

**UNITED STATES OF AMERICA**  
**Before the**  
**COMMODITY FUTURES TRADING COMMISSION**

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In the Matter of:	)	
	)	
U.S. Securities & Futures Corp.	)	CFTC Docket No. 01-01
100 Wall Street	)	
New York, NY 10005	)	
	)	
Thomas V. White	)	COMPLAINT AND NOTICE
381 Harold Avenue	)	OF HEARING PURSUANT TO
Staten Island, NY 10312	)	SECTIONS 6(c) and 6(d) OF THE
	)	COMMODITY EXCHANGE
	)	ACT, AS AMENDED
	)	
Nancy A. Bellasai	)	
375 South End Avenue, Apt. 31M	)	
New York, NY 10280	)	
	)	
Huaya Lu Tung	)	
37 Spruce Hollow Road	)	
Dunellen, New Jersey 08812	)	
	)	
John O. Hing	)	
27 Randall Road	)	
Holmdel, NJ 07733	)	
	)	
Thomas H. Gong	)	
4 Sandalwood Drive	)	
Edison, NJ 08820	)	
	)	
Jiping Wu	)	
3 Bridle Way	)	
Branchburg, NJ 08876	)	
	)	
Justus Enterprises, Inc.	)	
Two World Trade Center, Suite 2468	)	
New York, NY 10048	)	
	)	
Daniel Reynolds	)	
375 South End Avenue, Apt. 31M	)	
New York, NY 10280	)	
	)	

Michael Skrable )  
1905 Vermont Avenue )  
Toms River, NJ 08755 )  
 )  
Respondents. )  
\_\_\_\_\_)

The Commodity Futures Trading Commission (“Commission”) has received evidence from its staff which tends to show, and the Commission’s Division of Enforcement (“Division”) alleges that:

**I.**

**SUMMARY**

1. From early 1996 through October 1998, U.S. Securities & Futures Corp. (“USSFC”), a registered futures commission merchant (“FCM”), and its senior executives, together with Currency & Commodity Broker, GmbH (“CCB”), a foreign broker with offices in Hamburg, Germany, committed a massive customer fraud. CCB allocated, at the end of the trading day, winning futures trades to recently-opened accounts and losing trades to older accounts. By allocating winning trades to newer accounts, CCB was able to persuade customers to invest substantial additional funds. Usually within two to three months, however, customer accounts were drained by commissions and trading losses. To commit the scheme, CCB directed Justus Enterprises, Inc. (“Justus”), CCB’s New York-based trading advisor and other, individual trading advisors, to place hundreds of unallocated day-trades each trading day through USSFC. Through the execution of some 90,000 unallocated futures orders, USSFC assisted CCB and Justus in earning approximately \$11 million in commissions, while causing customers total losses of more than \$19 million in more than 700 customer accounts. USSFC earned more than \$2 million for its role in the fraud.

2. The trading advisors, including Justus, its office manager and trader, Daniel Reynolds (“Reynolds”), and assistant office manager and trader, Michael Skrable (“Skrable”), made the futures trading recommendations for CCB customer accounts without specifying into which accounts the orders would be placed at USSFC. The trading strategies and relatively high commissions did not offer customers a reasonable opportunity to profit. Thomas White (“White”), head of USSFC’s International Division, and Nancy Bellassai (“Bellassai”), the supervisor of the International Division’s order desk, participated in the fraud by accepting futures orders from the Justus traders without noting customer account numbers on the office order tickets even when it was apparent that the post-execution allocation of the trades was not fair and equitable. White and Bellassai further participated in the scheme by arranging, contrary to USSFC practice, to keypunch the CCB trades into USSFC’s accounting database at the end of the day, after they had compiled a list of the trades done for CCB, faxed the list to CCB and received a fax back from CCB allocating the trades to specific accounts.

