



## II

### **EVIDENCE PRESENTED AT THE HEARING**

NFA presented one witness at the hearing and introduced a number of documents into evidence. At the hearing, Fejokwu testified on behalf of Chazon and himself and introduced a number of documents into evidence. A summary of the relevant evidence follows:

#### **Arthur Kenigstain**

Arthur Kenigstain (Kenigstain), a Manager in NFA's Compliance Department, testified substantially as follows:

Chazon has been a registered commodity pool operator (CPO) and an NFA Member since January 2013. Fejokwu is an associated person (AP) and listed principal of Chazon. Fejokwu has been a listed principal of Chazon since December 2012 and an AP since January 2013. Vision New Africa and Vision New Nigeria are two foundations (collectively, the Vision Foundations) that are also principals of Chazon. Chazon operated two pools, the Maria Desatadora Nos Master Investment SA (Maria Master Fund) and the Maria Desatadora Umbrella Fund (Maria Umbrella Fund), which were active at the time NFA staff commenced its exam of the firm in March 2014. The Maria Umbrella Fund acted as the feeder fund for the Maria Master Fund.

Chazon is currently pending withdrawal as a CPO and NFA Member. NFA placed a hold on Chazon's withdrawal for a number of reasons, including: NFA wanted to ensure that Chazon qualified for the exemption from CPO registration it claimed; the large amount of losses sustained by the fund in 2013; and the fact that the required year-end certified audits of both pools were outstanding.

Kenigstain was the manager assigned to the examination of Chazon. On March 25, 2014, the examination team attempted to visit Chazon's main office location in New York City and Fejokwu's home address in New Jersey. Since Fejokwu was not at either location, the examination team reached out to him by e-mail, and Fejokwu responded within the hour. The examination team then made arrangements to speak with Fejokwu later that afternoon by phone.

During the afternoon phone conversation, the examination team learned that Fejokwu was in England. Kenigstain stated that Fejokwu was cooperative in answering the questions posed by the examination team. Fejokwu informed the examination team that the Vision Foundations were the only two participants that the pools had ever had, and that the Foundations were set up for charitable purposes for his home country of Nigeria. Fejokwu also represented that the Vision Foundations were 100 percent endowed by him.

After the March 25 phone call, Kenigstain sent Fejokwu an e-mail with an initial list requesting certain documents pertaining to the Vision Foundations, Chazon, and the two pools (NFA Exhibit 4). Kenigstain stated that Fejokwu responded very promptly to the e-mail that same night and provided NFA with satisfactory responses to the specific document requests.

On March 26, the examination team sent a request for information to all NFA Member Futures Commission Merchants (FCMs) and Forex Dealer Members (FDMs) instructing those firms to notify NFA if the firm currently or had ever carried any accounts in the name of Fejokwu, Chazon, the Vision Foundations, the pools, or other affiliated entities. NFA received responses from several FCMs, which confirmed the information Fejokwu had provided to NFA – that the pools had started with \$1.6 million

in 2011 and that their current value was approximately \$125,000. After reviewing the monthly statements and speaking with Fejokwu, the examination team determined that the entire decline in assets was due to trading losses. Kenigstain also stated that no other funds were invested after the initial \$1.6 million in 2011, and there were no redemptions by any third parties.

As part of Chazon's withdrawal request, Fejokwu claimed that Chazon qualified for an exemption from CPO registration for operating small pools,<sup>1</sup> which among other requirements is limited to a CPO that has received aggregate capital contributions for all its pools that do not exceed \$400,000. Because the funds held by Chazon's pools initially exceeded the \$400,000 threshold, Chazon would not qualify for the exemption unless all funds in excess of \$400,000 were proprietary funds. As a result, NFA requested bank statements for the Vision Foundations to determine their source of funding and the pools' bank statements to confirm that the pool funds had been received from the Vision Foundations. Fejokwu provided the requested information, which showed that both Vision Foundations were directly or indirectly funded by Chazoneering LLC (Chazoneering)<sup>2</sup> and confirmed that the \$1.6 million

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<sup>1</sup> Commodity Futures Trading Commission (CFTC) Regulation 4.13(a)(a) exempts from CPO registration persons who operate one or more small pool(s) that has received less than \$400,000 in aggregate capital contributions and that have no more than 15 participants in any one pool. In determining whether the aggregate capital contributions exceed \$400,000, proprietary funds (e.g., funds contributed by the pool, the pool's commodity trading advisor, principals and certain related family members) may be excluded.

