

UNITED STATES OF AMERICA
Before the
COMMODITY FUTURES TRADING COMMISSION

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12:12 pm, Apr 12, 2016

In the Matter of:)
)
)

Galileo Trading, LLC)
and Nathan Schleifer,)

Respondents.)
_____)

CFTC Docket No. 16-14

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 Galileo Trading, LLC ("Galileo") and Nathan Schleifer ("Schleifer") (collectively, "Respondents") have violated Sections 4b(a)(1)(A), (C), 4o(1), and 9(a)(4) of the Commodity Exchange Act (the "Act"), 7 U.S.C. §§ 6b(a)(1)(A), (C), 6o(1), and 13(a)(4), respectively. Therefore, the Commission deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted to determine whether Respondents 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, Respondents have submitted Offers of Settlement (the "Offers"), which the Commission has determined to accept. Without admitting or denying any of the findings herein, Respondents acknowledge service 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").¹

¹ Respondents consent 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 Respondents do not consent to the use of the Offers, or the findings in this Order consented to in the Offers, 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 do Respondents consent to the use of the Offers or this Order, or the findings in this Order consented to in the Offers, by any other party in any other proceeding.

III.

The Commission finds the following:

A. SUMMARY

From at least 1999 through 2014, Respondents fraudulently obtained at least \$2.8 million from numerous individual investors (“pool participants”) for the purported purpose of trading a pooled investment in commodity futures on a designated contract market, misrepresenting to pool participants that Respondents had achieved past success trading futures when they had never actually done so, and that Respondents were achieving enormous profits trading on their behalf when in fact Respondents’ trading resulted in significant losses. Most of the pool participants’ funds have not been returned. Respondents also solicited individuals for managed accounts by making similar material misrepresentations. Additionally, Respondents made numerous false statements and misrepresentations to the National Futures Association (“NFA”) during routine NFA audits.

B. RESPONDENTS

Galileo Trading, LLC, was incorporated in New York in 2001. Galileo became an NFA Member and CFTC-registered Commodity Pool Operator (“CPO”) and commodity trading advisor (“CTA”) on March 23, 2004.

Nathan Schleifer is a resident of New York City and has been a CFTC-registered Associated Person (AP) and Approved Principal of Galileo, and an NFA Associate Member since March 23, 2004.

C. FACTS

1. Schleifer’s Material Misrepresentations to Pool Participants

Beginning approximately in 1999, Schleifer, on behalf of Galileo, began soliciting and receiving funds to invest from numerous pool participants. One of the pool participants was a married couple (“Investor A”), who invested at least \$960,000 with Schleifer for purposes of investing in the futures markets. To induce them to invest, Schleifer represented to Investor A that he was a highly skilled, successful, and knowledgeable money manager; guaranteed minimum returns; and assured them that their money would be safe.

From 1999 through 2013, in numerous conversations and written account statements and 1099 tax forms, Schleifer assured Investor A that their funds were increasing in value, were safe and secure and would be available when they wanted them.

In April 2013, Investor A requested to withdraw \$40,000 of their funds. Initially, Schleifer told Investor A that he needed two weeks to obtain the funds but the next day informed them he had lost their money during the “flash crash” of May 6, 2010. Three months later, in a July 2013 meeting, Schleifer admitted to Investor A that the “flash crash” story was a

lie and that he had lost all of their money trading in or about 2000 or 2001. Schleifer confirmed this in writing in an August 2013 letter to Investor A. Schleifer also admitted that all of the account statements and 1099 tax forms that he provided to them over the years were false.

2. Schleifer's Material Misrepresentations to Galileo Managed Account Holders

From at least 2009 through the 2014, Schleifer, on behalf of Galileo, solicited at least \$1,899,000 from 11 individuals for Galileo to manage in at least twelve futures trading accounts. In soliciting some of these individuals, Schleifer represented, both orally and in marketing materials, that he was an experienced commodities trader; that he had a very profitable trading history; and that he was trading his own funds in parallel with the trades he made for his clients. In truth, Schleifer sustained significant trading losses in all but one of the accounts he managed. Schleifer did no futures trading in his own accounts and between 2008 and October 2014, Schleifer did not have a single profitable year trading futures in his or his clients' accounts. He knowingly and consistently provided false information about his past trading performance or omitted material facts about his prior losses to his clients to gain their business.