3. The lack of any diligent supervisory structure at USSFC allowed USSFC’s International Division to play a key role in CCB’s allocation fraud. Other misconduct occurred repeatedly from 1995 to the present, without any resulting changes to USSFC’s practices and procedures. From its inception, USSFC has been built without regard for ensuring that the necessary personnel and systems were in place to adequately protect customers. USSFC’s inadequate compliance systems failed to detect fraud, under-margined accounts and unauthorized trading. USSFC, John Hing (“Hing”), Jiping Wu (“Wu”), and Thomas Gong (“Gong”), USSFC’s President, Chief Financial Officer (“CFO”) and Compliance Officer, respectively, failed to take meaningful corrective action even after serious compliance and control issues had come to light through NFA audits or customer complaints. Compounding these errors, USSFC

filed several Notice of Termination (“Form 8-T”) forms erroneously reporting the circumstances surrounding the termination of its employees involved in these customer complaints.

4. USSFC has also failed to take adequate steps to ensure that the customer funds it accepts to margin, guarantee or secure trades and contracts are sufficiently protected. USSFC’s inadequate protections for customer funds, together with other control failures, have caused decreases in USSFC’s adjusted net capital, triggering notification requirements that USSFC failed to make to the Commission on some six occasions in a 2 1/2-year period.

## II.

### RESPONDENTS

#### A. The USSFC Respondents

5. U.S. Securities & Futures Corp. is a New York corporation which maintains its principal place of business at 100 Wall Street, 22nd Floor, New York, New York 10005. On February 25, 1994, USSFC registered with the Commission as an introducing broker (“IB”). Since October 8, 1994, USSFC has been registered as an FCM. USSFC is also registered with the Securities and Exchange Commission (“SEC”) as a securities broker-dealer.

6. Thomas V. White resides at 381 Harold Avenue, Staten Island, New York 10312. White was a Vice-President of USSFC and managed USSFC’s International Division between 1996 and February 1999. Since May 1999, White has been USSFC’s President. White has been registered as an AP of USSFC since February 1996. Since April 1996, White has been a member of USSFC’s Board of Directors (the “Board”) and listed as a principal of USSFC.

7. Nancy A. Bellasai resides at 375 South End Avenue, Apartment 31M, New York, New York 10280. Bellasai has been registered as an AP of USSFC since November 1995

and has served as the Branch Manager of the main office since January 1997. Bellasai managed the International Desk of USSFC and supervised the APs who worked there. During 1996, Bellasai also worked for CCB while she was associated with USSFC, giving commodity trading advice for CCB customers' accounts. Bellasai is married to Reynolds.

8. Huaya Lu Tung resides at 37 Spruce Hollow Road, Dunellen, New Jersey 08812. Tung's principal status with USSFC became effective on February 25, 1994. Tung currently owns a majority interest in USSFC directly and indirectly through a corporation wholly-owned by Tung, Travelway International Limited. Although designated as a principal of USSFC and Chairman of the Board, Tung has never been registered with the Commission in any capacity.

9. John Ong Hing resides at 27 Randall Road, Holmdel, New Jersey 07733. In addition to being President of USSFC and a member of the Board, Hing has been registered with the Commission as an AP and principal of USSFC since February 1994. In 1999, Hing became Chief Executive Officer ("CEO") of USSFC and Vice Chairman of the Board. Previously, Hing's title had been President of USSFC.

10. Tom Huifeng Gong resides at 4 Sandalwood Drive, Edison, New Jersey 08820. Since April, 1994, Gong has been registered as an AP with USSFC. He acts as USSFC's Compliance Officer. From approximately 1994, Gong has been both a member and the secretary of the Board.

11. Jiping Wu resides at 3 Bridle Way, Branchburg, New Jersey 08876. Since March 1994, Wu has been registered as an AP of USSFC and has been USSFC's CFO. Wu is a member of the Board. Between July 1998 and September 1999, Wu was also registered as a commodity trading advisor ("CTA") with the Commission.

B. The Justus Respondents

12. Justus Enterprises, Inc. is a New York corporation with offices at one time located at Two World Trade Center, Suite 2468, New York, New York 10048. Traders working for Justus provided commodity trading advice to CCB customer accounts. Justus has never been registered with the Commission. Justus was originally established under the name “Fasch Enterprises, Inc.” (“FEI”) by Hennig Fasch (“Fasch”). Fasch founded CCB, and CCB’s predecessor company, ICS Commodity Services GmbH (“ICS”), another foreign broker with offices in the same building as CCB in Hamburg, Germany. FEI became Justus on April 21, 1998.

