

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

COMMODITY FUTURES TRADING  
COMMISSION,

Plaintiff,

v.

JAMES ROBERT VELISSARIS,

Defendant.

Case No. 1:22-cv-01347

ECF Case

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

**JURY TRIAL DEMANDED**

Plaintiff Commodity Futures Trading Commission (the “CFTC” or “Commission”), by and through its undersigned attorneys, hereby alleges as follows:

**I. SUMMARY**

1. From at least January 1, 2018 through at least February 28, 2021 (the “Relevant Period”), Defendant James Robert Velissaris, by and through Infinity Q Capital Management, LLC (“Infinity Q”), the company he founded, controlled, and of which he was the Chief Investment Officer (“CIO”) and majority owner, engaged in a multimillion-dollar fraudulent valuation scheme to show false gains on hundreds of swaps held by two commodity pools managed by Infinity Q, a Commission-registered Commodity Pool Operator (“CPO”). Although Velissaris first engaged in this fraud prior to the Covid-19 global pandemic, the scope and scale of the fraud increased as he tried simultaneously to mitigate against, and also take advantage of, the unprecedented market volatility it caused.

2. Velissaris executed his scheme by intentionally corrupting the independent, third-party pricing service models that Infinity Q used to value the swaps, which were held by two commodity pools operated by Infinity—the Infinity Q Diversified Alpha Fund (the “Diversified Fund”) and the Infinity Q Volatility Alpha Fund (the “Volatility Fund”) (together the “Funds”).

Velissaris accomplished his scheme by, among other ways, surreptitiously inputting false information into the models, changing the models' underlying computer code, and using improper pricing templates to guarantee the pricing service would return whatever artificial values Velissaris wanted rather than the values that the independent pricing service models would produce without Velissaris's actions. The counterparties to the swaps had not agreed to, and there was no economic justification for, any of Velissaris's changes.

3. Using these fraudulent valuations, Velissaris successfully caused Infinity Q to show hundreds of millions of dollars in false, exaggerated gains, creating a false record of success that Infinity Q in turn used to charge inflated fees, induce existing pool participants to commit additional monies, and lure in new participants.

4. In connection with the fraudulent scheme, Velissaris made materially false and misleading statements to existing and prospective participants in the Funds, the Funds' administrator, and the Funds' auditor about, among other things: (1) the value of certain swaps in the Funds; (2) the Funds' gains and losses; (3) Infinity Q's use of third-party pricing services; and (4) Infinity Q's valuation policies generally.

5. Velissaris took steps to conceal his fraud by, among other ways, providing falsified swap term sheets to Infinity Q's auditors, surreptitiously making retroactive changes to Infinity Q's written valuation policy ("Valuation Policy"), and creating phony minutes for meetings of Infinity Q's valuation committee ("Valuation Committee") that never took place.

6. The impact of Velissaris's fraudulent scheme was massive. His actions resulted in the overvaluation of the Funds in certain months by more than \$1 billion.

7. Showing false gains in the Funds benefited Velissaris in at least two ways. First, as an owner of Infinity Q, Velissaris benefitted from Infinity Q's receipt of inflated management

and performance fees paid by the Funds' participants. Rather than calculate fees based on *genuine* gains and the *genuine* value of the Funds' positions as promised, Infinity Q calculated those fees using the fraudulent valuations Velissaris had contrived.

8. Second, Velissaris was able to use the false valuations to make the Funds look profitable, even during the uncertain market conditions experienced during the global pandemic when other funds with similar strategies were failing, to entice current participants to pour more money into the Funds and to entice new participants to the Funds. For example, between January 2020 and January 2021, using Velissaris's inflated valuations that showed false gains, Infinity Q took in more than \$250 million from current and new participants in the Volatility Fund alone. As an owner of Infinity Q, Velissaris stood to gain from any additional money participants contributed to the Funds.

9. Like the Funds' existing participants, new participants were also charged ever-increasing, artificially high fees. As an owner of Infinity Q, Velissaris benefitted from these artificially high fees.

10. Velissaris's conduct alleged herein violated the following anti-fraud provisions of the Commodity Exchange Act (the "Act") and Commission Regulations ("Regulations"): Sections 4b(a)(2)(A)-(C), 4b(e), 4o(1)(A), 4o(1)(B), and 6(c)(1) of the Act, 7 U.S.C.

§§ 6b(a)(2)(A)-(C), 6b(e), 6o(1)(A)-(B), 9(1), and Regulation 180.1, 17 C.F.R. § 180.1 (2021).

11. Defendant Velissaris committed the acts and omissions alleged herein within the scope of his employment or office at Infinity Q.

12. As the CIO and majority owner of Infinity Q, Velissaris controlled Infinity Q throughout the Relevant Period and failed to act in good faith or knowingly induced Infinity Q's conduct that constituted violations of Sections 4b(a)(2)(A)-(C), 4b(e), 4o(1)(A), 4o(1)(B), and

6(c)(1) of the Act, 7 U.S.C. §§ 6b(a)(2)(A)-(C), 6b(e), 6o(1)(A)-(B), 9(1), and 17 C.F.R. § 180.1.

13. Accordingly, the Commission brings this action pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1, to enjoin Velissaris's violative acts and practices and to compel Velissaris's compliance with the Act and Regulations. In addition, the Commission seeks civil monetary penalties, and remedial ancillary relief, including, but not limited to, trading and registration bans, restitution, disgorgement, pre- and post-judgment interest, and such other and further relief as this Court deems necessary and appropriate.

14. Unless restrained and enjoined by this Court, Velissaris is likely to continue to engage in the acts and practices alleged in this Complaint and similar acts and practices, as more fully described below.

## II. JURISDICTION AND VENUE

15. **Jurisdiction.** This Court has jurisdiction over this action under 28 U.S.C. § 1331 (federal question jurisdiction) and 28 U.S.C. § 1345 (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(a) of the Act, 7 U.S.C. § 13a-1(a), authorizes the Commission to seek injunctive and other relief against any person whenever it appears 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.

16. **Venue.** Venue properly lies with the Court pursuant to Section 6c(e) of the Act, 7 U.S.C. § 13a-1(e), because Velissaris is found in, inhabits, or transacts business in this District, and because acts and practices in violation of the Act occurred, are occurring, or are about to

occur, within this District.

### III. THE PARTIES

17. Plaintiff **Commodity Futures Trading Commission** (“Commission” or “CFTC”) is an independent federal regulatory agency that is charged by Congress with the administration and enforcement of the Act and the Regulations. The Commission maintains its principal office at Three Lafayette Centre, 1155 21st Street, N.W. Washington, D.C. 20581.

