

**UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
JACKSONVILLE DIVISION**

COMMODITY FUTURES
TRADING COMMISSION,

Plaintiff,

v.

Case No. 3:17-cv-774-J-32MCR

JASON B. SCHARF, CIT
INVESTMENTS LLC,
BREVSPAND EOOD, CIT
INVESTMENTS LTD., A&J MEDIA
PARTNERS, INC., MICHAEL
SHAH, and ZILMIL, INC.,

Defendants.

**CONSENT ORDER OF PERMANENT INJUNCTION AND OTHER STATUTORY AND
EQUITABLE RELIEF AGAINST JASON B. SCHARF (d/b/a CITRADES.COM and
AUTOTRADINGBINARY.COM) and A & J MEDIA PARTNERS, INC.**

On July 10, 2017, Plaintiff Commodity Futures Trading Commission (the “Commission” or “CFTC”) filed a Complaint for Injunctive Relief and Demand for Jury Trial against Jason B. Scharf (d/b/a Citrades.com and AutoTradingBinary.com); CIT Investments LLC; Brevspand EOOD; CIT Investments Ltd.; A & J Media Partners, Inc., Michael Shah; and Zilmil, Inc. (collectively hereinafter “Defendants”), seeking an Order of Permanent Injunction, Civil Penalties, and Other Equitable Relief, for violations of the Commodity Exchange Act (“Act”), 7 U.S.C. §§ 1-26 (2012), and the Commission’s Regulations (“Regulations”) promulgated thereunder, 17 C.F.R. Pt. 1.1-190.10 (2017). The Court entered an *ex parte* statutory restraining

order against Defendants on July 12, 2017, and on August 10, 2017, the Court issued an Order of Preliminary Injunction against Defendants (“PI Order”).

I.

CONSENTS AND AGREEMENTS

To effect partial settlement of the matters alleged in the Complaint against Jason B. Scharf (d/b/a Citrades.com and AutoTradingBinary.com) and A & J Media Partners, Inc., (collectively hereinafter the “Settling Citrades Defendants”), without a trial on the merits or any further judicial proceedings, the Settling Citrades Defendants:

1. Consent to the entry of this Consent Order of Permanent Injunction and Other Statutory and Equitable Relief Against Jason B. Scharf (d/b/a Citrades.com and AutoTradingBinary.com) and A & J Media Partners, Inc., (“Consent Order”);

2. Affirm that they have read and agreed to this Consent Order voluntarily, and that no promise, other than as specifically contained herein, or threat, has been made by the CFTC or any member, officer, agent or representative thereof, or by any other person, to induce consent to this Consent Order;

3. Acknowledge service of the summons and Complaint;

4. Admit the jurisdiction of this Court over them and the subject matter of this action pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2012);

5. Admit the jurisdiction of the Commission over the conduct and transactions at issue in this action pursuant to the Act, 7 U.S.C. §§ 1-26 (2012);

6. Admit that venue properly lies with this Court pursuant to Section 6c(e) of the Act, 7 U.S.C. § 13a-1(e) (2012);

7. Waive:

- (a) Any and all claims that they may possess under the Equal Access to Justice Act, 5 U.S.C. § 504 (2012) and 28 U.S.C. § 2412 (2012), and/or the rules promulgated by the Commission in conformity therewith, Part 148 of the Regulations, 17 C.F.R. Pt. 148 (2017), relating to, or arising from, this action;
- (b) Any and all claims that they may possess under the Small Business Regulatory Enforcement Fairness Act of 1996, Pub. L. No. 104-121, §§ 201-53, 110 Stat. 847, 857-68 (1996), as amended by Pub. L. No. 110-28, § 8302, 121 Stat. 112, 204-05 (2007), relating to, or arising from, this action;
- (c) Any claim of Double Jeopardy based upon the institution of this action or the entry in this action of any order imposing a civil monetary penalty or any other relief, including this Consent Order; and
- (d) Any and all rights of appeal from this Consent Order;

8. Consent to the continued jurisdiction of this Court over them for the purpose of implementing and carrying out the terms and conditions of all orders and decrees, including orders setting the appropriate amounts of restitution, disgorgement and civil monetary penalty, that may be entered herein, to entertain any suitable application or motion for additional relief within the jurisdiction of the Court, to assure compliance with this Consent Order and for any other purpose relevant to this action, even if the Settling Citrades Defendants now or in the future reside outside the jurisdiction of this Court;

9. Agree that they will not oppose enforcement of this Consent Order on the ground, if any exists, that it fails to comply with Rule 65(d) of the Federal Rules of Civil Procedure and waive any objection based thereon;

10. Agree that Kenneth Dante Murena of DAMIAN & VALORI LLP, 1000 Brickell Ave., Suite 1020, Miami, FL 33131 will continue in his role as Permanent Receiver pursuant to the PI Order, with the full powers of an equity receiver, for Defendants and their affiliates and subsidiaries, (hereinafter "Receivership Defendants"), and for all of the funds, properties, premises, accounts, income, money now or hereafter due or owing to the Receivership Defendants, and other assets directly or indirectly owned, beneficially or otherwise, by the Receivership Defendants, (hereinafter "Receivership Estate").

