

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN

<p>COMMODITY FUTURES TRADING COMMISSION,</p> <p style="text-align: center;">Plaintiff,</p> <p style="text-align: center;">v.</p> <p>ALI R. BAZZI and WELTHER OAKS LLC,</p> <p style="text-align: center;">Defendants.</p>	<p>Case No.: _____</p> <p>ECF CASE</p> <p>COMPLAINT FOR INJUNCTIVE AND OTHER EQUITABLE RELIEF AND FOR CIVIL MONETARY PENALTIES UNDER THE COMMODITY EXCHANGE ACT AND COMMISSION REGULATIONS</p>
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Plaintiff Commodity Futures Trading Commission (“CFTC” or “Commission”), by and through its attorneys, alleges as follows:

I. SUMMARY

1. From at least March 2018 through the present (the “Relevant Period”), Ali R. Bazzi (“Bazzi”), individually and as agent and principal of Welther Oaks LLC (“Welther Oaks”) (collectively “Defendants”), operated a fraudulent scheme in which Defendants solicited, accepted and misappropriated funds for a pooled investment in off-exchange leveraged or margined foreign currency exchange (“forex”) contracts (“forex pool”).

2. Bazzi, as Chief Executive Officer and agent of Welther Oaks, knowingly made fraudulent and material misrepresentations and omissions, in both

conversations and written communications, about his forex trading and returns to persuade at least 25 individuals (“Pool Participants”) to transfer at least \$470,000 to Defendants for the purpose of participating in a forex pool.

3. To entice prospective Pool Participants, Defendants Bazzi and Welther Oaks, through Bazzi, knowingly and falsely represented, among other things: that Defendants had made large profits for themselves and Pool Participants from trading forex; that Defendants would trade forex with the funds deposited by Pool Participants; that Pool Participants would realize guaranteed profits of at least 15% per month on their funds without losses; and that upon request, Pool Participants could withdraw their funds at any time.

4. Defendants also omitted to tell Pool Participants material information, including failing to disclose to Pool Participants that Defendants did not fund the trading accounts and did no trading at all during parts of the Relevant Period; that the account statements issued by Defendants to several Pool Participants supposedly reflecting forex trading and profits were false; and that Defendants misappropriated approximately \$387,000 of Pool Participants’ funds for their own use.

5. 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 Sections 4b(a)(2)(A)-(C) and 4o(1)(A)-(B) of the

Commodity Exchange Act (“Act”), 7 U.S.C. §§ 6b(a)(2)(A)-(C), 6o(1)(A)-(B) (2018), and Commission Regulation (“Regulation”) 5.2(b)(1)-(3), 17 C.F.R. § 5.2(b)(1)-(3) (2020), which prohibit fraud in connection with forex transactions and fraud by a commodity pool operator (“CPO”).

6. In addition to the above-described fraudulent conduct, Defendant Welther Oaks acted at all times during the Relevant Period as a CPO by operating or soliciting funds for a forex pool that did not qualify as an eligible contract participant (“ECP”) and was marketed to Pool Participants that were, on information and belief, also not ECPs, and engaged in retail forex transactions, without being registered with the Commission as a CPO, in violation of Sections 2(c)(2)(C)(iii)(I)(cc) and 4m(1) of the Act, 7 U.S.C. §§ 2(c)(2)(C)(iii)(I)(cc), 6m(1) (2018), and Regulation 5.3(a)(2)(i), 17 C.F.R. § 5.3(a)(2)(i) (2020).

7. Similarly, Defendant Bazzi solicited funds for participation in a forex pool for the purpose of trading in off-exchange leveraged or margined forex contracts, while associated with Defendant Welther Oaks as an officer, employee, or agent, without being registered with the Commission as an associated person (“AP”) of Welther Oaks, in violation of Sections 2(c)(2)(C)(iii)(I)(cc) and 4k(2) of the Act, 7 U.S.C. §§ 2(c)(2)(C)(iii)(I)(cc), 6k(2) (2018) and Regulation 5.3(a)(2)(ii), 17 C.F.R. § 5.3(a)(2)(ii) (2020).

