

UNITED STATES OF AMERICA
Before the
COMMODITY FUTURES TRADING COMMISSION

In re:

Maros Miklas,

Respondent.

CFTC Docket No. 07-10

COMPLAINT AND NOTICE OF
HEARING PURSUANT TO SECTIONS
6(c) AND 6(d) OF THE COMMODITY
EXCHANGE ACT

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The Commodity Futures Trading Commission (“CFTC” or “Commission”) has received information from its staff that tends to show, and the Commission’s Division of Enforcement (“Division”) alleges, that:

I.

SUMMARY

1. A foreign trader, Maros Miklas (“Miklas” or “respondent”), became acquainted with investor Kim Lim (“Lim”) over the internet, in a chat room Miklas ran on Paltalk.com (“Paltalk”) in late 2005. Miklas provided Lim with fictitious trading reports that portrayed Miklas as a successful futures trader. In January 2006, Miklas persuaded Lim to open two futures trading accounts and to sign a power of attorney to Miklas to trade those accounts.

2. On December 21, 2006, while trading both his own personal account and Lim’s accounts on the Chicago Board of Trade’s eCBOT electronic trading platform, Miklas cheated and defrauded Lim by engaging in a series of illegal trades that resulted in losses totaling \$213,066.30 to Lim and gains of \$211,304.10 to Miklas.

3. Thus, Miklas has engaged, is engaging, or is about to engage in acts and practices that violate Sections 4b(a)(2)(i) and (iii) of the Commodity Exchange Act, as amended (“Act”), 7 U.S.C. §§ 6b(a)(i) and (iii) (2002).

II.

THE RESPONDENT

4. Respondent Maros Miklas is a citizen of the Slovak Republic. Miklas’ last known residence was in Trnava, Slovakia. Miklas has never been registered with the Commission in any capacity.

III.

FACTS

5. Paltalk is an internet website with various “chat rooms” that allow participants to discuss a variety of subjects, including the trading of futures and options on United States exchanges. Miklas was a participant in Paltalk.

6. Lim, a Canadian citizen and resident of Ottawa, Canada, also participated in Paltalk chat rooms and came to know Miklas through this media in late 2005. Lim never has met Miklas personally.

7. Through Paltalk and by e-mail, Miklas convinced Lim that Miklas was a successful futures trader. Among other things, Miklas e-mailed Lim numerous charts and graphs that purported to show Miklas’ trading success over the past several years. On information and belief, the information Miklas transmitted to Lim was fictitious and had no basis in fact.

8. Lim relied to his detriment upon Miklas’ representations and opened two futures trading accounts that Miklas would trade for and on behalf of Lim. In exchange for managing the trading in Lim’s accounts, Miklas was to receive 30% of any profits made from trading.

9. On January 24, 2006, Lim opened and funded a \$100,000 trading account in his own name (“Lim’s personal account”) at Goldenberg, Hehmeyer & Co., a registered futures commission merchant (“FCM”) located in Chicago, Illinois, and signed a power of attorney allowing Miklas to trade that account.

10. On February 13, 2006, Lim opened and funded a \$250,000 business trading account (“Lim’s business account”) in the name of Wall-St.-Trader.com, Inc., a Delaware corporation solely owned by Lim, at another FCM, Man Financial, Inc., also located in Chicago, Illinois, and signed a power of attorney allowing Miklas to trade that account.

11. Trading in U.S. Treasury Bond (“T-Bond”) futures is concentrated in the “front” or “nearby” month contract. The front month contract is the nearest traded month of that futures contract.

12. The “back” or “deferred” months of a futures contract are the months with available future contracts that possess expiration or delivery dates further into the future.

13. While trading volume in the front month contract of the T-Bond futures contract is hundreds of thousands of contracts each day, trading volume in the back month contracts is typically very small, especially during overnight hours.

14. The unit of trading of a T-Bond futures contract is a United States Treasury bond having a face value at maturity of one hundred thousand dollars (\$100,000) or multiple thereof. T-Bond futures prices are quoted in points, with “par” on the basis of 100 points, or \$1,000 per point. The minimum price fluctuation is a trading increment or “tick” of one thirty-second (1/32) of one point, which is equivalent to \$31.25 per futures contract.

15. On December 21, 2006, Miklas misappropriated Lim’s funds through a series of trades that essentially transferred funds from Lim’s accounts to Miklas’ personal account at

Interactive Brokers, LLC (“Interactive”), another FCM, also located in Chicago, Illinois. Miklas made these trades in the back month contracts of the T-Bond futures on the Chicago Board of Trade’s eCBOT electronic trading platform, which the Chicago Board of Trade operates from facilities located in Chicago, Illinois.

16. On December 21, 2006, although there were more than 30,000 trades in the March 2007 T-Bond futures (the front month contract), there was only one trade in the September 2007 and December 2007 T-Bond futures contracts (the two most deferred back month contracts) other than those that are the subject of this Complaint. Further, the bid/ask spread in the two deferred month contracts was extremely wide, about 48 ticks, which was equivalent to one and ½ points, or \$1,500 per contract.

17. Miklas took advantage of these thin market conditions to defraud Lim. The eCBOT system allowed Miklas to see the best five bids and offers in the September 2007 and December 2007 T-Bond futures contracts. This permitted Miklas to determine how best to place his bids and offers on eCBOT for purposes of trading opposite Lim.

18. On December 21, 2006, Miklas entered a series of trades involving his own account and Lim’s two accounts in the September 2007 and December 2007 T-Bond futures contracts. The execution of the trades all followed this basic pattern:

- a. Miklas, for his own account, placed a sell order at a price that was the best offer in the eCBOT system, from Miklas’ perspective;
- b. Within seconds, Miklas initiated a trade in one of Lim’s accounts that accepted the offer Miklas had made for his own account;

- c. Miklas then placed a buy order for his own account for the same quantity that had been sold in step b above at a price that was the best bid in the system, from Miklas' perspective; and
- d. Within seconds, Miklas initiated a trade in one of Lim's accounts that accepted the bid Miklas had made for his own account.