11. Agree that the Permanent Receiver is, and continues to be, directed and authorized by this Court to accomplish the following:

- A. Assume full control of the Receivership Defendants by removing Remaining Defendants, and any officer, independent contractor, employee, or agent of the Receivership Defendants, from control and management of the affairs of the Receivership Defendants;
- B. Take exclusive custody, control, and possession of the Receivership Estate with the full power to sue for, collect, receive and take possession of all goods, chattels, rights, credits, moneys, effects, land, leases, books, records, work papers, and records of accounts, including computer-maintained information, contracts, financial records, monies on hand in banks and other financial institutions, and other papers and documents of the Receivership Defendants and customers or clients whose interests are now held by or under the direction, possession, custody or control of the Receivership Defendants;

- C. Perform all acts necessary, including the suspension of operations, to conserve, hold, manage, and preserve the value of the Receivership Estate in order to prevent an irreparable loss, damage, or injury to customers;
- D. Prevent the withdrawal or misapplication of funds entrusted to the Receivership Defendants, and otherwise protect the interests of customers or clients;
- E. Manage and administer the Receivership Defendants and the Receivership Estate by performing all acts incidental thereto that the Permanent Receiver deems appropriate, including hiring or dismissing any and all personnel, suspending operations, and/or entering into agreements, including but not limited to: (1) the retention and employment of investigators, attorneys, or accountants of the Permanent Receiver's choice, including without limitation members and employees of the Permanent Receiver firm, to assist, advise, and represent the Permanent Receiver; and (2) the movement and storage of any equipment, furniture, records, files or other physical property of the Receivership Defendants;
- F. Collect all money owed to the Receivership Defendants;
- G. Initiate, defend, compromise, adjust, intervene in, dispose of, or become a party to any actions or proceedings in state, federal or foreign court that the Permanent Receiver deems necessary and advisable to preserve or increase the value of the Receivership Estate or that the Permanent Receiver deems necessary and advisable to carry out the Permanent Receiver's mandate under this Order;
- H. Choose, engage and employ attorneys, accountants, appraisers, and other independent contractors and technical specialists, as the Permanent Receiver

deems advisable or necessary in the performance of duties and responsibilities under the authority granted by this Order;

I. Issue subpoenas to obtain documents and records pertaining to the Receivership and conduct discovery in this action on behalf of the Receivership Estate;

J. Open one or more bank accounts and deposit all funds of the Receivership Estate in such designated accounts and make all payments and disbursements from the Receivership Estate from such accounts;

K. Make payments and disbursements from the Receivership Estate that are necessary or advisable for carrying out the directions of, or exercising the authority granted by, this Order, provided that the Permanent Receiver shall apply to the Court for prior approval of any payment of any debt or obligation incurred by the Receivership Defendants prior to the date of entry of this Order, except for payments that the Permanent Receiver deems necessary or advisable to secure the Receivership Estate from immediate and irreparable loss;

L. Maintain written accounts itemizing receipts and expenditures, describing properties held or managed, and naming the depositories holding funds or other assets of the Receivership Estate; make such written accounts and supporting documentation available to the Commission for inspection; and, within sixty (60) days of being appointed and periodically thereafter, as directed by the Court, file with the Court and serve on the parties a report summarizing efforts to marshal and collect assets, administer the Receivership Estate, and otherwise perform the duties mandated by this Order.

12. Agree that assets affected by this Order shall include both existing assets and assets acquired after the effective date of this Order;

13. Agree that neither they nor any of their agents or employees under their authority or control shall take any action or make any public statement denying, directly or indirectly, any allegation in the Complaint or the Findings of Fact or Conclusions of Law in this Consent Order, or creating or tending to create the impression that the Complaint and/or this Consent Order is without a factual basis; provided, however, that nothing in this provision shall affect their:

(a) testimonial obligations, or (b) right to take legal positions in other proceedings to which the CFTC is not a party. The Settling Citrades Defendants shall comply with this agreement, and shall undertake all steps necessary to ensure that all of their agents or employees under their authority or control understand and comply with this agreement; and

14. The Settling Citrades Defendants consent to the entry of this Consent Order without admitting or denying the allegations of the Complaint or any findings or conclusions in this Consent Order, except as to jurisdiction and venue, which they admit.

15. The Settling Citrades Defendants consent to the use of the findings and conclusions in this Consent Order in this proceeding and in any other proceeding brought by the CFTC or to which the CFTC is a party or claimant, and agree that they shall be taken as true and correct and be given preclusive effect therein, without further proof.

16. The Settling Citrades Defendants do not consent, however, to the use of this Consent Order, or the findings and conclusions herein, as the sole basis for any other proceeding brought by the Commission or to which the Commission is a party, other than a statutory disqualification proceeding; proceeding in bankruptcy, or receivership; or proceeding to enforce the terms of this Order.

17. Agree to provide immediate notice to this Court and the CFTC by certified mail, in the manner required by paragraph 76 of Part V of this Consent Order, of any bankruptcy proceeding filed by, on behalf of, or against them, whether inside or outside the United States, and

18. Agree that no provision of this Consent Order shall in any way limit or impair the ability of any other person or entity to seek any legal or equitable remedy against the Settling Citrades Defendants in any other proceeding.

