

**UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF MISSOURI  
EASTERN DIVISION**

<b>U.S. COMMODITY FUTURES TRADING COMMISSION,</b>	)	
	)	
<b>Plaintiff,</b>	)	
	)	
v.	)	<b>CIVIL ACTION NO.</b>
	)	<b>4:13CV001900 RWS</b>
<b>DANIEL K. STEELE and CHAMPION MANAGEMENT INTERNATIONAL, LLC</b>	)	
	)	
<b>Defendants,</b>	)	
	)	
<b>JUDY D. STEELE,</b>	)	
	)	
<b>Relief Defendant.</b>	)	
	)	
	)	

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

Plaintiff, U.S. Commodity Futures Trading Commission (the “Commission” or “CFTC”) alleges as follows:

**I. SUMMARY**

1. From at least February 28, 2011, through at least September 25, 2013 (the “relevant period”), Daniel K. Steele (“Steele”), individually and acting as an agent for Champion Management International, LLC (“Champion Management”) (collectively, “Defendants”), solicited at least \$1.97 million from at least 24 customers (“pool participants”) to participate in at least three pooled investment vehicles: (1) Steele Management LLC, a.k.a. Steele Management Int. (“SM”); (2) Champion Management, a.k.a. Champion Management Int. (“CM”); and

(3) Oracle Forex Fund, LP (“OFF”) (collectively “the Steele Pools”), for the purpose of trading in off-exchange agreements, contracts, or transactions in foreign currency (“forex”) on a leveraged or margined basis. Defendants, however, have never been properly registered with the Commission in any capacity.

2. Defendants knowingly began to issue, or caused to be issued, false account statements to pool participants starting in approximately December 2011, showing purported pool trading profits for the months of July 2011 through November 2011. In fact, Defendants did not transmit any pool participant funds to any counterparty for the purpose of trading in forex transactions until early February 2012. Defendants thus knowingly began to misrepresent the trading results in the pool or pools before Defendants had even begun to trade any of the pool participants’ funds in forex transactions.

3. In approximately the end of March 2012 and thereafter, Defendants further knowingly issued, or caused to be issued, false reports, or knowingly made or caused to be made, additional false representations to pool participants about the overall trading results in the Steele Pools. Defendants issued month-end account statements to most, if not all, pool participants. In these account statements, Defendants knowingly concealed the existence of unrealized, and at times realized trading losses, and knowingly issued, or caused to be issued, false reports to the pool participants stating that they had earned a share of “profits” from their participation in one or more of the Steele Pools. The monthly percentage “profit” that Defendants falsely reported to pool participants and prospective pool participants, or caused to be reported to pool participants and prospective pool participants, typically varied from approximately 1% up to 5% per month.

4. In fact, except for the first month of forex trading in February 2012, the overall month-end trading results in all of the Steele pool forex accounts was negative after factoring in

both the results of all closed trades for each month and the month-end negative value of all trades held open at the end of each month.

5. During the relevant period, Defendants also failed to properly operate the Steele Pools, as separate legal entities. Defendants also improperly commingled pool participants' funds with personal and business-related funds by causing pool participants' funds to be deposited into various bank and trading accounts held in the name of his wife, Judy D. Steele, individually and doing business as ("d/b/a") SM and CM, as well as accounts held in the name of OFF and Champion Management.

6. During the relevant period, Steele misappropriated most of the pool participants' funds by depositing pool participants' funds into his or his wife's personal bank or trading accounts, and then using the funds for personal and business-related expenses.

7. Steele, directly and by word of mouth, solicited pool participants located in Missouri and other states within the United States. Steele solicited at least some pool participants by email. Pool participants included friends, family members, and members of the general public.

8. In addition to the fraudulent misrepresentations and omissions described above, Defendants omitted and did not disclose to current or prospective pool participants the following material facts, among others: (1) that Steele, while acting as a commodity pool operator ("CPO") of SM and CM, had unlawfully failed to register with the Commission as a CPO for either pool; (2) that Steele, while acting as an associated person ("AP") of Champion Management, had unlawfully failed to register with the Commission as an AP of Champion Management; (3) that Steele had unlawfully commingled pool participants' funds with personal and business-related funds; (4) that SM and CM were not properly established as separate legal

entities as required by Commission Regulations; (5) that Champion Management, while acting as a CPO, had unlawfully failed to register with the Commission as such; (6) that MIG Bank (“MIG”), the Swiss bank into which Defendants had deposited some pool participants’ funds for the purpose of trading forex, was not a lawful counterparty; and (7) that during the relevant period, Steele had unlawfully misappropriated a majority of pool participants’ funds.

9. Defendants’ omissions described in paragraph 8, *supra*, operated as a fraud or deceit upon the pool participants.

10. As a result of Defendants’ unlawful conduct, Judy D. Steele received pool participants’ funds to which she has no legitimate interest or entitlement.

11. By virtue of this conduct and the conduct further described herein, Defendants have engaged, are engaging, or are about to engage in acts and practices in violation of provisions of the Commodity Exchange Act (“Act”), 7 U.S.C. §§ 1 *et seq.* (2012), and the Commission’s Regulations (“Commission Regulations”) promulgated thereunder, 17 C.F.R. §§ 1.1 *et seq.* (2013).

12. Since at least February 7, 2012, Steele committed the acts and/or omissions alleged herein within the course and scope of his employment, agency, or office with Champion Management. Champion Management is therefore liable under Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2012), and Commission Regulation 1.2, 17 C.F.R. § 1.2 (2013), as a principal for Steele’s violations of the Act and/or Commission Regulations.

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

14. In addition, Plaintiffs seek civil monetary penalties for each violation of the Act and Commission Regulations, and remedial ancillary relief, including, but not limited to, trading and registration bans, restitution, disgorgement, rescission, pre- and post-judgment interest, and such other relief as the Court may deem necessary and appropriate.

15. Unless restrained and enjoined by this Court, Defendants are likely to continue to engage in the acts and practices alleged in this Complaint or in similar acts and practices, as described more fully below.

## II. JURISDICTION AND VENUE

16. This Court possesses jurisdiction over this action pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2012), which authorizes the Commission to bring an action in proper district courts of the United States in order to seek injunctive and other 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 any provision of the Act or any rule, regulation, or order thereunder.

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

18. Venue properly lies with this Court pursuant to Section 6c(e) of the Act, 7 U.S.C. § 13a-1(e) (2012), because Defendants transact business in this District and certain transactions, acts, practices, and courses of business alleged in this Complaint occurred, are occurring, or are about to occur within this District.

### III. THE PARTIES

#### Plaintiff

19. Plaintiff **U.S. Commodity Futures Trading Commission** is an independent federal regulatory agency that is charged by Congress with the administration and enforcement of the Act, as amended, and the Commission Regulations promulgated thereunder. The Commission maintains its principal office at Three Lafayette Centre, 1155 21st Street, N.W., Washington, D.C. 20581.

#### Defendants

20. Defendant **Daniel Keith Steele** (“**Steele**”) resides in Rolla, Missouri, and is the operator and authorized trader of the Steele Pools. During the relevant period, Steele has operated the Steele Pools and various related businesses from the same address located at 305 Greentree Road, Rolla, Missouri 65401. Steele has never been registered with the Commission in any capacity. Steele is not an associated person (“AP”) of a financial institution, registered broker or dealer, insurance company, financial holding company, or investment bank holding company as defined by the Act.

21. Defendant **Champion Management International, LLC** (“**Champion Management**”) is a Missouri Limited Liability Company organized on February 7, 2012. The business address for Champion Management is 305 Greentree Road, Rolla, Missouri 65401. Steele is the registered agent and managing member of Champion Management. Champion Management has never been registered with the Commission in any capacity. Champion Management is the purported general partner and CPO of OFF. On or about February 27, 2012, Steele filed a notice of claim of exemption from registration as a CPO on behalf of Champion Management pursuant to Commission Regulation 4.13(a)(2), 17 C.F.R. § 4.13(a)(2) (2013). Champion Management is not a financial institution, registered broker or dealer, insurance

company, financial holding company, or investment bank holding company or associated person of such entities as defined by the Act.

**Relief Defendant**

22. Relief Defendant **Judy D. Steele** is married to Steele and resides in Rolla, Missouri. Upon information and belief, Judy D. Steele has received pool participants' funds that were obtained through Defendants' unlawful conduct and to which she has no legitimate interest or entitlement.