8. Accordingly, pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2018), the Commission brings this action to enjoin Defendants' unlawful acts and practices and to compel their compliance with the Act and the Regulations promulgated thereunder. In addition, the Commission seeks civil monetary penalties and remedial ancillary relief, including, but not limited to, trading and registration bans, restitution, disgorgement, rescission, pre- and post-judgment interest, and such other and further relief as the Court may deem necessary or appropriate.

9. Unless restrained and enjoined by this Court, Defendants will likely continue to engage in the acts and practices alleged in this Complaint and similar acts and practices, as described below.

II. JURISDICTION AND VENUE

10. This Court has jurisdiction over this action pursuant to 28 U.S.C. § 1331 (2018) (codifying federal question jurisdiction) and 28 U.S.C. § 1345 (2018) (providing that U.S. district courts have original jurisdiction over civil actions commenced by the United States or by any agency expressly authorized to sue by Act of Congress). In addition, Section 6c of the Act, 7 U.S.C. § 13a-1 (2018), provides that the U.S. district courts have jurisdiction to hear actions brought by the Commission for injunctive relief or to enforce compliance with the Act whenever it shall appear to the Commission that a 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.

11. The CFTC has jurisdiction over the forex solicitations and transactions at issue in this case pursuant to Section 2(c)(2)(C) of the Act, 7 U.S.C. § 2(c)(2)(C) (2018). In addition, 7 U.S.C. § 2(c)(2)(C)(vii) provides that “This Act applies to, and the Commission shall have jurisdiction over, an account or pooled investment vehicle that is offered for the purpose of trading, or that trades, any agreement, contract, or transaction in foreign currency described in clause (i).”

12. Venue properly lies with this Court pursuant to Section 6c(e) of the Act, 7 U.S.C. § 13a-1(e) (2018), because Defendants reside in, transact or transacted 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 in this District. Additionally, some of the defrauded Pool Participants reside in and were solicited in this District.

III. THE PARTIES

13. Plaintiff **Commodity Futures Trading Commission** is an independent federal regulatory agency charged by Congress with the responsibility of administering and enforcing the provisions of the Act, 7 U.S.C. §§ 1-26 (2018), and the Commission’s Regulations promulgated thereunder, 17 C.F.R. pts. 1-190 (2020).

14. Defendant **Ali R. Bazzi** is a resident of Dearborn, Michigan. Bazzi is the Chief Executive Officer and sole owner of Defendant Welther Oaks. Bazzi has never been registered with the Commission in any capacity.

15. Defendant **Welther Oaks LLC** was incorporated in Michigan on March 27, 2018. During the Relevant Period, Welther Oaks' address was listed as either 6 Parklane Blvd., Dearborn, Michigan or 400 Renaissance Center Suite 2600, Detroit, Michigan. Welther Oaks has never been registered with the Commission in any capacity.

IV. STATUTORY AND REGULATORY BACKGROUND

16. Section 2(c)(2)(C) of the Act, 7 U.S.C. § 2(c)(2)(C) (2018), provides that the Act applies to, and the CFTC has jurisdiction over, agreements, contracts, or transactions in forex. In addition, 7 U.S.C. § 2(c)(2)(C)(ii)(I) makes such agreements, contracts or transaction "subject to" Sections 4b and 4o of the Act, 7 U.S.C. §§ 6b, 6o (2018), among others, and 7 U.S.C. § 2(c)(2)(C)(iv) states that 7 U.S.C. § 6b applies to forex agreements, contracts, or transactions "as if" they were contracts of sale of a commodity for future delivery.

17. Section 2(c)(2)(C)(iii)(I)(cc), 7 U.S.C. § 2(c)(2)(C)(iii)(I)(cc) (2018), prohibits any person from operating or soliciting funds, securities, or property for any pooled investment vehicle that is not an ECP in connection with agreements,

contracts, or transactions in forex, unless registered with the Commission, with certain exceptions not applicable to Defendants.