19. The issues of necessary relief pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2012), regarding restitution for the Settling Citrades Defendants' defrauded investors, disgorgement and appropriate civil monetary penalties to be assessed against the Settling Citrades Defendants are still unresolved and are hereby reserved for further determination by this Court upon motion of the CFTC or by a proposed consent order.

II.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

20. The Court, being fully advised in the premises, finds that there is good cause for the entry of this Consent Order and that there is no just reason for delay. The Court therefore directs the entry of the following Findings of Fact, Conclusions of Law, permanent injunction and equitable relief pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2012), as set forth herein. The findings and conclusions in this Consent Order are not binding on any other party to this action.

THE PARTIES AGREE AND THE COURT HEREBY FINDS:

A. Findings of Fact

i. The Citrades Defendants

21. Plaintiff Commodity Futures Trading Commission is an independent federal regulatory agency that is charged by Congress with administering and enforcing the Act, 7 U.S.C. §§ 1-26 (2012), and the Regulations promulgated thereunder, 17 C.F.R. Pt. 1.1 – 190.10 (2017).

22. Defendant Jason B. Scharf (d/b/a Citrades.com and AutoTradingBinary.com) (“Scharf”), is a natural person who resides in Valley Village, California. Scharf has never been registered with the Commission in any capacity.

23. Defendant CIT Investments LLC (“CIT Investments”) was a Nevada limited liability corporation with its principal place of businesses in Valley Village, California. CIT Investments dissolved on June 8, 2015. CIT Investments has never been registered with the Commission in any capacity.

24. Defendant Brevspand EOOD (“Brevspand”) is a Bulgarian business entity with a mailing address in Sophia, Bulgaria. From at least June 2013 through July 12, 2017, Brevspand’s principal place of business was Scharf’s home in Valley Village, California. Brevspand has never been registered with the Commission in any capacity.

25. Defendant CIT Investments Ltd. (“CIT Anguilla”) was an Anguillan business entity with a mailing address in Stoney Ground, Anguilla. CIT Anguilla dissolved on November 10, 2016. CIT Anguilla has never been registered with the Commission in any capacity.

26. Defendant A & J Media Partners, Inc. (“A&J Media”) was a California corporation with its principal place of business in Scharf’s home in Valley Village, California. A&J Media has never been registered with the Commission in any capacity and dissolved on June 1, 2015.

27. Defendants Brevspand, CIT Investments, CIT Anguilla, and A&J Media (collectively, “Citrades Entities”) were part of a single common enterprise, and transacted their business through a maze of related companies. The Citrades Entities had common ownership and management, commingled funds, utilized common resources, had a unified marketing strategy, participated in a shared business scheme, and had common sources of revenue.

28. Defendant Scharf controlled and supervised the day-to-day operations of the Citrades Entities. Scharf’s home served as the principal places of business for the Citrades Entities. Scharf controlled the Citrades Entities’ websites. Scharf was a managing member and shareholder of CIT Investments, a shareholder and manager of Brevspand, and was authorized to act as director of CIT Anguilla.

ii. Binary Options

29. A binary option is a type of option contract in which the payout depends entirely on the outcome of a yes/no proposition. The yes/no proposition typically relates to whether the price of a particular asset will rise above, or fall below, a specified amount at a specified date and time. For example, the yes/no proposition might be whether the price of silver will be higher than \$33.40 per ounce at 11:17 am on a particular day.

30. Once the option holder acquires a binary option through payment of a premium, there is no further decision for the holder to make as to whether or not to exercise the option because binary options exercise automatically. At expiration, the option holder is entitled to a

pre-determined payout if the customer has made a correct prediction. If the customer has made an incorrect prediction, he or she gets nothing and loses the premium paid.

31. There are only three designated contract markets currently authorized to offer binary options that are commodity options transactions to retail customers in the U.S.: Cantor Exchange LP, Chicago Mercantile Exchange, Inc., and the North American Derivatives Exchange, Inc. All other entities offering binary options in the U.S. or to U.S. customers are doing so illegally.

iii. The Citrades Defendants' Binary Options Scam

32. From at least June 2013 through July 12, 2017 ("Relevant Period"), Defendant Scharf, acting through various agents, employees, and business entities, including, but not limited to, the Citrades Entities, operated an illegal binary options scam using the instrumentalities of interstate commerce, including through various websites such as www.citrades.com ("Citrades Website") and www.autotradingbinary.com ("ATB Website").

The Citrades Defendants Made False and Misleading Representations on, and Omissions from, the Websites They Operated, the Emails They Sent, and Phone Calls They Made Related to Binary Options

33. The Citrades Defendants falsely claimed that the Citrades Website was the "leading platform" for trading binary options online and that "Citrades.com was started by a group of highly accredited Wall Street brokers who wanted to bring everyone in the world an easy way to invest with an educational and no stress platform." In reality, the Citrades Website was started by Scharf, who is not, and has never been, a highly accredited Wall Street broker.