13. Daniel G. Reynolds resides at 375 South End Avenue, Apartment 31M, New York, New York 10280. Reynolds was the office manager of Justus, and provided commodity trading advice to CCB customer accounts. Reynolds has been registered with the Commission as a Floor Broker since April 1983. Reynolds is married to Bellassai.

14. Michael Skrable resides at 1905 Vermont Avenue, Toms River, New Jersey 08755. Between early 1996 and October 1998, Skrable worked at Justus, providing commodity trading advice to CCB customer accounts. During the period that he was providing trading advice to CCB customers, Skrable was not registered with the Commission in any capacity. From 1987 through 1995, Skrable was registered as a floor broker.

**III.**

**FACTS**

A. The CCB Allocation Fraud

15. Between early 1996 and October 1998, CCB engaged in a “loading” scheme. In this scheme, CCB allocated mostly winning trades to new customers from whom additional

funds could be obtained. Touting the purported successes in their accounts, CCB's account representatives enticed customers to invest additional funds, not uncommonly with additional deposits several times the size of their initial investment. CCB allocated losing trades to older accounts whose owners were less likely to make additional investments. The key to the success of the loading scheme was CCB's ability to allocate trades *after* they were executed with the knowledge of whether they were profitable.

16. In sum, CCB's loading scheme allowed CCB and Justus to divert some \$11 million of the funds CCB had raised from customers to CCB and Justus in the form of commissions. USSFC earned more than \$2 million for its role in the scheme. Customers lost a total of \$19 million in commissions and trading losses. While CCB operated, the futures trading orders placed by Justus and other traders for the CCB accounts through USSFC represented as much as thirty percent of USSFC's futures business.

*USSFC's International Division*

17. USSFC's International Division's handling of the CCB trading enabled CCB fraudulently to allocate trades, in the manner set forth above, every trading day. USSFC's International Division was established in late 1995 or early 1996. Due to the volume of White's business, the International Division quickly became the largest profit center for USSFC. The International Division had relationships throughout the world, but focused on German-speaking countries.

*Justus and FEI*

18. Entirely owned by Fasch, the founder of CCB and ICS, Justus was incorporated on or about March 5, 1996 as a U.S.-based entity to place futures trading orders for CCB's and ICS's accounts at USSFC. The majority of the futures trades placed in the CCB customer

accounts at USSFC were made at the direction of traders working for Justus. Justus engaged in no business other than providing advice to the CCB and ICS accounts. Justus's sole source of income was CCB and ICS. A contract between Justus and CCB obligated CCB to forward to Justus 17.8 percent of the commission revenue that CCB received from USSFC. CCB used letterhead listing Justus's address as CCB's New York office. USSFC accepted futures orders from Justus traders without any power of attorney or other written authorization from CCB allowing Justus to trade the CCB accounts.

19. From in or about 1997 through in or about 1998, Reynolds served as Justus's office manager and chief trader. Skrable was an assistant officer manager and trader. Beginning in or about January 1996, before Justus was incorporated, and continuing through much of 1996, however, Reynolds and Skrable billed CCB directly, and were paid directly by CCB, for their trading advice. Beginning in or about January 1996 and continuing through in or about November 1996, Bellasai was paid directly by CCB and ICS to make trading recommendations at the same time that she worked as an AP and supervisor of the International Division's order desk at USSFC. Bellasai mailed or faxed her bills to ICS and CCB for her trading advice. USSFC was not aware of her arrangements with CCB and ICS.

*USSFC's and Justus's Participation in, and Facilitation of, the Fraudulent Allocation Scheme*

20. After deducting an up-front fee of fifteen percent from its customers' investments, CCB would wire remaining customer funds to USSFC's segregated customer funds bank account. The credit advice on the wire transfer confirmation sent by CCB included a five-digit number, which for an existing account corresponded to an account number on the books and records of USSFC, and for a new account, was the number assigned by CCB for USSFC to open on USSFC's books. Between 1996 and 1998, USSFC opened more than 700 accounts for the

customers introduced by CCB. USSFC account numbers are assigned in the following manner: the first three digits refer to the office code (the branch, IB, foreign broker or foreign correspondent that introduced the account) and then a consecutive five-digit number identifies the individual account. CCB account numbers are series 099-99xxx.