18. Section 1a(18)(iv) and (xi) of the Act, 7 U.S.C. § 1a(18)(iv), (xi) (2018), defines an ECP, in relevant parts, as:

[A] commodity pool that—(I) has total assets exceeding \$5,000,000; and (II) is formed or operated by a person subject to regulation under the Act, provided that for purposes of Section 2(c)(2)(C)(vii) of the Act, the term ECP shall not include a commodity pool in which any participant is not otherwise an eligible contract participant, *see* 7 U.S.C. § 1a(18)(iv) (2018); or

[A]n individual who has amounts invested on a discretionary basis, the aggregate of which is in excess of—(I) \$10,000,000; or (II) \$5,000,000 and who enters into the agreement, contract, or transaction in order to manage the risk associated with an asset owned or liability incurred, or reasonably likely to be owned or incurred, by the individual.

19. Section 4m(1) of the Act, 7 U.S.C. § 6m(1) (2018), and Regulation 5.3(a)(2)(i), 17 C.F.R. § 5.3(a)(2)(i) (2020), require any person acting as a CPO, as defined in Regulation 5.1(d)(1), 17 C.F.R. § 5.1(d)(1) (2018), to be registered as such with the Commission.

20. For the purposes of trading forex, a CPO is defined in 17 C.F.R. § 5.1(d)(1) 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(18) of the Act, and that engages in retail forex transactions[.]”

21. Section 4k of the Act, 7 U.S.C. § 6k(2) (2018), and 17 C.F.R. § 5.3(a)(2)(ii) require any AP of a CPO, as defined in 17 C.F.R. § 5.1(d)(2), to be registered as such with the Commission.

22. For the purposes of trading forex, an AP of a CPO is defined in 17 C.F.R. § 5.1(d)(2) as “any natural person associated with a commodity pool operator . . . as a partner, officer, employee, consultant or agent . . . in any capacity which involves: (i) The solicitation of funds, securities, or property for a participation in a pooled investment vehicle; or (ii) The supervision of any person or persons so engaged.”

V. FACTS

A. Defendants’ Fraudulent Scheme

23. During the Relevant Period, on information and belief, Defendants Bazzi and Welther Oaks, through Bazzi, fraudulently solicited at least \$470,000 from at least 25 non-ECP Pool Participants, for the purpose of trading off-exchange leveraged or margined forex contracts on their behalf in a commodity pool that was not itself an ECP.

24. During this period, Bazzi held himself out as the Chief Executive, sole owner, and chief forex trader for Welther Oaks.

25. Bazzi solicited prospective Pool Participants through telephone calls, emails, text messages, and word of mouth, seeking out individuals who would agree to let Bazzi trade forex on their behalf through his company, Welther Oaks.

26. On or about March 28, 2018, Bazzi opened a business checking account at Fifth-Third Bank in the name of Welther Oaks with an account number ending in 3494 (the “3494 account”). On the application to open the account, Bazzi listed himself as the sole owner of and having complete control of Welther Oaks.

27. On or about July 30, 2018, Bazzi opened a second business checking account in the name of Welther Oaks at Bank of America with an account number ending in 3242 (the “3242 account”). On the application to open the account, Bazzi listed himself as the sole owner of and the owner with control of the entity.

28. On or about July 18, 2019, Bazzi opened a third business checking account in the name of Welther Oaks at Bank of America with an account number ending in 5461 (the “5461 account”). On the application to open the account, Bazzi listed himself as the sole owner of and the owner with control of the entity.

29. Bazzi asked prospective pool participants to wire funds into one of the three Welther Oaks bank accounts. Defendants also deposited checks received from pool participants into these accounts.

30. On October 23, 2018, Bazzi opened a retail forex account in his own name at a retail forex dealer and funded it with \$5,000. Bazzi did not disclose any other owners on the account application and answered that there were no undisclosed persons with an ownership interest in the account. The account was open for approximately fourteen days during which time it lost \$615. Bazzi subsequently closed the account on November 6, 2018 and transferred the remaining balance of \$4,385 to his personal credit card.