**Other Relevant Entities**

23. **Steele Management LLC, a.k.a. Steele Management Int. ("SM")**, is a "fictitious" name or d/b/a for Judy D. Steele created on October 9, 2012. During the relevant period, Steele operated SM as a commodity pool. The business address for SM is 305 Greentree Road, Rolla, Missouri 65401. SM has never been registered with the Commission in any capacity. SM is not a financial institution, registered broker or dealer, insurance company, financial holding company, or investment bank holding company or associated person of such entities as defined by the Act.

24. **Champion Management, a.k.a. Champion Management Int. ("CM")**, is a fictitious name or d/b/a for Judy D. Steele created on May 18, 2011. "Champion Management Int." is also a fictitious name, or d/b/a, for Judy D. Steele that was created on June 30, 2011. During the relevant period, Steele operated CM as a commodity pool. The business address for CM is 305 Greentree Road, Rolla, Missouri 65401. CM has never been registered with the Commission in any capacity. On or about February 26, 2013, an exemption from registration as a CPO pursuant to Commission Regulation 4.13(a)(2) was filed on behalf of CM. Upon information and belief, CM has never solicited or accepted any pool participant funds or

otherwise operated any commodity pool. CM is not a financial institution, registered broker or dealer, insurance company, financial holding company, or investment bank holding company or associated person of such entities as defined by the Act.

25. **Oracle Forex Fund, LP**, also d/b/a Oracle Forex Fund (“OFF”), is a Delaware Limited Partnership organized on February 7, 2012. OFF is also a fictitious name or d/b/a created on April 24, 2012 in the state of Missouri for which OFF is listed as the owner. During the relevant period, Steele, through Champion Management, operated OFF as a commodity pool. The business address for OFF is 305 Greentree Road, Rolla, Missouri 65401. OFF has never been registered with the Commission in any capacity. Champion Management is registered with the Commission as the CPO of OFF. OFF is not a financial institution, registered broker or dealer, insurance company, financial holding company, or investment bank holding company or associated person of such entities as defined by the Act.

26. **Champion Wealth Management, LLC** (“CWM”) is a Missouri Limited Liability Company organized on January 21, 2013. Steele is the registered agent and principal of CWM. CWM has been registered with the Commission as a CPO since March 14, 2013. On March 8, 2013, Steele filed an application for registration with the Commission as an AP with CWM. Steele’s application for registration as an AP of CWM has been pending since March 8, 2013. Upon information and belief, there is no evidence that CWM has ever solicited or accepted funds on behalf of any commodity pool, or that CWM operated any commodity pool.

27. **SMI Income Fund** is a purported commodity pool operated by SM. On November 14, 2011, Steele filed a notice of claim of exemption from registration as a CPO on behalf of SM pursuant to Commission Regulation 4.13(a)(1). Upon information and belief,



however, there is no evidence that SMI Income Fund has ever accepted any pool participant funds or otherwise operated as a commodity pool.

28. **MIG Bank** (“MIG”) is a forex brokerage firm headquartered in Lausanne, Switzerland. MIG is registered as an authorized bank and securities dealer with the Swiss Financial Market Supervisory Authority (FINMA). During the relevant period, Defendants transferred pool participants’ funds to accounts held in the name of Steele at MIG. MIG is not a United States financial institution, registered broker or dealer, financial holding company, or investment bank holding company or associated person of such entities as defined by the Act. On or about December 9, 2013, MIG merged with Swissquote Bank SA and now operates under the name Swissquote.

#### IV. FACTS

##### (a) **Statutory and Regulatory Background**

29. On June 18, 2008, the Act was amended to incorporate new provisions pertaining to off-exchange retail forex transactions, including Section 2(c)(2)(C) of the Act, 7 U.S.C. § 2(c)(2)(C) (2012). Section 2(c)(2)(C) of the Act, 7 U.S.C. § 2(c)(2)(C) (2012), provides, in relevant part, that Section 4o of the Act, 7 U.S.C. § 6o (2012), applies to retail forex transactions.

30. On October 18, 2010, the Commission adopted new regulations implementing certain provisions of the Act with respect to off-exchange retail forex transactions, including but not limited to, regulations requiring intermediaries such as CPOs and APs of CPOs to be registered as such.

##### *Applicability of Sections 4o(1)(A) and (B) of the Act, 7 U.S.C. § 6o(1)(A)-(B) (2012), to Forex CPOs*

31. Section 2(c)(2)(C)(ii)(I) of the Act, 7 U.S.C. § 2(c)(2)(C)(ii)(I) (2012), states in relevant part that Section 4o of the Act, 7 U.S.C. § 6o (2012), applies to agreements, contracts, or

transactions in forex described in Section 2(c)(2)(C)(i) of the Act, 7 U.S.C. § 2(c)(2)(C)(i) (2012).

32. Commission Regulation 5.25, 17 C.F.R. § 5.25 (2013), states in relevant part that Section 4o of the Act, 7 U.S.C. § 6o (2012), shall apply to retail forex transactions that are subject to the requirements of Part 5 of the Commission's Regulations as though Section 4o of the Act, 7 U.S.C. § 6o (2012), was set forth therein, and included specific reference to retail forex transactions and the persons defined in Commission Regulation 5.1, 17 C.F.R. § 5.1 (2013).

33. Sections 4o(1)(A) and (B) of the Act, 7 U.S.C. § 6o(1)(A)-(B) (2012), make it unlawful for any CPO, by use of the mails or any means or instrumentality of interstate commerce, directly or indirectly, (A) to employ any device, scheme, or artifice to defraud any participant or prospective participant, or (B) to engage in any transaction, practice, or course of business which operates as a fraud or a deceit upon any actual or prospective pool participant.

*Applicability of Section 4b(a)(2)(A)-(C) of the Act, 7 U.S.C. 6(b)(a)(2)(A)-(C)(2012) and Commission Regulations 5.2(b)(1)-(3) and 5.25, 17 C.F.R. § 5.2(b)(1)-(3) and 5.25 (2013) to Forex CPOs*

34. Section 2(c)(2)(C)(ii)(I) of the Act, 7 U.S.C. § 2(c)(2)(C)(ii)(I) (2012), states in relevant part that Section 4b of the Act, 7 U.S.C. § 6b (2012), applies to agreements, contracts, or transactions in forex described in Section 2(c)(2)(C)(i) of the Act, 7 U.S.C. § 2(c)(2)(C)(i) (2012).

35. Section 2(c)(2)(C)(iv) of the Act, 7 U.S.C. § 2(c)(2)(C)(iv) further provides that Section 4b of the Act, 7 U.S.C. § 6b (2012) shall apply to any agreement, contract, or transaction in foreign currency as if the agreement, contract, or transaction were a contract of sale of a commodity for future delivery.

36. Commission Regulation 5.2(b)(1)-(3) makes it unlawful for any person, by use of the mails or by any means or instrumentality of interstate commerce, in or in connection with any retail forex transaction: (1) To cheat or defraud or attempt to cheat or defraud any person; (2) Willfully to make or cause to be made to any person any false report or statement or cause to be entered for any person any false record; or (3) Willfully to deceive or attempt to deceive any person by any means whatsoever.

*Statutory and Regulatory Requirements Regarding Registration of Forex CPOs and APs*

37. Pursuant to Section 2(c)(2)(C)(iii)(I) of the Act, 7 U.S.C. § 2(c)(2)(C)(iii)(I) (2012), a person must be registered in such capacity as the Commission by rule, regulation, or order shall determine, to operate or solicit funds for any pooled investment vehicle that is not an eligible contract participant (“ECP”) as defined in Section 1a(18) of the Act, 7 U.S.C. § 1a(18) (2012), in connection with off-exchange retail forex transactions.

38. Pursuant to Commission Regulation 5.1(d)(1), 17 C.F.R. § 5.1(d)(1) (2013), a CPO, for the purpose of forex transactions, is defined as “any person who operates or solicits funds, securities, or property for a pooled investment vehicle that is not an [ECP] and that engages in retail forex transactions.”

39. As of July 16, 2011, the statutory definition of a CPO set forth in Section 1a(11) of the Act was amended by the Dodd-Frank Act to include CPOs operating commodity pools by soliciting and accepting funds for the purpose of trading forex, and to conform with the regulatory definition of a CPO set forth in Commission Regulation 5.1(d)(1), 17 C.F.R. § 5.1(d)(1) (2013).

