

FILED

NATIONAL FUTURES ASSOCIATION
BEFORE THE
BUSINESS CONDUCT COMMITTEE

MAY 15 2014

NATIONAL FUTURES ASSOCIATION
LEGAL DOCKETING

In the Matter of:

CHAZON QTA QUANTITATIVE TRADING
ARTISTS LLC
(NFA ID #424320),

and

LAWRENCE I. FEJOKWU
(NFA ID #274264),

Respondents.

NFA Case No. 14-BCC-006

COMPLAINT

Having reviewed the investigative report submitted by the Compliance Department of National Futures Association (NFA), and having found reason to believe that NFA Requirements are being, have been or are about to be violated and that the matter should be adjudicated, NFA's Business Conduct Committee issues this Complaint against Chazon QTA Quantitative Trading Artists LLC (Chazon) and Lawrence I. Fejokwu (Fejokwu).

ALLEGATIONS

JURISDICTION

1. At all times relevant to this Complaint, Chazon was a commodity pool operator (CPO) NFA Member located in New York, New York.
2. At all times relevant to this Complaint, Fejokwu was the sole associated person and a principal of Chazon and an NFA Associate.

3. At all times relevant to this Complaint, Vision New Africa Foundation (Vision Africa) and Vision New Nigeria Foundation (Vision Nigeria) were also principals of Chazon.

BACKGROUND

4. Chazon became registered as a CPO NFA Member in January 2013 and filed a notice to withdraw from NFA in December 2013. As alleged above, Chazon has three principals – Fejokwu and two charitable foundations which are operated by Fejokwu, Vision Africa and Vision Nigeria. Fejokwu previously operated two other NFA Member firms that were registered as CPOs and commodity trading advisers (CTAs). Those firms withdrew from NFA membership several years ago.
5. At all times relevant to this Complaint, Chazon operated two commodity pools – Maria Desatadora Dos Nos Master Investments SA (Maria Desatadora Master Fund or Master Fund) and Maria Desatadora Umbrella Fund. Chazon listed these pools with NFA in early 2013 and represented that their beginning net asset value (NAV) was approximately \$275,000, each. Chazon claimed exemptions for both pools under Commodity Futures Trading Commission (CFTC) Regulation 4.7 on the basis that their participants were qualified eligible persons. However, these exemptions were withdrawn in December 2013, at or about the time Chazon filed its withdrawal notice with NFA.
6. NFA commenced an examination of Chazon in March 2014 which was prompted, in part, by large trading losses that the firm had sustained throughout 2013 and the fact that the firm had not yet filed its 2013 pool financial statement. As

alleged more fully below, Chazon and Fejokwu failed to fully cooperate with NFA during the exam by refusing to produce bank records necessary to substantiate the source of funds used to capitalize Chazon and fund the pools which it operates.

APPLICABLE RULES

7. NFA Compliance Rule 2-5 provides, in pertinent part, that each Member and Associate shall cooperate promptly and fully with NFA in any NFA investigation, inquiry, audit, examination or proceeding.

COUNT I

VIOLATIONS OF NFA COMPLIANCE RULE 2-5: FAILING TO COOPERATE PROMPTLY AND FULLY WITH NFA DURING ITS EXAMINATION.

8. The allegations contained in paragraphs 1 through 7 are realleged as paragraph 8.
9. According to NFA's Online Registration System, Chazon's main office is located at 244 Fifth Avenue in New York, New York. However, when NFA attempted to visit Chazon at that address, staff found that the address was a P.O. Box rather than an office. NFA then visited what it believed was Fejokwu's residence in Guttenberg, New Jersey but Fejokwu was not there. As a result, NFA sent Fejokwu an e-mail and left him a phone message asking that he contact NFA. Fejokwu got back to NFA and indicated that he was in London but agreed to a telephone conference with NFA on March 25, 2014.
10. During the March 25 telephone conference, Fejokwu discussed the two pools that Chazon operates – viz. Maria Desatadora Master Fund and Maria Desatadora Umbrella Fund. According to Fejokwu, the Maria Desatadora