34. In order to entice customers to open accounts, the Citrades Website featured fabricated testimonials and false representations from imaginary customers. The fake testimonials made claims such as the following:

- a. "I never knew how easy it was to pull 85% returns from simple 60 second trades."
- b. "I can only thank Citrades for the success I have found using their managed account. After a short 2 months I was able to pay for a year of college tuition. Citrades VIP Account Management has been extremely rewarding. I had access to my personal broker who . . . always had good advice and management strategy that made me profits."
- c. "Citrades has proven to be a really reliable broker. Depositing is easy, withdrawals are always on time, and the market rates are fair."

35. The testimonials on the Citrades Website completely omitted required disclosures including: (a) that the testimonial may not be representative of the experience of other clients; or (b) that the testimonial is not a guarantee of future performance or success.

36. The Citrades Defendants also made false and misleading statements concerning the likelihood of profit and the risk of loss from trading binary options. For instance, on the Citrades Website, the Citrades Defendants described binary options as "safe & secure investments" and "the fastest and most efficient way to convert your financial decisions into substantial profits." In addition, the Citrades Defendants claimed that opening a binary options trading account on the Citrades Website was "the most profitable click you'll ever make", that traders "profit up to 89%", and that customers can make "up to 500% returns" using the Citrades Website's "one-touch options" feature.

37. The Citrades Defendants made similar false and misleading claims on websites such as the ATB Website that they used to funnel customers to their online brokerage websites. For instance, the ATB Website touted fraudulent “trading results” from its so-called “expert traders,” whose trades were “automatically copied to your binary options account, even while you sleep!” For example, the ATB Website claimed that expert trader “Pavel Abdulov” had “85% winning trades” in 2016. The Citrades Defendants never employed Pavel Abdulov as a trader, a successful one or otherwise.

38. The ATB Website also encouraged customers to register for its “hands-off” autotrading “robots” that it touted as “100% free” while falsely promising “100% automated binary options profits.” The ATB Website prominently featured the trading results from its autotrading “robots,” claiming that “our robots efficiently predicted the market trends and managed to secure 73 percent trading result.”

39. In addition, the ATB Website falsely claimed that “we are a third-party and are not affiliated with any of the brokers we push, so we do not have a bias like the brokers do,” while failing to disclose that in reality the Citrades Defendants operated both the ATB Website and the Citrades Website. Despite claims of non-affiliation, the Citrades Defendants specifically designed the ATB Website to mislead customers through false representations and material omissions into registering with the ATB Website, and once registered, the customer was directed to open an account with one of the Citrades Defendants’ online brokerage websites such as the Citrades Website.

40. The Citrades Defendants also sent emails to current and potential customers that touted the outsize returns purportedly enjoyed by customers of the Citrades Website and the ATB Website. For example, one email from admin@citrades.com claimed that ATB Website’s “new

analyst, Robert” has had “5 winning months in a row, and his fully managed accounts the past two months have been on fire . . . Below you will see a snapshot of Robert’s real life strategy performance for the past 30 trading days, which have taken a \$12k account to almost \$40,000 in a month.”

41. The Citrades Defendants also employed sales representatives who called current and potential customers with false promises of “guaranteed returns” of as much as 100%.

42. These emails and phone calls were false and misleading because they failed to apprise customers of the risk of loss from trading in binary options and that the customer experience may be different or that the Citrades Defendants misappropriated customer funds.

43. The misrepresentations on the websites the Citrades Defendants maintained, in the emails they sent, and on the phone calls they made were false and misleading because trading returns cannot be guaranteed and the representations created the misimpression that entering into binary options transactions via the Citrades Website or the ATB Website would be profitable for all customers and that customers could easily withdraw funds.

44. The omissions from the websites the Citrades Defendants maintained, the emails they sent, and the phone calls they made made those communications false and misleading because the Citrades Defendants failed to apprise customers and potential customers of the risk of loss of trading binary options, that customer experiences may be different from the testimonials of purported Citrades.com customers, and that customers did not achieve the results attributed to ATB’s so-called expert traders or robots.

45. Taken as a whole, the Citrades Defendants’ misrepresentations and omissions were false and misleading because there was a substantial risk that customers would lose some-if not

all-of the money they sent to the Citrades Defendants either through purported “trading” losses or through direct misappropriation by the Citrades Defendants.

**The Citrades Defendants Refused to Return Customers’ Money
and Misappropriated Customer Funds**

46. When a customer sought to open a binary options trading account, the Citrades Defendants instructed the customer to wire money to one of several overseas bank accounts belonging to foreign entities such as Brevspand or CIT Anguilla that were controlled by Scharf. Customers could also fund accounts using a credit card by providing their credit card information to the Citrades Defendants via email.

47. Once a customer had deposited money into an account, the Citrades Defendants used various pretexts for refusing to return the customer’s money. One such pretext was the “haywire autotrader,” which places losing trade after losing trade until the customer’s account is depleted. Customers subject to this ruse further discovered that he or she cannot “shut off” the autotrader. If the customer asked for a refund or withdrawal of any remaining principal, the request is refused or simply ignored.

48. The Citrades Defendants also used so-called “bonus money” of up to 150% of the amount of the customer’s deposit as pretext for refusing to return customer funds. For instance, the Citrades Defendants claimed on the Citrades Website that the bonus money was “combined with the current balance to leverage more trading power,” but that “in order to receive the bonus, you must trade 30 times the amount of the bonus.” After meeting this threshold, the Citrades Website promised that “the bonus funds are immediately available for withdrawal along with the rest of the funds.”

