.3d 783 (7th Cir. 2000).

Scienter requires that an individual’s acts be performed “with knowledge of their nature and character.” *Wasnick v. Refco, Inc.*, 911 F.2d 345, 348 (9th Cir. 1990) (internal quotation marks and citation omitted). The scienter element is established when the Commission shows that defendant “intentionally violated the Act or acted with ‘careless disregard’ of whether his actions violated the Act.” *CFTC v. Noble Metals Int’l, Inc.*, 67 F.3d 766, 774 (9th Cir. 1995)

(citation omitted). The Commission need only demonstrate that Defendant's actions were "intentional as opposed to accidental." *Lawrence v. CFTC*, 759 F.2d 767, 773 (9th Cir. 1985).

The practice of "frontrunning" also violates Section 4b(a) of the Act. The Seventh Circuit explained the fraudulent nature of the conduct, known as "frontrunning", in *U.S. v. Dial*, 757 F.2d 163, 168 (7th Cir. 1985), where it stated:

As a broker, and therefore, the defendants concede (as they must, *see, e.g., Marchese v. Shearson Hayden Stone, Inc.*, 734 F.2d 414, 418 (9<sup>th</sup> Cir. 1984)), a fiduciary of his customers, Dial, when he solicited his customers to participate in block orders, implicitly represented to them that he would try to get the best possible price. He could have gotten a better price by putting their orders in ahead of the orders he placed for his own accounts and those of his friends. In trading ahead of his customers without telling them what he was doing, he was misleading them for his own profit, and conduct of this type has long been considered fraudulent.

*See also, D'Alessio v. SEC*, 380 F.3d 112, 114 (2nd Cir. 2004) ("A broker 'trades ahead' or 'frontruns' when he or she receives a large order for a particular security from an institutional client and before executing the larger trade, first executes trades in that security for an account in which the broker has an interest so as to anticipate and exploit the movement in price the larger trade is likely to cause.); *CFTC v. Sarvey*, 2012 WL 426746, \*4 (N.D. Ill. 2012) ("Similarly, 'trading ahead' of customers—where the broker buys for his own account before submitting a customer order that will raise the price—is illegal because it allows the broker to profit from information that comes at no cost to the broker 'automatically' in his capacity as a broker."); *See In re Sitzmann*, CFTC Docket No. 96-5, 1997 WL 82610 (CFTC Feb. 27, 1997) (consent order finding that vice president of commodity trading of meat processor used his employer's non-public and proprietary information about large orders to frontrun those trades in a proprietary trading account).

Here, Motazedi misappropriated and used his employer's non-public, material trading information to orchestrate trades between his employers' proprietary trading account and personal trading accounts, and to frontrun his employer's orders to benefit the personal trading accounts to the detriment of his employer. By such conduct, Motazedi violated 4b(a)(A) and (C) of the Act, 7 U.S.C. §§ 6b(a)(1)(A) and (C).

**B. Section 6(c)(1) and Regulation 180.1: Employment of a Manipulative or Deceptive Device: Misappropriation of Material, Non-Public Information**

Section 6(c)(1) of the Act makes it unlawful for any person, in connection with any contract of sale of any commodity for future delivery, to use or employ any manipulative or deceptive device or contrivance in contravention of such rules and regulations as the Commission shall promulgate. 7 U.S.C. § 9(1) (2012). Pursuant to this authority, the Commission promulgated Regulation 180.1, which, with respect to conduct on or after August 15, 2011, makes it unlawful to: (1) use or employ, or attempt to use or employ, any manipulative device, scheme, or artifice to defraud; (2) make, or attempt to make, any untrue or misleading statement of a material fact or to omit to state a material fact necessary in order to make the

statements made not untrue or misleading; or (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. 17 C.F.R. § 180.1(a)(1) (2014).<sup>2</sup>

As the Commission has noted, “Section 6(c)(1) and final Rule 180.1 augment the Commission’s existing authority to prohibit fraud and manipulation.” *Prohibition on the Employment, or Attempted Employment, of Manipulative and Deceptive Devices and Prohibition on Price Manipulation*, 76 Fed. Reg. 41,398, 41,401 (July 14, 2011). In its Notice of Proposed Rulemaking for Regulation 180.1, the Commission made clear that its intent was “to interpret CEA section 6(c)(1) as a broad, catch-all provision reaching fraud in all its forms—that is, intentional or reckless conduct that deceives or defrauds market participants.” *Prohibition of Market Manipulation*, 75 Fed. Reg. 67,657, 67,658 (CFTC Nov. 3, 2010). Put otherwise, the Commission has stated its intent to interpret the “in connection with” requirement “broadly, not technically or restrictively.” 76 Fed. Reg. 41,405. Accordingly, “Section 6(c)(1) and final Rule 180.1 reach all manipulative or deceptive conduct in connection with the purchase, sale, solicitation, execution, pendency, or termination of 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.” *Id.*