40. Commission Regulation 5.3(a)(2)(i), 17 C.F.R. § 5.3(a)(2)(i) (2013), requires any person or entity acting as a CPO, as defined by Commission Regulation 5.1(d)(1), to be registered as such.

41. Defendants have never been registered with the Commission in any capacity.

42. Section 1a(18) of the Act, 7 U.S.C. § 1a(18) (2012), defines an ECP as a commodity pool that “(I) has total assets exceeding \$5,000,000; and (II) is formed and operated by a person subject to regulation under [the] Act...[and] shall not include a commodity pool in which any participant is not otherwise an eligible contract participant.”

43. None of the Steele Pools qualify as an ECP because they were not formed and operated by a person who was either registered as a CPO or who possessed a valid exemption from being registered as such. In addition, none of the Steele Pools qualify as an ECP because no Steele Pool ever had total assets exceeding \$5,000,000.

44. Pursuant to Commission Regulation 5.1(d)(2), 17 C.F.R. § 5.1(d)(2) (2013), an AP of a CPO is defined as any natural person associated with a CPO, as defined in Commission Regulation 5.1(d)(1), 17 C.F.R. § 5.1(d)(1) (2013), as a partner, officer, employee, consultant or agent who solicits funds on behalf of a CPO, or who supervises any person or persons so engaged.

45. Commission Regulation 5.3(a)(2)(ii), 17 C.F.R. § 5.3(a)(2)(ii) (2013), requires any person acting as an AP, as defined by Commission Regulation 5.1(d)(2), 17 C.F.R. § 5.1(d)(2) (2013), to be registered as such.

46. Since at least February 7, 2012, Steele has acted as an AP for Champion Management while unlawfully failing to register as such.

*Regulations Relating to Reporting Requirements  
and Prohibited Activities for CPOs*

47. Commission Regulation 4.20(a)(1), 17 C.F.R. § 4.20(a)(1) (2013) requires that a CPO must operate its pool as an entity cognizable as a legal entity separate from that of the pool operator.

48. During the relevant period, Steele operated the SM and CM pools without forming legally cognizable entities separate from that of the pool operator.

49. Commission Regulation 4.20(c), 17 C.F.R. § 4.20(c) (2013) provides that no CPO may commingle the property of any pool that it operates or that it intends to operate with the property of any other person.

50. During the relevant period, Steele commingled the property of one or more pools he operated or intended to operate with the property of another person.

51. Commission Regulation 1.3(yy) (2013) defines “commodity interest” to include any contract, agreement or transaction subject to Commission jurisdiction under Section 2(c)(2) of the Act, 7 U.S.C. § 2(c)(2) (2012).

52. Commission Regulation 4.22, 17 C.F.R. § 4.22 (2013), requires every CPO registered or required to be registered under the Act to distribute periodic account statements to all pool participants, with each such account statement reporting and separately itemizing, in part: a) the total amount of realized net gain or loss on commodity interest positions liquidated during the reporting period, b) the change in unrealized gain or loss on commodity interest positions during the reporting period and c) the total amount of all management and advisory fees, and all other expenses incurred or accrued during the reporting period. Commission Regulation 4.22(h), 17 C.F.R. § 4.22(h) further requires that such periodic account statements contain an oath or affirmation, made by a representative duly authorized to bind the pool

operator, that to the best of the knowledge of the individual making the oath or affirmation, the information contained in the document is accurate and complete.

53. During the relevant period, Defendants, while acting as CPOs, did not provide pool participants with periodic account statements containing the information and oath or affirmation required by Commission Regulation 4.22, 17 C.F.R. § 4.22 (2013).

*Regulations Requiring Retail Foreign Exchange Dealers to be Registered*

54. Commission Regulation 5.1(h)(1), 17 C.F.R. § 5.1(h)(1) (2013), defines a retail foreign exchange dealer (“RFED”), for purposes of Part 5 of the Commission’s Regulations relating to off-exchange retail forex transactions, as “any person that is, or that offers to be, the counterparty to a retail forex transaction, except for a person described in sub-paragraph (aa), (bb), (cc)(AA), or (dd) of section 2(c)(2)(B)(i)(II) of the Act.” These exceptions pertain to certain United States financial institutions, brokers, and dealers registered under the Securities Exchange Act of 1934 and associated persons thereof, futures commission merchants and affiliated persons thereof, financial holding companies, and investment bank holding companies.

55. Commission Regulation 5.3(a)(6)(i), 17 C.F.R. § 5.3(a)(6)(i) (2013), requires any person acting as an RFED, as defined by Commission Regulation 5.1(h)(1), 17 C.F.R. § 5.1(h)(1) (2013), to be registered as such.

56. MIG has never been registered with the Commission in any capacity. MIG is not a United States financial institution, registered broker or dealer, insurance company, financial holding company, or investment bank holding company or associated person of such entities as defined by the Act and accordingly does not qualify for any exception to the RFED registration requirement.

## **B. Defendants' Forex Operation**

57. During the relevant period, Steele solicited approximately \$1.97 million from at least 24 pool participants located in Missouri and various other states within the United States to deposit funds in the Steele Pools for the purposes of trading forex on a leveraged or margined basis. Steele solicited at least some pool participants via email, and in connection with the operation of the Steele Pools, Steele made use of the mails or any other means or instrumentality of interstate commerce. Defendants' forex operation occurred in two phases.

### *Phase I*

58. During the first phase, from at least February 28, 2011, until February 1, 2012, Steele operated SM and CM as pooled investment vehicles in that he solicited and accepted funds from pool participants for the purported purpose of trading forex.

59. At no time during this period, however, did Steele trade any forex on behalf of any pool participants or open any forex trading accounts in the name of SM or CM. Furthermore, Steele has never established SM or CM as separate legal entities.

60. During this period, pool participants deposited funds into bank accounts held in the name of Judy D. Steele d/b/a SM and CM.

61. During this period, instead of trading pool participants' funds, Steele misappropriated a portion of pool participants' funds for his personal benefit and commingled the pool participants' funds with personal funds and business-related funds.

62. During this Phase I period, Steele knowingly issued or caused to be issued false account statements to pool participants or prospective pool participants that showed purported forex trading profits, and he knowingly made, or caused to be made, false statements reporting

profitable or successful forex trading in the Steele Pools. In fact, during this Phase I, Defendants had not yet begun to engage in any forex trading on behalf of the Steele Pools.

Phase II

63. During the second phase, beginning February 2, 2012, through at least September 25, 2013, Steele and Champion Management, through Steele, operated OFF as a commodity pool vehicle by soliciting and accepting pool participants' funds for the purpose of trading forex.

64. During this second phase, pool participants deposited funds into bank accounts held in the name of OFF and Champion Management. Pool participants' funds were commingled with Steele's personal funds and business-related funds.

65. During this second phase, Steele wired approximately \$1.2 million of pool participants' funds to accounts held in his name and/or Judy D. Steele's name at MIG for the purpose of trading forex.

66. Beginning in February 2012, Steele began to deposit some of the pool participants' funds into an account ending in \*\*6956 at MIG that Steele opened and maintained in his name and that of his wife Judy D. Steele. Also beginning in February 2012, Steele began to enter into forex transactions in account \*\*6956, and later in two additional sub-accounts, with MIG acting as the counterparty, or offering to be the counterparty, to such forex transactions.

67. At all relevant times, Steele, acting individually and also, from February 7, 2012 through the present, as an agent of Champion Management, controlled and directed the forex trading in the MIG trading accounts.

68. At all relevant times, Steele had both access to, and received regular updates from MIG Bank on the status and value, either positive or negative, on all closed and open forex transactions in the MIG accounts controlled by Steele. Steele received this account information



in the form of daily account statements, month-end account statements, as well as through regular on-line access to MIG's trading platform.

69. Beginning in March 2012, Steele began to accrue and to maintain open forex positions that had a negative month-end value that exceeded the positive value of any forex positions that Steele closed out during the month.

70. For example, in March 2012, Steele closed out certain forex transactions in account \*\*6956 that resulted in trading gains for those forex transactions of approximately \$145,000. At the end of the same month, however, Steele left open other forex positions in the account that had an approximate month-end liquidating value (i.e., unrealized trading *losses*) of *negative* \$415,000. As a result, the overall trading results in the account for the month of March 2012, factoring together both realized gains and losses and all month-end unrealized gains or losses, was approximately *negative* \$270,000.

71. Steele continued to close out certain forex transactions in account \*\*6956 between April 2012 and June 2012 in such a manner that resulted in trading gains for the closed out transactions, while at the same time he left open other forex positions that had greater month-end unrealized losses each successive month, resulting each month in overall negative trading results.

