U.S. COMMODITY FUTURES TRADING COMMISSION
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Office of Proceedings

Herbert Moskowitz, and Ari Moskowitz, Complainants, v. Accredited Investment Mgt. Corp., Peter G. Catranis, and Russell E. Tanner, Respondents.	CFTC Docket Nos. 13-R15 & 13-R20 Served electronically

INITIAL DECISION ON DEFAULT
(Peter Catranis and Accredited Investment Management Corporation)

Appearances

Keith Moskowitz, Esq., Eilenberg & Krause LLP, New York, NY
For complainants Herbert Moskowitz and Ari Moskowitz

Peter G. Catranis, *pro se*, Tortola, British Virgin Islands
For co-respondent Accredited Investment Management Corporation

Introduction

As explained below: one, respondents Peter G. Catranis ("Catranis"), and his firm Accredited Investment Management Corporation ("AIM"), have been found in default based on Catranis' refusal to participate in the scheduled oral hearing via a video hook-up at the Eastern Caribbean Supreme Court in Tortola, British Virgin Islands;[1] two, Catranis has been found to have misrepresented the relative risks and rewards, and

[1] Catranis' and AIM's default does not establish the liability of co-respondent Russell Tanner. Herbert and Ari Moskowitz have settled with Tanner; and their complaints against Tanner will be dismissed in a separate order.

commission costs, of his trading strategy,[2] in violation of Section 4b(a)(1)(A) of the Commodity Exchange Act ("Act"),[3] and Section 4c(b) of the Act[4] and CFTC rule 33.10(a);[5] three, Catranis' violations have been found to have proximately caused Herbert Moskowitz $29,677 in damages, and proximately caused Ari Moskowitz $14,174 in damages; four, AIM has been found liable for Cartranis' violations pursuant to Section 2(a)(1)(B) of the Act;[6] and five Catranis and AIM have been ordered to pay reparations of $29,677 to Herbert Moskowitz, and $14,174 to Ari Moskowitz, plus prejudgment and post-judgment interest and certain costs.

The findings and conclusions below are based on the parties' documentary submissions,[7] and reflect adverse inferences based on Catranis' failure to produce

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[2] Complainants effectively abandoned their churning claim. *See* paragraph 5, complainants' Response to Order dated December 2, 2015.

[3] Section 4b(a)(1)(A) of the Act, 7 USC § 6b(a)(1)(A), provides:

> It shall be unlawful for any person, in or in connection with any order to make, or the making of, any contract of sale of any commodity in interstate commerce or for future delivery that is made, or to be made, on or subject to the rules of a designated contract market, for or on behalf of any other person -- to cheat or defraud or attempt to cheat or defraud the other person.

[4] Section 4c(b) of the Act, 7 USC § 6c(b), provides in pertinent part:

> No person shall offer to enter into, enter into or confirm the execution of, any transaction involving any commodity regulated under this chapter which is of the character of, or is commonly known to the trade as, an "option", "privilege", "indemnity", "bid", "offer", "put", "call", "advance guaranty", or "decline guaranty", contrary to any rule, regulation, or order of the Commission prohibiting any such transaction or allowing any such transaction under such terms and conditions as the Commission shall prescribe.

[5] CFTC rule 33.10(a), 17 CFR Part 33.10(a), provides:

> It shall be unlawful for any person directly or indirectly -- to cheat or defraud or attempt to cheat or defraud any other person.

[6] Section 2(a)(1)(B) of the Act, 7 USC § 2(a)(1)(B), provides:

> The act, omission, or failure of any official, agent, or other person acting for any individual, association, partnership, corporation, or trust within the scope of his employment or office shall be deemed the act, omission, or failure of such individual, association, partnership, corporation, or trust, as well as of such official, agent, or other person.