Trading on material non-public information in breach of a pre-existing duty may constitute a violation of Regulation 180.1. As the Commission has expressly contemplated, “Depending on the facts and circumstances, a person who engages in deceptive or manipulative conduct 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, *for example by trading on the basis of material nonpublic information in breach of a pre-existing duty* (established by another law or rule, or agreement, understanding, or some other source), *or by trading on the basis of material nonpublic information that was obtained through fraud or deception*, may be in violation of final Rule 180.1.” 41 Fed. Reg. 41,398, 41,403 (emphasis added). *See, e.g., U.S. v. O’Hagan*, 521 U.S. 642, 117 S.Ct. 2199 (1997) (finding that one who maintains a relationship of trust and confidence with another and “pretends loyalty to the [other] while secretly converting the principal’s information for personal gain” defrauds the other and violates Rule 10b-5) (citation omitted). Under the misappropriation theory of misuse of material, non-public information, deception occurs because the source of the information (principal) is

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<sup>2</sup> “The language of CEA section 6(c)(1), particularly the operative phrase ‘manipulative or deceptive device or contrivance,’ is virtually identical to the language used in section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”).” 76 Fed. Reg. at 41,399. Indeed, when the Commission promulgated Rule 180.1, the Commission observed that “[g]iven the similarities between CEA section 6(c)(1) and Exchange Act section 10(b), the Commission deems it appropriate and in the public interest to model final Rule 180.1 on SEC Rule 10b-5.” *Id.* Accordingly, case law developed under Section 10(b) of the Exchange Act and SEC Rule 10b-5 is instructive in construing CEA Section 6(c)(1) and Commission Regulation 180.1(a). The Commission explained, however, that because of “the differences between the securities markets and the derivatives markets, the Commission will be guided, but not controlled, by the substantial body of judicial precedent applying the comparable language of SEC Rule 10b-5.” 76 Fed. Reg. at 41,399.

entitled to “the exclusive use of the information.” *Id.* at 653-54 (citation omitted); *see also id.* at 656 (“A misappropriator who trades on the basis of material, nonpublic information, in short gains his advantageous market position through deception; he deceives the source of the information and simultaneously harms members of the investing public”).

Although Section 6(c)(1) of the Act is silent with respect to scienter, the Commission has stated that “recklessness is, at a minimum, necessary to prove the scienter element of final Rule 180.1.” 76 Fed. Reg. at 41,404. Accordingly, Commission Regulation 180.1 sets out the required scienter as “intentionally or recklessly.” Long-standing Commission precedent defines “recklessness” as an act or omission that “departs so far from the standards of ordinary care that it is very difficult to believe the actor was not aware of what he or she was doing.” *Drexel Burnham Lambert Inc. v. CFTC*, 850 F.2d 742, 748 (D.C. Cir. 1998). A showing of actual knowledge is not required, *see Hollinger v. Titan Capital Corp.*, 914 F.2d 1564, 1569-70 (9th Cir. 1990), nor is proof that the defendant was motivated by a desire to manipulate the market, *SEC v. U.S. Envtl., Inc.*, 155 F.3d 107, 111 (2d Cir. 1998).

As a gasoline trader, Motazedi was privy to the material, non-public information regarding the intended trading of his employer, including the timing, contracts, prices and volume of its orders. Motazedi held a relationship of trust and confidence with his employer and owed a duty to his employer not to misuse proprietary or confidential information. Motazedi was prohibited from trading energy commodities in his personal accounts and from engaging in personal transactions that created an actual or potential conflict of interest with the interests of his employer. Yet he knowingly or recklessly used his employer’s trading information to trade for his own benefit and failed to disclose his plans to his employer. Motazedi’s knowing or reckless misappropriation and misuse of his employer’s material nonpublic trading information to trade in personal trading accounts, breached his duty to his employer and therefore constituted a violation of both Section 6(c)(1) and Rule 180.1.

