

**IN THE UNITED STATES DISTRICT COURT  
FOR THE  
NORTHERN DISTRICT OF ILLINOIS**

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<b>COMMODITY FUTURES TRADING</b>	)		
<b>COMMISSION</b>	)		<b>Civil No. 1:16-cv-01881</b>
	)		
<b>Plaintiff,</b>	)		<b>Hon. John Z. Lee</b>
	)		
<b>vs.</b>	)		<b>ORDER OF FINAL</b>
	)		<b>JUDGMENT BY DEFAULT,</b>
<b>VAULT OPTIONS, LTD. and</b>	)		<b>PERMANENT INJUNCTION, CIVIL</b>
<b>GLOBAL TRADER 365</b>	)		<b>MONETARY PENALTIES, AND</b>
	)		<b>OTHER STATUTORY AND</b>
	)		<b>EQUITABLE RELIEF</b>
<b>Defendants.</b>	)		
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**I.**

**INTRODUCTION**

On February 2, 2016, Plaintiff Commodity Futures Trading Commission (“Commission” or “CFTC”) filed a Complaint for Injunctive and Other Equitable Relief and Penalties Under the Commodity Exchange Act (“Complaint”) alleging that Vault Options, Ltd. (“Vault” or “Vault Options”) and Global Trader 365 (“GT 365”) (collectively “Defendants”) violated Sections 2(c)(2)(B)(iv)(I)(aa), 2(e), 4c(b), and 4d(a) of the Commodity Exchange Act (“Act”), 7 U.S.C. §§ 2(c)(2)(B)(iv)(I)(aa), 2(e), 6c(b), and 6d(a) (2012), and Commission Regulations 5.3(a)(4)(i)(B), 32.2 and 32.4, 17 C.F.R. §§ 5.3(a)(4)(i)(B), 32.2 and 32.4(2015).

Defendants were served with a summons and the Complaint via the Hague Service Convention. Defendants twice failed to answer, plead, or otherwise respond to the Complaint - once within the original 21 days prescribed by Federal Rules of Civil Procedure (“F.R.Civ.P”) 12

and an additional 21 days that Plaintiff consented to for Defendants to respond. On April 21, 2016, this Court entered a default against the Defendants pursuant to F.R.Civ.P. 55(a).

The Court has carefully considered the Complaint, the factual allegations which are well-pleaded and hereby taken as true, the Commission's Application and Memorandum in support thereof, the Exhibits referenced therein, and the record in this case. Having been fully advised and familiar with the record in this matter, it is hereby:

**ORDERED** that the Plaintiff's Motion for Final Judgment by Default, Permanent Injunction, Civil Monetary Penalties, and Other Statutory and Equitable Relief against Defendants is **GRANTED**. Accordingly, the Court enters findings of fact, conclusions of law, and an Order of Final Judgment by Default for Permanent Injunction, Civil Monetary Penalties, and Other Statutory and Equitable Relief ("Order") pursuant to Sections 6c and 6d of the Act, 7 U.S.C. § 13a-1 (2012), as set forth herein.

## II.

### FINDINGS OF FACT AND CONCLUSIONS OF LAW

#### A. Findings of Fact

##### The Parties

1. Plaintiff U.S. Commodity Futures Trading Commission is an independent federal regulatory agency charged by Congress with the administration and enforcement of the Act and the Regulations promulgated thereunder.
2. Defendant Vault Options, Ltd. is an Israeli web-based company that offers binary options for trading to U.S. and foreign customers. Vault solicits customers throughout the United States, including in this district. Vault has never been designated as a contract market,

exempt board of trade or bona fide foreign board of trade, and never has been registered with the CFTC in any capacity.

3. Defendant Global Trader 365 is an Israeli web-based company that offers binary options for trading to U.S. and foreign customers. GT 365 solicits customers throughout the United States, including in this district. GT 365 has never been designated as a contract market, exempt board of trade or bona fide foreign board of trade, and never has been registered with the CFTC in any capacity. Defendants Vault and GT 365 share the same owner, who formed both Vault and GT 365. Defendants share the same bank account for accepting customer funds, commingle customer funds, give the same telephone number and staff names to customers, and operate as a common enterprise.