31. Over a year later, on December 11, 2019, Bazzi opened a second retail forex account in the name of Welther Oaks LLC with another retail forex dealer. Bazzi represented on the account application that he was trading his own funds, and no one else held a financial interest in the account. Bazzi made two deposits into the account, totaling \$70,000. The account was open for approximately 36 days, engaged in sixty-six trades and sustained net losses of approximately \$973. Bazzi subsequently closed the account on January 13, 2019 and transferred the remaining balance of \$68,889 out of the account to a Welther Oaks bank account.

32. On information and belief, these were the only two forex accounts Bazzi and Welther Oaks opened and traded in during the Relevant Period

B. Defendants' Fraudulent Misrepresentations and Omission

33. Throughout the Relevant Period, Bazzi falsely and fraudulently represented to Pool Participants that: Defendants had made large profits for

themselves and Pool Participants from trading forex; Defendants would trade forex with the funds deposited by Pool Participants; Pool Participants would realize guaranteed profits as high as 15% per month on their funds without losses; and upon request, Pool Participants could withdraw the funds at any time.

34. Bazzi also omitted to tell Pool Participants material information, including failing to disclose to Pool Participants that the majority of the funds received were not placed in trading accounts and Defendants did no trading at all during most of the Relevant Period; that the account statements issued by Defendants to several Pool Participants supposedly reflecting forex trading and profits were false; and that Defendants misappropriated Pool Participants' funds for their own use.

35. In fact, Defendants performed little if any forex trading on behalf of Pool Participants with the funds they received, never earned any profits on the funds they did trade, provided false account statements to Pool Participants showing profits, never paid out profits to most Pool Participants, and ultimately refused Pool Participants' requests to return their money. Instead, Defendants intentionally misappropriated Pool Participants' funds for Defendants' own benefit and personal use.

36. At the direction of Defendants, several Pool Participants entered into a written "Trading Agreement" with Welther Oaks. Bazzi provided the Trading

Agreement to Pool Participants by email or through other means or instrumentalities of interstate commerce. Some of the agreements contained the following fraudulent representation, “Welther Oaks will Honor any withdrawal requests made by the investor.”

37. To conceal from Pool Participants that their funds had been misappropriated and lull Pool Participants into leaving their funds in control of Welther Oaks and Bazzi, Bazzi advised some Pool Participants, both orally and in written account statements, that their funds were making profits, though in reality they were not.

38. For example, one Welther Oaks pool participant received statements from Defendants showing that forex trades placed in his account between January 22, 2019 and May 10, 2019 had earned profits totaling \$89,447, when in fact Bazzi had done no forex trading during that time period.

39. Additionally, Defendants issued statements to at least six pool participants reflecting that between May 2018 and July 2019, Defendants had earned over \$244,000 in profits for those participants. In fact, Bazzi only had an active forex account for about one month of that timespan, during which time he lost \$972.

40. Defendants made the misrepresentations and omissions alleged herein willfully or with reckless disregard for the truth and by use of the wires or other means or instrumentalities of interstate commerce.

C. **Defendants Misappropriated Pool Participants' Funds**

41. Bazzi instructed Pool Participants either to wire their funds to one of the three business checking accounts in the name of Welther Oaks or, if they wished to submit a check or cash, to send the funds to Welther Oak's business address.

42. Most, if not all, funds transmitted to Defendants by Pool Participants during the Relevant Period were deposited into one of the three Welther Oaks bank accounts (either by wire transfers sent directly from Pool Participants, or by Defendants depositing checks or cash received from Pool Participants).

43. Bazzi was the sole signatory on all three Welther Oaks bank accounts during the Relevant Period.

44. During the Relevant Period, rather than using Pool Participants' funds for trading forex as Defendants had represented they would, Defendants instead used those Pool Participant funds for Bazzi's personal benefit. Specifically, Defendants used at least approximately \$387,000 for, among other things, automobiles, jewelry, retail purchases, meals, entertainment, travel, and bank withdrawals for cash expenses.