Umbrella Fund was a feeder fund that invested solely in the Maria Desatadora Master Fund and was the sole investor/participant of the Master Fund. Fejokwu said that the feeder fund, Maria Desatadora Umbrella Fund, had only two participants – Vision Africa and Vision Nigeria, which, as indicated above, are also principals of Chazon. Fejokwu represented that both Vision Africa and Vision Nigeria are non-profit foundations funded 100% by him and that neither foundation has ever had any other contributors or participants besides him. Fejokwu indicated that the purpose of the foundations is to provide charitable contributions to Nigeria, which is Fejokwu's birthplace.

11. NFA obtained certain records from Fejokwu pertaining to Chazon and the Maria Desatadora Master Fund and Maria Desatadora Umbrella Fund, including bank and brokerage statements. In reviewing these documents, NFA found that in April 2011 Fejokwu's foundations, Vision Africa and Vision Nigeria, had each initially invested approximately \$800,000 into the Maria Desatadora Master Fund, for a combined investment of almost \$1.6 million. Additionally, in reviewing the performance for the Maria Desatadora Master Fund, NFA noted that the Master Fund's NAV had dropped significantly, from about \$1.6 million in 2011 to about \$125,000 in March 2014, mainly due to trading losses.
12. NFA also requested and obtained bank statements for Vision Africa's and Vision Nigeria's bank accounts which showed deposits to these accounts from Chazoneering LLC (Chazoneering) – a former CPO/CTA NFA Member that Fejokwu owned and operated between 2003 and 2005. Based on this information, NFA requested that Fejokwu provide the 2011 bank records of

Chazoneering so NFA could attempt to determine the source of the funds that Chazoneering had deposited into Vision Africa's and Vision Nigeria's bank accounts.

13. Fejokwu did not produce Chazoneering's bank records and instead sent NFA a rambling e-mail message claiming that he alone had funded Vision Africa and Vision Nigeria, through an endowment from Chazoneering, and that he had already provided proof to NFA to show that Vision Africa and Vision Nigeria were 100% endowed by him.
14. Contrary to Fejokwu's claims, he had not provided NFA with adequate documentation demonstrating the source of the funds Chazoneering had deposited in Vision Africa's and Vision Nigeria's bank accounts. Therefore, NFA sent another request to Fejokwu for the bank records of Chazoneering. NFA also asked Fejokwu to meet with NFA in person, as NFA had learned that Fejokwu was returning to the United States from London in April.
15. A meeting was arranged with Fejokwu on April 7 at his residence in New Jersey. At the meeting, Fejokwu gave NFA what he purported to be Chazon's LLC agreement. In reviewing this LLC agreement, NFA noted that it identified Fejokwu and Vision Africa as 50% owners of Chazon. However, unbeknownst to Fejokwu, NFA had previously obtained an LLC agreement for Chazon from a futures commission merchant (FCM) NFA Member who had received it from Fejokwu and Chazon. According to the LLC agreement obtained from the FCM, Chazon is 100% owned by an entity called Chazon New Africa Group, SA, which is purportedly 100% owned by Fejokwu.

16. During the April 7th meeting, NFA confronted Fejokwu about the two different LLC agreements and he claimed that the LLC agreement that NFA obtained from the FCM incorrectly listed Chazon New Africa Group, SA, as the owner of Chazon.
17. Following the April 7 meeting, Fejokwu sent NFA some additional documents, including bank records for Chazoneering from 2013 to March 2014. In the e-mail which accompanied these documents, Fejokwu stated, "on principle [I] feel very strongly that Chazoneering not being a NFA Member firm should not be required to submit these documents. Nonetheless, on this limited occasion, to satisfy you please find attached the relevant bank and broker statements for 2013 to March 2014."
18. However, the records that Fejokwu produced were for 2013 and 2014, after the period when Vision Africa and Vision Nigeria received funding from Chazoneering – which occurred in 2011. Therefore, NFA sent another request to Chazon and Fejokwu on April 8, 2014 again requesting Chazoneering's bank records for 2011 so NFA could verify the underlying funding source for the foundations and determine if any parties besides Fejokwu had provided capital to Chazoneering and/or the foundations and, if so, whether such parties should be listed as principals of Chazon. Fejokwu replied to NFA's request the same day, stating, "I absolutely will not provide that statement. It is completely not germane to the matter."
19. NFA sent another e-mail to Fejokwu on April 8 explaining why the bank statements for Chazoneering and both foundations were necessary and