3. Schleifer Made False Statements to the NFA

Schleifer concealed material facts and made false statements to the NFA in response to its audit and annual questionnaires, and falsely represented that Galileo had no clients and did not trade on anyone's behalf.

NFA member firms, including CTAs and CPOs, are required to complete annual and quarterly forms reporting whether the firm is soliciting customers, the number of accounts managed by the firm, and the amount of funds under management. Beginning in February 2013, Schleifer filed at least six fraudulent forms with the NFA, misrepresenting that Galileo, as a registered CTA, was not offering any trading program and was not controlling the trading of any assets. In truth, Galileo was managing the trading for 12 trading accounts and controlling trading for two accounts in Schleifer's wife's name.

Further, during a September 2011 NFA examination of Galileo, Schleifer represented orally and in writing to the NFA that Galileo's primary source of revenue was managing Schleifer's wife's account, despite his consistently losing money trading his wife's account. He also represented that Galileo had not conducted any commodity or futures trading for customers as a CTA and had not operated any pools as a CPO, when in fact Galileo had been managing accounts.

IV.

LEGAL DISCUSSION

A. Section 4b(a)(1)(A), (C) of the Act: Fraud

Section 4b(a)(1)(A), (C) of the Act, 7 U.S.C. § 6b(a)(1)(A), (C), makes it unlawful to cheat or defraud, or to attempt to cheat or defraud, or willfully to deceive, or attempt to deceive, another 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, on or subject to the rules of a designated contract market, for or on behalf of any other person.

To prove that a respondent has violated Section 4b(a)(1)(A), (C) of the Act by fraudulent statements and omissions, the Commission need only show that: 1) the respondent made false statements or omitted certain information; 2) the statement or omission was material; and 3) the respondent acted with scienter. *CFTC v. R.J. Fitzgerald & Co., Inc.*, 310 F.3d 1321, 1328 (11th Cir. 2002) (citations omitted), *cert. denied*, 543 U.S. 1034 (2004); *see also In re Slusser*, [1998-1999 Transfer Binder] Comm. Fut. L. Rep. (CCH) 27,701 at 48,313 (CFTC July 19, 1999), *aff'd in relevant part sub nom. Slusser v. CFTC*, 210 F.3d 783(7th Cir. 2000); *Hammond v. Smith Barney Harris Upham & Co., Inc.*, [1987-1990 Transfer Binder] Comm. Fut. L. Rep. (CCH) 24,617 at 36,659 (CFTC Mar. 1, 1990).

"Whether a misrepresentation has been made depends on the 'overall message' and the 'common understanding' of the information conveyed." *R.J. Fitzgerald*, 310 F.3d at 1328 (citing *Hammond*, Comm. Fut. L. Rep. ,24,617 at 36,657, n.12). A statement or omitted fact is material if "a reasonable investor would consider it important in deciding whether to make an investment." *Id* at 1328-29; *CFTC v. Rosenberg*, 85 F. Supp. 2d 424, 447 (D.N.J. 2000) (same); *see also Madel v. Anspacher & Assoc., Inc.*, [1987-1990 Transfer Binder] Comm. Fut. L. Rep. (CCH) 24,412 at 35,813 (CFTC Mar. 14, 1989)(citing *Sudol v. Shearson Loeb Rhoades, Inc.*, [1984-1986 Transfer Binder] Comm. Fut. L. Rep. (CCH) 22,748 (CFTC Sept. 30, 1985)). Any fact that enables pool participants to assess independently the risk inherent in their investment and the likelihood of profit is a material fact. *See In re Commodities Int'l Corp.*, [1996-1998 Transfer Binder] Comm. Fut. L. Rep. (CCH) 26,943 at 44,463-64 (CFTC Jan. 14, 1997) (finding that misrepresentations and omissions to customers were material and fraudulent because customers could not properly evaluate their circumstances with regard to risk of loss and opportunity for profit).

In general, all manner of statements or omissions concerning the likelihood of profit, the risk of loss and other matters that a reasonable investor would consider material to his or her investment decisions, are material. *See, e.g., First Nat. Monetary Corp. v. Weinberger*, 819 F.2d 1334, 1340 (6th Cir. 1987) (a statement is material if there is a substantial likelihood that a reasonable investor considers it important in making an investment decision); *R.J. Fitzgerald*, 310 F.3d at 1332-1333 (misrepresentations of profit and risk are material).