<sup>2</sup> The bank statements showing the initial funding actually refer to an entity called Chazoneering SA. At the hearing, Fejokwu pointed out this difference during Kenigstain's testimony and represented that Chazoneering LLC and Chazoneering SA were different entities. As discussed during Fejokwu's testimony, Fejokwu never pointed out this difference to NFA staff during their examination. For purposes of this Decision, our reference to Chazoneering includes both Chazoneering LLC and Chazoneering SA

coming into the pools in 2011 was from the Vision Foundations. Kenigstain concluded that Chazoneering LLC was the ultimate source of the \$1.6 million invested in the pools. Kenigstain believed that Chazoneering LLC was a former CPO and NFA Member that had been owned and operated by Fejokwu from 2003 until it withdrew in 2005. Kenigstain stated that Fejokwu represented to NFA that Chazoneering LLC continues to operate as an LLC and is 100 percent owned by him.

When the examination team learned that the Vision Foundations were actually funded by Chazoneering, they requested Chazoneering's 2011 bank statements and informed Fejokwu that they needed the statements to confirm Fejokwu's representations that Chazoneering was 100 percent funded by him (NFA Exhibit 8). Fejokwu responded that he would not provide the requested Chazoneering bank statements because he had already provided sufficient support to show that the Vision Foundations were 100 percent funded by him and because NFA should accept his verbal representations (NFA Exhibit 9). Over the next few days the examination team and Fejokwu had a series of back-and-forth correspondences, with the examination team making multiple requests for the Chazoneering bank statements and informing Fejokwu of the requirement under Compliance Rule 2-5 that he cooperate fully with an NFA examination. Fejokwu refused to comply with these requests. However, he agreed to meet with the examination team at his personal residence in New Jersey on April 7.

At the April 7 meeting, Fejokwu informed the examination team that he had listed the Vision Foundations as principals of Chazon on April 3. Kenigstain stated that Fejokwu had also informed him in an April 1 e-mail that the Vision Foundations were principals; however, Kenigstain noted that informing him that the Vision

Foundations were principals was different than listing them as principals in the online registration system.

Kenigstain stated the fact that the Vision Foundations were listed principals of Chazon was significant because NFA now needed the Chazoneering bank statements for a second reason, to determine if any individuals investing in Chazoneering indirectly contributed more than ten percent to Chazon that would require such individual to also be listed as a principal. According to Kenigstain, the only way NFA could determine whether there were any unlisted principals was by looking at the Chazoneering bank statements.

The examination team stressed to Fejokwu the importance of the Chazoneering bank statements and explained that they needed them to determine whether the source of the funds in the pools was proprietary and to determine whether any other individuals were required to be listed as principals of Chazon. Fejokwu represented that he disagreed with NFA's request, but would consider it.

Kenigstain agreed that on April 7 he stated that he was requesting the Chazoneering bank statements to identify the source of Chazoneering's funding. Kenigstain acknowledged that an e-mail sent to Fejokwu after the April 7 meeting indicated that the examination team was requesting the Chazoneering statements because they wanted to confirm that Chazoneering was not required to be registered. Kenigstain explained that as the examination evolved, there were other reasons why NFA needed the bank statements, including determining whether there were any potential registration issues after it learned that the Vision Foundations were listed principals of Chazon.

After the April 7 meeting, the examination team sent Fejokwu another e-mail requesting the Chazoneering bank statements from 2011 and January 2013 to current. The 2011 bank statements were important, because that was when Chazoneering made the investment in the Vision Foundations. In response, Fejokwu replied that he still disagreed with NFA's request for the Chazoneering bank records, but would make a one-time exception and would provide NFA with the 2013 to current Chazoneering bank statements (NFA Exhibit 10). Kenigstain stated that this did not fully satisfy NFA's request, because NFA had also requested Chazoneering's 2011 bank statements when it initially funded the Vision Foundations' investment in the pools.