72. For example, in June 2012, Steele closed out certain forex transactions in account \*\*6956 that resulted in trading gains for those transactions of approximately \$4,400. At the same time, however, Steele left open other forex positions in the account that had a month-end net liquidating value (i.e. unrealized trading *losses*) of approximately *negative* \$1,430,400.00. As a result, the overall trading results in the account for the month of May 2012, factoring

together both realized gains and losses and any month-end unrealized gains or losses, was approximately *negative* \$1,426,000.

73. During the month of June 2012, while Steele had open unrealized forex trading *losses* of over \$1.4 million in the MIG account, Steele and his family went on a week-long luxury cruise trip in Alaska. Steele used over \$16,000 in misappropriated pool participant funds to pay for this trip.

74. In July 2012, Steele closed out a large number of losing forex positions in account \*\*6956, such that at the end of the month, Steele incurred *realized* trading *losses* in the account of approximately \$1,380,000. During the same month, Steele left open other losing forex positions that had a month-end net liquidating value (i.e. unrealized trading losses) of negative \$88,000. As a result, the overall trading results in the account for that month, factoring together both realized losses and any month-end unrealized losses, was approximately *negative* \$1,468,000.

75. Less than one week after Steele closed out a large number of losing forex transactions in the MIG account and incurred over \$1.3 million in realized trading *losses*, he sent an email to at least one pool participant in which he stated that “with all that’s gone on this year, I have been able to maintain a positive return for the fund just not the 20 to 30% I had last fall.” Steele also attached false account statements to the email that showed purported pool trading profits for the months of September 2011 through June 2012, when in fact Steele knew or had to have known that there were either no trading results to report, or overall month-end negative trading results in the Steele Pools, for every month in 2012 in that period of time except February 2012.

76. Steele closed out all remaining open forex transactions in account \*\*6956 in the month of August 2012, resulting in realized trading losses, and overall trading results for the month, of approximately *negative* \$98,000. Steele did not conduct any forex transactions in account \*\*6956 during the months of September 2012 or October 2012.

77. In November 2012, Steele transferred \$160,000 from MIG Bank forex trading account \*\*6956 to open a second MIG Bank forex account ending in \*\*9513 in the name of Steele and his wife, and he also separately transferred another \$160,000 from MIG Bank forex trading account \*\*6956 to open a third MIG Bank forex account ending in \*\*9514, also in the name of Steele and his wife.

78. Beginning in November 2012 and continuing until all remaining forex transactions in the MIG forex trading accounts were liquidated in October 2013, Steele continued to trade forex in the three MIG Bank accounts in a manner similar to his earlier forex trading, i.e. he selectively closed out certain forex transactions that resulted in trading gains as to those transactions, while at the same time, he left open at the end of the month other losing forex positions that had a larger negative value in the aggregate. Accordingly, when factoring in the value of both closed forex transactions and the month-end negative value of all open forex transactions for each successive month, Steele had overall net trading losses in the accounts in the aggregate.

79. In February, March, April and May of 2013, Steele opened, but did not close out, any forex transactions in any of the three MIG accounts that resulted in either realized profits or realized losses for those months. During these same months, Steele left open *losing* forex positions in the accounts, with the approximate month-end *negative* liquidating value of all open forex positions being as follows:

February 2013: (\$1,095,000);

March 2013: (\$1,087,000);

April 2013: (\$1,065,000); and

May 2013: (\$1,052,000).

80. Steele incurred over \$700,000 in *realized* trading losses in one of the MIG accounts in June 2013, and he ultimately closed out all remaining forex transactions in the three MIG accounts in October 2013, resulting in additional net *realized losses* for that month for the three accounts combined of over \$400,000. The final liquidated value of the three MIG accounts after all open trades were closed out in October 2013 was less than \$60,000.

81. When factoring in the results of all closed out forex trades in the three MIG accounts that Steele used to trade some of the pool participants' funds, Steele incurred over \$600,000 in *realized trading losses*.

82. During this Phase II period, Steele knowingly issued, or caused to be issued, false account statements to pool participants or prospective pool participants that showed purported forex trading profits, when in fact Steele knew, or had to be aware, that there were in fact no such forex trading profits, and that there was instead, during each of the periods of time referenced in the false account statements, overall negative trading results in the Steele Pools he operated.

83. During the Phase II period, Steele knowingly made, or caused to be made, material misrepresentations to pool participants and prospective pool participants about the trading experience, track record, status and results of forex trading in the Steele Pools he operated, including, but not limited to the following statements:

- (a) “we have seen tremendous growth and have accomplished great things as well as some amazing returns”;
- (b) “I’m up so much money this morning on trades placed February 24 & March 21 it would make your head spin...”;
- (c) “I’ve been doing this long enough to know what I can consistently deliver above expenses, in all market conditions...the return is fixed and is currently 5% per month on your invested amount compounded...”;
- (d) “Currently I am handling over \$3 million including my own funds within the fund”;
- (e) “I have been able to maintain a positive return for the fund just not the 20[%] to 30% I had last fall”;
- (f) “I absolutely beyond a shadow of a doubt can produce the numbers required to sustain a fund at 10%...I have been trading and managing accounts long enough and have my system down so well that this is a minimum that I can produce month after month year after year....”;
- (g) “we have delivered 5% [monthly] return consistently to our clients for [the last] 4 months”;
- (h) “I have earned returns from a few % to over 30% per month”;
- (i) Less than one week after Steele received a July 2012 month-end statement from MIG that reflected he had incurred realized trading losses for that month of over \$1.3 million, he sent an email to a prospective pool participant, in which he stated, in part: “What I can give you is net return after expenses.... The net return on the fund are as follows: Feb [2012]: 28.700%; Mar [2012]: 20.740%; Apr [2012]:

18.826%; May [2012]: 14.044%; Jun [2012]: 16.428%; Jul [2012]: 12.776%”;

(j) “I believe we have reached a level of sustainable net profit that can be achieved in all market conditions and under whatever circumstances the company or myself may find ourselves in regardless”;

(k) “As far as trading goes all is well”;

(l) “Gross returns for August were 9.31%”;

(m) “Your net profit [for 2012] is \$3,074.89”; and

(n) “Regardless of the outcome [of the case filed by the Missouri Securities Division] your money is safe.”

84. In August 2013, one of the CM pool participants made repeated requests to Steele to provide the pool participant with copies of recent trading statements from MIG. Steele initially did not comply with this request, but ultimately Steele sent the pool participant an email stating, in part, “My best estimate is that I control close to 3 MM. Attached are the last statements.” Steele continued in this email response to say, in part, “I don’t have anything to hide... I was open and honest with you from the start.”

85. The purported MIG account statements that Steele attached to his August 21, 2013 email to the pool participant who requested them were not authentic copies of the actual MIG trading statements, but were instead forgeries. Steele had access to and knowledge of the true information about each account, and therefore Steele knowingly provided the forged account statements to the pool participant. While certain portions of each forged statement contained data or entries from the real MIG account statements, other portions of the forged account statements that Steele provided to the pool participant were materially altered. For example, the aggregate “equity” listed in the three forged account statements for the month of June 2013 was

over \$5.4 million dollars, whereas the real aggregate equity balance in the three MIG Bank accounts combined that month was less than \$155,000. Similarly, the aggregate “equity” listed in the three forged July 2013 MIG Bank trading statement that Steele provided to the pool participant was over \$5.38 million, when the real aggregate equity in the three MIG Bank accounts combined for that month was less than \$125,000.

86. Neither Defendants, nor the counterparty to any forex transactions that were entered into by Defendants and the pool participants, were United States financial institutions, registered brokers or dealers (or their associated persons), or financial holding companies.

### **C. Defendants’ Material Omissions**

#### **Steele Failed to Disclose That He Misappropriated Pool Participants’ Funds**

87. During the relevant period, Steele misappropriated a majority of the pool participants’ funds by using these funds for personal use and to pay business-related expenses for himself and his wife.

88. Specifically, during the relevant period, Defendants received approximately \$1.97 Million from pool participants, which were deposited into bank accounts and/or trading accounts held in the name of Judy D. Steele d/b/a SM and CM, or Daniel Steele. Steele misappropriated approximately \$1 million of pool participants’ funds for personal use, including such expenses as: the purchase of a sports utility vehicle, an ocean cruise trip, car payments, groceries, home improvement supplies, and items at Wal-Mart and Amazon.com.