45. One example occurred on March 9, 2020, when a Pool Participant made a \$35,000 deposit by wire transfer to the Welther Oaks account at Bank Two. None of this Pool Participant's deposit was used to trade forex. Instead Bazzi used this money he received to pay for personal living expenses such as food, gym memberships, gas and utilities, and retail purchases, including clothing, auto accessories, and over \$13,000 in jewelry.

46. To date, despite repeated requests to Bazzi for the return of their funds, most Pool Participants have not received their funds back from the Defendants.

47. To the extent some Pool Participants have received funds back from Defendants, those funds were misappropriated by Defendants from other Pool Participants, in the nature of a Ponzi scheme.

48. Defendants misappropriated Pool Participants' funds by use of the mails or other means or instrumentalities of interstate commerce.

D. Welther Oaks Acted as an Unregistered CPO, and Bazzi Acted as an Unregistered AP of a CPO

49. During the Relevant Period, Defendant Welther Oaks, through Defendant Bazzi, acted by operating or soliciting funds from individuals who were not ECPs for a forex pool that was not an ECP and that engaged in retail forex transactions.

50. During the Relevant Period, Bazzi acted in a capacity requiring registration as an AP of a CPO by soliciting Pool Participants and prospective Pool Participants for participation in a forex pool, while associated with Welther Oaks as a partner, officer, employee, or similar agent.

51. During the Relevant Period, Welther Oaks was not registered with the Commission as a CPO, and Bazzi was not registered with the Commission as an AP of a CPO as required by the Act and Regulations.

E. Bazzi Was a Controlling Person of Welther Oaks

52. Defendant Bazzi was a controlling person of Welther Oaks. Bazzi was the founder, Chief Executive Officer and sole owner of Welther Oaks. Bazzi told Pool Participants that he was responsible for the trading at Welther Oaks and was generally the sole source of information for Pool Participants regarding Welther Oaks and the status of their funds. Bazzi controlled the Welther Oaks bank accounts, into which Pool Participants transferred funds for the purpose of trading forex.

F. Bazzi Acted as an Agent for Welther Oaks

53. Through his solicitation of prospective and existing Pool Participants and his continued communication with Pool Participants regarding their purported trading success on behalf of Welther Oaks, Bazzi acted as an agent of Welther Oaks.

VI. VIOLATIONS OF THE COMMODITY EXCHANGE ACT AND COMMISSION REGULATIONS

COUNT ONE—AGAINST ALL DEFENDANTS

**Violations of Section 4b(a)(2)(A)-(C) of the Act, 7 U.S.C. § 6b(a)(2)(A)-(C) (2018), and Regulation 5.2(b)(1)-(3), 17 C.F.R. § 5.2(b)(1)-(3) (2020)
(Fraud In Connection with Forex Transactions by Fraudulent Solicitation and Misappropriation)**

54. Paragraphs 1 through 53 are re-alleged and incorporated herein by reference.

55. Section 4b(a)(2)(A)-(C) of the Act, 7 U.S.C. § 6b(a)(2)(A)-(C) (2018) makes it unlawful “for any person, in or in connection with any order to make, or the making of, any contract for sale of any commodity 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 willfully to enter or cause to be entered for the other person any false record; or (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 or execution of any order or contract, or in regard to any act of agency performed, with respect to an order or contract for or, in the case of paragraph (2), with the other person.”

56. Section 2(c)(2)(C)(iv) of the Act, 7 U.S.C. § 2(c)(2)(C)(iv) (2018), provides that 7 U.S.C. § 6b(a)(2)(A)-(C) of the Act, also applies to the forex

transactions, agreements, or contracts offered by Defendants “as if” they were a contract of sale of a commodity for future delivery.