49. Customers who sought a return of their principal or apparent trading profits were told that they cannot do so because there is bonus money in their account. This was contrary to

representations on the Citrades Website promising customers that they could withdraw principal and profits at “any time” and that only the withdrawal of “bonus money” was conditioned on meeting the trading requirement. Some customers found that bonus money had been added to their account even though the customer had not asked for, or expressly refused, the bonus money and that this bonus money was used as a pretext for refusing to return their funds.

50. Often the Citrades Defendants did not provide any pretext for refusing to return customer funds; customer requests to withdraw funds were simply ignored.

51. Once the Citrades Defendants received customer funds, they routed these funds through numerous foreign corporations and overseas accounts. The Citrades Defendants then used the customer funds to pay the business and personal expenses of the Citrades Defendants and others at Scharf’s direction.

52. Internal Citrades business records demonstrate that the Citrades Defendants received more than \$16 million in customer funds from at least 8,000 customers between the summer of 2013 and summer of 2015. Most of these customers resided in the United States, including within the Middle District of Florida.

B. Conclusions of Law

i. Jurisdiction and Venue

53. This Court has jurisdiction over this action pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2012), which provides that whenever it shall appear to the Commission that any 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 promulgated thereunder, the Commission may bring an action in the proper district court of the United States against such

person to enjoin such act or practice, or to enforce compliance with the Act, or any rule, regulation or order thereunder.

54. Venue properly lies with this Court pursuant to Section 6c(e) of the Act, 7 U.S.C. § 13a-1(e) (2012), because Defendants are found in, inhabit, or transacted business in the Middle District of Florida, and the acts and practices in violation of the Act, Regulations, and the Order have occurred within this District, among other places.

ii. Violations of the Commodity Exchange Act and Regulations

a. Illegal Off-Exchange Retail Swaps in Violation of Section 2(e) of the Act, 7 U.S.C. § 2(e)

55. By the conduct described in paragraph 21 through 52 above, the Settling Citrades Defendants, using the instrumentalities of interstate commerce, entered into swaps transactions with non-eligible contract participants other than on a registered exchange or exempt foreign exchange, in violation of Section 2(e) of the Act, 7 U.S.C. § 2(e) (2012).

b. Illegal Off-Exchange Commodity Options in Violation of Section 4c(b) of the Act, 7 U.S.C. § 6c(b), and Regulation 32.2, 17 C.F.R. § 32.2

56. By the conduct described in paragraphs 21 through 52 above, the Settling Citrades Defendants, using the instrumentalities of interstate commerce, offered to enter into, entered into, confirmed the execution of, maintained positions in, and otherwise conducted activity related to commodity options other than on a registered exchange or exempt foreign exchange, in violation of Section 4c(b) of the Act, 7 U.S.C. § 6c(b) (2012), and Regulation 32.2, 17 C.F.R. § 32.2 (2017).

c. Unregistered FCM in Violation of Section 4d(a)(1) of the Act, 7 U.S.C. § 6d(a)(1)

57. By the conduct described in paragraphs 21 through 52 above, the Settling Citrades Defendants, using the instrumentalities of interstate commerce, solicited or accepted orders for swaps and commodity options, and accepted money, securities, or property (or extended credit in lieu thereof) to margin, guarantee, or secure any trades that might result from these orders without registration as a Futures Commission Merchant (“FCM”), in violation of Section 4d(a)(1) of the Act, 7 U.S.C. § 6d(a)(1) (2012).

**d. Unregistered CTA in Violation of Section 4m(1) of the Act,
7 U.S.C. § 6m(1)**

58. By the conduct described in paragraphs 21 through 52 above, the Settling Citrades Defendants, using the instrumentalities of interstate commerce and for compensation or profit, engaged in the business of advising others both directly and through publications, writings, and electronic media, as to the value of, or the advisability of, trading in swaps and commodity options without registration as a Commodity Trading Advisor (“CTA”), in violation of Section 4m(1) of the Act, 7 U.S.C. § 6m(1) (2012).

**e. Options Fraud in Violation of Section 4c(b) of the Act,
7 U.S.C. § 6c(b), and Regulation 32.4, 17 C.F.R. § 32.4**

59. By the conduct described in paragraphs 21 through 52 above, the Settling Citrades Defendants cheated or defrauded, or attempted to cheat and defraud customers and prospective customers; made or caused to be made false reports and statements to customers and potential customers; and deceived or attempted to deceive customers and prospective customers in connection with offers to enter into, entry into, or confirmations of the execution of, commodity option transactions, in violation of Section 4c(b) of the Act, 7 U.S.C. § 6c(b) (2012), and Regulation 32.4, 17 C.F.R. § 32.4 (2017).

f. CTA Fraud in Violation of Section 4o(1) of the Act, 7 U.S.C. § 6o(1), and Regulation 4.41(a), 17 C.F.R. § 4.41(a)

60. By the conduct described in paragraphs 21 through 52 above, the Settling Citrades Defendants, acting as a CTA within the meaning of the Act and using the instrumentalities of interstate commerce, employed numerous devices, schemes, or artifices to defraud clients and prospective clients and engaged in numerous transactions, practices, and courses of business which operated as a fraud or deceit upon clients and prospective clients in violation of Section 4o(1) of the Act, 7 U.S.C. § 6o(1) (2012), and Regulation 4.41(a)(1)-(3), 17 C.F.R. § 4.41(a)(1)-(3) (2017).