The scienter requirement is met when an individual's "conduct involves intentional omissions or misrepresentations that present a risk of misleading customers, either known to the defendant or sufficiently manifest that the defendant 'must have been aware' of the risk." *CFTC v. King*, No. 3:06-CF-1583-M, 2007 WL 1321762, at *2 (N.D. Tex. May 7, 2007) (citing *R.J. Fitzgerald*, 310 F.3d at 1328) (internal quotations omitted); *Wasnick v. Refco, Inc.*, 911 F.2d 345, 348 (9th Cir. 1990) (citation omitted) (holding that scienter is established when an individual's acts are performed "with knowledge of their nature and character"). In addition, the Commission must demonstrate that the misrepresentations and omissions were made intentionally or recklessly. *See Drexel Burnham Lambert Inc. v. CFTC*, 850 F.2d 742, 748 (D.C. Cir. 1988) (recklessness is sufficient to satisfy scienter requirement); *see also CFTC v. Noble Metals Int 'I, Inc.*, 67 F.3d 766, 774 (9th Cir. 1995) (discussing Section 4b's scienter requirement). To prove that the conduct is intentional, the Commission must demonstrate that the actions of respondents were "intentional as opposed to accidental." *Lawrence v. CFTC*, 759 F.2d 767, 773 (9th Cir. 1985). To prove that conduct is reckless, the Commission must show

that it "departs so far from the standards of ordinary care that it is very difficult to believe the [actor] was not aware of what he was doing." *Drexel Burnham Lambert*, 850 F.2d at 748 (alteration in original) (internal quotation marks and citation omitted).

Here, Respondent Schleifer admitted to pool participants that he lied in 2013 when he claimed he had lost their money during the "flash crash" of May 6, 2010. Schleifer also admitted that all of the account statements and 1099 tax forms that he provided to them over the years were false. Further, Schleifer knowingly and consistently provided false information about his past trading performance or omitted material facts about his prior losses to Galileo's managed account clients to gain and maintain their business.

Such omissions are material in that a reasonable investor would want to know that the trading advisor or pool operator had a consistent track record of unsuccessful trading, and that the trading advisor or pool operator was not trading his own funds in manner consistent with the customer funds.

Accordingly, Schleifer violated Section 4b(a)(1)(A), (C) of the Act, 7 U.S.C. § 6b(a)(1)(A), (C).

B. Section 4o(l) of the Act: Fraud by Commodity Pool Operator

Section 4o(l)(A) of the Act, 7 U.S.C. § 6o(l)(A), makes it unlawful for a commodity pool operator ("CPO") or an associated person of a CPO to employ any device, scheme or artifice to defraud any pool participant or prospective pool participant. Section 4o(l)(B) of the Act, 7 U.S.C. § 6o(l)(B), makes it unlawful for a CPO or an AP of a CPO to engage in any transaction, practice, or course of business that operates as a fraud or deceit upon any pool participant or prospective pool participant.

Section 1a of the Act, 7 U.S.C. § 1a, defines a CPO as:

any person engaged in a business that is of the nature of an investment trust, syndicate, or similar form of enterprise, and who, in connection therewith, solicits, accepts or receives from others, funds, securities, or property, either directly or through capital contributions, the sale of stock or other forms of securities, or otherwise, for the purpose of trading in any commodity for future delivery on or subject to the rules of any contract market. . . .

Commission Regulation 1.3(aa)(3), 17 C.F.R. § 1.3(aa)(3) (2015), defines an AP of a CPO as any natural person who is associated with a CPO as a partner, officer, employee, consultant, or agent (or any natural person occupying a similar status or performing similar functions), in any capacity that involves (i) the solicitation of funds, securities, or property for participation in a commodity pool or (ii) the supervision of any person or persons so engaged.

Section 4o(l)(A), (B) 7 U.S.C. § 6o(l)(A), (B), applies to all CPOs and their APs whether registered, required to be registered, or exempt from registration. *See Skorupskas*, 605 F. Supp. 923, 932 (E.D. Mich. 1985). Galileo was acting as a CPO, and was registered with the Commission as a CPO, because it operated a business in the nature of an investment pool,

syndicate or similar form of enterprise and solicited, accepted or received funds for the purpose of trading commodity futures. Schleifer acted as an AP of Galileo, and was registered with the Commission as an AP, because he solicited funds from others for the purpose of investing in a commodity pool to trade futures contracts. Accordingly, Respondents violated Section 4o(1) of the Act, 7 U.S.C. § 6o(1).