reminded Chazon and Fejokwu of their obligation to cooperate with NFA under NFA Compliance Rule 2-5. Fejokwu's response again failed to include the requested records and, instead, argued that "a bank statement is not indication of ownership" and "I have proven to you through the documents I have provided that there are no individual owners of the firm indirectly or directly other than myself." NFA received a subsequent message from Fejokwu on April 8, in which he ranted about NFA's examination being a "witch-hunt and persecution," a "great distraction," and an "embarrassment" because he "dared to request for withdrawal from NFA membership."

20. On April 14, 2014, Fejokwu sent another e-mail to NFA in which he again indicated that he would not produce the requested bank records. Fejokwu signed this e-mail – as he had signed previous e-mails – as "Chief Chazoneer."
21. Due to Chazon and Fejokwu's failure to cooperate, NFA has been unable to determine the underlying source of monies that were used to capitalize Chazon and fund the pools which it operates and whether or not there are others besides Fejokwu who should be listed as principals of Chazon.
22. By reason of the foregoing acts and omissions, Chazon and Fejokwu are charged with violations of NFA Compliance Rule 2-5.

PROCEDURAL REQUIREMENTS

ANSWER

You must file a written Answer to the Complaint with NFA within 30 days of the date of the Complaint. The Answer shall respond to each allegation in the Complaint by admitting, denying or averring that you lack sufficient knowledge or infor-

mation to admit or deny the allegation. An averment of insufficient knowledge or information may only be made after a diligent effort has been made to ascertain the relevant facts and shall be deemed to be a denial of the pertinent allegation.

The place for filing an Answer shall be:

National Futures Association
300 South Riverside Plaza
Suite 1800
Chicago, Illinois 60606
Attn: Legal Department-Docketing

E-Mail: Docketing@nfa.futures.org
Facsimile: 312-781-1672

Failure to file an Answer as provided above shall be deemed an admission of the facts and legal conclusions contained in the Complaint. Failure to respond to any allegation shall be deemed an admission of that allegation. Failure to file an Answer as provided above shall be deemed a waiver of hearing.

POTENTIAL PENALTIES, DISQUALIFICATION AND INELIGIBILITY

At the conclusion of the proceedings conducted as a result of or in connection with the issuance of this Complaint, NFA may impose one or more of the following penalties:

- (a) expulsion or suspension for a specified period from NFA membership;
- (b) bar or suspension for a specified period from association with an NFA Member;
- (c) censure or reprimand;
- (d) a monetary fine not to exceed \$250,000 for each violation found; and
- (e) order to cease and desist or any other fitting penalty or remedial action not inconsistent with these penalties.

The allegations in this Complaint may constitute a statutory disqualification from registration under Section 8a(3)(M) of the Commodity Exchange Act. Respondents in this matter who apply for registration in any new capacity, including as an associated person with a new sponsor, may be denied registration based on the pendency of this proceeding.

Pursuant to the provisions of CFTC Regulation 1.63 penalties imposed in connection with this Complaint may temporarily or permanently render Respondents who are individuals ineligible to serve on disciplinary committees, arbitration panels and governing boards of a self-regulatory organization, as that term is defined in CFTC Regulation 1.63.

**NATIONAL FUTURES ASSOCIATION
BUSINESS CONDUCT COMMITTEE**

Dated: 05/15/2014

By: 

Chairperson