#### **Defendants' Binary Options**

4. Since at least October 2012 (“the relevant period”), Vault and GT 365 have offered to enter into, entered into or confirmed the execution of binary commodity options trades with U.S. customers. Through Defendants’ websites, e-mails, and other communications, Defendants solicit and scam U.S. customers, many of whom are non-eligible contract participants, to trade binary commodity options.

5. The Act bans the off exchange trading of commodity option contracts under Section 4c(b), 7 U.S.C. § 6c(b), and Commission Regulation 32.2, 17 C.F.R. 32.2, and the off-exchange trading of swaps by non -eligible contract participants under Section 2(e), 7 U.S.C. § 2(e). An eligible contract participant is defined in Section 1a(18)(A)(xi) of the Act, 7 U.S.C. § 1a(18)(A)(xi), in relevant part, as an individual who has amounts invested on a discretionary basis, the aggregate of which exceeds \$10 million, or \$5 million if the individual enters into the transaction to manage the risk associated with an asset owned or liability incurred, or reasonably

likely to be owned or incurred, by the individual. Vault and GT365 customers were generally not eligible contract participants.

6. Through Vault's internet trading website at [www.vaultoptions.com](http://www.vaultoptions.com), and GT 365's internet trading website at [www.globaltrader365.net](http://www.globaltrader365.net), customers buy or sell binary "call" or "put" options that allow them to make predictive trades on whether the price of a certain commodity, index or foreign currency will go "up" or "down" at a future date and/or time. Depending on the underlying asset, the customer may select expiry times as short as 60 seconds and as long as 23 hours and 59 minutes.

7. At expiry, the customer who has correctly predicted the price movement of the commodity receives a credit to the customer's account, while a customer who has incorrectly predicted the price movement of the commodity loses the full amount paid for the option.

8. Customers open accounts at Vault and GT 365 in the same manner. Vault customers open an account by completing an online application on Vault's website and transferring money by credit card or wire transfer to Vault's bank account. Similarly, GT 365 customers open an account by completing an online application on GT 365's website and transferring money by credit card or wire transfer to GT 365's bank account. All customer funds sent to Vault and GT 365 are deposited in the same bank account.

9. Once customers open and fund their accounts they can begin to make trades. Customers purchase options for prices between \$100 and \$10,000. Customers select the options trading program and the commodities they want to trade.

10. Defendants Vault and GT365 offer the same five options execution programs: "Binary Options," "Options Builder," "One Touch," "60 Seconds" and "Pro Trader." In each program, Defendants identify the commodity, forex pair or index on which the customer can

purchase an option, as well as the options expiry price and the options expiry time. The value of the option is determined at the expiry, and whether the price movement was favorable to the customer. For example, options purchased through Vault or GT 365's "One Touch" program have a fixed currency, forex pair or index and a fixed expiry time and price set that Vault or GT 365 sets. Under Vault or GT 365's "Options Builder" program, customers can select a commodity, forex pair or index, as well as an expiry price and time, but only from a limited preselected menu that Vault or GT 365 choose. In all of the options programs, Defendants Vault or GT 365 list on their websites the "payout" or "return" should the predicted event occur.

11. Customers purchase a "call" option if they think the price of the commodity will rise above the current price at option expiry, or purchase a "put" option if they think the price will fall below the current price at expiry. For example, customers who predict that the price of gold, wheat or the S&P 500 futures index will rise above the then-current price listed on one of Vault or GT 365's options trading programs, on a specific future expiration date or time, can execute a "Call Option" by clicking the "Call" selection on the websites. Conversely, customers who predict that the price of such commodities and indices will fall below the then-current price listed on the website on a specific future expiration date or time can execute a "Put Option" by clicking the "Put" selection.

12. Customers can execute trades themselves, but both Vault and GT 365 offer a managed account program where brokers will recommend trades or trade the binary options for the customer.

13. Vault and GT 365's websites currently claim that they do not accept funds for trading from U.S. customers. In fact, Vault and GT 365 actively solicit U.S. customers and even provide a telephone number for U.S. customers to contact to establish trading accounts, conduct

trades, and purportedly resolve customer disputes. Further, during the relevant period, Vault and GT 365 have accepted \$1,600,531 from U.S. customers from twenty-two different states, including customers residing within this district, and continue to accept money, securities, or property to margin, guarantee, or secure U.S. customers' options transactions.