89. During the relevant period, Judy D. Steele received approximately \$180,000 of these misappropriated funds to which she had no legitimate business interest or entitlement.

90. Steele failed to disclose to actual and prospective pool participants that he had misappropriated SM and CM pool participant funds.

**Steele Failed to Establish SM and CM as Separate Legal Entities and Improperly Commingled Pool Participants' Funds**

91. Commission Regulation 4.20(a)(1), 17 C.F.R. § 4.20(a)(1) (2013), provides that a CPO “must operate its pool as an entity cognizable as a legal entity separate from that of the pool operator.”

92. During the relevant period, Steele, while acting as a CPO for SM and CM, failed to establish SM or CM as separate legal entities. Instead, Steele caused pool participants to deposit funds into bank accounts held in the name of his wife Judy D. Steele d/b/a SM and CM.

93. Commission Regulation 4.20(c), 17 C.F.R. § 4.20(c) (2013), prohibits a CPO from commingling the property of any pool that it operates with the property of any other person.

94. During the relevant period, Steele, while acting as a CPO for SM and CM, commingled pool participants' funds with the personal and business-related funds. Specifically, SM and CM pool participants' funds were deposited into personal bank accounts held in the name of Judy D. Steele d/b/a SM and CM. In addition to using these bank accounts to deposit pool participants' funds, Steele and his wife also used these bank accounts for personal and business-related purposes without disclosing this to pool participants.

**Defendants Failed to Properly Register with the Commission**

95. During the relevant period, Steele acted as a CPO for SM and CM in that he solicited and accepted funds from pool participants for the purpose of engaging in retail forex transactions on a leveraged or margined basis. Steele also acted as an AP for Champion Management in that he solicited funds as an agent for Champion Management, which is a CPO for OFF.

96. Neither Steele nor Champion Management has ever been registered with the Commission in any capacity.



97. On or about February 27, 2012, Steele filed a notice of claim of exemption from registration as a CPO on behalf of Champion Management pursuant to Commission Regulation 4.13(a)(2).

98. Commission Regulation 4.13(a)(2) allows for an exemption from registration as a CPO for a commodity pool that has less than 15 participants and that the total amount it receives for “units of participation in all of the pools it operates or that it intends to operate do not in the aggregate exceed \$400,000.” 17 C.F.R. § 4.13(a)(2) (2013). However, neither Steele nor Champion Management qualifies for this exemption because the Steele Pools’ funds exceed \$400,000 in the aggregate.

99. Defendants also failed to amend this notice of the exemption through the NFA within 15 business days after the pool operator becomes aware of the occurrence of such event as required by Commission Regulation 4.13(b)(5), 17 C.F.R. § 4.13(b)(5) (2013).

100. Accordingly, during the relevant period, Defendants unlawfully failed to register with the Commission, failure to register with the Commission was material, and Defendants failed to disclose this material information to actual and/or prospective pool participants.

*Defendants Failed to Disclose that MIG is not a Proper Counterparty*

101. During the second phase of Defendants’ forex operation, Steele transferred or caused to be transferred approximately \$1.2 million in pool participants’ funds to three accounts held in his name at MIG for the purpose of trading forex.

102. During this period, MIG was acting as an RFED because MIG accepted pool participants’ funds that Steele had caused to be deposited with MIG, and offered to be, and/or was, the counterparty to all of Champion Management’s forex transactions. Accordingly, MIG

was either required to be registered as an RFED or required to qualify for an exemption from such registration.

103. MIG, however, has never been registered in any capacity with the Commission, nor is it one of the enumerated exempt entities including a United States financial institution, registered broker or dealer, financial holding company, or investment bank holding company or associated person of such entities as defined by the Act.

104. Defendants failed to disclose to pool participants that MIG, the counterparty to Champion Management's retail leveraged forex transactions, was not a proper counterparty to Champion Management's forex transactions. This information was material.

**VI. VIOLATIONS OF THE COMMODITY EXCHANGE ACT AND THE COMMISSION'S REGULATIONS**

**COUNT ONE**

**VIOLATION OF SECTIONS 4b(a)(2)(A)-(C) OF THE ACT, 7 U.S.C. § 6b(a)(2)(A)-(C)(2012) AND COMMISSION REGULATION 5.2(b)(1)-(3), 17 C.F.R. § 5.2(b)(1)-(3)(2013): FRAUD IN CONNECTION WITH FOREX TRANSACTIONS**  
**(Against Daniel Steele and Champion Management)**

105. Paragraphs 1 through 104 are realleged and incorporated herein by reference.

106. Section 4b(a)(2)(A)-(C) of the Act, 7 U.S.C. § 6b(a)(2)(A)-(C) makes it unlawful:

For any person, in or in connection with any order to make, or the making of, any contract of sale of any commodity in interstate commerce or for future delivery... that is made, or to be made, for or on behalf of, or with, any other person other than on or subject to the rules of a designated contract market- (A) to cheat or defraud or attempt to cheat or defraud the other person; (B) willfully to make or cause to be made to the other person any false report or statement or cause to be entered for the other person any false record; (C) willfully to deceive or attempt to deceive the other person by any means whatsoever in regard to any order or contract or the disposition of any order or contract, or in regard to any act of agency performed, with respect to any order or contract for or, in the case of [this] paragraph (2), with the other person....

Section 4b(a)(2)(A)-(C) of the Act, applies to Defendants' forex transactions "as if" they were a contract of sale of a commodity for future deliver. Section 2(c)(2)(C)(iv) of the Act, 7 U.S.C. § 2(c)(2)(C)(iv).

107. Commission Regulation 5.2(b)(1)-(3) provides that it shall be unlawful:

For an person, by use of the mails or any means or instrumentality of interstate commerce, directly or indirectly, in or in connection with any retail forex transaction: (1) To cheat or defraud or attempt to cheat or defraud any person; (2) Willfully to make or cause to be made to any person any false report or statement or cause to be entered for any person any false record; (3) Willfully to deceive or attempt to deceive any person by any means whatsoever.

108. As set forth above, during the relevant period, Steele in or in connection with off-exchange agreements, contracts or transactions in foreign currency that are leveraged or margined, made or to be made, for or on behalf of, or with, other persons, violated Sections 4b(a)(2)(A)-(C) of the Act, 7 U.S.C. § 6b(a)(2)(A)-(C) (2012), and Commission Regulations 5.2(b)(1)-(3), 17 C.F.R. § 5.2(b)(1)-(3) (2013) by, among other things: (1) misrepresenting the profitability of his trading and the value of the Steele Pools; (2) issuing or causing to be issued false reports or false statements about the status or results of trading; and (3) misappropriating pool participants' funds.

109. Steele, acting individually and as agent for Champion Management, engaged in the acts and practices alleged above knowingly, willfully or with reckless disregard for the truth.

110. From February 7, 2012 through the present, the foregoing misappropriation, fraudulent acts, misrepresentations and omissions of Steele occurred within the scope of his employment, office or agency with Champion Management. Therefore, pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2012), and Commission Regulation 1.2, 17 C.F.R. § 1.2 (2013), Champion Management is liable for Steele's violations of Sections 4b(a)(2)(A)-(C)

of the Act, 7 U.S.C. § 6b(a)(2)(A)-(C) (2012), and Commission Regulations 5.2(b)(1)-(3), 17 C.F.R. § 5.2(b)(1)-(3) (2013).

111. Each act of misappropriation, misrepresentation, or omission of material fact, including but not limited to those specifically alleged herein, is alleged as a separate and distinct violation of Sections 4b(a)(2)(A)-(C) of the Act, 7 U.S.C. § 6b(a)(2)(A)-(C) (2012), and Commission Regulations 5.2(b)(1)-(3), 17 C.F.R. § 5.2(b)(1)-(3) (2013).

## COUNT TWO

**VIOLATION OF SECTION 4o(1) OF THE ACT, 7 U.S.C. § 6o(1) (2012): FRAUD BY A COMMODITY POOL OPERATOR AND FAILURE TO DISCLOSE MATERIAL INFORMATION, WHICH OPERATED AS A FRAUD OR DECEIT, TO EXISTING OR PROSPECTIVE POOL PARTICIPANTS**

**(Against Daniel Steele and Champion Management)**

112. The allegations set forth in paragraphs 1 through 104 are re-alleged and incorporated herein by reference.

113. Section 4o(1) of the Act, 7 U.S.C. § 6o(1) (2012) makes it unlawful for a CPO, by use of the mails or any means or instrumentality of interstate commerce, directly or indirectly to:

- (A) Employ any device, scheme or artifice to defraud any client or participant or prospective client or participant; or
- (B) engage in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or participant or prospective client or participant.