18. Defendant **James Robert Velissaris** is a natural person with a last known residence in Atlanta, Georgia. Velissaris was the founder, majority owner, and CIO of Infinity Q. Velissaris has been registered with the Commission as an Associated Person (“AP”) of Infinity Q since September 24, 2014.

### IV. OTHER RELEVANT ENTITIES

19. **Infinity Q Capital Management, LLC** is a Delaware limited liability company located in New York, New York. Infinity Q operates the Funds and is the investment advisor to the Diversified Fund and the general partner and investment advisor to the Volatility Fund. Infinity Q’s principal owners are Infinity Q Management Equity, LLC and another limited partnership. Infinity Q Management Equity, LLC is principally owned by Defendant Velissaris. Infinity Q has been registered with the Commission as a CPO since September 23, 2014. Infinity Q is also registered with the Securities and Exchange Commission (“SEC”) as an investment adviser under the Investment Advisers Act of 1940 (“the 1940 Act”).

20. The **Infinity Q Diversified Alpha Fund** is a Delaware statutory trust and a commodity pool under the Act. Infinity Q is the investment advisor to and operates the Diversified Fund. The Diversified Fund is also registered as a diversified open-end investment company under the 1940 Act. Additionally, the Diversified Fund is a series of the Trust for

Advised Portfolios, which is registered with the SEC under the 1940 Act as an open-end management investment company.

21. The **Infinity Q Volatility Alpha Fund, L.P.** is a Delaware limited partnership and a commodity pool under the Act. Infinity Q operates the Volatility Fund and is the general partner and investment advisor to the fund.

## V. FACTS

### Background on Infinity Q, Velissaris, and the Funds

22. In 2014, Defendant Velissaris founded Infinity Q, which purported to be a “pioneering” hedge fund firm that combined analytics, research, and trading to manage its investment strategies and generate positive absolute returns by providing exposure to alternative strategies including volatility. Since its founding and throughout the Relevant Period, Velissaris had a controlling and majority ownership stake in Infinity Q.

23. In or about September 2014, Infinity Q launched the Diversified Fund. As of January 31, 2021, Infinity Q claimed to have approximately \$1.8 billion in assets under management in the Diversified Fund.

24. In or about February 2017, Infinity Q launched the Volatility Fund. As of January 31, 2021, Infinity Q claimed to have approximately \$1.2 billion in assets under management in the Volatility Fund.

25. Generally, during the Relevant Period, Infinity Q charged participants in the Diversified Fund a monthly management fee equal to twelve and one-half basis points (or 1.5% on an annual basis) multiplied by the average daily value of the participant’s share of the fund’s net assets during the preceding month.

26. Generally, during the Relevant Period, Infinity Q charged participants in the

Volatility Fund two types of fees: (a) a monthly management fee equal to twelve and one-half basis points (or 1.5% on an annual basis) multiplied by the average daily value of the participant's share of the fund's net assets during the preceding month and (b) a performance fee equal to 15% of the net capital appreciation (i.e., profits) Infinity Q generated in the fund.

27. As the majority owner of Infinity Q, Defendant Velissaris stood to share in the revenue Infinity Q generated from the fees it charged the Funds' participants.

28. During the Relevant Period, Velissaris was the majority owner and CIO of Infinity Q, and directed, managed, and controlled Infinity Q's operations. Velissaris developed and implemented the firm's trading strategies and led the research, trading, and portfolio management team responsible for operating the Funds.

**A Portion of the Funds' Assets Were Invested in Variance Swaps and Corridor Variance Swaps**

29. Defendant Velissaris's and Infinity Q's investment strategy for the Funds was to give pool participants exposure to volatility-based strategies that provided exposure to a diversified portfolio of derivatives across stocks, bonds, interest rates, and commodities markets. The strategy sought to profit from the mispricing of volatility-related instruments across those markets.

30. Infinity Q and Velissaris marketed these volatility strategies as a way for pool participants to generate positive absolute returns over time in both positive and negative environments for equities, fixed income, and credit markets. That is, Infinity Q and Velissaris marketed the Funds as market-neutral as they were designed to profit regardless of whether the underlying market was up or down.

31. As a part of the volatility strategy, the Funds' assets included, but were not

limited to, variance swaps and corridor variance swaps, both of which are “swaps” under the Act.

32. A variance swap is an over-the-counter (“OTC”) financial derivative contract that allows a party to speculate on the magnitude of the change in value over time (i.e., the volatility) of an underlying asset, such as a stock, stock index, or commodity. One party to the swap will pay an amount based on the actual variance of changes of the underlying asset. The other party will pay a fixed amount, called the strike (also known as the projected volatility), specified at the start of the contract. Generally, the net payoff to each counterparty, which usually is settled in cash at the contract’s expiration, will be the difference between the actual variance and strike amount multiplied by some notional value the parties determined at the start of the contract.

33. In general, the return a party stands to earn on a variance swap depends on how accurately that party predicts the future volatility of the particular asset underlying the swap. For example, generally, if the party projects that the volatility of the S&P 500 Index over the next twelve months will be low, but the actual volatility during those twelve months turns out to be high, the party will lose money.

34. A party can buy or sell a variance swap. A party who buys a variance swap has established a “long” position in that swap. Conversely, a party who sells a variance swap has established a “short” position. Generally, buying a variance swap is profitable when the actual level of volatility in the relevant market is higher than the level of volatility projected (i.e., the strike). Conversely, selling a variance swap generally is profitable when the actual level of volatility is lower than the level of volatility projected.

35. A corridor variance swap is a type of variance swap that accumulates variance only when the value of the underlying asset is within a predetermined range. Whereas ordinary variance swaps will track all values contributing to the volatility calculation, a corridor variance



swap will have minimum and maximum thresholds; if the daily observed value is within this range it will be included in the volatility tabulation, and if it is either too high (above the maximum threshold) or too low (below the minimum threshold), it will be excluded. As a result, generally, swaps with wider ranges have higher prices than swaps with narrow ranges given that the likelihood of a value falling within the range increases as the range widens.

**Infinity Q Falsely Represented to the Funds' Participants That It Would Use an Independent Third-Party Valuation Service to Value the Funds' Variance Swaps**

36. Infinity Q set forth the terms of the management of the Funds in the Diversified Fund's prospectus ("Prospectus") and the Volatility Fund's private placement memorandum ("PPM"), among other documents, which Infinity Q provided to prospective and current participants in the Funds.

37. Defendant Velissaris, who controlled Infinity Q, was ultimately responsible for the contents of the PPM and Prospectus.

38. During the Relevant Period, prospective and current participants in the Funds received and reviewed the Prospectus and/or PPM.

39. Prospective and current participants in the Funds considered the statements in the Prospectus and/or PPM material to their decisions to participate in and contribute money to the Funds.