14. Throughout the relevant period, U.S. customers have initiated these options trades on the Vault and GT 365 websites through computer terminals located in the U.S., including in this district.

#### **Defendants' Fraud Scheme**

15. Defendants Vault and GT 365 defraud U.S. customers who trade their binary options by misrepresenting and omitting material information, including misrepresenting and omitting the actual profit potential and risk of loss to customers who trade their binary options; falsely claiming that customer funds are insured against losses; falsely inducing customers to send them more money by claiming that if customers send in funds to cover certain fees and taxes, what remains of their original investments will be returned to them; giving customers evasive answers and failing to respond to customer inquiries about the status of their funds; and finally, by misappropriating customer funds.

16. The Vault website claims that customers can make returns on their investments of "pre-determined payouts (68%-75%)" per trade, while on another webpage it advises that customers can "get up to 89% profit" per trade. The website also states that customers can earn a "500% return on their investment" using the "One Touch" trading approach.

17. The GT 365 website lists payouts similar to Vault. GT 365's website homepage touts "up to 81% return per trade" and elsewhere on the website claims that customers can "earn up to 75% per trade with our binary options" and "earn up to a maximum of 75% profit" per

trade. It also claims that customers can earn a “500% return on their investment” in “One Touch” trading.

18. However, Defendants misrepresent the true profit potential and risk of loss in trading their binary options by using these outsized profit claims when they know or should know the actual profits and losses realized by their customers. The reality is that many Vault and GT 365 customers quickly lose most of their funds trading their binary options, thereby making these rosy representations of profit false and misleading.

19. Defendants also cheat and defraud customers by falsely claiming that customer funds are insured against losses, falsely inducing customers to send them more money by claiming that the funds are needed to cover certain fees and taxes, before what remains of their original investments can be returned to them, giving customers evasive answers and failing to respond to customer inquiries about the status of their funds, and ultimately misappropriating customer funds. For example:

- a. Customer A is an 82 year old man residing in Marlborough, Massachusetts who deposited approximately \$17,500 with Vault in November 2013, which Vault brokers traded for him in options on foreign currencies. Customer A’s statements showed that he had approximately \$11,000 remaining with Vault by July 2014. When the customer asked Vault to return the \$11,000, Vault sent a one page document entitled “Consent Form” which stated that Customer A’s funds were insured by a “Capital Secure Policy” and would therefore soon be released to him. A Vault broker who identified himself as Kevin Ortiz, then told Customer A that Vault needed approximately \$1,200 for processing fees before Vault could send his funds back. Another Vault broker told Customer A that he needed to send in

an additional \$600 to pay “taxes” on the funds. The elderly customer sent Vault the additional funds and received from Vault a fraudulent check made out in the amount of approximately \$11,000. The account number on the check did not match an account that belonged to Vault. Customer A was unable to deposit or cash the fraudulent check, and to date, Customer A has not received the funds he had remaining with Vault.

- b. Customer B resides in Fairview, Tennessee, and invested a total of approximately \$30,000 with GT 365 between May and September 2013. Customer C initially invested \$5,000 but was told by a GT 365 broker who identified himself as Alex Robinson that with another \$20,000 investment she would qualify for an “expert” broker to recommend trades for her and that if there were losses from the trades, GT 365 would refund her money. Alex Robinson also assured Customer C that she would withdraw her funds at any time. However, when the customer decided to discontinue using GT 365’s broker to recommend trades for her because the trades were all losing trades, a GT 365 broker began harassing the customer with numerous abusive phone calls and demanded that she deposit more trading funds. Despite continuing to request redemption of funds, GT 365 ultimately refused to return any of her remaining funds to her.
- c. Customer C resides in El Paso, Texas and lost approximately \$5,000 within a week trading binary options on oil and gold, among other commodities, with GT 365. The customer initially invested \$200 but was told by GT 365 brokers, including but not limited to Donald Clark and Kate Morrison, that his trades were winning trades. Based upon these representations, the customer increased his



trading funds to approximately \$5,000. In less than a week, GT 365 brokers told him that all of his trading funds were lost. The customer's account had a few hundred dollars remaining in it. The customer has repeatedly requested the return of his remaining funds but to date GT 365 has not returned any funds to him.