114. Pursuant to Section 2(c)(2)(C)(ii)(I) of the Act, 7 U.S.C. § 2(c)(2)(C)(ii)(I) (2012), Section 4o(1) of the Act applies to Defendants' forex transactions, agreements, or contracts and accounts and pooled investment vehicles.

115. During the relevant period, Steele acted as a CPO by operating or soliciting, accepting, and receiving funds into at least two pooled investment vehicles for the purpose of

trading in retail forex as described in Section 2(c)(2)(C)(i) of the Act, 7 U.S.C. § 2(c)(2)(C)(i) (2012).

116. During the relevant period, Steele violated Section 4o(1) of the Act, 7 U.S.C. § 6o(1)(B) (2012), in that he employed a device, scheme or artifice to defraud any participant or prospective participant, and/or engaged in transactions, practices, or a course of business which operated as a fraud or deceit upon actual and/or prospective pool participants by, among other things, (1) misrepresenting the profitability of his trading and the value of the Steele Pools; (2) issuing or causing to be issued false reports or false statements about the status or results of trading; (3) misappropriating customers' and pool participants' funds; (4) failing to disclose the material facts that Steele, while acting as a CPO for SM and CM, had unlawfully failed to register with the Commission as a CPO of either SM or CM; (5) failing to disclose the material fact that Steele, while acting as an AP of Champion Management, had unlawfully failed to register as an AP of Champion Management; (6) failing to disclose the material fact that Steele had commingled pool participants' funds with personal and business-related funds; (7) failing to disclose the material fact that SM and CM were not properly established as separate legal entities as required by the Commission Regulations; (8) failing to disclose the material fact that Champion Management, while acting as a CPO, had unlawfully failed to register with the Commission as a CPO; and (9) failing to disclose the material fact that MIG was not a lawful counterparty to Champion Management's forex transactions.

117. Since at least February 7, 2012, Steele committed the acts alleged above within the course and scope of his employment, office, or agency with Champion Management. Champion Management is therefore liable as a principal for Steele's violations of the Act and/or

Commission Regulations pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2012), and Commission Regulation 1.2, 17 C.F.R. § 1.2 (2013).

118. Each instance during the relevant period in which Steele employed a device, scheme, or artifice to defraud or attempt to defraud any participant or prospective participant, or engaged in any transactions, practices, or a course of business which operated as a fraud or deceit upon actual and/or prospective pool participants, including but not limited to those specifically alleged herein, is alleged as a separate and distinct violation of Section 4o(1) of the Act, 7 U.S.C. § 6o(1) (2012).

### **COUNT THREE**

**VIOLATION OF SECTION 2(c)(2)(C)(iii)(I)(cc) OF THE ACT, 7 U.S.C.**  
**§ 2(c)(2)(C)(iii)(I)(cc) (2012) AND COMMISSION REGULATION 5.3(a)(2)(i), 17 C.F.R.**  
**§ 5.3(a)(2)(i) (2013): FAILURE TO REGISTER AS A CPO**  
**(Against Daniel Steele)**

119. The allegations set forth in paragraphs 1 through 104 are realleged and incorporated herein by reference.

120. Pursuant to Section 2(c)(2)(C)(iii)(I)(cc) of the Act, 7 U.S.C. § 2(c)(2)(C)(iii)(I)(cc) (2012), any person, unless registered in such capacity as the Commission shall determine, shall not operate or solicit funds, securities, or property for any pooled investment vehicle that is not an ECP in connection with agreements, contracts, or transactions described in Section 2(c)(2)(C)(i) of the Act, 7 U.S.C. § 2(c)(2)(C)(i) (2012), entered into with or to be entered into with a person who is not described in “item (aa), (bb), (dd), (ee), or (ff)” of Section 2(c)(2)(B)(II) of the Act, 7 U.S.C. § 2(c)(2)(B)(II) (2012). Commission Regulation 5.1(d)(1), 17 C.F.R. § 5.1(d)(1) (2013), defines a CPO, for purposes of Part 5 of the Commission’s Regulations relating to off-exchange forex transactions, as any person who operates or solicits funds, securities, or property for a pooled investment vehicle that is not an

ECP as defined in Section 1a of the Act, 7 U.S.C. § 1a(18) (2012), and that engages in retail forex transactions.

121. Commission Regulation 5.3(a)(2)(i), 17 C.F.R. § 5.3(a)(2)(i) (2013), requires any person or entity acting as a CPO, as defined by Commission Regulation 5.1(d)(1), to be registered as such.

122. During the relevant period, Steele acted as a CPO, as defined by Commission Regulation 5.1(d)(1) relating to off-exchange forex transactions, because he operated or solicited funds for at least two pooled investment vehicles, SM and CM, that were not ECPs, as defined in Section 1a(18) of the Act, 7 U.S.C. § 1a(18) (2012), and engaged in retail forex transactions. Steele, however, unlawfully failed to register with the Commission as a CPO in violation of Section 2(c)(2)(C)(iii)(I)(cc) of the Act, 7 U.S.C. § 2(c)(2)(C)(iii)(I)(cc) (2012), and Commission Regulation 5.3(a)(2)(i), 17 C.F.R. § 5.3(a)(2)(i) (2013), and did not qualify for any exemption from such requirement.

123. Each instance that Steele acted as a CPO, as defined by Commission Regulation 5.1(d)(1), 17 C.F.R. § 5.1(d)(1) (2013), relating to off-exchange forex transactions, but failed to register with the Commission as a CPO, is alleged as a separate and distinct violation of Section 2(c)(2)(C)(iii)(I)(cc) of the Act, 7 U.S.C. § 2(c)(2)(C)(iii)(I)(cc) (2012), and Commission Regulation 5.3(a)(2)(i), 17 C.F.R. § 5.3(a)(2)(i) (2013).

#### COUNT FOUR

**VIOLATION OF SECTION 2(c)(2)(C)(iii)(I)(cc) OF THE ACT, 7 U.S.C. § 2(c)(2)(C)(iii)(I)(cc) (2012) AND COMMISSION REGULATION 5.3(a)(2)(i), 17 C.F.R. § 5.3(a)(2)(i) (2013): FAILURE TO REGISTER AS A CPO (Against Champion Management)**

124. The allegations set forth in paragraphs 1 through 104 are realleged and incorporated herein by reference.

125. Pursuant to Section 2(c)(2)(C)(iii)(I)(cc) of the Act, 7 U.S.C.

§ 2(c)(2)(C)(iii)(I)(cc) (2012), any person, unless registered in such capacity as the Commission shall determine, shall not operate or solicit funds, securities, or property for any pooled investment vehicle that is not an ECP in connection with agreements, contracts or transactions described in Section 2(c)(2)(C)(i) of the Act, 7 U.S.C. § 2(c)(2)(C)(i) (2012), entered into with or to be entered into with a person who is not described in “item (aa), (bb), (dd), (ee), or (ff)” of Section 2(c)(2)(B)(II) of the Act, 7 U.S.C. § 2(c)(2)(B)(II) (2012). Commission Regulation 5.1(d)(1), 17 C.F.R. § 5.1(d)(1) (2013), defines a CPO, for purposes of Part 5 of the Commission’s Regulations relating to off-exchange forex transactions, as any person who operates or solicits funds, securities, or property for a pooled investment vehicle that is not an ECP as defined in Section 1a of the Act, 7 U.S.C. § 1a(18) (2012), and that engages in retail forex transactions.

126. Commission Regulation 5.3(a)(2)(i), 17 C.F.R. § 5.3(a)(2)(i) (2013), requires any person or entity acting as a CPO, as defined by Commission Regulation 5.1(d)(1), to be registered as such.

127. Since at least February 7, 2012, Champion Management, through its agent Steele, acted as a CPO, as defined by Commission Regulation 5.1(d)(1) relating to off-exchange forex transactions, because it operated or solicited funds for at least one pooled investment vehicle, OFF, that was not an ECP, as defined in Section 1a(18) of the Act, 7 U.S.C. § 1a(18) (2012), and engaged in retail forex transactions. Champion Management, however, failed to register with the Commission as a CPO in violation of Section 2(c)(2)(C)(iii)(I)(cc) of the Act, 7 U.S.C. § 2(c)(2)(C)(iii)(I)(cc) (2012), and Commission Regulation 5.3(a)(2)(i), 17 C.F.R. § 5.3(a)(2)(i) (2013), and did not qualify for any exemption from such requirement.