40. The Prospectus stated that when reliable market quotations were not readily available for an asset, Infinity Q would value that asset at fair value in accordance with certain valuation policies, which provided for use of third-party pricing services.

41. The PPM stated that the firm's Valuation Committee was responsible for

determining the fair valuation of the fund's assets pursuant to Infinity Q's Valuation Policy.

42. The PPM and Valuation Policy stated that Infinity Q valued the Funds' positions in accordance with the Funds' offering documents and Generally Accepted Accounting Principles in the United States ("GAAP"), specifically, ASC 820 Fair Value Measurement.

43. The PPM and Valuation Policy stated that GAAP requires the use of "fair value" in determining the value of the asset and that fair value is the price that would be received in an orderly transaction between market participants at the valuation date.

44. The PPM and Valuation Policy stated that in situations where no market quotations are available, Infinity Q used "independent third-party valuation providers." As set forth below, these statements were false or misleading.

45. During the Relevant Period, Velissaris was a member of Infinity Q's Valuation Committee.

46. As represented in the PPM and Valuation Policy, Infinity Q, as a fiduciary of the Funds, had an obligation to value the investments held by each participant account in a manner that was fair, consistent, and in the best interest of each participant.

47. As of at least August 1, 2018, the PPM stated that once a price is established for a portfolio security, it shall be used for all Infinity Q funds that hold the security. As demonstrated below, Infinity Q, by and through Velissaris, failed to adhere to this requirement, and therefore this statement was false.

48. The PPM also stated that Infinity Q calculated the fund's performance and the fees Infinity Q charged participants based on the fair value of the fund's positions. Infinity Q acknowledged in the PPM that an incorrect valuation of assets may result in overcharges of fees to clients and/or overstatement of performance information, which in each case may be a

violation of the firm's fiduciary duty and federal anti-fraud laws.

49. In addition, on numerous occasions throughout the Relevant Period, Defendant Velissaris falsely or misleadingly represented to existing and prospective participants, the Funds' auditor, and the Funds' administrator that Infinity Q used an "independent" third-party to value OTC derivatives held in the Funds.

50. Existing and prospective participants in the Funds considered the representations that Infinity Q used an independent third-party to value OTC derivatives held in the Funds material to their decisions to participate in and contribute money to the Funds.

**Infinity Q's Use of a Purportedly Independent Third-Party Valuation Service for Variance Swaps**

51. During the Relevant Period, Defendant Velissaris and Infinity Q used a purportedly independent third-party pricing service ("Pricing Service A") to price the Funds' variance swap positions. Velissaris and Infinity Q repeatedly represented to existing and prospective participants that the third-party pricing service it used was "independent." These representations were false or misleading.

52. For example, a 2019 due diligence report prepared by a third-party diligence consultant on behalf of a prospective participant in the Volatility Fund reported that Infinity Q represented that "[w]hen trades are completed, [Infinity Q] sends [Pricing Service A] the details and [Pricing Service A] will model the securities independent of [Infinity Q]."

53. Similarly, on or about May 28, 2020, Velissaris represented to another participant that the "valuation and reporting for the [Diversified Fund] is conducted by [Administrator A]."

54. Pricing Service A generated prices for variance swaps using an industry standard financial model and formula ("pricing model") incorporated into a computer script ("pricing

script”). The pricing model required that certain terms and parameters of the variance swap, which were agreed-upon in advance by the parties to the swap and memorialized in the swap’s term sheet, be input before the script would calculate the swaps value.

55. Pricing Service A instructed its clients, including Infinity Q, to make sure that the input parameters entered into the script faithfully represented the term sheet that they would like to price.

56. During the Relevant Period, Velissaris was responsible for and did input the parameters for certain variance swaps into Pricing Service A’s models.

57. Despite that Velissaris had input the parameters for certain swaps, Velissaris and Infinity Q falsely represented to the Funds’ participants that Infinity Q does not provide the inputs Pricing Service A used to generate prices. For example, on or about May 27, 2020, in response to a question from an existing participant about positions in the Volatility Fund, an Infinity Q employee stated in an email to that participant, “we have nothing to do with nor provide inputs for the valuation of the positions.” After sending this response to the participant, the Infinity Q employee forwarded the response to Velissaris, who did not make any changes or object to Infinity Q’s representation to the participant.

58. Once the terms were input, the pricing model and formula would generate a price for the swap. Those agreed-upon terms included (a) the underlying asset or index, (b) Vega notional, (c) strike price, (d) scaling factor, (e) swap start date, (f) swap end date, and for corridor variance swaps, (g) lower bound and (h) upper bound.

- a. The **underlying asset** is used by the pricing model to look up the appropriate traded asset and to ensure it is correctly included in the variance calculation.
- b. The **Vega notional** is the volume of the corridor variance swap that will be used

to multiply the final per unit payoff to calculate the total payoff.

- c. The **strike** is used to calculate the payoff at deal termination; it does this by comparing the calculated, actual volatility versus the strike, and multiplying this value (which can be either positive or negative) by the Vega notional to determine a final profit/loss calculation.
- d. The **scaling factor** is the number of trading days in the calendar year for the relevant market, and is used to annualize the actual, daily volatility that was observed. The average number of trading days for U.S. markets is 252 days per year.
- e. The **swap start date** is the effective date of the swap.
- f. The **swap end date** is the date on which the swap ends, indicating that final payment is made and no further exchanges of payments will occur.
- g. For a corridor variance swap, the **lower bound** is the price below which the daily observed value will be excluded.
- h. For a corridor variance swap, the **upper bound** is the price above which the daily observed value will be excluded.

59. During the Relevant Period, Velissaris was the only person at Infinity Q with the access and ability to input terms into and modify the pricing model, formula, or script.

**Velissaris Intentionally Tampered with the Pricing Scripts to Overvalue the Funds' Positions**

60. On numerous days during the Relevant Period, despite repeated representations that Infinity Q valued the Funds' holdings according to an "independent" third-party pricing service, Velissaris secretly accessed and manipulated Pricing Service A's pricing models to

ensure they generated whatever false values he wanted rather than the independently derived values it otherwise would have generated for numerous variance swaps, including swaps based on broad-based security indexes.

61. Velissaris used multiple methods to execute this fraudulent pricing scheme, including surreptitiously changing the pricing scripts and inputs for certain variance swaps and using incorrect templates for certain swaps to ensure Pricing Service A generated inflated values. These methods included, among others, (1) replacing in the scripts the word “and” with “or” for certain corridor variance swaps, effectively eliminating the corridor; (2) changing the lower and/or upper bounds of certain corridor variance swaps from the agreed-upon amounts to 1 and 10,000,000, effectively eliminating the lower and/or upper bound; (3) changing the effective date of the swap to place more or less weight on certain periods of high or low volatility depending on whether the position was long or short; (4) increasing the scaling factor (i.e., the number of trading days in a year, typically 252) applicable to certain variance swaps; and (5) using templates for certain swaps that were not designed or calibrated to price those types of instruments. The counterparties to the swaps had not agreed to, nor was there any economic justification for, any of Velissaris’s changes.