### **C. Section 4c(a): Fictitious Sales**

Section 4c(a) of the Act makes it unlawful for any person to offer to enter into, enter into, or confirm the execution of a transaction that is a fictitious sale. *In re Gimbel*, [1987-1990 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 24, 213 at 35, 003 (CFTC Apr. 14, 1988), *aff’d as to liability*, 872 F.2d 196 (7<sup>th</sup> Cir. 1989) (lumber trades prearranged as to contract, price and quantity as to achieve a wash result). “By enacting Section 4c(a), Congress sought to ensure that all trades are focused in the centralized marketplace to participate in the competitive determination of the price of the futures contracts.” *In re Thomas Collins*, [1996-1998 Transfer Binder] Comm. Fut.L.Rep. (CCH) ¶ 27,194 at 45,742 (CFTC Dec. 10, 1997), *quoting* S.Rep. No. 93-1131, 93d Cong., 2d Sess. 16-17 (1974); *see also Merrill Lynch Futures, Inc. v. Kelly*, 585 F.Supp. 1245, 1251 n.3 (S.D.N.Y. 1984) (Section 4c(a)(A) was generally intended to prevent collusive trades conducted away from the pits). As a result, Section 4c broadly prohibits artificial trades intended to avoid the risks and price competition of the open market.

Although Section 4c(a) of the Act prohibits “fictitious sales”, the term is not defined in the Act. *Thomas Collins*, ¶ 27,194 at 45,742; *In re Harold Collins*, [1986-1987 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 22,982 at 31,903 (CFTC Apr. 4, 1986), *rev’d on other grounds sub nom. Stoller v. CFTC*, 834 F.2d 262 (2nd 1987). A fictitious sale is a general category which

includes, at a minimum, the unlawful practices specifically enumerated in Section 4c(a) as well as prearranged trading. *Id.*; *In re Gimbel*, ¶ 24,213 at 35,003. The central characteristic of the general category of fictitious sales is the use of trading techniques that give the appearance of submitting trades to the open market while negating the risk or price competition incident to such a market. *In re Fisher*, [2003-2004 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 29,725 at 56,052 n.11 (CFTC Mar. 24, 2004); *Thomas Collins*, ¶ 27,194 at 45; *Harold Collins*, ¶ 22,982 at 31,902. Intent must be proven to establish a violation of Section 4c of the Act. *Reddy v. CFTC*, 191 F.3d 109, 119 (2d Cir. 1999).

The Commission has long held that illegitimate prearranged trading constitutes fictitious sales. *Harold Collins*, ¶ 22,982 at 31,903. “By determining trade information such as price and quantity outside the pit, then using the market mechanism to shield the private nature of the bargain from public scrutiny, both price competition and market risk are eliminated.” *Id.*

Motazedí knowingly prearranged trades between his employer’s proprietary account and the personal trading accounts to ensure that the personal accounts would profit from the trades. As a result, the trades negated market risk and were non-competitively executed. Accordingly, the trades constituted fictitious sales, and Motazedí violated of Section 4c(a).

#### **D. Regulation 1.38(a): Non-Competitive Trades**

Commission Regulation 1.38(a) requires that all purchases and sales of commodity futures be executed “openly and competitively.” The purpose of this requirement is to ensure that all trades are directed into a centralized marketplace to participate in the competitive determination of the price of futures contracts.

Non-competitive trades are generally transacted in accordance with expressed or implied agreements or understandings between and among the traders. *In re Gilchrist*, [1990-1992 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 24,993 at 37,652 (CFTC Jan. 25, 1991) (intentional arrangement of series of transactions in gold pit). Engaging in fictitious trading is a form of anti-competitive trading that violates Commission Regulation 1.38(a). *Gimbel*, ¶ 24,213 at 35,003. Scienter is a necessary element of Regulation 1.38 and the Commission must establish that respondent’s participation in the noncompetitive execution of futures trades was “knowing.” See e.g., *In re Buckwalter*, [1990-1992 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 24,995 at 37,685 (CFTC Jan. 25, 1991); *In re Bear Stearns & Co.*, ¶ 24,994 at 37,666; *In re Gilchrist*, ¶ 24,993 at 37,653 n.26.

Specifically, here, Motazedí submitted orders for his employer’s trading account and the personal trading accounts in a manner that ensured that the orders would match, with one another and thereby avoid the competitive forces of the market. As noted earlier, such conduct, although creating the appearance of submitting trades to the open market, actually negates the risk incident to a market. *In re Fisher*, ¶ 29,725 at 56,052 n.11; *Thomas Collins*, ¶ 27,194 at 45,742; *Harold Collins*, ¶ 22,982 at 31,902. Illegitimate fictitious trading cannot be cured merely by “going through the motions” and acting as if the trades were competitively executed. *Harold Collins*, ¶ 22,982 at 31,903 n.23. Thus, by knowingly causing illegitimate, fictitious, noncompetitive orders to be entered on the Globex system, Motazedí also violated Commission Regulation 1.38(a).



