

4. Thus, in both 2011 and 2012, Yadgir violated Section 4a(e) of the Act, 7 U.S.C. § 6a(e) (Supp. IV 2011), which prohibits, *inter alia*, any person from holding futures contract positions or options on such contracts in excess of established speculative position limits that have been approved by the Commission.

5. By virtue of this conduct and the conduct further described herein, Yadgir has engaged, is engaging, or is about to engage in conduct in violation of Section 4a(e) of the Act, 7 U.S.C. § 6a(e) (Supp. IV 2011).

6. Unless restrained and enjoined by this Court, Yadgir is likely to continue to engage in the acts and practices alleged in this Complaint or in similar acts and practices.

7. Accordingly, the CFTC brings this action pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2012) to enjoin Yadgir's unlawful practices and to compel him to comply with the Act. In addition, the CFTC seeks a civil monetary penalty ("CMP"), and such other equitable relief as this Court may deem appropriate.

II. JURISDICTION AND VENUE

8. 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 to the Commission that such person has engaged, is engaging, or is about to engage in any act or practice constituting a violation of the Act, or any rule, regulation, or order thereunder.

9. The Commission has jurisdiction over the conduct and transactions at issue in this case pursuant to Section 2(c)(2)(D) of the Act, 7 U.S.C. § 2(c)(2)(D) (2012) and Section 6(c) of the Act, 7 U.S.C. §§ 13a-1(a) (2012).

10. Venue properly lies with the Court pursuant to Section 6c(e) of the Act, 7 U.S.C. § 13a-1(e) (2012), because Defendant transacts business in this District and certain

transactions, acts, practices, and business alleged in this Complaint occurred, are occurring, and/or are about to occur within this District.

III. PARTIES

11. Plaintiff **United States Commodity Futures Trading Commission** is an independent federal regulatory agency charged by Congress with administering and enforcing the Act and the Commission Regulations promulgated thereunder, 17 C.F.R. §§ 1 *et seq.*

12. Defendant **James C. Yadgir** is a resident of Palatine, Illinois, and has been registered with the Commission as a floor trader since 1993 and as a floor broker since 2007.

IV. FACTS

A. CME's Position Limits in Live and Feeder Cattle

13. CME Rule 10102.E, which was in effect at all times relevant to this Complaint, states that the net speculative position limit for live cattle futures contracts is 450 contracts long or short in the expiring contract as of the close of business on the first business day following the first Friday of the contract month.¹ CME Rule 10202.E, which was in effect at all times relevant to this Complaint, states that the net speculative position or net futures equivalent position limit for feeder cattle futures contracts in the spot month is 300 contracts long or short during the last ten days of trading. Any person desiring to own or control a position in excess of these speculative position limits was required to obtain from the CME a bona-fide hedge exemption or other exemption pursuant to CME Rule 559.

¹ The contract month, also known as the spot month, is the specified month within which a futures contract matures.

14. Futures-equivalent means an option contract which has been adjusted by the previous day's risk factor, or delta coefficient, for that option which has been calculated at the close of trading, and published by the applicable exchange and made readily available to the news media and the general public.² Once adjusted, option contracts are treated as equivalent to futures contracts.

15. The Commission approved the CME's speculative position limit rules for live cattle and feeder cattle futures contracts prior to all times relevant to this Complaint.

16. In 2009, Yadgir requested a spot month spread exemption position limit for live cattle futures contracts. This exemption was approved by the CME's Market Regulation Department ("MRD") in 2009, which allowed Yadgir to carry up to 550 live cattle futures contracts long or short in the spot month, 100 contracts above the 450 contracts limit. This live cattle exemption was still valid during April 2011.

B. Yadgir's 2011 Violation of Speculative Position Limits in Live Cattle

17. On April 6, 2011, Yadgir held an open net position in April 2011 live cattle futures contracts that exceeded his spot month spread exemption position limit, violating the CME's speculative position limit for live cattle futures contracts. The aggregate futures net position in Yadgir's two accounts at the close of business on that day totaled 620 contracts long, exceeding his 550 contracts long spot month spread exemption position limit by 70 contracts. The following day, Yadgir reduced his position below the 550 contract limit.

18. Yadgir exceeded the speculative position limit by using two different accounts that were subject to aggregation pursuant to CME Rule 559.D, which required aggregation of "all positions in accounts for which a person by power of attorney or otherwise directly or

² See Commission Regulations 150.1(f) and 16.01, 17 C.F.R. §§ 150.1(f) and 16.01 (2013).

indirectly owns the positions or controls the trading of the positions.”

19. On September 19, 2011, Yadgir received a warning letter from the CME which cautioned that the MRD “considers violation of speculative position limits a serious matter and reminds James C. Yadgir of his responsibility to maintain compliance with CME Rules (and CFTC Regulations).”

20. Yadgir has admitted that he “surpassed the spot month cattle limits” in violation of the CME’s speculative position limit for live cattle futures contracts on April 6, 2011.

C. Yadgir’s 2012 Violations of Speculative Position Limits in Feeder Cattle

21. In May 2012, Yadgir again violated the CME’s speculative position limits, this time in feeder cattle futures contracts.

