U.S. COMMODITY FUTURES TRADING COMMISSION
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Office of Proceedings

In the Matter of	)	
CHICAGO TRADING MANAGERS, LLC, Registrant.	)	CFTC Docket Number: SD 13-04

INITIAL DECISION ON DEFAULT

Before: Philip V. McGuire,
Commodity Futures Trading Commission

Appearances: Laura Martin, Esq., Trial Attorney
Division of Enforcement, Commodity Futures Trading Commission
140 Broadway, 19th Floor, New York, NY 10005

Introduction

This is a proceeding to revoke the registration of Chicago Trading Managers, LLC ("CTM"), pursuant to Section 8a(2) of the Commodity Exchange Act ("Act"), 7 U.S.C. §8a(2)(2012), and Commission rules 3.60(g) and 10.93, 17 C.F.R. §§ 3.60(g) and 10.93 (2013). CTM, a Delaware limited liability company located in Boulder, Colorado, is registered with the Commission as a commodity pool operator ("CPO") and commodity trading advisor ("CTA").

By motion dated November 26, 2013, the Commission's Division of Enforcement ("Division") has moved for entry of a default judgment against registrant CTM, based on the failure of CTM to answer, or otherwise to appear or respond to, the Notice of Intent

to Revoke Registrations of Chicago Trading Managers LLC, issued by the Commission on August 21, 2013 ("Notice"). The Notice alleges that CTM is subject to statutory disqualification from Commission registration based on an Order for Entry of Default Judgment, Permanent Injunction, Civil Penalties and Ancillary Equitable Relief Against Arjent Capital Markets LLC and Chicago Trading Managers LLC ("Default Order"), entered on May 15, 2013, by United States District Court for the Southern District of New York, which: found, *inter alia*, that CTM committed fraud in violation of Sections 4b(a)(l)(A)-(C) and 4o(l)(A) and (B) of the Act, 7 U.S.C. §§ 6b(a)(l)(A)-(C) and§6o(l)(A) and (B)(2006); permanently enjoined CTM from directly or indirectly committing any further fraud in violation of Sections 4b(a)(l)(A)-(C) and 4o(l)(A) and (B) of the Act, 7 U.S.C. §§ 6b(a)(l)(A)-(C) and § 6o(l)(A) and (B) (2006); and further enjoined CTM from, *inter alia,* applying for registration or claiming exemption from registration, and entering into, or soliciting, receiving or accepting funds from any person for the purpose of entering into, any transactions involving commodity futures, options on commodity futures, commodity options, securities futures products, swaps, and/or forex contracts. *CFTC v. Arjent Capital Markets LLC, et al.*, 12-CV-l 832 (S.D.N.Y.). On August 22, 2013, the Commission's Proceedings Clerk served the Notice on CTM at its last registered address.[1] Thus, CTM was properly served pursuant to CFTC rule 3.50.[2]

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[1] The CFTC Proceedings Clerk served the Notice on CTM at two addresses: CTM's Boulder, Colorado address listed with the National Futures Association; and in care of registered Agents Legal Services in Wilmington, Delaware. The U.S. Post Office returned the first package as unable to deliver or forward, and reported the second address as void and returned that package.

[2] Pursuant to CFTC rule 3.30(a), 17 C.F.R. § 3.30(a) (2013), the address of each registrant as submitted on its application for registration or as submitted on the biographical supplement shall be deemed to be the address for delivery to the registrant for any communications from the Commission, including any summons, complaint, notice and other written documents or correspondence, unless the registrant specifies another address for this purpose. CFTC rule 3.30(b), 17 C.F.R. § 3.30(b) (2013), provides that each registrant, while registered and for two years after the termination of registration, must notify the National Futures Association ("NFA") of any change of address, and that failure to do so may result in an order of default in any Commission or NFA proceedings. Moreover, pursuant to CFTC rule 3.50, 17 C.F.R. § 3.50 (2013), for purposes of an action for the denial, suspension or revocation of

CTM did not respond to the Commission's Notice. Therefore, on September 26, 2013, I issued a Default Notice finding that CTM was in default, and setting deadlines for the Division to file a motion for entry of a default judgment and for CTM to file any opposition to the Division's motion.[3] Subsequently, the Division timely filed a motion for entry of a default judgment, and CTM failed to file a response to the Default Notice or to the Division's motion. Accordingly, this matter is ripe for entry of a default judgment.