#### **FIRST METHOD OF FRAUD EXAMPLE**

62. For example, during the Relevant Period, Velissaris changed the pricing script the pricing model used to value a Eurostoxx 50 Index (“SX5E”) corridor variance swap entered into with Counterparty A with a trade date of May 14, 2019 in the Diversified Fund (“Swap A”).

63. Pursuant to Swap A’s term sheet, Swap A had a variance strike of 17 percent; a corridor low of 2,333.80; a corridor high of 3,667.40; and a Vega notional of \$400,000 (i.e., a

long position).

64. In general, Infinity Q stood to generate a positive return from Swap A as long as the actual (also referred to as the realized) volatility of the SX5E was higher than the agreed-upon strike (i.e., 17%). Importantly, however, the size of the return Infinity Q stood to generate depended on the number of days the actual value of the SX5E fell within the agreed-upon corridor (i.e., greater than 2,333.80 and less than 3,667.40). That is, as the number of days the actual value fell within the corridor increased, the value of Swap A increased.

65. At times during the Relevant Period, the actual volatility of the SX5E was such that the actual value of Swap A had increased and the Diversified Fund stood to gain on the contract.

66. Knowing that Swap A's actual value had increased and resulted in gains in the Diversified Fund and that if he widened the corridor then Swap A's value would increase and generate even more gains, Velissaris secretly changed the pricing model for Swap A to increase Swap A's value.

67. To accomplish this fraud, Velissaris changed the part of the pricing script for the model that applied the agreed-upon corridor, effectively guaranteeing that Swap A accumulated variance every single day rather than only on days the value of the SX5E was within the corridor.

68. Per Swap A's term sheet, the original pricing script instructed the model to accumulate variance only when the actual value of the SX5E was greater than 2,333.80 "and" less than 3,667.40.

69. Velissaris, however, changed the original pricing script by replacing the word "and" with "or" which effectively eliminated the boundaries given that every value (or number)

is either greater than 2,333 *or* lower than 3,667.

70. Because the corridors generally limit the payout on corridor variance swaps, that is, variance only accrues to the extent the underlying asset remains within the corridor, the effect of Velissaris's change was to improperly increase Swap A's value. As a result of this change, the pricing model returned a false, significantly higher value given that it was accumulating variance each and every day during the term of Swap A rather than only when the value of the SX5E was within the corridor.

71. Counterparty A had not agreed to any change to the pricing script, and there was no economic justification for Velissaris to change the pricing script in this manner.

72. Velissaris knew that changing the script in this manner would artificially inflate the value of Swap A, and thereby artificially inflate the gains he and Infinity Q could claim they had generated.

73. The amount by which Swap A was overvalued because of Velissaris's fraudulent conduct changed throughout the Relevant Period. But, by way of example, as of February 12, 2021, Infinity Q and Velissaris fraudulently valued Swap A at approximately \$10.2 million. When independently valued shortly thereafter, however, the fair value of Swap A, based on its actual terms, was only approximately \$2.1 million. That is, Velissaris and Infinity Q fraudulently valued Swap A at five times fair value, overvaluing it by approximately \$8 million.

74. During the Relevant Period, as part of his fraudulent scheme, Velissaris similarly replaced the word "and" with "or" in the pricing scripts for numerous other corridor variance swaps.

#### **SECOND METHOD OF FRAUD EXAMPLE**

75. A second method Velissaris used to execute his fraudulent scheme was to secretly



change the lower and/or upper bounds of certain corridor variance swaps from the amounts stated in the applicable term sheet to 1 and 10,000,000 respectively, effectively guaranteeing a false, higher valuation given that the pricing model would include more instances of variance than it otherwise would have.

76. For example, during the Relevant Period, Velissaris changed the corridor high input for a S&P 500 Index (“S&P 500”) variance swap entered into with Counterparty B with a trade date of March 3, 2020 and a Vega notional of \$500,000 (i.e., a long position) held in the Volatility Fund (“Swap B”).

77. Pursuant to Swap B’s term sheet, Swap B had a variance strike of 17.00 percent; a corridor low of 2853.20; and a corridor high of 3003.37.

78. At times during the Relevant Period, the volatility of the S&P 500 was such that the value of Swap B had increased and the Volatility Fund stood to gain on the contract.

79. Not content with the (unrealized) gains Swap B had returned, Velissaris intentionally changed the corridor high in the pricing model for Swap B from 3003.37 to 10 million. By doing so, Velissaris widened the corridor for Swap B, effectively guaranteeing a false, higher value as the manipulated model accumulated variance every day the value of the S&P 500 was between 2853.20 and 10,000,000 rather than between 2853.20 and 3003.37.

80. Counterparty B had not agreed to any change to the corridor high for Swap B, and there was no economic justification for Velissaris to change the corridor high. Velissaris knew that changing the corridor high to 10,000,000 would artificially inflate the value of Swap B, and thereby show fake, inflated gains.

81. The amount by which Swap B was overvalued on account of Velissaris’s fraud changed throughout the Relevant Period. But, by way of example, as of January 31, 2021,

Infinity Q and Velissaris fraudulently valued Swap B at approximately \$9.35 million. When independently valued shortly thereafter, however, the fair value of Swap B, based on its actual terms, was approximately \$2.5 million. That is, they fraudulently valued Swap B at nearly five times fair value, overvaluing it by more than \$6.8 million.

82. During the Relevant Period, as part of his fraudulent scheme, Velissaris similarly changed the corridor low and/or high from the contractually agreed-upon values to 1 and 10,000,000 respectively for multiple other corridor variance swaps.

### **THIRD METHOD OF FRAUD EXAMPLE**

83. A third method Velissaris used to execute his fraudulent scheme involved changing the effective (i.e., start) date of certain variance swaps held in the Funds.

84. For example, during the Relevant Period, Velissaris changed the effective date for an MSCI EAFE variance swap entered into with Counterparty C with a Vega notional of \$600,000 (i.e., a long position) and a contractually agreed-upon effective date of March 14, 2019, which was held in the Volatility Fund (“Swap C”).

85. At times during the Relevant Period, the volatility of the MSCI EAFE was such that the value of Swap C had increased and the Volatility Fund stood to gain on the contract.

86. On May 12, 2020, not content with the (unrealized) gains Swap C had returned, Velissaris intentionally changed the effective date of Swap C from March 14, 2019, to December 13, 2019, so that the pricing model would return an even higher, false, value and thus show even greater gains.

