

Securities Regulation Daily Wrap Up, COMMODITY FUTURES—CFTC orders sanctions of \$1.6 million in commodity pool fraud, (Apr. 13, 2016)

By [Lene Powell, J.D.](#)

The CFTC ordered a New York City-based commodity pool operator and its principal to pay over \$1.6 million in penalties for lying to investors and the National Futures Association (NFA) about the pool's profitability and activities. In a settled order finding that they had committed fraud in violation of several Commodity Exchange Act provisions, the respondents agreed to pay \$1.1 million in restitution, a \$420,000 civil monetary penalty, and \$38,022 in disgorgement of ill-gotten gains. The order also imposed permanent trading and registration bans ([In the Matter of Galileo Trading, LLC](#), April 12, 2016).

Fraudulent solicitation. Nathan Schleifer was a CFTC-registered associated person and approved principal of Galileo Trading, LLC, an NFA member, and CFTC-registered commodity pool operator. Beginning in 1999, Schleifer began soliciting and receiving funds from numerous pool participants to invest in commodity futures. He told prospective investors that he was a highly skilled money manager and that their money would be safe, and promised guaranteed returns. In fact, he didn't have a single profitable year between 2008 and 2014.

To conceal the trading losses, Shleifer provided false account statements and 1099 tax forms. He also made false statements to the NFA, stating orally and in writing that Galileo had no clients and did not trade on anyone's behalf, when in fact Galileo had been managing accounts. When one couple asked for their money back, Shleifer said he had lost it in the 2010 "Flash Crash." He later admitted he had lost all of their money trading in 2000 or 2001.

Penalties. The CFTC [found](#) that the misstatements and omissions were material and made with scienter. The conduct violated Section 4b(a)(I)(A) and (C) of the Commodity

Exchange Act, relating to fraud generally, and Section 4(a)(1)(A) involving fraud by a commodity pool operator. In addition, the false statements to the NFA violated Section 9(a)(4) regarding misrepresentations to entities acting in furtherance of official duties. Shleifer and Galileo were ordered to pay the above-mentioned monetary sanctions and were permanently barred from commodity-related trading or registering with the CFTC.

The case is CFTC Docket [No. 16-14](#).

Companies: Galileo Trading, LLC

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