**V.**

**FINDINGS OF VIOLATION**

Based on the foregoing, the Commission finds that, during the Relevant Period, Arya Motazediz violated Sections 4b(a)(1)(A),(C), 4c(a), and 6(c)(1) of the Act, 7 U.S.C. §§ 6b(a)(1)(A),(C), 6c(a), and 9(1) (2012) and Regulations 1.38(a) and 180.1(a), 17 C.F.R. §§ 1.38(a) and 180.1 (2014).

**VI.**

**OFFER OF SETTLEMENT**

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

- A. Acknowledges receipt of 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 Commission's Regulations, 17 C.F.R. §§ 148.1-30 (2014), 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, §§ 201-253, 110 Stat. 847, 857-868 (1996), as amended by Pub. L. No. 110-28, § 8302, 121 Stat. 112, 204-205 (2007), 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. 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 4b(a)(1)(A),(C), 4c(a), and 6(c)(1) of the Act, 7 U.S.C. §§ 6b(a)(1)(A), (C), 6c(a), and 9(1) (2012) and Regulations 1.38(a) and 180.1(a), 17 C.F.R. §§ 1.38(a) and 180.1 (2014);
  2. Orders Respondent to cease and desist from violating 4b(a)(1)(A),(C), 4c(a), and 6(c)(1) of the Act, 7 U.S.C. §§ 6b(a)(1)(A),(C), 6c(a), and 9(1) (2012) and Regulations 1.38(a) and 180.1(a), 17 C.F.R. §§ 1.38(a) and 180.1 (2014);
  3. Orders Respondent to pay, restitution in the amount of two hundred sixteen thousand, nine hundred fifty-five dollars and eighty cents (\$216,955.80) plus post-judgment interest;
  4. Orders Respondent to pay a civil monetary penalty in the amount of one hundred thousand dollars (\$100,000), plus post-judgment interest; and
  5. 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
  6. Orders Respondent to comply with the conditions and undertakings consented to in the Offer and as set forth in Part VII of this Order.

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

## VII.

### ORDER

**Accordingly, IT IS HEREBY ORDERED THAT:**

- A. Respondent shall cease and desist from violating Sections 4b(a)(1)(A),(C), 4c(a), and 6(c)(1) of the Act, 7 U.S.C. §§ 6b(a)(1)(A),(C), 6c(a), and 9(1) (2012) and Regulations 1.38(a) and 180.1(a), 17 C.F.R. § 1.38(a) and 180.1 (2014).

Respondent shall pay restitution in the amount of \$216,955.80 ("Restitution Obligation") to his former employer, plus post-judgment interest. Post-judgment interest shall accrue on the Restitution 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).

Respondent shall make his payment of the Restitution Obligation under this Order to the CME Inc. The CME Inc. shall collect payments of the Restitution Obligation from Respondent and transmit payment to Respondent's former employer. 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.

Respondent shall also pay a civil monetary penalty in the amount of \$100,000 ("CMP Obligation"), plus post-judgment interest. 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).

Respondent shall pay the CMP Obligation to the Commodity Futures Trading Commission 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:

Commodity Futures Trading Commission  
Division of Enforcement  
ATTN: Accounts Receivables  
DOT/FAA/MMAC/AMZ-341  
CFTC/CPSC/SEC  
6500 S. MacArthur Blvd.  
Oklahoma City, OK 73169  
(405) 954-7262 office  
(405) 954-1620 fax  
nikki.gibson@faa.gov

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

- C. 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

- D. Respondent shall comply with the following conditions and undertakings set forth in the Offer:
1. Public Statements: Respondent agrees that neither he nor any of his 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.
  2. Respondent agrees that he shall never, directly or indirectly:
    - a. enter into any transactions involving "commodity interests" subject to Commission jurisdiction or regulation, as that term is defined in Regulation 1.3(yy), 17 C.F.R. § 1.3(yy) (2014), for Respondent's own personal account or for any account 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) (2014); and/or
    - f. act as a principal (as that term is defined in Regulation 3.1(a), 17 C.F.R. § 3.1(a) (2011)), 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), 17 C.F.R. § 4.14(a)(9) (2014).
- E. Partial Satisfaction: Respondent understands and agrees that any acceptance by the Commission of any partial payment of Respondent's Restitution Obligation or CMP 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.
- F. Change of Address/Phone: Until such time as Respondent satisfies in full his Restitution Obligation and CMP Obligation as set forth in this Consent Order, Respondent shall

provide written notice to the Commission by certified mail of any change to his 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.



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

Dated: December 2, 2015