87. Velissaris knew that by changing the effective date of Swap C in this manner the pricing model would return a false, higher value than it would have otherwise returned because the model would disregard volatility before the Covid-19 pandemic and place more weight on

the increased volatility at the start of the pandemic.

88. Counterparty C had not agreed to a change to the effective date of Swap C and there was no economic justification for Velissaris to change Swap C's effective date.

89. The amount by which Swap C was overvalued on account of Velissaris's fraud changed throughout the Relevant Period. But, by way of example, as of January 31, 2021, Infinity Q and Velissaris fraudulently valued Swap C at approximately \$9.3 million. When independently valued shortly thereafter, however, the fair value of Swap C, based on its actual terms, was only approximately \$3.9 million. That is, Velissaris and Infinity Q fraudulently valued Swap C at more than two times fair value, overvaluing it by approximately \$5.4 million.

90. During the Relevant Period, as part of his fraudulent scheme, Velissaris similarly changed the effective date for other swaps.

#### **FOURTH METHOD OF FRAUD EXAMPLE**

91. A fourth method Velissaris used to execute his fraudulent scheme involved Velissaris secretly increasing the scaling factor (i.e., number of trading days in the year) the pricing model applied to certain variance swaps from the agreed-upon and industry standard 252 days.

92. For example, during the Relevant Period, Velissaris changed the scaling factor applicable to a Russell 2000 Index variance swap entered into with Counterparty B with a trade date of July 30, 2020, variance strike of 29.5 percent, and a Vega notional of \$450,000 (i.e., a long position) held in the Diversified Fund ("Swap D").

93. At times during the Relevant Period, the volatility of the Russell 2000 Index was such that the value of Swap D had decreased and the Diversified Fund stood to lose on the

contract.

94. To conceal the losses on Swap D, among other actions, Velissaris intentionally changed the scaling factor applicable to Swap D from the default 252 trading days per year to 350 trading days per year, effectively guaranteeing that the pricing model would return a false, higher value and thus show a gain rather than a loss on the position.

95. Velissaris knew that by increasing the scaling factor the pricing model would return a higher value than it would have otherwise returned.

96. Counterparty B had not agreed to any change to the scaling factor and there was no economic justification for Velissaris to add 102 days to the contractually agreed-upon and industry standard number of trading days per year.

97. In addition to changing the scaling factor in the pricing model for Swap D, at various times during the Relevant Period, Velissaris also changed the corridor high to 10,000,000 and replaced the word “and” with “or” in the pricing script for Swap D, in the same manner described above.

98. The amount by which Swap D was overvalued on account of Velissaris’s fraud changed daily throughout the Relevant Period. But, by way of example, as of February 18, 2021, Infinity Q and Velissaris fraudulently valued Swap D at approximately \$3.8 million. When independently valued shortly thereafter, however, the fair value of Swap D, based on its actual terms, was approximately -\$65,000. That is, Velissaris and Infinity Q fraudulently valued Swap D to show a *gain* of approximately \$3.8 million when in reality Swap D was showing a *loss* of approximately \$65,000.

99. During the Relevant Period, and as part of his fraudulent scheme, Velissaris

similarly changed the scaling factor applicable to multiple other variance swaps.

**FIFTH METHOD OF FRAUD EXAMPLE**

100. A fifth method Velissaris used to execute his fraudulent scheme was to use pricing templates that were not appropriate for pricing corridor variance swaps and which he knew would return false, artificially high values. In some instances, Velissaris selected an improper template to value the swap from the start date of the position. In other instances, Velissaris changed the template initially used to value the position to an improper template for future valuations.

101. During the Relevant Period, Pricing Service A provided Infinity Q, and instructed Velissaris to use, a specific template for pricing corridor variance swaps. For “vanilla” variance swaps, Pricing Service A provided a different, basic template that did not take into account any corridors.

102. During the Relevant Period, however, to value certain of the Funds’ corridor variance swaps, Velissaris intentionally selected different, improper templates that were not designed or calibrated to value corridor variance swaps, including using the “vanilla” variance swaps template for corridor variance swaps.

103. Velissaris knew that by using these improper templates to price corridor variance swaps, Pricing Service A would return false values that were higher than it otherwise would have returned if Velissaris had used the correct templates.

104. For example, in November 2019, Velissaris changed the template he had used the prior month (October 2019) to price a specific corridor variance swap held in the Diversified Fund. Velissaris changed the template for this swap from a template designed for corridor variance swaps to a template designed for an entirely different product and not designed or

calibrated to price a corridor variance swap. After Velissaris changed the template, the value of this swap, as generated by Pricing Service A, increased by more than \$1 million.

105. During the Relevant Period, Velissaris similarly used inappropriate templates to value dozens of other corridor variance swaps.

106. In addition to using improper templates, Velissaris did not use templates consistently and in some circumstances used different templates at different times to price the same swap.

107. There was no economic justification for Velissaris to price corridor variance swaps using pricing templates that were not designed or calibrated to do so.

108. Velissaris did not tell any of the Funds' participants, auditors, or third-party administrator that he had used incorrect templates or had manipulated the pricing models Pricing Service A used to value corridor variance swaps held by the Funds. To the contrary, Velissaris undertook his fraud scheme in secret.

**In Certain Circumstances, Velissaris Valued the Same Exact Swap Held in the Diversified Fund Differently from How He Valued that Same Swap Held in the Volatility Fund**

109. Throughout the Relevant Period, the Diversified Fund and the Volatility Fund held similar variance swaps, and at times during the Relevant Period, the Diversified Fund and the Volatility Fund held the exact same variance swap.

110. For example, as of November 30, 2020, both the Diversified Fund and the Volatility Fund held a corridor variance swap with Counterparty E with an effective date of February 4, 2020, an end date of December 18, 2020, a Vega notional of 500 Euro (i.e., a long position), a strike price of 15.05 percent, a lower bound of 2985.82, and upper bound of 4478.74

(“Swap E”).

111. During the Relevant Period, despite that the swaps were identical, Velissaris valued Swap E differently in the Diversified Fund from the Volatility Fund.

112. For example, as of March 2020, Velissaris valued Swap E held in the Volatility Fund at \$29.4 million, but valued Swap E held in the Diversified Fund at \$12.9 million. That is, he valued Swap E in the Volatility Fund at more than double the value he gave to the same exact swap in the Diversified Fund. There was no economic justification for Velissaris to value Swap E differently in this manner.

113. On multiple occasions throughout the Relevant Period, Velissaris similarly valued the same exact swap held in the Diversified Fund differently from how he valued that same swap in the Volatility Fund. There was no economic justification for valuing the same swaps held in different funds differently.