57. Regulation 5.2(b)(1)-(3), 17 C.F.R. § 5.2(b)(1)-(3) (2020) makes it unlawful “for any person, by use of the mails or by any means or instrumentality of interstate commerce, directly or indirectly, in or in connection with any retail forex transaction: (1) [t]o cheat or defraud or attempt to cheat or defraud any person; (2) [w]illfully 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) [w]illfully to deceive or attempt to deceive any person by any means whatsoever.”

58. During the Relevant Period, Defendants violated 7 U.S.C. § 6b(a)(2)(A)-(C) and 17 C.F.R. § 5.2(b)(1)-(3), by, among other things, misrepresenting that:

- a. Defendants had made large profits for themselves and Pool Participants from trading forex;
- b. Defendants would trade forex with the funds deposited by Pool Participants;
- c. Pool Participants would realize guaranteed profits as high as 15% per month on their funds without losses; and
- d. Upon request, Pool Participants could withdraw their funds from Welther Oaks at any time;

59. During the Relevant Period, Defendants further violated 7 U.S.C. § 6b(a)(2)(A)-(C) and 17 C.F.R. § 5.2(b)(1)-(3), by, among other things, omitting to disclose to Pool Participants that:

- a. Defendants did not fund the trading accounts and did no trading at all during parts of the Relevant Period;
- b. the account statements issued by Defendants to several Pool Participants supposedly reflecting forex trading and profits were false; and
- c. Defendants misappropriated Pool Participants' funds for their own use.

60. Defendants committed the acts and practices described above using instrumentalities of interstate commerce, including the use of interstate wires for transfer of funds.

61. Defendants committed the acts and practices described herein willfully, or with reckless disregard for the truth.

62. The foregoing acts, omissions and failures as alleged in this Count of Bazzi, and of all other agents of Welther Oaks, occurred and are occurring within the scope of their employment, office or agency with Welther Oaks; therefore, Welther Oaks is liable for these acts, omissions and failures pursuant to Section

2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2018), and Commission Regulation 1.2, 17 C.F.R. § 1.2 (2020).

63. Bazzi directly or indirectly controls Welther Oaks, and did not act in good faith or knowingly induced, directly or indirectly, Welther Oaks' violations alleged in this Count, and is thus liable for Welther Oaks' violations pursuant to Section 13(b) of the Act, 7 U.S.C. § 13c(b) (2018).

64. Each act of misrepresentation, omission of material fact, and misappropriation, including, but not limited to, those specifically alleged herein, constitutes a separate and distinct violation of 7 U.S.C. § 6b(a)(2)(A)-(C) and 17 C.F.R. § 5.2(b)(1)-(3).

COUNT TWO—AGAINST ALL DEFENDANTS

Violations of Section 4o(1)(A)-(B) of the Act, 7 U.S.C. § 6o(1)(A)-(B) (2018) **(Fraud by a CPO and an Associated Person of a CPO)**

65. Paragraphs 1 through 64 are re-alleged and incorporated herein by reference.

66. 7 U.S.C. § 6o(1) makes it unlawful for CPOs and APs of CPOs by use of the mails or any other means or instrumentality of interstate commerce, directly or indirectly—(A) to employ any device, scheme, or artifice to defraud any client or participant or prospective client or participant; or (B) to 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.

67. As alleged herein, during the Relevant Period, Welther Oaks, through Bazzi, acted as a CPO by operating, or soliciting funds for, a forex pool that is not an ECP and that engages in retail forex transactions.

68. Bazzi acted as an AP of a CPO because he was associated with a CPO as a partner, officer, employee, consultant, or agent in a capacity that involved the solicitation of funds, securities, or property for participation in a forex pool.

69. Welther Oaks, through Bazzi, and Bazzi in his individual capacity, violated 7 U.S.C. § 6o(1)(A)-(B), in that by use of the mails or any other means or instrumentality of interstate commerce, they employed or are employing a device, scheme, or artifice to defraud actual or prospective Pool Participants, or engaged or are engaging in transactions, practices, or a course of business which operated or operates as a fraud or deceit upon actual or prospective Pool Participants.