g. Manipulative & Deceptive Devices in Connection with Swaps in Violation 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)

61. During the Relevant Period, the Settling Citrades Defendants, by the conduct alleged in paragraphs 21 through 52, intentionally or recklessly, using the instrumentalities of interstate commerce, directly and indirectly, in connection with swaps: (a) used or employed, or attempted to use or employ, manipulative devices, schemes, and artifices to defraud; (b) made, or attempted to make, untrue or misleading statements of material fact; (c) omitted to state material facts necessary in order to make statements made not untrue or misleading; and (d) engaged, or attempted to engage, in acts, practices, and courses of business, which operated or would operate as a fraud or deceit upon customers and prospective customers, in violation of Section 6(c)(1) of the Act, 7 U.S.C. § 9(1) (2012), and Regulation 180.1(a), 17 C.F.R. § 180.1(a)(1), (2), (3) (2017).

h. The Settling Citrades Defendants Are Liable for Violations of the Act Under Principles of Controlling Person, Common Enterprise and Principal-Agency Liability

62. Defendant Scharf was a controlling person of Defendant A&J Media and, through the conduct set forth in paragraphs 21 through 52, failed to act in good faith, or knowingly

induced, directly or indirectly, the acts of Defendant A&J Media constituting its violations of the Act and Regulations; therefore, pursuant to Section 13(b) of the Act, 7 U.S.C. § 13c(b) (2012), Defendant Scharf is liable for the acts of Defendant A & J Media in violation of Sections 2(e), 4c(b), 4d(a)(1), 4m(1), 4o(1), and 6(c)(1) of the Act, 7 U.S.C. §§ 2(e), 6c(b), 6d(a)(1), 6m(1), 6o(1), 9(1) (2012), and Regulations 32.2, 32.4, 4.41(a), and 180.1(a), 17 C.F.R. §§ 32.2, 32.4, 4.41(a), 180.1(a) (2017).

63. The foregoing acts, omissions, and failures of Defendant Scharf occurred within the scope of his employment, office, or agency with Defendant A & J Media; therefore, pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2012), and Regulation 1.2, 17 C.F.R. § 1.2 (2017), Defendant A & J Media is liable for Defendant Scharf's acts, omissions, and failures in violation of Sections 2(e), 4c(b), 4d(a)(1), 4m(1), 4o(1), and 6(c)(1) of the Act, 7 U.S.C. §§ 2(e), 6c(b), 6d(a)(1), 6m(1), 6o(1), 9(1) (2012), and Regulations 32.2, 32.4, 4.41(a), and 180.1(a), 17 C.F.R. §§ 32.2, 32.4, 4.41(a), 180.1(a) (2017).

64. Each of the Citrades Defendants is liable for the acts, omissions, or failures of agents, employees, or persons otherwise acting for that defendant, pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2012), and Regulation 1.2, 17 C.F.R. § 1.2 (2017).

65. Unless restrained and enjoined by this Court, there is a reasonable likelihood that the Settling Citrades Defendants will continue to engage in the acts and practices alleged in the Complaint and in similar acts and practices in violation of the Act and Regulations.

III.

ORDER FOR PERMANENT INJUNCTION

IT IS HEREBY ORDERED THAT:

66. Based upon and in connection with the foregoing conduct, pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2012), the Settling Citrades Defendants and any of their agents, servants, employees, assigns, attorneys, and persons in active concert or participation with the Settling Citrades Defendants, including any successor therefrom, are permanently restrained, enjoined and prohibited from directly or indirectly:

- a. Entering into swaps transactions with retail customers off of a registered exchange or otherwise violating Section 2(e) of the Act, 7 U.S.C. § 2(e);
- b. Offering to enter into, entering into, confirming the execution of, maintaining positions in, or otherwise conducting activities relating to commodity options off of a registered exchange or otherwise violating Section 4c(b) of the Act, 7 U.S.C. § 6c(b), and Regulation 32.2, 17 C.F.R. § 32.2;
- c. Acting in a capacity requiring registration without the benefit of registration or otherwise violating Section 4d(a)(1) of the Act, 7 U.S.C. § 6d(a)(1), or Section 4m(1) of the Act, 7 U.S.C. § 6m(1);
- d. Using the instrumentalities of interstate commerce to (1) cheat or defraud, or attempt to cheat or defraud, customers or prospective customers; (2) make or cause to be made false reports or statements to customers or prospective customers; or (3) deceive or attempt to deceive customers and prospective customers in, or in connection with, an offer to enter into, the

entry into, or the confirmation of the execution of, any commodity option transaction or otherwise violating Section 4c(b) of the Act, 7 U.S.C.