114. As of at least August 1, 2018, through the PPM, Infinity Q and Velissaris represented to pool participants that once a price was established for a portfolio security, it would be used for all Infinity Q Funds that hold the security. As demonstrated above, this representation was false.

**Infinity Q and Velissaris Used the Fraudulent Valuations to Calculate, Falsely, the Funds’ Net Asset Value and Charge Participants Fraudulently High Fees**

115. During the Relevant Period, Infinity Q used a third-party administrator (“Administrator A”) to calculate the net asset value (“NAV”) of the assets in the Funds. Administrator A used the NAV to prepare participant account statements showing the performance and value of each participant’s share of the Funds’ assets. Administrator A also

used the NAV to calculate the fees Infinity Q charged each participant.

116. During the Relevant Period, Velissaris and Infinity Q represented to prospective and existing participants in the Funds that Administrator A fully and independently valued the Funds. For example, the 2019 due diligence report, referenced above in Paragraph 52, states that Infinity Q represented that in practice, “[Administrator A] prices the book independently using [Pricing Service A].” These representations were false.

117. During the Relevant Period, Administrator A calculated the Funds’ NAV, in part, based on the values generated by Pricing Service A. Because many of those values, however, were false and inflated, as a result of Velissaris’s fraudulent scheme, the Funds’ NAV was false and inflated throughout the Relevant Period.

118. The amount by which the Funds’ NAV was fraudulently inflated changed throughout the Relevant Period. For example, as of October 31, 2020, Infinity Q overvalued the Diversified Fund’s NAV by approximately \$515 million as a result of Velissaris’s fraud. As of October 31, 2020, Infinity Q over valued the Volatility Fund’s NAV by approximately \$547 million as a result of Velissaris’s fraud.

119. During the Relevant Period, Administrator A used the Funds’ NAV to prepare account statements that it sent to the Funds’ participants and to calculate the fees Infinity Q charged those participants.

120. Because the NAVs that Administrator A used were false and inflated, as a result of Velissaris’s fraudulent scheme, the account statements Administrator A sent to fund participants reflected false and inflated returns and the fees it calculated were artificially high.

121. During the Relevant Period, Infinity Q overcharged pool participants millions of



dollars as a result of Velissaris's fraud.

122. As CIO and the person controlling Infinity Q, Velissaris knew that Administrator A would use the false, inflated values—that he had fraudulently caused Pricing Service A to generate—for purposes of calculating the Funds' NAV, which Administrator A would in turn use to prepare participant account statements and to calculate Infinity Q's fees.

123. As the majority owner of Infinity Q, Velissaris knew he would benefit from the inflated fees Infinity Q charged the Funds' participants.

124. Velissaris's fraudulent scheme enabled Velissaris and Infinity Q to tout phony, positive returns during the Relevant Period, and even throughout 2020, despite a global pandemic when other funds with similar strategies had failed, luring new and existing participants to participate in the Funds. Between January 1, 2020 and January 31, 2021, by touting these fraudulent returns, Velissaris and Infinity Q enticed hundreds of new and existing participants in the Funds to contribute hundreds of millions of dollars to the Funds.

125. In fact, between January 1, 2020 and January 31, 2021, alone, as a result of Velissaris's fraud, Infinity Q nearly doubled its assets under management from \$1.6 billion to \$3.0 billion, of which approximately \$1.8 billion was attributable to the Diversified Fund and approximately \$1.2 billion was attributable to the Volatility Fund.

#### **Velissaris Successfully Concealed his Fraud**

126. During the Relevant Period, Velissaris took steps to conceal his fraud by, among other ways, providing altered swap term sheets to Infinity Q's auditor ("Auditor A") in connection with formal audits, surreptitiously making retroactive changes to Infinity Q's written Valuation Policy, and creating phony minutes for Valuation Committee meetings that never took

place.

127. For example, in connection with Auditor A's December 2020 audit of the Volatility Fund, Auditor A identified a list of positions it planned to have revalued by an independent valuation expert and requested that Infinity Q upload to Auditor A's client portal the term sheets for each of those positions.

128. In response to Auditor A's request, Infinity Q staff uploaded to Auditor A's client portal the term sheets for those positions. Shortly thereafter, however, knowing that Auditor A and the independent valuation expert would rely on those term sheets and potentially uncover his fraudulent valuations, Velissaris engaged in a scheme to conceal his fraud from them.

129. On or about February 7, 2021, Velissaris accessed Auditor A's client portal and deleted term sheets that had been uploaded earlier that day. Velissaris then secretly altered at least one of those term sheets so it would show the same false terms he had used to value that position rather than the actual, original terms to which the counterparty had agreed. Following his alterations, unbeknownst to Auditor A at the time, Velissaris again accessed the client portal and re-uploaded term sheets, including at least one falsified term sheet.

130. At the time he falsified the term sheet and uploaded it to the client portal, Velissaris knew that Auditor A and the independent valuation expert would rely on the false terms in the term sheet to conduct its audit and would potentially uncover his fraudulent conduct. Velissaris's intent in falsifying the term sheet was to conceal his fraud from Auditor A, their valuation expert, and by extension everyone else.

131. Similarly, on or about September 18, 2020, in connection with Auditor A's August 2020 audit of the Diversified Fund, Velissaris caused at least one falsified term sheet to be uploaded to Auditor A's client portal. In an attempt to explain why term sheets had been

“updated” on the portal, Velissaris falsely stated to Auditor A that Infinity Q had identified duplicate and missing term sheets and that the files on the portal at that time should now be “correct.” This statement was false or misleading.

132. In addition to falsifying records provided to Auditor A, Velissaris also attempted to conceal his fraudulent conduct by surreptitiously making retroactive changes to Infinity Q’s written Valuation Policy and creating phony Valuation Committee meeting minutes.

133. For example, in or around May 2020, Velissaris caused multiple material changes, including changes to representations regarding how Infinity would value complex derivatives such as variance swaps, to be made to Infinity Q’s written Valuation Policy.

134. Despite that these changes had been made in May 2020, the effective date on the document remained December 2018. In effect, Velissaris orchestrated a backdating of revisions to the Valuation Policy, in an attempt to legitimize his fraudulent conduct.

135. In a similar attempt to legitimize his fraudulent conduct, Velissaris created and stored in Infinity Q’s files phony minutes of meetings of Infinity Q’s Valuation Committee that never actually took place.

136. For example, Infinity Q’s records contained minutes of at least three meetings of the Valuation Committee that purportedly took place during the Relevant Period. Those records purport to describe in detail meetings of the Valuation Committee that took place on June 11, 2019; December 5, 2019; and June 15, 2020. The Valuation Committee, however, did not meet on those days, and accordingly, no minutes of those meetings exist or could exist. Velissaris simply manufactured minutes of meetings that never took place in an effort to conceal his

fraudulent scheme.