As a result of its default, CTM has waived a hearing on all of the issues, and is precluded from introducing evidence of mitigation and rehabilitation which is necessary to rebut the strong presumption of unfitness for registration created by the findings of fact, conclusions of law, and sanctions in the Default Order. As a result, the well-plead allegations in the Notice, as augmented by the evidence produced by the Division, and as supplemented by the proposed findings and conclusions in the Division's motion, are deemed true and conclusive for purposes of finding that CTM is statutorily disqualified from registration under Sections 8a(2)(C) and (E) of the Commodity Exchange Act ("Act"), 7 U.S.C. §§ 8a(2) (C) and (E)(2012). Thus, as set out below, the Division's motion has been granted, CTM has been found to be conclusively unfit for registration and statutorily disqualified from registration, and the CPO and CTA registrations of CTM have been revoked.

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registration, service upon a registrant will be sufficient if mailed by registered mail or certified mail return receipt requested properly addressed to the registrant at the address shown on his application or any amendment thereto, and will be complete upon mailing.

[3] This Default Notice was served on CTM in care of Spencer Kimble Montgomery — a listed principal of CTM, and CTM's designated contact for compliance and registration matters and communications from the CFTC - at his Superior, Colorado address listed with the NFA. The Post Office reported that the package was "Not deliverable as addressed unable to forward." Accordingly, this Initial Decision will be served on CTM at its Boulder, Colorado address listed with the NFA.

Findings of Fact

1. Chicago Trading Managers LLC ("CTM") is a Delaware limited liability company whose current listed address with the Commission is 1919 14th Street, Suite 808, Boulder, CO 80302. CTM has been registered with the Commission as a CPO and CTA since July 29, 2008, pursuant to Section 4m of the Act, 7 U.S.C. § 6m(2012).[4]

2. On March 13, 2012, the Commission filed a federal civil injunctive action against CTM, Arjent Capital Markets LLC, Spencer Montgomery and Brian Reynolds. *CFTC v. Arjent Capital Markets LLC, et al.*, 12-CV-l 832 (S.D.N.Y.) ("*CFTC v. Arjent*"), which alleged, *inter alia*, that defendant CTM fraudulently operated two commodity pools, Chicago Trading Partners US LLC, and Chicago Trading Partners International Ltd., and engaged in multiple acts of delivering material false statements to pool participants in violation of the anti-fraud provisions of the Act. CTM and Arjent failed to answer the Commission's complaint or otherwise to defend the action, and the Commission filed a motion for entry of a default judgment, permanent injunction and ancillary relief.

3. On May 15, 2013, in *CFTC v. Arjent,* the Honorable Judge Lewis A. Kaplan of the the United States District Court for the Southern District of New York entered an Order for Entry of Default Judgment, Permanent Injunction, Civil Penalties and Ancillary Equitable Relief Against Arjent Capital Markets LLC and Chicago Trading Managers LLC ("Default Order"). The Default Order contained findings of fact and conclusions of law, which found, *inter alia*, that on at least ten occasions, CTM issued or caused to be issued statements to pool participants that fraudulently inflated the Net Asset Value for pools in that the statements did not reflect the dilution of the pools'

[4] NFA records, attachment to Jung Affidavit and Certification, Exhibit 3, Division's motion.

assets caused by debits held in a trading account along with the pools' assets. The Default Order found that by engaging in this conduct, CTM committed fraud in violation of Sections 4b(a)(1)(A)-(C) and 4o(1)(A) and (B) of the Act, 7 U.S.C. §§ 6b(a)(1)(A)-(C) (Supp II 2009) and § 6o(1)(A) and (B)(2006).

The Default Order permanently enjoined CTM from directly or indirectly committing any further fraud in violation of Sections 4b(a)(1)(A)-(C) and 4o(1)(A) and (B) of the Act, 7 U.S.C. §§ 6b(a)(1)(A)-(C) and § 6o(1)(A) and (B) (2006). The Order further enjoined CTM from: applying for registration or claiming exemption from registration; entering into any transactions involving commodity futures, options on commodity futures, commodity options, securities futures products, swaps, and/or forex contracts, for its own personal accounts or for any accounts in which it has a direct or indirect interest; 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 contract; and soliciting, receiving or accepting any funds from any person for the purpose of purchasing or selling any commodity futures, commodity options, security futures products, swaps and/or forex contract.