21. Although CCB purportedly had an omnibus account with USSFC, it opened more than 700 purported "sub-accounts" of this "omnibus" account. Moreover, no one account on USSFC's books and records contained the cash and positions of the CCB "sub-accounts." White, Bellasai and USSFC knew or recklessly disregarded the fact that these purported "sub-accounts" represented individual customer accounts.

22. Each trading day, CCB authorized Justus and other trading advisors to make a certain number of round-turn day trades through USSFC. The traders -- Reynolds, Skrable and others (including Bellasai for eleven months during 1996) -- had discretion to buy or sell while also determining the commodity, delivery month, limit price and timing of the futures transactions. CCB, however, limited the Justus traders to day trades and required them to place stop orders when they established positions that (if executed at the stop price) would limit losses to only \$150 per contract, irrespective of the volatility in the market. In some cases, the stops were even tighter. In the 30-year U.S. Treasury Bond futures contract, for instance, the stops were placed only four ticks (the equivalent of \$125) away from where the position was established. Orders to buy and sell futures contracts were telephoned by the traders to USSFC's International Division's order desk. When telephoning in these orders, the traders gave no account identification for the orders.

23. For their commodity trading advice, Reynolds, Bellasai, Skrable and others received compensation ranging from \$2-\$4 per round turn. In addition, Reynolds also received a flat fee of \$10,000 per month for his advice and supervision of the other Justus traders.

24. The account structure set up at USSFC for CCB, the manner in which futures trading orders for the CCB accounts at USSFC were handled, recorded and reported, the method by which the futures trades for the CCB accounts were allocated on USSFC's books and records, and the nature of the orders themselves, cheated and defrauded customers. White and Bellasai knew or recklessly disregarded the fact that CCB's fraudulent trading scheme cheated and defrauded customers.

25. At White's and Bellasai's direction, USSFC APs working on the International Division order desk, including White and Bellasai, recorded the orders from Justus on USSFC's office order tickets. In doing so, however, the sole account identification recorded on the office order tickets was "99" and sometimes the first initial of the person calling in the order. The five-digit accounts into which these futures trades were later allocated are not indicated on the order tickets. Inconsistent with USSFC's ordinary procedures, the three plies of the USSFC office order tickets with the "99" account identification were not separated. Further, unlike USSFC's ordinary procedures, no part of the office order ticket was forwarded after confirmation of execution to be keypunched into USSFC's accounting database system.

26. After the positions were exited, International Division order desk personnel, including Bellasai, compiled a list of the offsetting trades done for the CCB accounts, showing the trades' profitability. At various times during the trading day, but always after the trading results were known, these lists were faxed to CCB. CCB then faxed a list to USSFC indicating to which accounts the trades should be allocated (the "allocation fax"). USSFC personnel

keypunched the CCB trading information into USSFC's accounting database directly from the allocation fax.

27. The allocation fax directed that the trades done that day be allocated in an unfair and inequitable manner. Predominantly winning trades were allocated to new accounts and older accounts, particularly those that had received an additional investment after the initial investment funding the account, received predominantly losing trades. In addition, the allocations were unfair and inequitable in other ways. In some cases, the legs of heating oil crack spreads were broken into separate accounts. Block orders of outright futures trades were allocated disproportionately among accounts without regard to the equity in the participating accounts.

28. White and Bellasai knew or recklessly disregarded the fact that the allocations of the trades to the five-digit accounts were not fair and equitable.

29. Skrable and Justus knew or recklessly disregarded the fact that the way the futures orders were handled, the method by which these futures trades were allocated for the CCB accounts, and the nature of the orders themselves, cheated and defrauded customers.

30. In addition to the 15% up-front fee, CCB charged customers (and USSFC deducted from CCB's five-digit accounts) a round-turn commission of \$90 per commodity futures or options trade plus \$5 in fees. USSFC received up to \$16 of the \$90 in commissions deducted from the CCB five-digit accounts.

31. Once a five-digit account lacked sufficient capital to trade futures, CCB would purchase deep out-of-the-money options (with small premiums) which converted most or all of the remaining capital to commissions.

32. USSFC reported and confirmed the execution of commodity futures and options trades and reported the financial results of futures trading in the form of daily confirmation

statements and monthly account statements issued for each five-digit account. USSFC sent these statements to CCB. USSFC knew or recklessly disregarded the fact that CCB forwarded these statements, bearing USSFC's letterhead, to customers.