**Velissaris’s Fraud is Revealed**

137. On February 18, 2021, Infinity Q informed participants in the Diversified Fund that it had learned that Velissaris had been altering models of an independent third-party pricing service Infinity Q used to value complex derivatives, including the corridor variance swaps discussed above.

138. On February 19, 2021, Infinity Q informed participants in the Diversified Fund that it was unable to conclude that Velissaris’s alterations were reasonable and that it was unable to verify that the values Infinity Q had previously reported for those positions reflected fair value.

139. On February 22, 2021, Infinity Q notified participants in the Volatility Fund that it had “independently corroborated that Velissaris did access and alter the third party’s valuation models.” Infinity Q also notified participants that it had “determined to immediately cease trading and suspend redemptions” in the Volatility Fund.

140. On or about February 22, 2021, based on its determination that Velissaris had accessed and altered the independent third-party pricing models, Infinity Q ceased trading and began liquidating the Funds’ assets.

**VI. VIOLATIONS OF THE COMMODITY EXCHANGE ACT AND REGULATIONS**

**COUNT ONE**

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

141. The allegations in the preceding paragraphs are re-alleged and incorporated herein by reference.

142. 7 U.S.C. § 6o(1)(A) and (B) makes it unlawful for an AP of a 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 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.”

143. During the Relevant Period, Infinity Q was registered with the Commission as a CPO.

144. During the Relevant Period, Velissaris was registered with the Commission as an AP of CPO Infinity Q.

145. During the Relevant Period, Velissaris, acting as an AP of a CPO, committed fraud in violation of 7 U.S.C. § 6o(1)(A) and (B) by, among other things:

- a. Making false and misleading statements to pool participants and prospective pool participants that Infinity Q would use an independent third-party to value variance swaps the Funds held;
- b. Secretly altering Pricing Service A’s pricing model to ensure it generated false, inflated valuations that Velissaris and Infinity Q in turn used to value certain variance swaps the Funds held; and
- c. Overcharging pool participants fees based on fraudulently inflated valuations for certain variance swaps the Funds held.

146. Velissaris knew the actual value of the variance swaps that Pricing Service A’s model would return if he did not secretly change the inputs, parameters, and scripts, and therefore knew that the valuations Pricing Service A generated were false and misleading.

147. The false and misleading statements alleged above were material, as they related

directly to investment performance and risk.

148. Velissaris committed the acts and omissions alleged herein within the scope of his employment or office at Infinity Q.

149. As the CIO and majority owner of Infinity Q, Velissaris controlled Infinity Q throughout the Relevant Period and failed to act in good faith or knowingly induced Infinity Q's conduct that constituted violations of 7 U.S.C. § 6o(1)(A) and (B). Therefore, Velissaris is liable for Infinity Q's violations of 7 U.S.C. § 6o(1)(A) and (B) as a controlling person pursuant to Section 13(b) of the Act, 7 U.S.C. § 13c(b).

150. Each misrepresentation, omission of material fact, and false statement, 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) and (B).

## **COUNT TWO**

### **Violations of Section 4b(a)(2)(A)-(C) of the Act, 7 U.S.C. § 6b(a)(2)(A)-(C)** **(Fraud in Connection with Swaps)**

151. The allegations in the preceding paragraphs are re-alleged and incorporated herein by reference.

152. 7 U.S.C. § 6b(a)(2)(A)-(C), makes it unlawful:

[F]or any person, in or in connection with any order to make, or the making of, any ... swap ... 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 . . . with the other person.

153. Velissaris directly violated 7 U.S.C. § 6b(a)(2)(A)-(C) by willfully or recklessly making false representations and omissions or otherwise defrauding pool participants in connection with swaps, including swaps based on broad-based security indexes, including but not limited to by:

- a. Making false and misleading statements to pool participants and prospective pool participants that Infinity Q would use an independent third-party to value variance swaps the Funds held;
- b. Secretly altering Pricing Service A's pricing model to ensure it generated false, inflated valuations that Velissaris and Infinity Q in turn used to value certain variance swaps the Funds held; and
- c. Overcharging pool participants fees based on fraudulently inflated valuations for certain variance swaps the Funds held.

154. Velissaris engaged in the acts and practices described above knowingly, willfully or with reckless disregard for the truth.

155. Velissaris committed the acts and omissions alleged herein within the scope of his employment or office at Infinity Q.

156. As the CIO and majority owner of Infinity Q, Velissaris controlled Infinity Q throughout the Relevant Period and failed to act in good faith or knowingly induced Infinity Q's conduct that constituted violations of 7 U.S.C. § 6b(a)(2)(A)-(C). Therefore, Velissaris is liable for Infinity Q's violations of 7 U.S.C. § 6b(a)(2)(A)-(C) as a controlling person pursuant to Section 13(b) of the Act, 7 U.S.C. § 13c(b).

157. Each misrepresentation, omission of material fact, and false statement, including but not limited to those specifically alleged herein, is alleged as a separate and distinct violation

of 7 U.S.C. § 6b(a)(2)(A)-(C).

**COUNT THREE**

**Violations of Section 4b(e)(1)-(3) of the Act, 7 U.S.C. § 6b(e)(1)-(3)**  
**(Fraud in Connection with Swaps on a Group or Index of Securities)**

158. The allegations in the preceding paragraphs are re-alleged and incorporated herein by reference.

159. 7 U.S.C. § 6b(e)(1)-(3), makes it “unlawful for any person, directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the mails, ... in or in connection with ... any swap, on a group or index of securities (or any interest therein or based on the value thereof) ... (1) to employ any device, scheme, or artifice to defraud; (2) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or (3) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.”

160. During the Relevant Period, as described above, Velissaris directly violated 7 U.S.C. § 6b(e)(1)-(3) by, among other things, in connection with swaps on a group or index of securities:

- a. Making false and misleading statements to pool participants and prospective pool participants that Infinity Q would use an independent third-party to value variance swaps the Funds held;
- b. Secretly altering Pricing Service A’s pricing model to ensure it generated false, inflated valuations that Velissaris and Infinity Q in turn used to value certain



variance swaps the Funds held; and

- c. Overcharging pool participants fees based on fraudulently inflated valuations for certain variance swaps the Funds held.

161. Velissaris engaged in the acts and practices described above willfully, intentionally, or recklessly.

162. Velissaris committed the acts and omissions alleged herein within the scope of his employment or office at Infinity Q.