22. Yadgir’s aggregate futures equivalent net position in May 2012 feeder cattle futures contracts totaled 381.759 contracts short at the close of business on May 23, 2012, which was the day before the expiration of that contract. This exceeded the CME’s speculative position limit of 300 contracts in the last 10 days of trading by 81.759 contracts.

23. Yadgir’s aggregate futures equivalent net position in May 2012 feeder cattle futures contracts totaled 300.152 contracts short at the close of business on May 24, 2012, which was the expiration day of that contract. This exceeded the CME’s speculative position limit of 300 contracts in the last 10 days of trading by .152 contracts.

24. Yadgir has admitted violating the CME’s speculative position limit for feeder cattle futures contracts for the trade dates May 23 and 24, 2012.

V. VIOLATIONS OF THE COMMODITY EXCHANGE ACT

COUNTS ONE THROUGH THREE

Violations of Section 4a(e) of the Act: Speculative Position Limit Violations

25. Paragraphs 1 through 24 are re-alleged and incorporated herein.

26. Section 4a(e) of the Act provides, in relevant part, that:

[i]t shall be a violation of this Act for any person to violate any bylaw, rule, regulation, or resolution of any contract market, derivatives transaction execution facility, or other board of trade licensed, designated, or registered by the Commission or electronic trading facility with respect to a significant price discovery contract fixing limits on the amount of trading which may be done or positions which may be held by any person under contracts of sale of any commodity for future delivery or under options on such contracts or commodities, if such bylaw, rule, regulation, or resolution has been approved by the Commission

Section 4a(e) of the Act, 7 U.S.C. § 6a(e) (Supp. IV 2011).

27. The Commission approved the CME's speculative position limits rule for live cattle and feeder cattle futures contracts prior to Yadgir's violations of these speculative position limits.

28. On April 6, 2011, Yadgir violated the CME's speculative position limit for live cattle futures contracts.

29. Additionally, on May 23 and 24, 2012, Yadgir violated the CME's speculative position limits – this time in feeder cattle futures contracts.

30. The April 2011 and May 2012 speculative position limit violations were in violation of Section 4a(e) of the Act, 7 U.S.C. § 6a(e) (Supp. IV 2011).

31. Each day that Yadgir was in violation of the CME's speculative position limits is alleged as a separate and distinct violation of Section 4a(e) of the Act, 7 U.S.C. § 6a(e) (Supp. IV 2011).

VI. RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that this Court, as authorized by Section 6c of the Act, 7 U.S.C. § 13a-1 (2012), and pursuant to its own equitable powers:

A. Find Defendant liable for violating: Section 4a(e) of the Act, 7 U.S.C. § 6a(e) (Supp. IV 2011);

B. Enter an order of permanent injunction prohibiting Defendant and any of his agents, servants, employees, assigns, attorneys, and persons in active concert or participation with the Defendant, including any successor thereof, from directly or indirectly:

(i) Engaging in conduct in violation of Sections 4a(e) of the Act, 7 U.S.C. § 6a(e) (2012);

(ii) Trading on or subject to the rules of any registered entity (as that term is defined in Section 1a of the Act, 7 U.S.C. § 1a (2013));

(iii) Entering into any transactions involving commodity futures, options on commodity futures, commodity options (as that term is defined in Regulation 1.3(hh), 17 C.F.R. § 1.3(hh)(2013)) (“commodity options”), security futures products, swaps (as that term is defined in Section 1a(47) of the Act, and as further defined by Commission regulation 1.3(xxx), 17 C.F.R. 1.3(xxx)), and/or foreign currency (as described in Sections 2(c)(2)(B) and 2(c)(2)(C)(i) of the Act, 7 U.S.C. §§ 2(c)(2)(B) and 2(c)(2)(C)(i)) (“forex contracts”), for his own personal accounts or for any account in which he has a direct or indirect interest;

(iv) Having any commodity futures, options on commodity futures, commodity options, security futures products, swaps, and/or forex contracts traded on his behalf;

(v) 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 futures, options on commodity futures, commodity options, security futures products, swaps, and/or forex contracts;

(vi) Soliciting, receiving, or accepting any funds from any person for the purpose of purchasing or selling any commodity futures, options on commodity futures, commodity options, security futures products, swaps, and/or forex contracts;

(vii) Applying for registration or claiming exemption from registration with the Commission in any capacity, and engaging 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) (2013); and

(viii) Acting as a principal (as that term is defined in Regulation 3.1 (a), C.F.R. § 3.1(a) (2013)), agent, or any other officer or employee of any person registered, exempted from registration or required to be registered with the CFTC except as provided for in Regulation 4.14(a)(9), 17 C.F.R. § 4.14(a)(9) (2013);

C. Enter an order directing Defendant to pay a civil monetary penalty in the amount of \$140,000 for each violation of the Act;

D. Enter an order requiring Defendant to pay costs and fees as permitted by 28 U.S.C. §§ 1920 and 2412(a)(2); and

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

Date: November 5, 2013

Respectfully submitted,

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