The examination team sent Fejokwu another e-mail on April 8 making it clear that the requests for the Chazoneering bank statements and the Vision Foundations' bank statements were not optional (NFA Exhibit 11) and explaining why NFA needed this information. The e-mail included a link to the CFTC regulation regarding indirect ownership of a Member firm and bolded language informing Fejokwu of his obligations under NFA Compliance Rule 2-5. Fejokwu responded that he "absolutely will not provide" the requested Chazoneering bank statements or bank statements for the Vision Foundations (NFA Exhibit 11).

NFA issued an examination report to Chazon in May 2014 indicating that Chazon and Fejokwu had failed to cooperate fully with NFA during an examination by not providing the requested bank statements (NFA Exhibit 12). NFA did not receive the 2011 bank statements for Chazoneering or any other documentation from Fejokwu after issuing the May examination report.

The examination team spoke with a CFTC staff member regarding the potential registration exemption, but did not discuss the issue of the Vision Foundations

being principals. The CFTC staff member informed them that once Fejokwu relinquished ownership of his investment and provided it to the Vision Foundations, the funds were no longer proprietary.

According to Kenigstain, the examination team explained to Fejokwu multiple times in multiple e-mails why NFA needed the statements and referenced the specific applicable regulations. Each time Fejokwu adamantly denied NFA's request.

Kenigstain acknowledged that he may have stated during the April 7 meeting that NFA wanted to ask Fejokwu for Chazoneering's bank statements first before sending a Request for Information to FCM Members when NFA had actually already sent a Request for Information to FCMs on March 26. Kenigstain explained, however, that NFA does not have a responsibility to disclose to Members when it reaches out independently to other Member firms and does not typically disclose this information.

Kenigstain also acknowledged that during the course of NFA's examination of Chazon, the initial reasons NFA indicated that they need the bank statements of Chazoneering and the Vision Foundations changed. Kenigstain noted, however, that this was not unusual because during the course of an examination, the examination team often learns of new information that creates new requests or the information provided results in follow up requests.

### **Lawrence Fejokwu**

Fejokwu testified substantially as follows:

Fejokwu was born in Nigeria and has been living in the United States for 21 years. He attended school in Virginia and began working at Morgan Stanley as an AP in 1996. Fejokwu left Morgan Stanley in 1997 to start his own business known as

Chazon Africa Investors, which was registered with NFA at one time. Fejokwu also started the Vision Foundations in 1997.

According to Fejokwu, Chazoneering was conceived in 1997. Fejokwu referred to a document entitled "Vision Statement" dated 1997 (Respondent Exhibit 4), which indicated that Chazon New Africa Investors is a member of the Chazon New Africa Investment Group. Fejokwu intended that Chazon New Africa Investors would be an investment manager and the Vision Foundations would be sister entities. Fejokwu noted that the Vision Statement stated that Chazon New Africa Investment Group shall create wealth through its businesses and ensure the preservation of wealth through its sister organizations, the Vision Foundations. Fejokwu stated that this structure is not unusual or suspicious and is very similar to a foundation in England where there is a foundation that is also the owner of an investment management company.<sup>3</sup>

In 2011, Fejokwu launched the Maria Master Fund and the Maria Umbrella Fund with the intention to build a track record, grow the business and go out and raise investor money. According to Fejokwu he was advised that he did not need to register as a CPO because his trading was limited to proprietary money, which he could do through his own account. Fejokwu indicated that he registered because he wanted to have the structure in place so that he would be able to raise investor money later. Fejokwu planned on operating the fund with his money for about a year and then trying to raise other money. According to Fejokwu the fund began to incur losses by the nine-month mark, and by March 2013, the fund had an overall loss. At that point, Fejokwu did not feel there was any point in trying to raise other money.

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<sup>3</sup> Fejokwu submitted other documentation, which indicated that he had been involved with the Vision Foundations since 1997.

Fejokwu filed the pool quarterly report (PQR) with NFA every quarter, which detailed the pool's current assets, monthly returns and service providers. Fejokwu stated that each time he filed this report, NFA staff contacted him because he usually made a mistake in the filing. NFA staff would also ask him about the losses incurred in the pool. Fejokwu would explain that there were trading losses and offer to provide trading statements. According to Fejokwu, NFA staff always appeared satisfied with his explanation. On cross examination, Fejokwu acknowledged that by the time he had filed his first PQR with NFA, the pool had already lost most of its funds, and he had not provided the rates of return for the prior year and a half that the pool was operating.