Discussion and Conclusions of Law

Section 8a(2) presumption of unfitness

Section 8a(2) of the Act, 7 U.S.C. § 12a(2) (2012), sets out eight grounds for denial, suspension or revocation of registration, known customarily as "statutory disqualifications." According to the relevant House Agriculture Committee Report, each Section 8a(2) disqualification involves a previous formal determination by a court, or

the Commission or other government agency, that a person or firm has engaged in conduct involving "especially grave offenses that are clearly related to a person's [or firm's] fitness for registration with the Commission." H.R. report No. 97-565, Part I at 50 (May 17, 1982). The report further explained that, since each Section 8a(2) disqualification is based upon a previous finding or order by a court, or the Commission or other governmental body, "whether or not a person is subject to such a disqualification generally is readily ascertainable by checking officially maintained records." *Id.*

In conjunction with the Commission's Part 3 rules, a Section 8a(2) disqualification generally operates as a strong presumption that a person or firm is conclusively unfit to do business in a relevant registered capacity. The Commission has noted that the strong presumption of unfitness for registration under Section 8a(2) of the Act rests on the common-sense inference that once an individual or firm has undertaken serious wrongdoing – as it has been amply demonstrated here that CTM has done – a substantial risk exists that the individual or firm will undertake similar wrongdoing in the future. *See In re Akar*, Comm. Fut. L. Rep. ¶22,297 (CFTC 1986). The strong presumption of unfitness can be rebutted by a convincing showing that allowing a person or firm to become or remain registered will not pose a risk to the public, including, for example, mitigating circumstances, rehabilitation, or close supervision by another registrant. *See* Commission rules 3.60(b)(2)(i) and 3.60(b)(2)(ii)(A)-(C), 17 C.F.R. §§ 3.60(b)(2)(i) and 3.60(b)(2)(ii)(A)-(C) (2013). By defaulting, CTM has precluded itself from presenting such rebuttal evidence.

Section 8a(2)(C) of the Act

Section 8a(2)(C) of the Act, 7 U.S.C. § 12a(2)(C)(2012), in relevant part, authorizes the Commission to revoke the registration of any person "if such person is permanently ... enjoined by order, judgment, or decree of any court of competent jurisdiction ... including an order entered pursuant to an agreement of settlement to which the Commission ... is a party, from ... (i) acting as a futures commission merchant, introducing broker, floor broker, floor trader, commodity trading advisor, commodity pool operator, associated person of any registrant under this Act, securities broker, securities dealer, municipal securities broker, municipal securities dealer, transfer agent, clearing agency, securities information processor, investment adviser, investment company, or affiliated person or employee of any of the foregoing or (ii) engaging in or continuing any activity when such activity involves . . . fraud . . . ." Here, cause exists for the statutory disqualification of CTM pursuant to Section 8a(2)(C) of the Act, because the Default Order in *CFTC v. Arjent*, which was entered by the court for the Southern District of New York, a court of competent jurisdiction, permanently enjoined CTM from registering under the Act and committing fraud in violation of the Act.

Section 8a(2)(E) of the Act

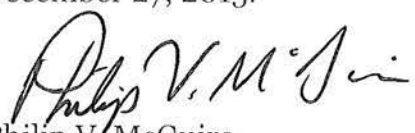
Section 8a(2)(E) of the Act, 7 U.S.C. § 12a(2)(E)(2012), in relevant part, authorizes the Commission to revoke the registration of any person "if such person, within ten years preceding the filing of the application [for registration] or any time thereafter, has been found in a proceeding brought by the Commission ... (i) to have violated any provision of [the] Act.. . where such violation involves ... fraud [or] misappropriation of funds . .. ." Cause also exists for statutory disqualification pursuant

to Section 8a(2)(E) of the Act because CTM was found to have violated the Act for conduct involving fraud in *CFTC v. Arjent*.

ORDER

Chicago Trading Managers LLC is statutorily disqualified from registration under Sections 8a(2)(C) and (E) of the Commodity Exchange Act. Accordingly: one, the Division's motion for entry of a default judgment is hereby granted; two, Chicago Trading Managers, LLC is found conclusively unfit for registration; and three, the commodity pool operator and commodity trading advisor registrations of Chicago Trading Managers, LLC are hereby revoked.

Dated December 27, 2013.



Philip V. McGuire,
Judgment Officer