In addition, the same fraudulent conduct that violates Section 4b(a) of the Act, as set forth above, also violates Section 4o(1). *Skorupskas*, 605 F. Supp. at 932-33. Moreover, unlike Sections 4b(a) and 4o(1)(A) of the Act, the language of Section 4o(1)(B) does not require "knowing" or "willful" conduct as a prerequisite for establishing liability. In this regard, the Commission has held that "[a]lthough scienter must be proved to establish a violation of Section 4b and 4o(1)(A), it is not necessary to establish a violation of Section 4o(1)(B)." *In re Kolter*, [1994-1996 Transfer Binder] Comm. Fut. L. Rep. (CCH) 26,262 at 42,198 (CFTC Nov. 8, 1994) (citing *Messer v. E.F. Hutton & Co.*, 847 F.2d 673, 678-79 (11th Cir. 1988).

Accordingly, Respondents violated Section 4o(1)(A), (B) of the Act, 7 U.S.C. § 6o(1)(A), (B).

C. Section 9(a)(4) of the Act: False Statements to NFA

Section 9(a)(4) of the Act, 7 U.S.C. § 13(a)(4), makes it a violation of the Act for any person willfully to falsify, conceal, or cover up by any trick, scheme, or artifice a material fact, make any false, fictitious, or fraudulent statements or representations, or make or use any false writing or document knowing the same to contain any false, fictitious, or fraudulent statement or entry to a registered entity, board of trade, or futures association designated or registered under this Act acting in furtherance of its official duties under the Act.

As a registered futures association, NFA must "establish and maintain a program for the protection of customers..." and "prevent fraudulent and manipulative acts and practices." Commission Regulation 170.5, 17 C.F.R. § 170.5 (2015), and Section 17 (b)(7) of the Act, 7 U.S.C. § 21(b)(7). In furtherance of its official duties under the Act, NFA undertook routine examinations of Galileo and requested documents and other information from Galileo and Schleifer. In response, Schleifer filed at least six fraudulent forms with the NFA, misrepresenting that Galileo was not offering any trading program and was not controlling the trading of any assets; in truth, Galileo was managing the trading for 12 trading accounts and controlling trading for two accounts in Schleifer's wife's name. He also verbally and in writing represented to the NFA that Galileo had not conducted any commodity or futures trading for customers as a CTA and has not operated any pools as a CPO. In truth, Galileo had been managing accounts.

Schleifer's willful misrepresentations of facts to NFA while NFA was acting in furtherance of its duties under the Act violated Section 9(a)(4) of the Act, 7 U.S.C. § 13(a)(4).

D. Sections 2(a)(1)(B) and 13(b) of the Act:
Respondents' Derivative Liability for Each Other's Violations

The acts, omissions, and failures of Schleifer in violation of the Act, as discussed above, occurred within the scope of his employment or office with Galileo. Therefore, Galileo is liable for Schleifer's acts, omissions, and failures in violation of the Act pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B), and Commission Regulation 1.2, 17 C.F.R. § 1.2 (2015).

V.

FINDINGS OF VIOLATIONS

Based on the foregoing, the Commission finds that Respondents violated Sections 4b(a)(1)(A), (C), 4o(1), and 9(a)(4) of the Act, 7 U.S.C. §§ 6b(a)(1)(A), (C), 6o(1), and 13(a)(4).

VI.

OFFERS OF SETTLEMENT

Respondents have submitted the Offers in which, without admitting or denying the findings herein, and prior to any adjudication of the issues of fact or law by the Commission, they each:

- A. Acknowledge receipt of service of this Order;
- B. Admit to 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 upon violation of or enforcement of this Order;
- C. Waive: (i) the service and filing of a complaint and notice of hearing; (ii) a hearing; (iii) all post-hearing procedures; (iv) judicial review by any court; (v) any and all objections to the participation by any member of the Commission's staff in the Commission's consideration of the Offers; (vi) any claim 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; (vii) any and all claims that Respondents may possess under the Equal Access to Justice Act, 5 U.S.C. § 504 (2006) and 28 U.S.C. § 2412 (2006), 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 (2015), relating to or arising from this proceeding; and (viii) any and all claims that Respondents 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;