By the end of 2013, the fund was valued at roughly \$125,000. Fejokwu then began to question whether it made any sense to continue to be registered, especially since he knew he was required to have an independent audit of the pool done, which he estimated would cost approximately \$25,000. Fejokwu noted that it made no sense to spend nearly a quarter of the pool's assets for this audit since no one other than himself and NFA would ever see it. As a result, near the end of December 2013 he requested a withdrawal of his registration and attempted to claim the CPO registration exemption he believed he was entitled to because he was only managing proprietary money. In the withdrawal request, Fejokwu indicated that the pool's assets were less than \$400,000 and qualified for the small pool exemption. He also indicated that the pool could not bear the financial requirements of registration.

Since Fejokwu did not hear anything on his withdrawal request, he contacted NFA in February 2013. An NFA staff person requested some additional information about the investors in the pool. Fejokwu confirmed that the investors were the two Vision Foundations. In early March, Fejokwu became anxious about the

exemption and started sending frequent e-mails to NFA staff inquiring about the status of the exemption. At one point, NFA staff informed Fejokwu that his withdrawal could not be processed until he submitted the audited statement for the pool or he obtained a waiver from the CFTC for filing the statement. Fejokwu contacted the CFTC regarding the waiver and informed NFA that he was waiting for the response granting the waiver. According to Fejokwu, NFA staff informed him that once he received a waiver, NFA would process the withdrawal.

Fejokwu stated that while he was attending a conference in Oxford, England he received an e-mail from NFA staff that informed him that NFA had been trying to contact him. According to Fejokwu, he immediately called NFA and they informed him that NFA was conducting an exam of his firm. NFA provided him with a list of documents. Fejokwu stated that NFA staff told him that they would process his withdrawal if they found no problems in their review of the documents he provided. Fejokwu provided NFA with all of the requested documents that night.

The next day NFA staff contacted Fejokwu and informed him that he did not qualify for the exemption for a pool with less than \$400,000 in contributions because initially the pool had over \$1 million in contributions. According to Fejokwu, NFA staff told him that in order to qualify for an exemption all the money contributed to the pool had to come from him or entities he controls. Fejokwu indicated that he told NFA that all the funds came from him and he provided bank statements that showed that the funds deposited into the Vision Foundations came from Chazoneering, which is an entity he controls. After he provided these bank statements to NFA, NFA staff asked for bank statements showing that Chazoneering was funded by Fejokwu. Fejokwu stated that this was an impossible request because any business account or personal account

is going to show deposits coming from more than one source. Fejokwu also stated that he did not want to provide NFA with Chazoneering's bank statements because Chazoneering is not an NFA Member and is outside of NFA's jurisdiction.

Fejokwu acknowledged on cross examination that when he originally told NFA staff that he funded the two Vision Foundations, he did not mention that he did this through Chazoneering. NFA staff learned that Chazoneering funded the two Vision Foundations after reviewing Barclay's wealth statements provided by Fejokwu. Fejokwu noted that the Chazoneering referenced in the Barclay's wealth statements is not the same entity that was formerly an NFA Member. Specifically, Chazoneering LLC was the NFA Member and the two Vision Foundations were funded by Chazoneering SA. Fejokwu acknowledged that when NFA staff asked for information and documentation related to Chazoneering, he never clarified with NFA that there were two separate entities and he was careful never to use the term Chazoneering LLC when responding to NFA. Fejokwu agreed however that he had control over the bank records of Chazoneering SA, although he was not certain that he could get copies of bank statements because the accounts are not very active. Fejokwu also stated that although it's "none of NFA's business" how Chazoneering SA earned its money, he did inform NFA that it was involved in trade finance.

According to Fejokwu, he then reviewed the requirements of the exemption and learned that a CPO would qualify for the exemption if a pool's funding came from the CPO or its principals. Fejokwu then believed he did not have to demonstrate that Chazoneering was funded by him because he could show that all the funding to the pool came from the Vision Foundations, which were principals of the CPO. Fejokwu testified that NFA knew that he qualified for the exemption because the

principals of the CPO provided all the pool funding so, according to Fejokwu, staff then asked him to provide Chazoneering's bank statements to show that Chazoneering was not required to be registered. NFA also asked him to provide bank statements for the two Vision Foundations to show that there was no one who funded the Vision Foundations through Chazoneering that should also be listed as a principal.