[7] The principal documents considered include: AIM's, Catranis' and Tanner's joint answers to Herbert Moskowitz's and Ari Moskowitz's complaints and joint pre-hearing memorandum; Catranis' declaration attached to respondents' joint pre-hearing memorandum, and opposition to default judgment; Tanner's declaration attached to respondents' joint pre-hearing memorandum, and replies to complainants' requests for admissions and interrogatories; Herbert Moskowitz's complaint, declaration dated August 4, 2015, and affidavit dated January 7, 2016; Ari Moskowitz's complaint, declaration dated August 4, 2015, and affidavit dated January 13, 2016; account-opening documents and monthly account statements

certain documents in discovery[8] and failure to participate in the scheduled hearing.[9]

Rule 12.35 discovery sanctions

By Ruling dated July 30, 2015, I concluded that Catranis had offered meritless excuses for his failure to produce certain business and trading records in response to complainants' document requests, and accordingly I gave complainants an opportunity to file a motion in which they could produce proposed narrowly tailored sanctions pursuant to CFTC rule 12.35. After considering complainants' proposed sanctions and Catranis' opposition to sanctions, I have determined to make the following adverse inferences:

1. Catranis' representations before the account-openings to Herbert and Ari Moskowitz about the relative risks and rewards of his trading system were not fair and balanced. Specifically, Catranis failed to provide fair and accurate disclosure that he would employ a high-volume, short-term trading strategy that would generate substantial commissions and failed to disclose the significantly adverse impact of those substantial commissions on potential profitability. This adverse inference is consistent with the various written communications from Catranis to Herbert and Ari Moskowitz, none of which included a meaningful disclosure of commissions that would be generated by his trading strategy.

2. Despite the fact that they both intended to give Catranis discretionary trading authority, Herbert and Ari Moskowitz did not execute any power of attorney ("POA"), including any POA giving Catranis limited authority to "roll positions and adjust hedges" as asserted by Catranis. This adverse inference is consistent with presumably reliable business documents produced by PFG and complainants. For example, on page 3 of the PFG account applications, produced by PFG, Herbert and Ari Moskowitz each electronically acknowledged, among other things, that he had read and agreed to all of the terms of the PFG customer agreement, and that he understood the various listed risk disclosures. The POA was not included

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produced by PFG; various e-mails produced as exhibits to complainants' pre-hearing memorandum; the registration and disciplinary history of Catranis and AIM in NFA Basic; and the Opinion and Order Imposing Remedial Action, *In the Matter of Herbert Moskowitz,* (SEC March 21, 2002) (Exhibit A to both answers).

[8] *See* Ruling dated July 30, 2015, Notice dated August 25, 2015, e-mails from Colson to Catranis dated September 11, 15 and 23, 2015.

[9] *See* Order dated December 2, 2015.

in this list of documents. In this connection, Herbert Moskowitz confirmed on the account application that the account was to be managed by Catranis, but Ari did not. In any event, both did not sign, or acknowledge, any powers of attorney. In connection with the opening of Herbert's account, Catranis informed PFG's new account department that "No POA" had been executed for Herbert's account and that no letter of direction had been executed for Ari's account. *See* Catranis to Vaala e-mails, May 24, 2011, 11:49 AM, and July 19, 2011, 5:20 AM, Exhibits E and F, complainants' pre-hearing memorandum.

3. Herbert and Ari Moskowitz did not authorize Catranis to trade their accounts with a nominal amount of $250,000. This adverse inference is consistent with the fact that Catranis' communications with PFG, and with Herbert and Ari Moskowitz, did not clearly and explicitly state that he was trading the accounts with nominal or notional amounts.

Catranis' Default

Initially respondents AIM, Catranis and Tanner were represented by an attorney. However, in the midst of a discovery dispute, their attorney withdrew. Thereafter, Tanner, and Catranis and AIM, appeared *pro se*.

Throughout the course of this proceeding, Catranis provided a Tortola, British Virgin Islands address for himself and his firm AIM. Similarly, the last address that Catranis provided the NFA for himself and AIM was in Tortola, BVI.

By Notice dated September 28, 2015, I scheduled an in-person hearing for November 18, 2015, at the CFTC office in New York, New York, and asked the parties to notify my office, by September 29, 2015, of any scheduling conflicts. Catranis did not reply to the Notice.