163. As the CIO and majority owner of Infinity Q, Velissaris controlled Infinity Q throughout the Relevant Period and failed to act in good faith or knowingly induced Infinity Q's conduct that constituted violations of 7 U.S.C. § 6b(e)(1)-(3). Therefore, Velissaris is liable for Infinity Q's violations of 7 U.S.C. § 6b(e)(1)-(3) as a controlling person pursuant to Section 13(b) of the Act, 7 U.S.C. § 13c(b).

164. Each misrepresentation, omission of material fact, and false statement, including but not limited to those specifically alleged herein, is alleged as a separate and distinct violation of Section 4b(e)(1)-(3) of the Act.

#### **COUNT FOUR**

#### **Violations of Section 6(c)(1) of the Act, 7 U.S.C. § 9(1), and Regulation 180.1(a), 17 C.F.R. § 180.1(a) (2021)**

#### **(Fraud by Deceptive Device or Contrivance)**

165. The allegations in the preceding paragraphs are re-alleged and incorporated herein by reference.

166. 7 U.S.C. § 9(1) makes it unlawful for any person, directly or indirectly, to:

use or employ, or attempt to use or employ, in connection with any swap ... in interstate commerce ... any manipulative or deceptive device or contrivance, in contravention of such rules and

regulations as the Commission shall promulgate by not later than 1 year after [July 21, 2010, the date of enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act] . . . .

167. 17 C.F.R. § 180.1(a) provides:

It shall be unlawful for any person, directly or indirectly, in connection with any swap ... in interstate commerce ... to intentionally or recklessly:

- (1) Use or employ, or attempt to use or employ, any manipulative device, scheme, or artifice to defraud;
- (2) Make, or attempt to make, any untrue or misleading statement of a material fact or to omit to state a material fact necessary in order to make the statements made not untrue or misleading;
- (3) Engage, or attempt to engage, in any act, practice, or course of business, which operates or would operate as a fraud or deceit upon any person . . . .

168. During the Relevant Period, as described above, Velissaris violated 7 U.S.C. § 9(1) and 17 C.F.R. § 180.1(a) by, among other things, in connection with swaps in interstate commerce, making or attempting to make untrue or misleading statements of material fact or omitting to state or attempting to omit material facts necessary in order to make statements made not untrue or misleading, such as the following:

- a. Making false and misleading statements to pool participants and prospective pool participants that Infinity Q would use an independent third-party to value variance swaps the Funds held;
- b. Secretly altering Pricing Service A's pricing model to ensure it generated false, inflated valuations that Velissaris and Infinity Q in turn used to value certain variance swaps the Funds held; and
- c. Overcharging pool participants fees based on fraudulently inflated valuations for

certain variance swaps the Funds held.

169. Velissaris engaged in the acts and practices described above willfully, intentionally, or recklessly.

170. Velissaris committed the acts and omissions alleged herein within the scope of his employment or office at Infinity Q.

171. As the CIO and majority owner of Infinity Q, Velissaris controlled Infinity Q throughout the Relevant Period and failed to act in good faith or knowingly induced Infinity Q's conduct that constituted violations of 7 U.S.C. § 9(1) and 17 C.F.R. § 180.1(a). Therefore, Velissaris is liable for Infinity Q's violations of 7 U.S.C. § 9(1) and 17 C.F.R. § 180.1(a) as a controlling person pursuant to Section 13(b) of the Act, 7 U.S.C. § 13c(b).

172. Each act of: (1) using or employing, or attempting to use or employ, a manipulative device, scheme, or artifice to defraud; (2) making, or attempting to make, untrue or misleading statements of material fact, or omitting to state material facts necessary to make the statements not untrue or misleading; and (3) engaging, or attempting to engage, in any act, practice, or course of business, which operated or would operate as a fraud or deceit upon any person, including but not limited to those specifically alleged herein, is alleged as a separate and distinct violation of 7 U.S.C. § 9(1) and 17 C.F.R. § 180.1(a).

## **VII. RELIEF REQUESTED**

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

- A. An order finding that Velissaris violated Sections 7 U.S.C. §§ 6b(a)(2)(A)-(C), 6b(e), 6o(1)(A)-(B), 9(1), and 17 C.F.R. § 180.1 (2021).
- B. An order of permanent injunction enjoining Velissaris and any other person or

entity associated with him, including but not limited to affiliates, agents, servants, employees, assigns, attorneys, and all persons in active concert or participation with Velissaris, including any successor thereof, from:

- i. Engaging, directly or indirectly, in conduct in violation of 7 U.S.C. §§ 6b(a)(2)(A)-(C), 6b(e), 6o(1)(A)-(B), 9(1), and 17 C.F.R. § 180.1;
- ii. 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));
- iii. Entering into any transactions involving “commodity interests” (as that term is defined in Regulation 1.3, 17 C.F.R. § 1.3 (2021)), for his own personal account(s) or for any account in which Defendant Velissaris has a direct or indirect interest;
- iv. Having any commodity interests traded on Velissaris’s behalf;
- v. 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;
- vi. Soliciting, receiving, or accepting any funds from any person for the purpose of purchasing or selling any commodity interests;
- vii. 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) (2021); and/or
- viii. Acting as a principal (as that term is defined in Regulation 3.1(a),

17 C.F.R. § 3.1(a) (2021)), agent, or any other officer or employee of any person (as that term is defined in 7 U.S.C. § 1a(38), registered, exempted from registration, or required to be registered with the Commission except as provided for in 17 C.F.R. § 4.14(a)(9));

- C. An order requiring Velissaris to pay civil monetary penalties of not more than the civil monetary penalty prescribed by Section 6c(d)(1) of the Act, 7 U.S.C. § 13a-1(d)(1), as adjusted for inflation pursuant to the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, Pub. L. 114–74, 129 Stat. 584, title VII, Section 701, *see* Regulation 143.8, 17 C.F.R. § 143.8 (2021), for each violation of the Act or Regulations, plus post-judgment interest;
- D. An order directing Velissaris, as well as any successors thereof, to disgorge, pursuant to such procedure as the Court may order, all benefits received including, but not limited to, trading profits, revenues, salaries, commissions, fees, or loans derived directly or indirectly from acts or practices which constitute violations of the Act and Regulations, as described herein, and pre- and post-judgment interest thereon from the date of such violations;
- E. An order directing Velissaris, 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 Defendant Velissaris's violations (in the amount of such losses), as described herein, plus pre-judgment interest thereon from the date of such violations, plus post-judgment interest;
- F. An order requiring Velissaris, as well as any successors thereof, to pay costs and

fees as permitted by 28 U.S.C. §§ 1920 and 2412(a)(2); and

G. An order providing such other and further relief as the Court deems proper.

\* \* \*

**VIII. DEMAND FOR JURY TRIAL**

Plaintiff hereby demands a jury trial.

Dated: February 17, 2022

**COMMODITY FUTURES TRADING  
COMMISSION**

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