§ 6c(b), and Regulation 32.4, 17 C.F.R. § 32.4;

- e. Using the instrumentalities of interstate commerce to (1) employ any device, scheme, or artifice to defraud clients or prospective clients, or (2) engage in any transaction, practice, or course of business which operates as a fraud or deceit upon clients or prospective clients or otherwise violating Section 4o(1) of the Act, 7 U.S.C. § 6o(1), and Regulation 4.41(a), 17 C.F.R. § 4.41(a);
- f. Using the instrumentalities of interstate commerce to (1) use or employ, or attempt to use or employ, manipulative devices, schemes, and artifices to defraud; (2) make, or attempt to make, untrue or misleading statements of a material fact; (3) omit to state material facts necessary in order to make statements made not untrue or misleading; or (4) engage, or attempt to engage, in acts, practices, and courses of business, which operate or would operate as a fraud or deceit upon customers or prospective customers in connection with swap transactions or otherwise violate 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).

67. The Settling Citrades Defendants are also permanently restrained, enjoined and prohibited from directly or indirectly:

- a. Offering to enter into, entering into, confirming the execution of, maintaining positions in, or otherwise conducting activities relating to binary options;

- b. Acting as an affiliate marketer in any capacity that involves binary options or any commodity interest (as that term is defined in Regulation 1.3(yy), 17 C.F.R. § 1.3 (yy) (2017));
- c. Offering so-called autotrading systems or services that purport to trade binary options or any commodity interest (as that term is defined in Regulation 1.3(yy));
- d. 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));
- e. Entering into any transactions involving “commodity interests” (as that term is defined in Regulation 1.3(yy), 17 C.F.R. § 1.3(yy) (2017)) for Settling Citrades Defendants’ own personal accounts or for any accounts in which Settling Citrades Defendants have a direct or indirect interest;
- f. Having any commodity interests traded on Settling Citrades Defendants’ behalf;
- g. 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;
- h. Soliciting, receiving or accepting any funds from any person for the purpose of purchasing or selling any commodity interests;
- i. 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) (2017);

- j. Acting as a principal (as that term is defined in Regulation 3.1(a), 17 C.F.R. § 3.1(a) (2017)), agent or any other officer or employee of any person (as that term is defined in Section 1a of the Act, 7 U.S.C. § 1a) registered, exempted from registration or required to be registered with the Commission except as provided for in Regulation 4.14(a)(9), 17 C.F.R. § 4.14(a)(9);
- k. Directly or indirectly transferring, selling, alienating, liquidating, encumbering, pledging, leasing, loaning, assigning, concealing, dissipating, converting, withdrawing, or otherwise disposing of any Settling Citrades Defendants' assets, wherever located, including Settling Citrades Defendants' assets held outside the United States, except as provided otherwise in paragraphs 10-12 of Section I of this Order, or as otherwise ordered by the Court;
- l. Opening or causing to be opened any safe deposit boxes titled in the name of or subject to access by Settling Citrades Defendants;
- m. Destroying, mutilating, erasing, altering, concealing or disposing of, in any manner any documents that refer or relate in any manner to any transaction or matter described in the Complaint in this case, including the business practices or business or personal finances of any Settling Citrades Defendant;

68. The Settling Citrades Defendants, as well as any successors thereof, are further ordered to disgorge to the Permanent Receiver all benefits received including, but not limited to, salaries, commissions, loans, fees, revenues, and trading profits derived, directly or indirectly,

from acts or practices that constitute violations of the Act and the Regulations, including pre- and post-judgment interest;

IV.

STATUTORY AND EQUITABLE RELIEF

69. The Settling Citrades Defendants shall pay restitution, plus post-judgment interest, to each defrauded Customer/Participant/Client.

70. The Settling Citrades Defendants shall pay disgorgement, plus post-judgment interest, to the CFTC.

71. The Settling Citrades Defendants shall pay a civil monetary penalty, plus post-judgment interest, to the CFTC.

72. The Court shall determine the amounts of restitution, disgorgement and civil monetary penalty and the procedures for payment and distribution of these monetary sanctions by further order upon: motion of the parties submitting to the Court a proposed consent order setting out their agreement on the amounts of restitution, disgorgement and civil monetary penalty to be paid by the Settling Citrades Defendants in this matter; subsequent motion by the CFTC; and/or hearing before this Court.

73. In connection with any Commission motion for restitution, disgorgement and/or civil monetary penalties, and at any hearing held on such a motion: (a) The Settling Citrades Defendants will be precluded from arguing that they did not violate the federal laws as alleged in the Complaint; (b) The Settling Citrades Defendants may not challenge the validity of its consents and agreements herein or this Consent Order; (c) solely for the purposes of such motion, the allegations of the Complaint and the Findings of Fact and Conclusions of Law in this Consent Order shall be accepted as and deemed true by the Court; and (d) the Court may determine the

issues raised in the motion on the basis of affidavits, declarations, excerpts of sworn deposition or investigative testimony, witness testimony, and documentary evidence, without regard to the standards for summary judgment contained in Rule 56(c) of the Federal Rules of Civil Procedure. In connection with the Commission's motion for restitution, disgorgement and/or civil monetary penalties, the parties may take discovery, including discovery from appropriate non-parties.