By Order dated September 30, 2015, I directed Catranis to confirm his intention to appear at the hearing in New York. By Order dated October 1, 2015, I changed the hearing date to December 2, 2015, and renewed the instruction to Catranis to confirm his intention to appear at the hearing in New York. Each of the orders and notices

mentioned above, on September 28 and 30, and October 1, 2015, included warnings that a failure to participate in the hearing would result in adverse consequences, including default. After some prodding, Catranis confirmed that he would not travel to participate in a hearing in New York, because of restrictions placed on his passport for non-payment of child-support, and his potential arrest and prosecution if he tried to re-enter the U.S.

Upon consideration of Catranis' inability or unwillingness to travel legally to and from the U.S., by Notice dated October 21, 2015, I informed the parties that arrangements had been made for Catranis to participate in the hearing via a video hook-up at the Eastern Caribbean Supreme Court in Tortola, BVI.[10] That Notice directed Catranis to confirm whether or not he intended to participate in the December 2nd hearing via the video hook-up. That Notice also repeated the warning about the adverse consequences of refusing to participate in the hearing:

> Any failure by Catranis . . . to provide such timely notice: one, will be deemed a waiver of the opportunity to participate in any fashion in the hearing, including the opportunity to present oral testimony and to cross-examine witnesses; two, may result in adverse inferences being taken that the testimony not presented would have been not credible and would have failed to substantiate the non-appearing respondent's defenses; and three, may result in a default award pursuant to CFTC rule 12.304(i).

In response, Catranis rolled out a series of unsubstantiated, implausible and inconsistent, and increasingly colorful, reasons why he objected to participating in the hearing via the BVI Supreme Court video hook-up in Tortola. First, he complained about the cross-town commute, insisting that he should be able to participate via Skype on a desk-top computer "from [his] home [in Tortola]":

[10] Co-respondent Tanner was to appear via video hook-up in the CFTC's Chicago office, and complainants were to appear in person before the undersigned in the CFTC's New York office. Tanner and complainants confirmed their intention to participate in the hearing.

> Why do I have to go to the court in Tortola to testify by video. Why can't I participate from my home by video where I have a computer, all my information on the case, all notes, links and supporting data to answer any questions by video? I don't have a laptop and I don't want to be going into this blind without the information I need to support myself. What do I need to do to participate from home by video?"

On October 23, my office explained why Catranis must participate in the hearing via a video hook-up at the BVI Supreme Court:

> The nearby BVI Supreme Court was selected as the location for your video hook-up for the following self-evident reasons:
>
> - By motion dated March 4, 2014, you and your co-respondent Mr. Tanner requested an oral hearing, and by motion dated August 20, 2014, you both requested that you be able to participate in the hearing either by telephone or video hook-up. Complainants requested an in-person hearing. Both sides' preferences have been accommodated.
>
> - Video hook-up software that is used for personal computers, such as Skype, is not sufficiently reliable for the fair and orderly conduct of a court hearing. Moreover, your problematic personal history with computers does not inspire confidence in your technical skill and judgment.
>
> - The office of the BVI Supreme Court will provide necessary technical support, which will free you to focus on your responsibilities as a litigant and a witness.
>
> - You will be in the same boat with the other parties, who will not be participating in the hearing from the comfort of their homes. Rather, they will be participating in the hearing in a national government facility [*i.e.*, the CFTC's Chicago and New York hearing rooms] that provides a proper setting for a formal evidentiary hearing.
>
> - The BVI Supreme Court in Tortola is conveniently located a short drive from your home. Complainants are traveling substantially further than you are, and likely incurring greater expenses. Unlike complainants, you will be sleeping in your own bed. Moreover, you now have ample time (over five weeks) to purchase and prepare a laptop computer, or to print out and organize your case documents, for use at the hearing. Thus, by objective standards, any "inconvenience" that you may experience will be manageable and

> reasonable, and considerably milder than any inconvenience experienced by the complainants.
>
> In light of the factors listed above, your objections to participating in the hearing by video hook-up at the BVI Supreme Court, at best, border on the frivolous, whingey and absurd. As you were previously advised, the c-o-b October 26, 2015 deadline for you to notify our office whether or not you intend to participate in the hearing will not be extended. This is a simple procedural obligation that merely requires you to provide a yes or no answer.