- D. Stipulate that the record basis on which this Order is entered consists solely of the findings in this Order to which Respondents consented to in the Offers;
- E. Consent, solely on the basis of the Offers, to entry of this Order that:
1. makes findings that Respondents violated Sections 4b(a)(1)(A), (C), 4o(1), and 9(a)(4) of the Act, 7 U.S.C. §§ 6b(a)(1)(A), (C), 6Q(1), and 13(a)(4);
 2. orders Respondents to cease and desist from violating Sections 4b(a)(1)(A), (C), 4o(1), and 9(a)(4) of the Act, 7 U.S.C. §§ 6b(a)(1)(A), (C), 6o(1), and 13(a)(4);
 3. orders Respondents to pay, jointly and severally, restitution in the amount of one million one hundred fifty thousand, six hundred eighteen dollars and twenty-eight cents (\$1,150,618.28), plus post judgment interest, within thirty (30) days of the date of entry of this Order;
 4. orders Respondents to pay, jointly and severally, a civil monetary penalty in the amount of four hundred twenty thousand dollars (\$420,000) plus post-judgment interest;
 5. orders that Respondents are permanently prohibited from 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; soliciting, receiving, or accepting any funds from any person for the purpose of purchasing or selling any commodity interests; 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); and/or acting as a principal (as that term is defined in Regulation 3.1(a), 17 C.F.R. § 3.1(a)), 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)), 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);
 6. orders Respondents to comply with their undertakings consented to in the Offers and set forth below in Section VII of this Order.

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

VII.

ORDER

Accordingly, IT IS HEREBY ORDERED THAT:

- A. Respondents shall cease and desist from violating Sections 4b(a)(1)(A), (C), 4o(1), and 9(a)(4) of the Act, 7 U.S.C. §§ 6b(a)(1)(A), (C), 6Q(1), and 13(a)(4).
- B. Respondents shall pay, jointly and severally, restitution in the amount of one million one hundred fifty thousand, six hundred eighteen dollars and twenty-eight cents (\$1,150,618.28), plus post-judgment interest, within thirty (30) days of the date of entry of this Order (the "Restitution Obligation"). If the Restitution Obligation is not paid in full within thirty (30) days of the date of entry of this Order, then 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.

To effect payment by Respondents and the distribution of restitution to Respondents' customers, the Commission appoints the NFA as "Monitor." The Monitor shall collect payments of the Restitution Obligation from Respondents and make distributions as set forth below. Because the Monitor is not being specially compensated for these services, and these services are outside the normal duties of the Monitor, it shall not be liable for any action or inaction arising from its appointment as Monitor other than actions involving fraud.

Respondents shall make their payments of the Restitution Obligation under this Order in the name of the "Galileo Settlement Fund" and shall send such payments by electronic funds transfer, or U.S. postal money order, certified check, bank cashier's check, or bank money order to the Office of Administration, National Futures Association, 300 South Riverside Plaza, Suite 1800, Chicago, Illinois 60606, under a cover letter that identifies the paying Respondent and the name and docket number of this proceeding. The paying Respondent shall simultaneously transmit copies of the cover letter and the form of payment to the Chief Financial Officer, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, NW, Washington, D.C. 20581.

The Monitor shall oversee Respondents' Restitution Obligation and shall have the discretion to determine the manner of distribution of funds in an equitable fashion to the Respondents' customers or may defer distributions until such time as the Monitor may deem appropriate. In the event that the amount of payments of the Restitution Obligation to the Monitor are of a *de minimis* nature such that the Monitor determines that the administrative cost of making a restitution distribution is impractical, the Monitor may, in its discretion, treat such restitution payments as civil monetary penalty payments, which the Monitor shall forward to the Commission, as discussed below. To the extent any funds accrue to the U.S. Treasury for satisfaction of Respondents' Restitution Obligation, such funds shall be transferred to the Monitor for disbursement in accordance

with the procedures set forth in this Order.

- C. Respondents shall pay, jointly and severally, a civil monetary penalty in the amount of four hundred twenty thousand dollars (\$420,000) within ten days of the date of entry of this Order (the "CMP Obligation"). If the CMP Obligation is not paid within ten days of the date of entry of this Order, then 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 (2006). Respondents shall pay the CMP Obligation 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--- AMZ 340
E-mail Box: 9-AMC-AMZ-AR-
CFTC DOT/F AA/MMAC
6500 S. MacArthur Blvd.
Oklahoma City, Oklahoma
73169
Telephone: (405) 954-5644