Fejokwu stated that he cooperated with NFA throughout this process but in his opinion every time he provided NFA what was requested, they "moved the goal post." Fejokwu was surprised when he received a copy of the May 15, 2014 Complaint charging him with failing to cooperate with NFA. Fejokwu stated that in his last communication with NFA he indicated that he did not agree with NFA staff's position that he was required to provide the records relating to the Vision Foundations and Chazoneering. According to Fejokwu, he told NFA staff that he was willing to discuss the issue with NFA staff's superiors, but did not hear back from NFA. He also asked for an extension of time to respond to NFA's examination report. He received the Complaint prior to the extended deadline for him to respond to the examination report.

### III

#### **FINDINGS, CONCLUSIONS AND PENALTY**

Chazon was a CPO Member of NFA during the period covered by the Complaint. As an NFA Member, Chazon was required to comply with NFA requirements and is subject to disciplinary proceedings for violations of NFA requirements that occurred while it was an NFA Member.<sup>4</sup> Fejokwu was a principal and AP of Chazon and an NFA Associate Member during the period covered by the

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<sup>4</sup> See NFA Compliance Rule 2-14.

Complaint. Therefore, Fejokwu was required to comply with NFA requirements, and NFA has jurisdiction over him for purposes of this action.<sup>5</sup>

NFA's Complaint alleges that Chazon and Fejokwu violated NFA Compliance Rule 2-5 by failing to cooperate promptly and fully with NFA during the course of an examination. Specifically, the Complaint alleges that Chazon and Fejokwu refused to produce bank records NFA requested and viewed as necessary to determine the underlying source of funds that were used to capitalize Chazon and fund the pools that it operates and to determine whether there are other individuals who should be listed principals of Chazon.

There is no dispute that Chazon and Fejokwu had control over the Chazoneering bank statements and that Chazon and Fejokwu refused to provide NFA with the requested bank statements. The only real question before the Panel is whether NFA had a legitimate regulatory reason to request these bank records. Based on the evidence presented at the hearing, the Panel concludes that NFA had a legitimate and important regulatory need to review the requested bank records and Chazon's and Fejokwu's refusal to provide the records is a clear violation of NFA Compliance Rule 2-5.

The Panel heard significant testimony from Kenigstain on the reasons NFA requested the bank statements and the Panel believes these reasons demonstrate that NFA had a legitimate regulatory purpose in requiring that Chazon and Fejokwu provide the bank statements. Chazon is a registered CPO and an NFA Member. When it requested to withdraw its registration based on the small pool exemption, NFA had a legitimate regulatory reason to determine if Chazon did indeed qualify for that

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<sup>5</sup> See NFA Bylaw 301(b) and NFA Compliance Rule 2-14.

exemption especially since the information known to NFA (\$1.6 million in initial capital contributions) on its face indicated that Chazon did not qualify for this exemption, which is limited to CPOs that have collected \$400,000 or less in aggregate capital computations. Moreover, the information NFA had available to it indicated that the Vision Foundations, which were the only contributors to the pools, were funded by Chazoneering, an entity that NFA believed was a former CPO Member of NFA, which certainly raises questions on whether that entity was still acting in that capacity and raising funds from other sources.

At the hearing, Fejokwu "clarified" for the first time that the Chazoneering entity that funded the Vision Foundations was not the same entity as Chazoneering LLC, the former NFA Member. This clarification, however, does not lessen NFA's legitimate regulatory interest in learning where Chazoneering SA obtained the funds to invest in the two Vision Foundations that are listed principals of Chazon, particularly since Fejokwu was very vague on this question, indicating that it was involved in trade finance and alluding to the fact that its accounts may show deposits coming from more than one source. Moreover, the Panel believes that this raises issues regarding Fejokwu's credibility since he acknowledged that he never highlighted this distinction to NFA during the exam and actually appeared to be trying to deceive NFA. Fejokwu acknowledged that he knew that NFA staff was trying to make a connection between Chazoneering SA and Chazoneering LLC, but rather than alert NFA to the distinction, Fejokwu carefully answered the questions so as not to identify the distinction.