70. Bazzi directly or indirectly controls Welther Oaks, and did not act in good faith or knowingly induced, directly or indirectly, Welther Oaks' violations alleged in this Count, and is thus liable for Welther Oaks' violations pursuant to 7 U.S.C. § 13c(b).

71. The foregoing acts, omissions and failures of Bazzi as alleged in this Count, and of all other agents of Welther Oaks, occurred and are occurring within the scope of their employment, office or agency with Welther Oaks; therefore,

Welther Oaks is liable for these acts, omissions and failures pursuant to 7 U.S.C. § 2(a)(1)(B) and 17 C.F.R. § 1.2.

72. Each misrepresentation, omission of material fact, and misappropriation, including but not limited to those specifically alleged herein, is alleged as a separate and distinct violation of 7 U.S.C. § 6o(1)(A)-(B).

COUNT THREE—AGAINST ALL DEFENDANTS

Violations of Sections 2(c)(2)(C)(iii)(I)(cc) and 4m(1) of the Act, 7 U.S.C. §§ 2(c)(2)(C)(iii)(I)(cc), 6m(1) (2018), and Regulation 5.3(a)(2)(i), 17 C.F.R. § 5.3(a)(2)(i) (2020)

(Failure to Register as a Commodity Pool Operator)

73. Paragraphs 1 through 72 are re-alleged and incorporated herein by reference.

74. As alleged herein, during the Relevant Period, Defendant Welther Oaks, which was not exempt from registration as a CPO, acted as a CPO and made use of the mails or any means or instrumentality of interstate commerce in connection with its business as a CPO by operating or soliciting funds for a forex pool that is not an ECP and that engages in retail forex transactions. Welther Oaks engaged in this conduct without being registered with the Commission as a CPO in violation of 7 U.S.C. §§ 2(c)(2)(C)(iii)(I)(cc) and 6m(1), and 17 C.F.R. § 5.3(a)(2)(i).

75. Bazzi directly or indirectly controls Welther Oaks, and did not act in good faith or knowingly induced, directly or indirectly, Welther Oaks' violations

alleged in this Count, and is thus liable for Welther Oaks' violations pursuant to 7 U.S.C. § 13c(b).

COUNT FOUR—AGAINST ALL DEFENDANTS

Violations of Sections 2(c)(2)(C)(iii)(I)(cc) and 4k(2) of the Act, 7 U.S.C. §§ 2(c)(2)(C)(iii)(I)(cc), 6k(2) (2018), and 17 C.F.R. § 5.3(a)(2)(ii) (2020) (Failure to Register as an Associated Person of a Commodity Pool Operator)

76. Paragraphs 1 through 75 are re-alleged and incorporated herein by reference.

77. During the Relevant Period, Defendant Bazzi acted as an AP of a CPO by operating or soliciting funds, securities, or property for the Welther Oaks forex pool, which was not an ECP, in connection with off-exchange leveraged or margined forex transactions. Welther Oaks engaged in this conduct without being registered with the Commission as an AP of CPO Welther Oaks, in violation of 7 U.S.C. §§ 2(c)(2)(C)(iii)(I)(cc) and 6k(2), and 17 C.F.R. § 5.3(a)(2)(ii).

78. The foregoing acts, omissions and failures of Bazzi as alleged in this Count, occurred and are occurring within the scope of his employment, office or agency with Welther Oaks; therefore, Welther Oaks is liable for these acts, omissions and failures pursuant to Section 7 U.S.C. § 2(a)(1)(B) and 17 C.F.R. § 1.2.

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 (2018), and pursuant to its own equitable powers:

A. Enter an order finding that Defendants Welther Oaks and Bazzi violated Sections 2(c)(2)(C)(iii)(I)(cc), 4b(a)(2)(A)-(C), 4k(2), 4m(1), and 4o(1)(A)-(B) of the Act, 7 U.S.C. §§ 2(c)(2)(C)(iii)(I)(cc), 6b(a)(2)(A)-(C), 6k(2), 6m(1), 6o(1)(A)-(B) (2018), and Regulations 5.2(b)(1)-(3) and 5.3(a)(2)(i)-(ii), 17 C.F.R. §§ 5.2(b)(1)-(3), 5.3(a)(2)(i)-(ii) (2020).