- d. Customer D resides in Okemos, Michigan and deposited a total of more than \$30,000 with GT 365 between November 2012 and May 2014 after being cold-called by a GT 365 broker. The customer traded her account in binary options in various commodities including oil, silver and gold based on recommendations from a GT 365 broker, but after experiencing trading losses from the recommendations, Customer D requested the rest of her funds back. A GT 365 broker, who identified himself to Customer D as Allen Goldberg, told her that the company would return her funds but she needed to send them another \$5,000. Customer D sent in the additional \$5000. However, in May 2014, a GT 365 broker told Customer D that a company insurance policy would pay back her losses, but to do so, she needed to send in an additional approximately \$14,0200 to pay taxes and fees. When Customer D stated that she did not have the cash to meet for this additional amount, the Vault broker urged her to "max-out" her credit cards to send in the additional sums. Customer D sent in the \$14,200, but to date has not received any of her funds back.

## **B. Conclusions of Law**

### **Jurisdiction and Venue**

20. This Court possesses jurisdiction over this action pursuant to Section 6c of the Act, as amended, 7 U.S.C. § 13a-1, which authorizes the Commission 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 the Act or any rule, regulation, or order thereunder. Defendants have engaged, are engaging, or are about to engage in acts or practices that constitute a violation of the Act and Commission Regulations.

21. Venue properly lies with this Court pursuant to Section 6c(e) of the Act, 7 U.S.C. § 13a-1(e), because Defendants reside in and transacted business within this district and the acts and practices in violation of the Act occurred, are occurring, or are about to occur, within this district.

**C. Entry of Default Judgment Against Defendants is Appropriate**

22. Once an order of default has been entered, the party seeking the default may apply to the court for a default judgment. *See* Fed. R. Civ. P. 55(b)(2). Entry of default judgment is left to the sound discretion of the district court. *C.K.S. Eng'rs, Inc. v. White Mountain Gypsum Co.*, 762 F.2d 1202, 1206 (7<sup>th</sup> Cir. 1984) (noting that although the law favors a trial on the merits, these considerations must be balanced against the need to promote efficient litigation and to ensure that litigants who are pursuing their cases are not hindered by those who are not).

23. A default judgment establishes as a matter of law, that defendants [are] liable to plaintiff as to each cause of action alleged in the complaint. *Wehrs v. Wells*, 688 F.3d 886, 892 (7<sup>th</sup> Cir. 2012) (quoting *e360 Insight v. The Spamhaus Project*, 500 F.3d 594, 602 (7<sup>th</sup> Cir. 2007)). And, upon default, the well-pleaded allegations of a complaint, other than those relating to damages, are taken as true. *Id.* (citing *United States v. Di Mucci*, 879 F.2d 1488, 1497 (7<sup>th</sup> Cir. 1989); Fed. R. Civ. P. 8(b)(6) (“An allegation - other than one

relating to the amount of damages - admitted if a responsive pleading is required and the allegation is not denied.”).

24. Plaintiff’s Complaint contains well-pled allegations that establish the necessary elements for each of the Commission’s cause of action against. Defendants have failed to participate in any aspect of this litigation and the Commission’s interest in enforcing the Act would be prejudiced if such default judgment is entered. Further, as supported by Plaintiff’s Application and Memorandum In Support of Application, and documents referenced therein, entry of this judgment is warranted.

**D. The Defendants Violated the Commodity Exchange Act**

**1. Defendants Offered Unlawful Off- Exchange Options Trading In Violation of Section 4c(b) of the Act, 7 U.S.C. § 6c(b), and Commission Regulation 32.2, 17 C.F.R. § 32.2**

25. Section 4c(b) of the Act, 7 U.S.C. § 6c(b), makes it unlawful to offer to enter into, enter into or confirm the execution of, any transaction involving any commodity regulated under the Act which is of the character of, or is commonly known to the trade as, an “option”, “privilege”, “indemnity”, “bid”, “offer”, “put”, “call”, “advance, guaranty”, or “decline guaranty”, contrary to any rule, regulation, or order of the Commission prohibiting any such transaction or allowing any such transaction under such terms and conditions as the Commission shall prescribe .