19. Miklas executed five sets of transactions in this manner, one in the September 2007 T-Bond contract and the other four in the December 2007 T-Bond contract. The first three sets of transactions, involving a total of 120 contracts, were done between Miklas' personal account and Lim's business account. The last two sets of transactions, involving a total of 45 contracts, were done between Miklas' personal account and Lim's personal account.

20. Miklas did not disclose this trading strategy to Lim.

21. The five sets of transactions Miklas executed proximately caused losses of \$138,772.50 to Lim's business account and \$74,293.80 to Lim's personal account, for total losses to Lim of \$213,066.30. Meanwhile, the five sets of transactions transactions resulted in profits of \$211,304.10 to Miklas' personal trading account.

IV.

VIOLATIONS OF THE COMMODITY EXCHANGE ACT AND COMMISSION REGULATIONS

COUNT

VIOLATIONS OF SECTIONS 4b(a)(2)(i) AND (iii) OF THE ACT: A SCHEME TO DEFRAUD

- 22. Paragraphs 1 through 21 are re-alleged and incorporated herein.
- 23. During the relevant time, Miklas violated Sections 4b(a)(2)(i) and (iii) of the Act, 7 U.S.C. §§ 6b(a)(2)(i) and (iii) (2002), in that he cheated or defrauded or attempted to cheat or

defraud Lim and willfully deceived or attempted to deceive Lim, by knowingly placing orders virtually simultaneously for his personal account and the accounts of his customer that were designed to result in profits for himself and losses for his customer.

24. The respondent engaged in this conduct in or in connection with orders to make, or the making of, any contract of sale of any commodity for future delivery, made, or to be made, for or on behalf of other persons where such contracts for future delivery were or may have been used for (a) hedging any transaction in interstate commerce in such commodity, or the products or byproducts thereof, or (b) determining the price basis of any transaction in interstate commerce in such commodity, or (c) delivering any such commodity sold, shipped, or received in interstate commerce for the fulfillment thereof.

25. Each fraudulent trade and each willful deception made during the relevant time period, including but not limited to those specifically alleged herein, is alleged as a separate and distinct violation of Section 4b(a)(2)(i) and (iii) of the Act.

V.

RELIEF REQUESTED

By reason of the foregoing allegations, the Commission deems it necessary and appropriate, pursuant to its responsibilities under the Act, to institute public administrative proceedings to determine whether the allegations set forth above are true and, if so, whether an appropriate order should be entered in accordance with Sections 6(c) and 6(d) of the Act, 7 U.S.C. §§ 9, 13b (2002).

Section 6(c) of the Act allows the Commission to: (1) prohibit the Respondent from trading on or subject to the rules of any registered entities, and require all registered entities to refuse such person all privileges thereon for such period as may be specified in the

Commission's Order, (2) if the Respondent is registered with the Commission in any capacity, suspend, for a period not to exceed six months, or revoke, the registration of that Respondent, (3) assess against the Respondent a civil monetary penalty of not more than the higher of \$130,000 for each violation committed on or after October 24, 2004, or triple the monetary gain to the Respondent for each violation, and (4) order the Respondent to pay restitution to Lim of damages proximately caused by his violations.

Section 6(d) of the Act allows the Commission to enter an Order directing that the Respondent cease and desist from violating the provisions of the Act and Regulations found to have been violated.

VI.

WHEREFORE, IT IS HEREBY ORDERED that a public hearing for the purpose of taking evidence on the allegations set forth in Section III above be held before an Administrative Law Judge, in accordance with the Commission's Rules of Practice under the Act ("Rules"), 17 C.F.R. §§ 10.1 *et seq.* (2007), at a time and place to be set as provided by Section 10.61 of the Rules, 17 C.F.R. § 10.61, and that all post-hearing procedures shall be conducted pursuant to Sections 10.81 through 10.107 of the Rules, 17 C.F.R. §§ 10.81 through 10.107.

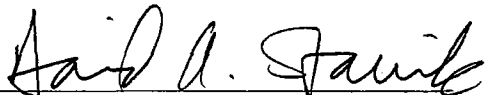
IT IS FURTHER ORDERED that Respondent shall file an Answer to the allegations contained in this Complaint within twenty (20) days after service, pursuant to Section 10.23 of the Rules, 17 C.F.R. § 10.23, and pursuant to Section 10.12(a) of the Rules, 17 C.F.R. § 10.12(a), shall serve two copies of such Answer and of any documents filed in this proceeding upon Rosemary Hollinger, Regional Counsel and Mark Bretscher, Senior Trial Attorney, Division of Enforcement, Commodity Futures Trading Commission, 525 West Monroe, Suite 1100, Chicago, Illinois 60661. If Respondent fails to file the required Answer or fails to appear at a

hearing after being duly served, Respondent shall be deemed in default and the proceeding may be determined against Respondent upon consideration of the Complaint, the allegations of which shall be deemed to be true.

IT IS FURTHER ORDERED that this Complaint and Notice of Hearing shall be served upon the Respondent personally or by registered or certified mail, pursuant to Section 10.22 of the Rules, 17 C.F.R. § 10.22.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of the investigative or prosecutorial functions in this or any factually related proceeding will be permitted to participate or advise in the decision in this matter except as witness or counsel in a proceeding held pursuant to notice.

By the Commission.


David A. Stawick
Secretary of the Commission
Commodity Futures Trading Commission

Dated: September 20, 2007