B. Enter an order of permanent injunction restraining, enjoining and prohibiting Defendants Bazzi and Welther Oaks, and their affiliates, agents, servants, employees, successors, assigns, attorneys, and all persons or entities in active concert with them, who receive actual notice of such order by personal service or otherwise, from engaging in the conduct described above, in violation of 7 U.S.C. §§ 2(c)(2)(C)(iii)(I)(cc), 6b(a)(2)(A)-(C), 6k(2), 6m(1), and 6o(1)(A)-(B), and 17 C.F.R. §§ 5.2(b)(1)-(3), 5.3(a)(2)(i)-(ii).

C. Enter an order of permanent injunction restraining, enjoining and prohibiting Defendants Bazzi and Welther Oaks, and their affiliates, agents, servants, employees, successors, assigns, attorneys, and all persons or entities in

active concert with them, who receive actual notice of such order by personal service or otherwise, from, directly or indirectly:

1. Trading on or subject to the rules of any registered entity (as that term is defined by Section 1a(40) of the Act, 7 U.S.C. § 1a(40) (2018));
2. Entering into any transactions involving “commodity interests” (as that term is defined in Regulation 1.3, 17 C.F.R. § 1.3 (2020)), for accounts held in the name of any Defendant or for accounts in which any Defendant has a direct or indirect interest;
3. Having any commodity interests traded on any Defendant’s behalf;
4. 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;
5. Soliciting, receiving, or accepting any funds from any person for the purpose of purchasing or selling of any commodity interests;
6. Applying for registration or claiming exemption from registration with the CFTC in any capacity, and engaging in any activity requiring such registration or exemption from registration with the CFTC except as provided for in Regulation 4.14(a)(9), 17 C.F.R. § 4.14(a)(9) (2020); and

7. Acting as a principal (as that term is defined in Regulation 3.1(a), 17 C.F.R. § 3.1(a) (2020)), agent, or any other officer or employee of any person registered, exempted from registration, or required to be registered with the CFTC except as provided for in Regulation 4.14(a)(9).

D. Enter an order requiring Defendants, as well as any third-party transferee and/or successors thereof, to disgorge, pursuant to such procedure as the Court may order, all benefits received including, but not limited to, salaries, commissions, loans, fees, revenues, and trading profits derived directly or indirectly, from acts or practices which constitute violations of the Act and Regulations as described herein, including pre-judgment interest thereon from the date of such violations, plus post-judgment interest.

E. Enter an order requiring Defendants, as well as any successors thereof, to make full restitution, pursuant to such procedure as the Court may order, to every person or entity who sustained losses proximately caused by Defendants' violations, including pre-judgment and post-judgment interest.

F. Enter an order directing Defendants and any of their successors, to rescind, pursuant to such procedures as the Court may order, all contracts and agreements, whether implied or express, entered into between, with or among Defendants and any of the clients whose funds were received by them as a result of

the acts and practices which constituted violations of the Act and Regulations as described herein.

G. Enter an order requiring each Defendant to pay a civil monetary penalty under the Act, to be assessed by the Court, in an amount not to exceed the penalty described by Section 6c(d)(1) of the Act, 7 U.S.C. § 13a-1(d)(1) (2018), as adjusted for inflation pursuant to the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, Pub. L. 114-74, Tit. VII, § 701, 129 Stat. 584, 599-600, *see* Regulation 143.8, 17 C.F.R. § 143.8 (2020), for each violation of the Act and Regulations, as described herein.

H. Enter an order requiring Defendants to pay costs and fees as permitted by 28 U.S.C. §§ 1920 and 2413(a)(2) (2018).

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

Dated: August 17, 2021

Respectfully submitted,

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