26. Regulation 32.2(a), 17 C.F.R. § 32.2(a), promulgated thereunder, in relevant part, makes it unlawful for any person or group of persons to offer to enter into, enter into, confirm the execution of, maintain a position in, or otherwise conduct activity related to any transaction in interstate commerce that is a commodity option transaction, unless such transaction is conducted

in compliance with and subject to the provisions of the Act, including any Commission rule, regulation, or order thereunder, otherwise applicable to any other swap.

27. By the conduct described in paragraphs 4-14 above, Vault and GT 365 offered to enter into and entered into binary option transactions with U.S. customers, and confirmed the execution of those binary options outside of compliance with or subject to the Act. Vault or GT 365's transaction were not conducted on a designated contract market, an exempt board of trade, or a bona fide foreign board of trade and Defendants are not exempt from the requirements of Sections 4c(b) of the Act, 7 U.S.C. § 6c(b), pursuant to Regulation 32.3, 17 C.F.R. § 32.3, which exempts trade options from such provisions of the Act. Therefore, Defendants violated Sections 4c(b) of the Act, 7 U.S.C. § 6c(b), and Regulation 32.2, 17 C.F.R. § 32.2.

**2. Defendants Engaged In Unlawful Off-Exchange Swaps Trading In Violation of Section 2(e) of the Act, 7 U.S.C. §2(e)**

28. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank"), 7 U.S.C. § 1 *et seq.* (2012), options were included in the definition of swaps under Section 1a(47)(i)(A) of the Act, 7 U.S.C. § 1a(47)(i).

29. Section 2(e) of the Act, 7 U.S.C. § 2(e), makes it unlawful for any person, other than an eligible contract participant, to enter into a swap unless the swap is entered into on, or subject to the rules of, a board of trade designated as a contract market.

30. By the conduct described in paragraphs 4-14, Defendants entered into swaps in the form of binary option transactions with U.S. customers who were not ECPs. Vault or GT 365's transaction were not entered into on or subject to the rules of a board of trade designated as a contract market. Therefore Vault and GT 365 violated Section 2(e) of the Act, 7 U.S.C. § 2(e).

**3. Defendants Committed Fraud In Connection With Off-Exchange Options Trading In Violation of Section 4c(b) of the Act, 7 U.S.C. § 6c(b) and Commission Regulation 32.4, 17 C.F.R. § 32.4**

31. Section 4c(b), 7 U.S.C. § 6c(b), makes it unlawful to offer to enter into, enter into or confirm the execution of, any transaction involving any commodity regulated under the Act which is of the character of, or is commonly known to the trade as, an “option”, “privilege”, “indemnity”, “bid”, “offer”, “put”, “call”, “advance, guaranty”, or “decline guaranty”, contrary to any rule, regulation, or order of the Commission prohibiting any such transaction or allowing any such transaction under such terms and conditions as the Commission shall prescribe.

32. Regulation 32.4, 17 C.F.R. § 32.4, makes it unlawful for any person, in connection with an offer to enter into, the entry into or the confirmation of the execution of any commodity option transaction, directly or indirectly, to cheat or defraud or attempt to cheat or defraud any other person or to deceive or attempt to deceive any other persons by any means whatsoever.

33. By the conduct described in paragraphs 15-19, Defendants cheated and defrauded and attempted to cheat and defraud other persons and deceived and attempted to deceive other persons by among other acts and practices, knowingly or recklessly misrepresenting and omitting material information regarding the likelihood of profit and risk of loss in connection with trading its’ binary options; inducing customers to send additional funds by falsely claiming, among other things, to use such funds to cover non-existent fees and taxes and thereafter return customer funds; and by misappropriating customer funds. Therefore, Defendants violated Section 4c(b) of the Act, 7 U.S.C. § 6c(b), and Regulation 32.4, 17 C.F.R. § 32.4.

**4. Defendants Operated As an Unregistered FCM In Violation of Sections 2(c)(2)(B) and 4d(a) of the Act, 7 U.S.C. §§ 2(c)(2)(B) and 6d(a), and Commission Regulation 5.3, 17 C.F.R. § 5.3**

34. Section 1a (28) of the Act, 7 U.S.C. § 1a(28), in relevant part, defines a futures commission merchant (“FCM”) as any individual, association, partnership, corporation or trust that engages in soliciting or in accepting orders for swaps and commodity options, and accepts money, securities, or property or extends credit in (lieu thereof) to margin, guarantee or secure any trades or contracts that result or may result therefrom.