33. Although USSFC received correspondence directly from at least two customers raising serious concerns or questions about how CCB was handling their accounts, USSFC continued to allow CCB to place and allocate trades as it had before without making any inquiry into the CCB accounts. The only step taken by USSFC personnel in response to the letters received from customers was to forward the letters to CCB. No further review or action was taken by USSFC. The activity continued until the Hamburg police shut down CCB's operations and arrested its owners.

B. USSFC's Deficient Supervisory and Compliance Procedures

34. From its inception, USSFC has operated without regard for ensuring that the necessary personnel and systems are in place to adequately protect customers. In 1994, on the recommendation of the Chairman of the Board, Huaya Lu Tung ("Tung"), who had no experience in the futures industry, Hing hired Gong to head the compliance department and Wu to be CFO. Gong had no previous experience working in the compliance department of a functioning FCM. Similarly, Wu had no previous knowledge or expertise in accounting.

35. The inadequate compliance systems at USSFC failed to detect fraud, undermargined accounts, unauthorized trading and other violations in both USSFC's retail futures division and its International Division. Additionally, the persons charged with compliance responsibilities failed to take meaningful corrective action when these situations have come to light through customer complaints and warnings issued by the National Futures Association ("NFA"), the futures industry's self-regulatory organization under Section 17 of the Commodity

Exchange Act. No change in procedures, policies, or training occurred as a result of these complaints.

36. USSFC's compliance systems also were inadequate because they failed to meet the minimum standards for supervisory programs for branch offices and GIBS of NFA members specified in an NFA Interpretative Notice dated October 6, 1992 of NFA Compliance Rule 2-9. Among the minimum standards, NFA members, such as USSFC, were advised that an FCM must complete, on a yearly basis, a self-audit examination.

37. NFA's self-audit examination requires, among other things, that a FCM or IB:
- a. Perform on-site inspections of branch offices and guaranteed IBs ("GIBs") annually utilizing a written audit program and prepare written summaries of findings noted during on-site inspections of branch offices and GIBs and take appropriate corrective action.
  - b. Establish policies and procedures regarding the hiring and supervision of APs who have been or whose past employers have been disciplined by the NFA or the Commission for fraud.
  - c. Establish written procedures to supervise the trading of discretionary accounts and prepare a written record of the review of discretionary accounts.
  - d. Review commission payouts and other disbursements to ensure that only NFA members are being paid for customer business.
  - e. Review accounts of foreign omnibus accounts for unusual trading or money flow patterns.
  - f. Make margin calls when an account is undermargined on a cumulative basis.

38. USSFC failed to meet any of the above requirements. In addition, those policies and procedures that USSFC did establish to comply with NFA's self-examination guidelines were not enforced. For example:

- a. Although, in theory, there was a systematic method of recording, investigating and responding to customer complaints or inquiries, it was not enforced or carried out.
- b. Although APs purportedly received training on futures and options markets and sales solicitations at what were called "weekly meetings," these meetings did not occur on a weekly basis.
- c. USSFC did not have a written audit program or written summaries of findings noted during on-site inspections.
- d. USSFC had no procedures relating to the supervision of employees who had been employed by employers disciplined by the Commission or the NFA.

*USSFC's Retail Division*

39. Prior to January 2000, the Retail Division of USSFC's business consisted of an order desk located at USSFC's main office staffed by APs. USSFC's Retail Division's business was supplemented by a network of branch offices, IBs and GIBs. A customer of USSFC's Retail Division had the choice of trading with an account executive or directly through an order desk.

40. Between 1996 and 1998, USSFC operated a series of branch offices located throughout the United States, which were ostensibly supervised directly by their branch office managers. However, during this period, several of these branches did not have branch office managers.

41. In November 1998, USSFC disbanded its branch office network, essentially converting many of its branches into GIBs. USSFC made this conversion to avoid having to tape record branch APs' customer solicitations under the requirements imposed on USSFC by the NFA. NFA had placed USSFC on the Telemarketing Watch List because 20% or more of its APS had previously been employed by firms disciplined by the NFA or the Commission for sales practice fraud.