Catranis then shifted to a new vague wandering mariner excuse that he effectively no longer resided in Tortola:

> Guess this makes it easy, [due] to my situation with my X and how it could impact my life and where I can live I won't be attending the hearing from the court house in Tortola. If you change your mind and would like me to participate using my computer from where I'll be at (I work in the marine industry and travel daily) I'd be happy to appear by video. Either way because of the PFG BK and fraud that has ruined my life I'll be filing for BK [*i.e.*, bankruptcy] however this case is resolved, is there anything you need from me to accommodate this? Currently I'm not on the main Island of Tortola and have no intent on being there in the near future.[11]

As can be seen, Catranis failed to provide any fixed land address or itinerary, and failed to explain how he could participate as he sailed about without a lap-top computer which he previously claimed not to possess. When that excuse failed to gain traction, Catranis ran up a histrionic, and similarly unsubstantiated, mad Magyar claim that his ex-wife's Hungarian family purportedly had ties to organized crime and would harm him and his wife if they learned that he would be in Tortola on a specific date.[12]

In any event, Catranis failed to produce sufficient reliable and convincing evidence to establish a plausible reason for why he could not take a day to appear at the BVI Supreme Court. In addition, Catranis repeatedly asserted, without any

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[11] Catranis October 23, 2015 e-mail to Colson. [Underlining added for emphasis.] Catranis would later represent that he was working as a free-lance yacht captain.
[12] Page 7, Catranis' opposition to default, filed January 11, 2016.

substantiation, that he was deeply in debt and unable to satisfy any judgment, thus effectively making it clear that he had no intention to satisfy any judgment.

By Notice dated October 26, 2015, I confirmed that Catranis' refusal to participate in the hearing via the BVI Supreme Court video hook-up constituted a waiver of the opportunity to participate in the hearing. Since respondent Russell Tanner and complainants Ari and Herbert Moskowitz had confirmed their intention to participate in the hearing, the hearing remained scheduled to be heard as scheduled. However, on November 30, 2015, Tanner and Ari and Herbert Moskowitz amicably settled their dispute. In view of Catranis' waiver of the opportunity to participate in the hearing, coupled with his stated intention not to pay any judgment, I determined that it would be unfair and unreasonable to impose on complainants the substantial cost and inconvenience of attending the hearing, and thus cancelled the hearing.

By order dated December 2, 2015, I found that Catranis' refusal to participate in the hearing was grounds for imposing the following sanctions: one, adverse inferences that the testimony that Catranis would have produced had he participated in the hearing would have been generally unreliable, and would have tended to undermine his and AIM's defenses; and two, a default judgment against Catranis and AIM. I noted that resolving the complaint against Catranis and AIM via the default procedure, and thus minimizing unnecessary additional expenses for complainants, was particularly appropriate given Catranis' repeated assertions that he would not satisfy any judgment. After reviewing complainants' and Catranis' arguments in support of and in opposition to default, I have determined to impose adverse inferences that the testimony that Catranis would have produced had he participated in the hearing would have been

generally unconvincing and unreliable, and would have tended to undermine his and AIM's defenses, and I have determined to find Catranis in default.

Factual Findings

The parties

1. Herbert Moskowitz, born in 1941, a resident of Boca Raton, Florida, and the father of co-complainant Ari Moskowitz, opened the first Moskowitz account to be managed by Peter Catranis, after several months of discussions. Soon after his first contact with Catranis, but before he decided to open his account, Herbert Moskowitz sold his dental practice in Vermont and moved to Florida. On his PFG account application, Herbert indicated that his net worth, or joint net worth with his spouse, exceeded $1 million, and that his income was in excess of $200,000 in each of the two most recent years, or that his joint income with his spouse was in excess of $300,000 for those years. Herbert Moskowitz disclosed on his account application that he had previous experience trading stocks, bonds, commodities, options, mutual funds, and forex. Herbert Moskowitz was sufficiently sophisticated to understand basic information reported in PFG account statements, including credits and debits, buys and sells, commission charges, and descriptions of contracts bought and sold, including contract months.