35. Section 4d(a) of the Act, 7 U.S.C. § 6d(a), in pertinent part, makes it unlawful for any person to operate as an FCM unless such person is registered with the Commission as an FCM and such registration shall not have expired nor have been suspended nor revoked.

36. Section 2(c)(2)(B)(iv)(I)(aa) of the Act, 7 U.S.C. § 2(c)(2)(B)(iv)(I)(aa), in pertinent part, makes it unlawful for any entity to solicit or accept orders from non-ECPs in connection with agreements, contracts or transaction involving forex options unless such entity is registered as an FCM.

37. Commission Regulation 5.3(a)(4)(i)(B), 17 C.F.R. § 5.3(a)(4)(i)(B), requires that all FCMs that solicit or accept orders from any non-ECPs in connection with any retail forex transaction must be registered.

38. By the conduct described in paragraphs 4-14 above, Defendants solicited and accepted orders for binary options on various commodities including oil, gold, silver, copper and corn; nineteen foreign currency (“forex”) pairs, futures indices, including S&P 500 futures and Nasdaq 100 futures indices, among other commodities, and \$1, 600,531 from fifty-six U.S. non-ECP customers for the purpose of margining, guaranteeing or securing binary options trades or contracts resulting from such orders. Therefore, Defendants violated Sections

2(c)(2)(B)(iv)(I)(aa) and 4d(a) of the Act, 7 U.S.C. § 2(c)(2)(B)(iv)(I)(aa) and 6d(a),  
Commission Regulation 5.3(a)(4)(i)(B), 17 C.F.R. § 5.3(a)(4)(i)(B).

**5. Defendants Vault and GT 365 are Liable for the Acts of Their Employees and Agents 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**

39. Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2006), and Regulation 1.2, 17 C.F.R. § 1.2 (2012), impose strict liability upon principals for the actions of their agents acting within the scope of their employment. See *Rosenthal & Co. v. CFTC*, 802 F.2d 963, 966 (7th Cir. 1986) (finding that principals are strictly liable for the acts of their agents).<sup>1</sup> Defendants' employees and agents committed the acts and omissions described herein within the course and scope of their employment with Vault and GT 365. Therefore, Vault and GT 365 are liable under Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) and Regulation 1.2, 17 C.F.R. § 1.2, as principals for their agent' acts, omissions or failures as they relate to violations of the Act and Regulations.

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<sup>1</sup> Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2006), states: "The act, omission, or failure of any official, agent, or other person acting for any individual, association, partnership, corporation, or trust within the scope of his employment or office shall be deemed the act, omission, or failure of such individual, association, partnership, corporation, or trust, as well as of such official, agent, or other person."

**III.**

**ORDER FOR RELIEF**

**IT IS HEREBY ORDERED THAT:**

40. The Commission's Application for Order of Final Judgment by Default, Permanent Injunction, Civil Monetary Penalties, and Other Statutory and Equitable Relief against Defendants is GRANTED.

**IT IS HEREBY ORDERED THAT:**

**A. Permanent Injunction**

41. Based upon and in connection with the foregoing conduct, pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2012), Vault Options and GT 365 are permanently restrained, enjoined and prohibited from directly or indirectly:

- a. offering to enter into, entering into, or confirming the execution of, any transaction involving any commodity regulated under the Act which is of the character of, or is commonly known to the trade as, an "option", "privilege", "indemnity", "bid", "offer", "put", "call", "advance, guaranty", or "decline guaranty", contrary to any rule, regulation, or order of the Commission prohibiting any such transaction or allowing any such transaction under such terms and conditions as the Commission shall prescribe, in violation of Section 4c(b) of the Act, 7 U.S.C. § 6c(b);
- b. entering into any swap unless the swap is entered into on, or subject to the rules of, a board of trade designated as a contract market, in violation of Section 2(e) of the Act, 7 U.S.C. § 2(e);