*The Failure of the Compliance Function at USSFC*

42. The futures compliance function at USSFC is performed by one person: USSFC's Compliance Officer, Gong. When he was hired, Gong had no experience or training in futures compliance work at a functioning firm. His only futures-related experience was managing a proprietary trading account.

43. Although Gong reported to Hing through February 1999, and after that to both Hing and White, there were no specific steps that either Hing or White took to supervise Gong to ensure that Gong's compliance efforts were effective.

i. Gong's Ineffective Review of Operations and Account Activity

44. As USSFC's sole futures compliance officer, Gong was required to monitor account activity and generally ensure that USSFC's employees were complying with Commission and NFA rules as well as all of the procedures set forth in USSFC's compliance manual. In particular, Gong was responsible for reviewing all discretionary accounts, allocation systems, and options accounts. As of October 26, 1997, USSFC had approximately 1,900 open customer accounts and, as of October 25, 1997, USSFC had 75 APs. After USSFC disbanded its branch network in early 1999, the number of USSFC APs dropped to approximately 40.

45. In reality, Gong only occasionally conducted reviews of various USSFC operations to determine whether USSFC's procedures and the Commission's regulations were being followed. For example, Gong only sporadically checked order tickets to see if they were filled out in accordance with the firm's procedure manual. In addition, notwithstanding NFA requirements, there was no procedure to review order tickets from every GIB or branch office.

46. Gong's purported reviews failed to detect significant violations of USSFC procedures and Commission regulations. For example, in his reviews of order tickets written by the International Division order desk, he failed to detect any of the tens of thousands of USSFC order tickets filled out by the International Division order desk record that had only an office code instead of a five-digit account number.

47. On those occasions that Gong identified problems in accounts controlled by a particular trading advisor, he did not follow up to ensure that there were not similar problems in other accounts controlled by the same advisor. For example, Gong instructed a German company that introduced hundreds of accounts to USSFC, to stop its practice of trading five e-mini S&P contracts in a customer account (charging commission for five contracts) instead of one regular S&P contract (the economic equivalent of five e-minis), but he failed to identify other instances of the same type of misconduct in the introduced accounts.

48. During the evening and early morning hours, USSFC had the practice of forwarding its phone to the night desk ED&F Man's ("Man"), the clearing FCM which cleared USSFC's trades. USSFC customers thus phoned their orders directly to Man at those times. The sole account number recorded on Man's office order tickets for these trades, however, is the number for USSFC's omnibus account with Man. Many of the German firm's orders for trades conducted on the Globex night trading system were placed directly with Man's night desk.

Although USSFC's omnibus account number at Man is recorded on each of the German firm's, orders, none of these order tickets contain customer account identification. The German firm faxed the allocation of these orders to USSFC the following morning, after the results of the trades were known. This gave the German firm the opportunity to allocate trades to accounts on USSFC's books and records with the knowledge of their profitability. USSFC has never audited or reviewed the German firm's record keeping to ascertain whether the orders placed with Man's night desk are allocated to customer accounts at the time the order was made.

49. Gong was responsible for creating USSFC's compliance manual, developing USSFC's practices and procedures, and training the APs. With his minimal grounding in futures compliance, Gong was unable to fulfill these vital functions effectively. Further, from 1994 to 1999, Gong failed to revise USSFC's compliance manual to reflect USSFC's change from an IB to a FCM.

ii. Failure to Address Customer Complaints

50. Pursuant to the written compliance procedures, all USSFC customer complaints are to be referred to Gong.

51. At least 14 customers complained to USSFC about mishandling of their accounts or unauthorized trading one or more times from 1996 through 1999. Although USSFC paid out more than \$90,000 to settle these customer claims, no change in procedures, policies, or training occurred as a result of the complaints. Neither Gong, White, nor Hing took action to ensure that APs followed proper sales procedures or that customer accounts were properly handled.