On March 21, 2003, the Securities and Exchange Commission issued an Opinion and Order Imposing Remedial Action finding that "the facts are straightforward and establish unequivocally" that Moskowitz had failed to report his substantial beneficial ownership interest in securities of a publicly traded company, purchased by his son-in-law, in violation of Section 13(d) of the Securities Exchange Act, 15 U.S.C. § 78m(d), and

SEC rule 13d-1, 17 C.F.R. § 13d-1. The SEC also noted that that Moskowitz is a "sophisticated stock promoter" who "has made a career of founding and promoting public companies." *In the Matter of Herbert Moskowitz,* Admin. Proc. File No. 3-9435, (SEC March 21, 2002) (Exhibit A to joint answer).

2. Ari Moskowitz, a resident of Baltimore, Maryland, born in 1970, is the son of Herbert Moskowitz. On his father's recommendation, Ari opened a PFG account to be managed by Catranis. Nothing in the record suggests that they did not regularly consult each other about the accounts after Ari opened his account. Ari Moskowitz, following in his father's footsteps, has a periodontal practice in Catonsville, Maryland. On his PFG account application, Ari checked that his annual income and net worth were both over $100,000, and that his liquid net worth was over $50,000. Ari Moskowitz disclosed on his account application that he had experience investing in stocks, bonds, options & mutual funds, but no experience in commodities futures or foreign exchange. Ari Moskowitz was sufficiently sophisticated to understand basic information reported in PFG account statements, including credits and debits, buys and sells, commission charges, and descriptions of contracts bought and sold.

3. Accredited Investment Management Group ("AIM") was a registered introducing broker and commodity trading advisor from 1987 to 2015 when it was permanently barred by the National Futures Association. AIM was located in Newport Beach, California until 2013, when its owner Peter Catranis moved to Tortola, British Virgin Islands. During the relevant time, AIM was guaranteed by Peregrine Financial Group, Incorporated ("PFG"), the now defunct futures commission merchant that carried the two Moskowitz accounts.

4. Peter Catranis, the owner and sole listed principal of AIM, was first registered as an associated person in 1984, working for a series of firms, including Dean Witter Reynolds; Paragon Futures; Rufenacht, Bromagen & Hertz; and Forex Capital Management. Catranis was registered as an associated person with AIM from 1987 to 2015 when he was permanently barred by the National Futures Association, as discussed in more detail below. Catranis resided in Newport Beach, California until 2013 when he moved to the British Virgin Islands. As noted above, due to restrictions placed on his passport for non-payment of child-support, Catranis faces potential arrest and prosecution if he tries to re-enter the U.S.

On February 16, 1995, the NFA issued a three count complaint against Catranis and his firm, alleging: one, that Catranis failed to observe high standards of commercial honor and just and equitable principles of trade in the conduct of his commodity futures business by failing to give customers certain trades which were entered on their behalf and placed those trades in his firm's proprietary account; two, that Catranis failed to maintain originals or copies of order tickets prepared for certain customer orders; and three, that Catranis used deceptive and misleading promotional material. On December 17, 1997, the NFA issued a consent order: one, that barred Catranis from serving on any disciplinary committee, arbitration panel, oversight panel or governing board of any self-regulatory organization; two, that ordered Catranis to pay restitution to 18 customers totaling $33,050; and three, that fined Catranis $15,000. *In re Catranis, et al.* (NFA Case No. 95-BCC-3) (NFA records). At the time that they opened their accounts, this disciplinary information was available to Herbert and Ari Moskowitz at NFA's website.

On March 17, 2015, the NFA issued a complaint that charged, among other things, that Catranis, AIM, and AIM's predecessor firm, Primary Assets Management Corporation: one, used misleading and unbalance promotional material which included hypothetical performance results that were not accurately disclosed as such; two, failed to maintain records relating to the promotional material; and three, routinely traded customer accounts in a manner that generated "abusively high" commissions in contravention of the best financial interests of the customers. One of the abusive trading strategies involved allowing in-the-money options to expire and be assigned which generated additional commissions. The complaint also asserted, among other things, that in 2011, 49 of AIM's 52 customers lost money. By consent order issued August 27, 2015, Catranis was ordered to withdraw from NFA membership, and ordered to not reapply for membership, or act as a principal of a NFA member, for four years. *In re Primary Assets Management Corporation, Accredited Investment Management Corporation, and Peter G. Catranis* (NFA Case No. 15-BCC-3) (NFA records).