- c. offering to enter into, entering into, confirming the execution of, maintaining a position in, or otherwise conducting activity related to any transaction in interstate commerce that is a commodity option transaction, unless such transaction is conducted in compliance with and subject to the provisions of the Act, including any Commission rule, regulation, or order thereunder, otherwise applicable to any other swap, in violation of Commission Regulation 32.2(a), 17 C.F.R. § 32.2(a);
  - d. in connection with offering to enter into, entering into or the confirming the execution of any commodity option transaction, directly or indirectly, cheating, defrauding or attempting to cheat or defraud any other person or deceiving or attempting to deceive any other persons by any means whatsoever, in violation of Regulation 32.4, 17 C.F.R. § 32.4;
  - e. operating as an unregistered FCM by soliciting or accepting orders for swaps and commodity options, and accepting money, securities, or property or extends credit in (lieu thereof) to margin, guarantee or secure any trades or contracts that result or may result therefrom, in violation of Section 4d(a) of the Act, 7 U.S.C. § 6d(a); and
  - f. soliciting or accepting orders from non-ECPs in connection with agreements, contracts or transaction involving forex options unless registered with the Commission as an FCM, in violation of Section 2(c)(2)(B)(iv)(I)(aa) of the Act, 7 U.S.C. § 2(c)(2)(B)(iv)(I)(aa), and Commission Regulation 5.3(a)(4)(i)(B), 17 C.F.R. § 5.3(a)(4)(i)(B).
42. Defendants are also permanently enjoined and prohibited from directly or indirectly:

- (a) trading on or subject to the rules of any registered entity, as that term is defined in Section 1a(40) of the Act, 7 U.S.C. § 1a(40);
- (b) entering into any transactions involving “commodity interests” (as that term is defined in Regulation 1.3(yy), 17 C.F.R. § 1.3(yy)) , for their own personal account or for any account in which they have a direct or indirect interest;
- (c) having any “commodity interests” traded on their behalf;
- (d) 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;
- (e) soliciting, receiving, or accepting any funds from any person for the purpose of purchasing or selling any commodity interests;
- (f) 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
- (g) 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 of the Act, 7 U.S.C. § 1a), or entity registered, exempted from registration or required to be registered with the Commission, except as provided for in Regulation 4.14(a)(9), 17 C.F.R. § 4.14(a)(9);

**B. Restitution**

43. Defendants shall pay jointly and severally restitution in the amount of one million, five hundred and eighty seven thousand, seven hundred and thirty one dollars (\$1,587,731) (“Restitution Obligation”), plus post-judgment interest. Post-judgment interest shall accrue on the Restitution Obligation beginning on the date of entry of this Order and shall be determined by using the Treasury Bill rate prevailing on the date of entry of this Order pursuant to 28 U.S.C. § 1961 (2012).

44. To effect payment of the Restitution Obligation and the distribution of any restitution payments to Defendants’ customers the Court appoints the National Futures Association (“NFA”) as Monitor (“Monitor”). The Monitor shall collect restitution payments from Vault and GT 365 and make distributions as set forth below. Because the Monitor is acting as an officer of this Court in performing these services, the NFA shall not be liable for any action or inaction arising from NFA’s appointment as Monitor, other than actions involving fraud.

45. Vault and GT 365 shall make Restitution Obligation payments under this Order to the Monitor in the name “VAULT AND GT 365 RESTITUTION FUND” and shall send such Restitution Obligation payments by electronic funds transfer, or by U.S. postal money order, certified check, bank cashier’s, or bank money order, to the Office of Administration, National Futures Association, 300 South Riverside Plaza, Suite 1800, Chicago, Illinois 60606 under cover letter that identifies the paying Defendant and the name and docket number of this proceeding. Defendants 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.

46. The Monitor shall oversee the Restitution Obligation and shall have the discretion to determine the manner of distribution of such funds in an equitable fashion to Defendants' customers identified by the Commission or may defer distribution until such time as the Monitor deems appropriate. In the event that the amount of Restitution Obligation payments to the Monitor are of a *de minimis* nature such that the Monitor determines that the administrative cost of making a distribution to eligible customers 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 following the instructions for civil monetary penalty payments set forth in Part C below.

47. Defendants shall cooperate with the Monitor as appropriate to provide such information as the Monitor deems necessary and appropriate to identify Defendant's customers to whom the Monitor, in its sole discretion, may determine to include in any plan for distribution of any Restitution Obligation payments. Defendants 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.