128. Each instance that Champion Management acted as a CPO, as defined by Commission Regulation 5.1(d)(1), 17 C.F.R. § 5.1(d)(1) (2013), relating to off-exchange forex transactions, but failed to register with the Commission as a CPO, is alleged as a separate and distinct violation of Section 2(c)(2)(C)(iii)(I)(cc) of the Act, 7 U.S.C. § 2(c)(2)(C)(iii)(I)(cc) (2012), and Commission Regulation 5.3(a)(2)(i), 17 C.F.R. § 5.3(a)(2)(i) (2013).

#### COUNT FIVE

**VIOLATION OF SECTION 2(c)(2)(C)(iii)(I)(aa) OF THE ACT, 7 U.S.C. § 2(c)(2)(C)(iii)(I)(aa) (2012) AND COMMISSION REGULATION 5.3(a)(2)(ii), 17 C.F.R. § 5.3(a)(2)(ii) (2013): FAILURE TO REGISTER AS AN AP**  
**(Against Daniel Steele and Champion Management)**

129. The allegations set forth in paragraphs 1 through 104 are realleged and incorporated herein by reference.

130. Pursuant to Section 2(c)(2)(C)(iii)(I)(aa) of the Act, 7 U.S.C. § 2(c)(2)(C)(iii)(I)(aa) (2012), any natural person, unless registered in such capacity as the Commission shall determine, is prohibited from soliciting or supervising any person soliciting funds, securities, or property for any pooled investment vehicle that is not an ECP in connection with agreements, contracts or transactions described in Section 2(c)(2)(C)(i) of the Act, 7 U.S.C. § 2(c)(2)(C)(i) (2012), entered into with, or to be entered into with, a person who is not described in “item (aa), (bb), (dd), (ee), or (ff)” of Section 2(c)(2)(B)(II) of the Act, 7 U.S.C. § 2(c)(2)(B)(II) (2012). Commission Regulation 5.1(d)(2), 17 C.F.R. § 5.1(d)(2) (2013), defines an AP, for purposes of Part 5 of the Commission’s Regulations relating to off-exchange forex transactions, as any natural person associated with a CPO, as defined in Commission Regulation 5.1(d)(1), 17 C.F.R. § 5.1(d)(1) (2013), as a partner, officer, employee, consultant, or agent that is involved in the solicitation of funds or the supervision of any such person so engaged.

131. Commission Regulation 5.3(a)(2)(ii), 17 C.F.R. § 5.3(a)(2)(ii) (2013), requires any natural person associated with a CPO, as defined by Commission Regulation 5.1(d)(1), to be registered as an AP.

132. From at least February 7, 2012 through the present, Steele acted as an AP, as defined by Commission Regulation 5.1(d)(2) relating to off-exchange forex transactions, because he solicited funds for Champion Management, a registered CPO as defined in Section 1a of the Act. During this same period, Steele failed to register with the Commission as an AP in violation of Section 2(c)(2)(C)(iii)(I)(aa) of the Act, 7 U.S.C. § 2(c)(2)(C)(iii)(I)(aa) (2012), and Commission Regulation 5.3(a)(2)(ii), 17 C.F.R. § 5.3(a)(2)(ii) (2013).

133. Steele committed the acts alleged herein within the course and scope of his employment, office, or agency with Champion Management. Champion Management is therefore also liable pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2012), and Commission Regulation 1.2, 17 C.F.R. § 1.2 (2013), as a principal for Steele's violations of the Act and/or Commission Regulations.

134. Each instance that Steele acted as an AP, as defined by Commission Regulation 5.1(d)(1), 17 C.F.R. § 5.1(d)(1) (2013), relating to off-exchange forex transactions, but failed to register with the Commission as a CPO, is alleged as a separate and distinct violation of Section 2(c)(2)(C)(iii)(I)(aa) of the Act, 7 U.S.C. § 2(c)(2)(C)(iii)(I)(aa) (2012), and Commission Regulation 5.3(a)(2)(i), 17 C.F.R. § 5.3(a)(2)(i) (2013).

**COUNT SIX**

**VIOLATION OF COMMISSION REGULATIONS 4.20(a)(1) AND 5.4,**  
**17 C.F.R. §§ 4.20(a)(1) and 5.4 (2013):**  
**FAILURE TO OPERATE IN THE NAME OF THE POOL**  
**(Against Daniel Steele and Champion Management)**

135. The allegations set forth in paragraphs 1 through 104 are re-alleged and incorporated herein by reference.

136. Commission Regulation 4.20 (a)(1), 17 C.F.R. § 4.20(a)(1) (2013), requires a CPO to operate its pool “as an entity cognizable as a legal entity separate from that of the pool operator.”

137. Commission Regulation 5.4, 17 C.F.R. § 5.4 (2013) provides that Part 4 of the Commission’s Regulations, 17 C.F.R. § 4.1 *et seq.* (2013) applies to any person required pursuant to the provisions of Part 5 of the Commission’s Regulations, 17 C.F.R. § 5.1 *et seq.* (2013), to register as a CPO, and failure by any such person to comply with the requirements of Part 4 constitute a violation of Commission Regulation 5.4 and the relevant section of Part 4.

138. Steele violated Commission Regulations 4.20 (a)(1) and 5.4, 17 C.F.R. §§ 4.20(a)(1) and 5.4 (2013), by operating each of the pools, SM and CM, as a d/b/a for Judy D. Steele instead of legal entities separate from that of the pool operator.

139. From at least February 7, 2012 through the present, Steele, acting within the course and scope of his employment, office, or agency with Champion Management, further violated Commission Regulations 4.20 (a)(1) and 5.4, 17 C.F.R. §§ 4.20(a)(1) and 5.4 (2013), by operating the OFF pool in part through a MIG trading account opened and maintained in his name and the name of his wife, rather than in the name of OFF. Champion Management is therefore also liable pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2012), and

Commission Regulation 1.2, 17 C.F.R. § 1.2 (2013), as a principal for Steele's violations of the Act and/or Commission Regulations.

140. Each instance Defendants failed to operate the Steele Pools as separate legal entities, including, but not limited to, those specifically alleged herein, is alleged as a separate and distinct violation of Commission Regulations 4.20 (a)(1) and 5.4, 17 C.F.R. §§ 4.20(a)(1) and 5.4 (2013).

### COUNT SEVEN

**VIOLATION OF COMMISSION REGULATIONS 4.20(c) and 5.4, 17  
C.F.R. §§ 4.20(c) and 5.4 (2013): PROHIBITION AGAINST  
COMMINGLING OF POOL PARTICIPANT FUNDS  
(Against Daniel Steele and Champion Management)**

141. The allegations set forth in paragraphs 1 through 104 are re-alleged and incorporated herein by reference.

142. Commission Regulation 4.20(c), 17 C.F.R. § 4.20(c) (2013), prohibits CPOs from "commingling the property of any pool that it operates or that it intends to operate with the property of any other person."

143. Commission Regulation 5.4, 17 C.F.R. § 5.4 (2013) provides that Part 4 of the Commission's Regulations, 17 C.F.R. § 4.1 *et seq.* (2013) applies to any person required pursuant to the provisions of Part 5 of the Commission's Regulations, 17 C.F.R. § 5.1 *et seq.* (2013), to register as a CPO, and failure by any such person to comply with the requirements of Part 4 constitute a violation of Commission Regulation 5.4 and the relevant section of Part 4.

144. Steele violated Commission Regulations 4.20(c) and 5.4 by commingling pool participants' funds with the property of others.

145. From at least February 7, 2012 through the present, Steele, acting with the course and scope of his employment, office, or agency with Champion Management, further violated

Commission Regulations 4.20 (c) and 5.4 by commingling pool participants' funds with the property of others. Champion Management is therefore also liable pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2012), and Commission Regulation 1.2, 17 C.F.R. § 1.2 (2013), as a principal for Steele's violations of the Act and/or Commission Regulations.

146. Each instance Defendants commingled pool participants' funds, including but not limited to those specifically alleged herein, is alleged as a separate and distinct violation of Commission Regulations 4.20 (c) and 5.4, 17 C.F.R. §§ 4.20(c), 5.4 (2013).