The account openings

5. In September 2010 Herbert Moskowitz and Catranis first spoke. They discussed the Federal Reserve's quantitative easing, and the potential impact on the U.S. dollar, tangible assets and interest rates if the Fed ended quantitative easing. Catranis sent videos that featured Ron Paul and others expressing their views on the potential impact of and the timeline for the scheduled end of the second round of quantitative easing in June 2011. Over the next seven months Catranis sent Moskowitz various charts discussing market conditions and his trading strategy. Catranis and Moskowitz shared the belief that the Federal Funds rate, which was at a historic low,

was likely to increase. However, Moskowitz told Catranis that he wanted to wrap up selling his practice and moving to Florida before committing funds.

By May 2011, Herbert Moskowitz decided to open an account to be traded by Catranis, based on Catranis' assurances that his trading system was successful, that his trading strategy would not generate substantial commissions, and that his trading strategy was long term with a two to five year horizon. On May 24, 2011, Herbert Moskowitz opened a PFG Best account online by wiring $100,000, and filling out PFG Best's Online Account Application. Moskowitz did not sign a Limited Power of Attorney giving Catranis authority to manage his account.

Moskowitz was less than completely forthcoming when he answered "No" to the following question in the PFG account application:

> "Have you ever been party to an investigation, complaint, or settlement with the NFA, CFTC, SEC or other?"

[Underlining added for emphasis.] In this connection, before the account was approved the PFG compliance department sent the following e-mail to the PFG new accounts department:

> Please see attached negative CDC report we have received for Herbert Moskowitz. The account application doesn't say anything about being party to an investigation. Should this be left up to the broker to continue the account opening process?

First, the PFG new accounts department responded:

> Yes, its 10 years old.

Then Catranis responded:

> He just wired 100K and I trust him, I'd rather have someone who had a ding than someone who was sue happy and caused a ding. The Guy is a family dentist. I don't think what he did would make a good movie. Hope you can get this open.

> He told me about this, he and family members owned more than 5% of a company, and they determined he was ultimately in control of all shares. This guy is a Dentist, he didn't file the correct paperwork with the SEC. He didn't own the shares his son in law did, he had in writing that he only had authorization to sell the shares if something happened to his son in law.

On the record of this case, it cannot be determined the extent to which Catranis' perfunctory characterization of Moskowitz's violations was based on a self-serving explanation by Moskowitz, or Catranis' indifference to the violations vis-à-vis Moskowitz's $100,000 wire.

6. On July 20, 2011, on the recommendation of Herbert Moskowitz, Ari Moskowitz opened a PFG account online and wired $100,000. Ari similarly did not sign any Power of Attorney. Catranis made similar misrepresentations to convince Ari to open his account.

Trading activity

7. As noted above, Herbert and Ari each opened his account with a wired deposit of $100,000, Herbert on May 20, 20111, and Ari on July 24, 2011.

Trading in Herbert's account began in late May 2011, and trading in Ari's account began in late July 2011. On July 10, 2012, when PFG filed for bankruptcy and the accounts were frozen, Herbert's account had a liquidation value of $20,633,[13] and Ari's account had a liquidation value of $30,523.

Herbert checked the status of his account by logging on the PFG website. [*See* ¶4 Herbert Moskowitz affidavit dated January 7, 2016.] Ari received his PFG statements via e-mail. [*See* Ari Moskowitz affidavit dated January 13, 2016.] Their submissions

[13] In this decision, amounts are rounded to nearest dollar.

indicate that they were regularly monitoring activity in their accounts during the summer and early fall of 2011.