Fejokwu also took significant issue at the hearing with the fact that NFA later represented that NFA needed the Chazoneering statements to ensure that there were no unlisted principals of Chazon. NFA, however, "changed" its reasoning in direct

response to Chazon suddenly listing the two Vision Foundations as principals of Chazon, which Fejokwu then claimed eliminated any need to further pursue the funding source because now the pools had been funded by principals of the CPO and therefore Chazon qualified for the exemption. The Panel, however, believes that NFA had every reason to now be concerned with whether there were any unlisted principals after Chazon listed the Vision Foundations as principals. Again, based on the information available to NFA, two principals of the NFA Member were funded 100 percent by a single entity, Chazoneering. If that entity was ultimately controlled by an individual other than Fejokwu, then that person likely needed to be a listed principal of Chazon. NFA needs more than a representation from Fejokwu that he is sole owner of Chazoneering. Moreover, the sudden listing of the Vision Foundations, which appeared to have been an attempt by Fejokwu to find a reason not to provide the Chazoneering statements, certainly gave NFA legitimate concerns as to the funding of Chazoneering, which could have a direct impact on who was required to be a listed principal of Chazon. NFA clearly has a legitimate regulatory reason, in fact a responsibility, to ensure that the principals of its Member firm are properly listed, and more importantly, not subject to a statutory disqualification.

The Panel also notes that Fejokwu readily handed over certain Chazoneering bank statements, but refused to provide the statements during the time period the Vision Foundations were funded. The Panel believes that this response by Fejokwu was further reason for NFA to question the funding of Chazoneering, and ultimately the funding of Chazon, as well as who were the pool participants.

At the hearing, Fejokwu argued that NFA did not have a right to request the Chazoneering bank statements because Chazoneering is not an NFA Member.

NFA has the authority to require its Members to provide documents from non-member entities over which a Member has control if there is legitimate regulatory purpose for requesting the documentation. As discussed above, the Panel has concluded that NFA did have a legitimate regulatory need for asking for the Chazoneering and Vision Foundations bank statements. NFA made numerous requests for these bank statements and provided Fejokwu and Chazon with adequate reasoning as to why NFA needed these bank statements. Fejokwu, individually and as a principal of Chazon, had control over Chazoneering's bank statements. There is no question, therefore, that Chazon and Fejokwu willfully violated NFA Compliance Rule 2-5 by refusing to provide NFA with the 2011 Chazoneering bank statements.

A number of factors must be considered when determining the appropriate sanctions for these violations. One of the more important factors is the nature of the violations. The evidence at the hearing clearly establishes that Fejokwu, on behalf of himself and Chazon, repeatedly refused to provide NFA with the requested bank statements despite being informed of his obligation under NFA Compliance Rule 2-5 to provide this information. Since NFA Compliance Rule 2-5 is the foundation by which NFA is able to obtain the information it needs from its Members to carry out its regulatory responsibilities, any violation of this rule is a very serious violation and cannot be tolerated. Based on the above findings and discussion, the Panel hereby imposes the following sanctions:

1. Chazon is permanently barred from NFA membership and from acting as a principal of an NFA Member.
2. Fejokwu is permanently barred from NFA membership, associate membership and from acting as a principal of an NFA Member.

IV

**APPEAL**

Chazon and Fejokwu may appeal the Panel's Decision to the Appeals Committee of NFA by filing a written Notice of Appeal with NFA within fifteen days of the date of this Decision. Pursuant to NFA Compliance Rule 3-13(a), the Notice must describe those aspects of the disciplinary action to which exception is taken and must include any request to present written or oral arguments. The Decision shall be final after the expiration of the time for appeal or review unless it is appealed or reviewed.

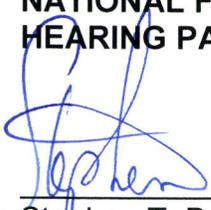
V

**INELIGIBILITY**

Pursuant to the provisions of CFTC Regulation 1.63, this Decision and the sanctions imposed by it render Fejokwu permanently ineligible to serve on a governing board, disciplinary committee, oversight panel, or arbitration panel of any self-regulatory organization as that term is defined in CFTC Regulation 1.63.

**NATIONAL FUTURES ASSOCIATION  
HEARING PANEL**

Dated: 2/27/15

By:    
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Stephen T. Bobo  
Chairperson