If payment is to be made by electronic funds transfer, Respondents shall contact Nikki Gibson or her successor at the above address to receive payment instructions and shall fully comply with those instructions. Respondents shall accompany payment of the CMP Obligation with a cover letter that identifies the paying Respondent and the name and docket number of this proceeding. The paying Respondent shall simultaneously transmit copies of the cover letter and the form of payment to: (a) Director, Division of Enforcement, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, NW, Washington, DC 20581; and (b) Chief, Office of Cooperative Enforcement, Division of Enforcement, Commodity Futures Trading Commission, at the same address;

- D. Respondents are permanently prohibited from engaging, directly or indirectly, in 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), and all registered entities shall refuse them trading privileges;
- E. Respondents shall comply with the following conditions and undertakings set forth in the Offers:

1. Respondents shall pay, jointly and severally, disgorgement in the amount of Thirty-Eight Thousand and Twenty-Two dollars (\$38,022) ("Disgorgement Obligation").

To effect payment by Respondents and the distribution of disgorgement to Respondents' customers, the Commission appoints the NFA as "Monitor." The Monitor shall collect payments of the Disgorgement Obligation from Respondents and make distributions as set forth below. Because the Monitor is not being specially compensated for these services, and these services are outside the normal duties of the Monitor, it shall not be liable for any action or inaction arising from its appointment as Monitor other than actions involving fraud.

Respondents shall make this payment of the Disgorgement Obligation under this Order in the name of the "Galileo Settlement Fund" and shall send such payments by electronic funds transfer, or U.S. postal money order, certified check, bank cashier's check, or bank money order to the Office of Administration, National Futures Association, 300 South Riverside Plaza, Suite 1800, Chicago, Illinois 60606, under a cover letter that identifies the paying Respondents and the name and docket number of this proceeding. Respondents shall simultaneously transmit copies of the cover letter and the form of payment to the Chief Financial Officer, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street NW, Washington, D.C. 20581.

The Monitor shall oversee the Disgorgement Obligation and shall have the discretion to determine the manner of distribution of funds in an equitable fashion to the Respondents' customers or may defer distribution until such time as the Monitor may deem appropriate. In the event that the amount of payments of the Disgorgement Obligation to the Monitor are of a de minimis nature such that the Monitor determines that the administrative cost of making a disgorgement distribution is impractical, the Monitor may, in its discretion, treat such disgorgement payments as civil monetary penalty payments, which the Monitor shall forward to the Commission, as discussed below. To the extent any funds accrue to the U.S. Treasury for satisfaction of the Disgorgement Obligation, such funds shall be transferred to the Monitor for disbursement in accordance with the procedures set forth in this Order.

2. Respondents agree that neither they nor any of their successors or assigns, agents or employees under their 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 Respondents': (i) testimonial obligations; or (ii) right to take legal positions in other proceedings to which the Commission is not a party. Respondents and their

successors and assigns shall undertake all steps necessary to ensure that all of their agents and/or employees under their authority or control understand and comply with this agreement;

3. Respondents shall never, directly or indirectly:
 - (a) trade 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));
 - (b) enter into any transactions involving commodity interests (as that term is defined in Regulation 1.3(yy), 17 C.F.R. § 1.3(yy)) for Respondents' own accounts or for any accounts in which Respondents have a direct or indirect interest;
 - (c) have any commodity interests traded on their behalf;
 - (d) 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;
 - (e) solicit, receive, or accept any funds from any person for the purpose of purchasing or selling any commodity interests;
 - (f) 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); and/or
 - (g) act as a principal (as that term is defined in Regulation 3.1(a), 17 C.F.R. § 3.1(a)), 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)) 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).
4. Cooperation with Monitor: Respondents shall cooperate with the Monitor as appropriate to provide such information as the Monitor deems necessary and appropriate to identify Respondents' customers, whom the Monitor, in its sole discretion, may determine to include in any plan for distribution of any restitution payments. Respondents shall execute any documents necessary to release funds that they have in any repository, bank, investment or other financial institution, wherever located, in order to make partial or total payment toward the Restitution Obligation.
5. Partial Satisfaction: Respondents understand and agree that any acceptance by the Commission or the Monitor of any partial payment of Respondents' Restitution Obligation or CMP Obligation or Disgorgement Obligation shall not be deemed a waiver of their 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.

6. Change of Address/Phone: Until such time as Respondents satisfy in full their Restitution Obligation and CMP Obligation and Disgorgement Obligation as set forth in this Order, Respondents shall provide written notice to the Commission by certified mail of any change to their 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.



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

Dated: April 12, 2016