8. For Herbert Moskowitz's account, in May, June and July, Catranis exclusively bought and sold December futures and options contracts. In August and September, he began buying and selling March and June contracts. Set out below is a summary of trading activity in Herbert's account:

Month	*Liquidation Value*	*Commissions & Fees*
May-11	$89,120	$6,286
Jun-11	91,434	2,266
Jul-11	78,952	3,519
Aug-11	64,205	6,414
Sep-11	70,323	10,502
Oct-11	54,811	8,231
Nov-11	46,808	1,848
Dec-11	43,213	4,947
Jan-12	20,605	1,407
Feb-12	27,081	5,234
Mar-12	26,448	1,445
Apr-12	21,584	530
May-12	22,164	1,180
Jun-12	24,602	0

As can be seen, by the end of August, Herbert's account had been charged over $18,000 in commissions, and the account was down over $35,000, and by the end of September, Herbert's account had been charged about $29,000 in commissions, and the account had rebounded slightly but was still down almost $30,000.

9. For Ari Moskowitz's account, in July, Catranis exclusively bought and sold December futures and options contracts. In August and September, he began buying and selling March and June contracts. Set out below is a summary of trading activity in Ari's account:

Month	*Liquidation Value*	*Commissions & Fees*
Jul-11	$93,106	$5,592
Aug-11	77,023	7,697
Sep-11	85,826	6,980
Oct-11	72,158	7,262
Nov-11	64,777	3,631
Dec-11	60,168	6,746
Jan-12	27,152	5,242
Feb-12	36,971	6,161
Mar-12	36,338	1,445
Apr-12	31,474	530
May-12	32,054	1,180
Jun-12	34,492	0

As can be seen, by the end of August, Ari's account had been charged over $13,000 in commissions, and the account was down around $23,000, and by the end of September, Herbert's account had been charged over $20,000 in commissions, and the account had rebounded slightly but was still down around $14,000.

10. Sometime in August or September, Herbert called Catranis to express concern about losses, about excessive commissions, and about the fact that his purchase and sale of nearby contracts was generating excessive commissions and appeared inconsistent with a long-term trading strategy. Catranis assured him that he would reduce trading frequency and resulting commissions. But as can be seen by the summary above, Catranis continued trading and generating substantial commissions for several more months.

In mid-September, Ari told Catranis that he was alarmed by the excessive commissions and instructed him to cease trading. Catranis ceased trading for a couple of weeks, but resumed trading on September 29, 2011.

Conclusions

Herbert and Ari Moskowitz have established by a preponderance of the evidence that Peter G. Catranis recklessly misrepresented the relative risks and rewards, and commission costs, of his trading strategy in violation of Sections 4b(a)(1)(A) and 4c(b) of the Commodity Exchange Act, and CFTC rule 33.10(a), and that Herbert and Ari Moskowitz relied on Catranis' misrepresentations. The proper measure of damages is their out-of-pocket losses. However, by the end of September 2011 their reliance on Catranis' fraud was no longer reasonable, because by that time they both possessed sufficient information to recognize a substantial deviation between his representations and his trading, they both had expressed concern about the mounting commissions, and Catranis had disregarded Ari's instruction to cease trading. Thus, complainants' damages will be limited to their losses at the end of September 2011.

ORDER

Peter G. Catranis misrepresented the relative risks and rewards, and commission costs, of his trading strategy in violation of Sections 4b(a)(1)(A) and 4c(b) of the Commodity Exchange Act, and CFTC rule 33.10(a). Catranis' violations proximately caused Herbert Moskowitz $29,677 in damages, and proximately caused Ari Moskowitz $14,174 in damages. Accredited Investment Management Corporation is liable for Cartranis' violations pursuant to Section 2(a)(1)(B) of the Act. Accordingly, Peter G. Catranis and Accredited Investment Management Corporation are ordered: one, to pay to Herbert Moskowitz $29,677, plus pre-judgment and post-judgment interest on that amount at 0.52% from May 24, 2011 to the date of payment, plus $250 for the cost of the filing fee; and two, to pay to Ari Moskowitz $14,174, plus pre-judgment and post-

judgment interest on that amount at 0.52% from July 20, 2011 to the date of payment, plus $250 for the cost of the filing fee. Liability shall be joint and several.

Dated May 12, 2016.

Philip V. McGuire,
Judgment Officer