48. The Monitor shall provide the Commission at the beginning of each calendar year with a report detailing the disbursement of funds to Vault and GT 365's customers during the previous year. The Monitor shall transmit this report under a cover letter that identifies the name and docket number of this proceeding to the Chief Financial Officer, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, NW, Washington, D.C. 20581.

49. The amounts payable to each customer shall not limit the ability of any customer from proving that a greater amount is owed from Defendants or any other person or entity, and

nothing herein shall be construed in any way to limit or abridge the rights of any customer that exist under state or common law.

50. Pursuant to Rule 71 of the Federal Rules of Civil Procedure, each customer of Defendants who suffered a loss is explicitly made an intended third-party beneficiary of this Order and may seek to enforce obedience of this Order to obtain satisfaction of any portion of the restitution that has not been paid by Defendants to ensure continued compliance with any provision of this Order and to hold Defendants in contempt for any violations of any provision of this Order.

51. To the extent that any funds accrue to the U.S. Treasury for satisfaction of Defendants' Restitution Obligation, such funds shall be transferred to the Monitor for disbursement in accordance with the procedures set forth above.

**C. Civil Monetary Penalty**

52. Vault and GT 365 shall pay jointly and severally a civil monetary penalty in the amount of three million dollars (\$3,000,000) ("CMP Obligation"), plus post-judgment interest. Post-judgment interest shall accrue on the CMP Obligation beginning on the date of entry of this Order and shall be determined by using the Treasury Bill rate prevailing on the date of entry of this Order pursuant to 28 U.S.C. § 1961 (2012).

53. Vault and GT 365 shall pay their 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

DOT/FAA/MMAC/AMZ-341  
CFTC/CPSC/SEC  
6500 S. MacArthur Blvd.  
Oklahoma City, OK 73169  
(405) 954-7262 office  
(405) 954-1620 fax  
nikki.gibson@faa.gov

If payment by electronic funds transfer is chosen, Defendants shall contact Nikki Gibson or her successor at the address above to receive payment instructions and shall fully comply with those instructions. Defendants shall accompany payment of the CMP Obligation with a cover letter that identifies Vault and GT 365 and the name and docket number of this proceeding.

Defendants 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.

**D. Provisions Related to Monetary Sanctions**

54. Partial Satisfaction: Acceptance by the Commission or the Monitor of any partial payment of Vault and GT 365's Restitution Obligation or CMP 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.

**E. Miscellaneous Provisions**

55. Notice: All notices required to be given by any provision in this Order shall be sent certified mail, return receipt requested, as follows:

Notice to Commission:

Aitan Goelman, Director  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, NW

Washington, DC 20581

Notice to NFA:

Daniel Driscoll, Executive Vice President, COO  
National Futures Association  
300 S. Riverside Plaza, Suite 1800  
Chicago, IL 60606-3447

All such notices to the Commission or the NFA shall reference the name and docket number of this action.

56. Change of Address/Phone: Until such time as Defendants satisfy in full their Restitution Obligation and CMP Obligation as set forth herein Defendants 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.

57. Invalidation: If any provision of this Order or if the application of any provision or circumstance is held invalid, then the remainder of this Order and the application of the provision to any other person or circumstance shall not be affected by the holding.

58. Continuing Jurisdiction of this Court: This Court shall retain jurisdiction of this action to ensure compliance with this Order and for all other purposes related to this action, including any motion by Vault of GT 365 to modify or for relief from the terms of this Order.

59. Injunctive and Equitable Relief Provisions: The injunctive and equitable relief provisions of this Order shall be binding upon Vault and GT 365, upon any person under the authority or control of any of the Defendants, and upon any person who receives actual notice of this Order, by personal service, e-mail, facsimile or otherwise insofar as he or she is acting in active concert or participation with Defendants.

There being no just reason for delay, the Clerk of the Court is hereby ordered to enter this Order for Final Judgment By Default, Permanent Injunction, Civil Monetary Penalties, and Other Statutory and Equitable Relief forthwith and without further notice.

**IT IS SO ORDERED** on this 20<sup>th</sup> day of July 2016,

A handwritten signature in black ink, appearing to read "John Z. Lee", written in a cursive style.

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**Honorable John Z. Lee**  
**UNITED STATES DISTRICT JUDGE**