74. The Settling Citrades Defendants shall cooperate fully and expeditiously with the CFTC, including the CFTC's Division of Enforcement, in this action, and in any current or future Commission investigation or matter related to the subject matter of this action. As part of such cooperation, the Settling Citrades Defendants shall comply, to the full extent of their abilities, promptly and truthfully with any inquiries or requests for information including but not limited to, requests for production of documents and authentication of documents, shall provide assistance at any trial, proceeding, or investigation related to the subject matter of this action, including but not limited to, requests for testimony, depositions, and/or interviews. Should the CFTC file any additional action(s) related to the subject matter of this action, the Settling Citrades Defendants are directed to appear in the judicial district in which such action(s) is pending, or in a suitable judicial district agreed to by the parties, to provide deposition testimony and trial testimony should such testimony be necessary.

75. The Settling Citrades Defendants shall also cooperate in any investigation, civil litigation, or administrative matter related to, or arising from, this action.

V.

MISCELLANEOUS PROVISIONS

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

Notice to Commission:

Rosemary Hollinger, Deputy Director
U.S. Commodity Futures Trading Commission, Division of Enforcement
525 W. Monroe St., Suite 1100
Chicago, IL 60661

Notice to Defendants Jason B. Scharf (d/b/a citrades.com and autotradingbinary.com) and
A & J Media Partners, Inc.:

Stanley H. Stone
Stone & Stone
P.O. Box 261727
Encino, CA 91426

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

77. Entire Agreement and Amendments: This Consent Order incorporates all of the terms and conditions of the settlement among the parties hereto to date. Nothing shall serve to amend or modify this Consent Order in any respect whatsoever, unless: (a) reduced to writing; (b) signed by all parties hereto; and (c) approved by order of this Court.

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

79. Waiver: The failure of any party to this Consent Order or of any Customer, Participant, or Client at any time to require performance of any provision of this Consent Order shall in no manner affect the right of the party or Customer, Participant, or Client at a later time to enforce the same or any other provision of this Consent Order. No waiver in one or more instances of the breach of any provision contained in this Consent Order shall be deemed to be or construed as a further or continuing waiver of such breach or waiver of the breach of any other provision of this Consent Order.

80. Waiver of Service, and Acknowledgement: Settling Citrades Defendant(s) waive service of this Consent Order and agree(s) that entry of this Consent Order by the Court and filing with the Clerk of the Court will constitute notice to the Settling Citrades Defendant(s) of its terms and conditions. Settling Citrades Defendant(s) further agree(s) to provide counsel for the Commission, within thirty (30) days after this Consent Order is filed with the Clerk of Court, with an affidavit or declaration stating that Settling Citrades Defendant(s) has received and read a copy of this Consent Order.

81. Continuing Jurisdiction of this Court: This Court shall retain jurisdiction of this action in order to implement and carry out the terms of all orders and decrees, including orders setting the appropriate amounts of restitution, disgorgement and civil monetary penalty, that may be entered herein, to entertain any suitable application or motion for additional relief within the jurisdiction of the Court, to assure compliance with this Consent Order and for any other purpose relevant to this action.

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

83. Authority: Stanley Stone hereby warrants that he is the attorney for Jeremy Scharf and Jason Scharf, the sole shareholders and executive officers of A&J Media Partners, Inc., and that this Consent Order has been duly authorized by A&J Media Partners, Inc. and he has been duly empowered to sign and submit this Consent Order on behalf of A&J Media Partners, Inc.

84. Counterparts and Facsimile Execution: This Consent Order may be executed in two or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties hereto and delivered (by facsimile, e-mail, or otherwise) to the other party, it being understood that all parties need not sign the same counterpart. Any counterpart or other signature to this Consent Order that is delivered by any means shall be deemed for all purposes as constituting good and valid execution and delivery by such party of this Consent Order.

85. The Settling Citrades Defendants understand that the terms of the Consent Order are enforceable through contempt proceedings, and that, in any such proceedings they may not challenge the validity of this Consent Order.

86. By entering this Consent Order, the Court makes no determinations as to claims against persons or entities not named herein. This Consent Order may not be used as evidence against any party or entity not named herein.

DONE AND ORDERED in Jacksonville, Florida this 18th day of December, 2018.



TIMOTHY J. CORRIGAN
United States District Judge

CONSENTED TO AND APPROVED BY:

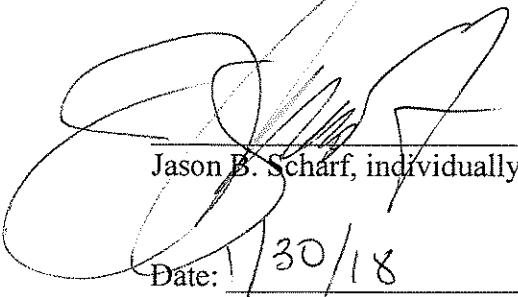


A&J Media Partners, Inc.

/s/ Ashley J. Burden

Date: 1/30/18

Ashley J. Burden, trial counsel
Eric L. Schleef, trial counsel
Joseph Konizeski, trial counsel
Rosemary Hollinger
Scott R. Williamson



Jason B. Scharf, individually
Date: 1/30/18

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swilliamson@cftc.gov/s/ Ashley J. Burden

Approved as to form:

/s/ Stanley H. Stone

Stanley H. Stone
Attorney for Defendants
Jason B. Scharf and
A & J Media Partners, Inc.

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stonelawfirm@earthlink.net

Date: _____

Date: _____