### COUNT EIGHT

**VIOLATION OF COMMISSION REGULATIONS 4.22(a)(1) and 5.4,**  
**17 C.F.R. §§ 4.22(a)(1) and 5.4 (2013): FAILURE TO DISTRIBUTE**  
**REQUIRED ACCOUNT STATEMENTS**  
**(Against Daniel Steele and Champion Management)**

147. The allegations set forth in paragraphs 1 through 104 are re-alleged and incorporated herein by reference.

148. Commission Regulation 4.22(a)(1), 17 C.F.R. § 4.22(a)(1) (2013), requires each CPO to issue periodic account statements to all participants that must separately itemize particular information, including, but not limited, to, the total amount of realized net gain or loss on commodity interest positions liquidated during the reporting period, and the change in unrealized net gain or loss on commodity interest positions during the reporting period.

149. Commission Regulation 5.4, 17 C.F.R. § 5.4 (2013) provides that Part 4 of the Commission's Regulations, 17 C.F.R. § 4.1 *et seq.* (2013) applies to any person required pursuant to the provisions of Part 5 of the Commission's Regulations, 17 C.F.R. § 5.1 *et seq.* (2013), to register as a CPO, and failure by any such person to comply with the requirements of Part 4 constitute a violation of Commission Regulation 5.4 and the relevant section of Part 4.

150. During the relevant period, Steele violated Commission Regulations 4.22(a)(1) and 5.4 by failing to issue periodic account statements to all participants that separately itemized the information specified in the regulation, and further failed to contain the required oath or affirmation.

151. From at least February 7, 2012 through the present, Steele, acting with the course and scope of his employment, office, or agency with Champion Management, further violated Commission Regulations 4.22(a)(1) and 5.4 by failing to issue periodic account statements to all participants that separately itemized the information specified in the regulation, and further failed to contain the required oath or affirmation. Champion Management is therefore also liable pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2012), and Commission Regulation 1.2, 17 C.F.R. § 1.2.

152. Each instance that Defendants failed to issue periodic account statements in compliance with Commission Regulation 4.22(a)(1), including but not limited to those specifically alleged herein, is alleged as a separate and distinct violation of Commission Regulations 4.22(a)(1) and 5.4, 17 C.F.R. §§ 4.22(a)(1), 5.4 (2013).

## COUNT NINE

### **DISGORGEMENT OF FUNDS FROM RELIEF DEFENDANT** **(Against Judy D. Steele)**

153. The allegations set forth in paragraphs 1 through 104 are re-alleged and incorporated herein by reference.

154. Defendants misappropriated a portion of pool participants' funds and engaged in unlawful conduct, and engaged in such as issuing false account statements and misrepresenting the status and results of forex trading, and further omitting material information that operated as a fraud or deceit upon pool participants, as alleged herein.

155. Relief Defendant Judy D. Steele received funds as a result of Defendants' unlawful conduct and misappropriation of pool participants' funds, and she has been unjustly enriched thereby.

156. Relief Defendant Judy D. Steele has no legitimate entitlement to or interest in the funds received as a result of Defendants' unlawful conduct.

157. Relief Defendant Judy D. Steele should be required to disgorge funds up to the amount she received from Defendants' unlawful conduct, or the value of those funds that she may have subsequently transferred to third parties.

## **VII. RELIEF REQUESTED**

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

a) An order finding that Defendants violated Sections 2(c)(2)(C)(iii)(I)(aa), 2(c)(2)(C)(iii)(I)(cc), 4b(a)(2)(A)-(C), and 4o(1) of the Act, 7 U.S.C. §§ 2(c)(2)(C)(iii)(I)(aa), 2(c)(2)(C)(iii)(I)(cc), 6b(a)(2)(A)-(C), and 6o(1) (2012), and Commission Regulations 4.20(a)(1), 4.20(c), 4.22(a)(1), 5.2(b)(1)-(3), 5.3(a)(2)(i)-(ii), and 5.4, 17 C.F.R. §§ 4.20(a)(1), 4.20(c), 4.22(a)(1), 5.2(b)(1)-(3), 5.3(a)(2)(i)-(ii), and 5.4 (2013);

b) An order of permanent injunction prohibiting Steele and any of his agents, servants, employees, assigns, attorneys, and persons in active concert or participation with Steele, including successors thereof, from engaging, directly or indirectly, in conduct in violation of Sections 2(c)(2)(C)(iii)(I)(aa), 2(c)(2)(C)(iii)(I)(cc), 4b(a)(2)(A)-(C), and 4o(1) of the Act, 7 U.S.C. §§ 2(c)(2)(C)(iii)(I)(aa), 2(c)(2)(C)(iii)(I)(cc), 6b(a)(2)(A)-(C), and 6o(1) (2012), and Commission Regulations 4.20(a)(1), 4.20(c), 4.22(a)(1), 5.2(b)(1)-(3), 5.3(a)(2)(i)-(ii), and 5.4, 17 C.F.R. §§ 4.20(a)(1), 4.20(c), 4.22(a)(1), 5.2(b)(1)-(3), 5.3(a)(2)(i)-(ii), and 5.4 (2013);

c) An order of permanent injunction prohibiting Champion Management and any of its agents, servants, employees, assigns, attorneys and persons in active concert or participation with Champion Management, including successors thereof, from engaging, directly or indirectly, in conduct in violation of Sections 2(c)(2)(C)(iii)(I)(aa), 2(c)(2)(C)(iii)(I)(cc), 4b(a)(2)(A)-(C), and 4o(1) of the Act, 7 U.S.C. §§ 2(c)(2)(C)(iii)(I)(aa), 2(c)(2)(C)(iii)(I)(cc), 6b(a)(2)(A)-(C), and 6o(1) (2012), and Commission Regulations 4.20(a)(1), 4.20(c), 4.22(a)(1), 5.2(b)(1)-(3), 5.3(a)(2)(i)-(ii), and 5.4, 17 C.F.R. §§ 4.20(a)(1), 4.20(c), 4.22(a)(1), 5.2(b)(1)-(3), 5.3(a)(2)(i)-(ii), and 5.4 (2013);

d) An order of permanent injunction prohibiting Defendants and any of their agents, servants, employees, assigns, attorneys, and persons in active concert or participation with Defendants, including successors thereof, from directly or indirectly:

(i) 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 (2012));

(ii) entering into any transactions involving commodity futures, options on commodity futures, commodity options (as that term is defined in Commission 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, as amended and as will be further defined by Commission Regulation 1.3(xxx), 17 C.F.R. § 1.3(xxx)), and/or forex (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) (2012)) (“forex contracts”), for their own personal accounts or for any account in which they have a direct or indirect interest;

(iii) possessing any commodity futures, options on commodity futures, commodity options, security futures products, swaps, and/or forex contracts traded on their behalf;



(iv) 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;

(v) 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;

(vi) 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 Commission Regulation 4.14(a)(9), 17 C.F.R. § 4.14(a)(9) (2013);

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

e) An order requiring Defendants, as well as any of their successors, to make full restitution, pursuant to such procedure as the Court may order, to every pool participant or other person or entity whose funds were received or utilized by them in violation of the provisions of the Act, Commission Regulations, as described herein, plus pre-judgment interest thereon from the date of such violations, plus post-judgment interest;

f) An order requiring Defendants, the Relief Defendant, and any third party transferee and/or successors thereof, to disgorge, pursuant to such procedure as the Court may order, all benefits received from the acts and practices which constitute violations of the Act, as

described herein, plus pre-judgment interest thereon from the date of such violations, plus post-judgment interest;

g) An order directing Defendants, Relief Defendant, and any successors thereof, to rescind, pursuant to such procedures as the Court may order, all contracts and agreements, whether implied or express, entered into between them and any of the pool participants whose funds were received by Defendants as a result of the acts and practices which constitute violations of the Act, as described herein;

h) An order directing Defendants, as well as any of their successors, to pay civil monetary penalties under the Act, to be assessed by the Court, in amounts of not more than the higher of: (1) triple the monetary gain to Defendants for each violation of the Act; or (2) \$140,000 for each violation of the Act committed on or after October 23, 2008, plus post-judgment interest;

i) An order directing Defendants, as well as any of their successors, to pay costs and fees as permitted by 28 U.S.C. §§ 1920 and 2412(a)(2) (2012); and

j) An order providing such other and further relief as this Court may deem necessary and appropriate under the circumstances.

Respectfully Submitted,

By: /s/ Eugene Smith  
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Date: July 16, 2014