52. In one instance, USSFC was notified by a customer's attorney that one of the USSFC APs had fraudulently induced the customer into opening a futures account at USSFC, promised a fixed return on the investments made in her futures account, and then churned her

account. Even though USSFC had notice of these charges in July 1996, the AP continued to work as an AP at USSFC, fraudulently soliciting money from additional customers through December of that year. At Hing's direction, Gong conducted an internal investigation into the customer charges against the AP. Gong reported to Hing that the customer charges were true. Based on Gong's report of the findings of the internal investigation, Hing fired the AP.

iii. False and Misleading Form 8-Ts

53. Hing directed Gong to conduct an internal investigation of the AP discussed in the preceding paragraph. Gong did so and reported to Hing that customers' charges of unauthorized trading and churning were true. Based on Gong's report, Hing fired the AP. The Form 8-T, signed by Gong, instead of reporting that the AP was discharged, falsely recorded that he had left voluntarily. Instead of reporting that the AP had been the subject of the internal investigation that Gong himself had conducted, Gong falsely stated that the AP was *not* the subject of an internal investigation while associated with USSFC. Finally, instead of disclosing that there was a reason to believe that the AP had violated the Act and Regulations, Gong falsely reported that USSFC did not have "any reason to believe" the AP had violated the Act or Regulations while at USSFC.

54. Several other USSFC-issued Form 8-Ts contain false and misleading information. Although USSFC conducted an internal investigation of another AP, a Form 8-T signed by Gong states that, while associated or affiliated with USSFC, the AP was not the subject of any internal investigation. USSFC's Form 8-T issued upon the termination of another AP states that, while associated or affiliated with USSFC, the AP was not the subject of any legal proceeding and not the subject of any internal investigation. Prior to the issuance of the AP's 8-T, however, a

customer had brought a reparations proceeding against USSFC for the AP's handling of the customer's account.

iv. Insufficient Training of APs

55. As compliance officer, Gong also bore primary responsibility for AP training. Although in 1999, approximately 32% of USSFC's APs had been employed previously by firms that had been disciplined for sales practice violations, training for APs at USSFC began and, for the most part, ended with being handed a copy of USSFC's compliance manual. Each AP was required to acknowledge in writing that he or she had read the compliance manual.

*Threats to the Protection of USSFC Customer Funds*

56. From the start of its business, USSFC has failed to take adequate steps to ensure that the customer funds it accepts to margin, guarantee or secure trades and contracts are sufficiently protected. USSFC's CFO, Wu, was responsible for establishing USSFC's accounting system and preparing its financial statements filed with the Commission. He continues to be responsible for USSFC's financial books and records, including making and collecting margin calls, preparing segregation calculations, quarterly and year-end financial statements, reconciling USSFC's omnibus clearing confirmations with USSFC's trade blotter and overseeing the handling of "breaks" or "out trades." Additionally, Wu communicates with USSFC's independent auditor and coordinates audits by NFA, the NASD and other regulatory agencies. Wu reviews USSFC's equity run on a daily basis. Wu reported to Hing and Tung prior to February 1999, and since that time, Wu reports to White and Hing.

i. A Customer's Options Account

57. A USSFC customer opened a trading account with USSFC in February 1997 that was subsequently closed and reopened in April 1997. This customer followed a hedged-options

trading strategy. When the customer's account was reopened, Wu agreed to service it personally. For various periods of time, the customer's account was significantly undermargined. Although the customer and Wu communicated daily, Wu did not attempt to make a margin call when the account was undermargined. Although USSFC had a written agreement with the customer to loan him funds to margin the positions in the account, no entries in USSFC's books reflect that the customer had been loaned funds by USSFC to margin the positions in his account. In particular, there is no notation indicating that USSFC's excess segregation figure was reduced to reflect a loan to the customer or any notation indicating that his account received any credits from USSFC to be applied toward the margin deficiencies in the account. As long as USSFC had excess segregated funds to cover the customer's margin calls, Wu did not make or attempt to make margin calls on the account. The use of USSFC's excess segregated funds to cover the customer's margin calls was not reflected on USSFC's financial statements or other financial books and records.

ii. Unauthorized Trading

58. In December 1999, a USSFC AP was able to place unauthorized trades in a customer account that led to over \$475,000 in losses, before trading in the account was stopped. When the AP began working at USSFC, he reported to the Retail Division's sales manager. However, after the sales manager left in June 1999, the AP had no direct supervisor who reviewed his work. USSFC provided the AP with the passwords needed to place trades in the accounts he had solicited through the electronic trading system run by one of USSFC's clearing firms. This enabled the AP to place trades in the accounts, as if he were the customer, without going through any order desk at USSFC. Thus, there were no controls in place to supervise his trading to prevent unauthorized trading.

59. In March 2000, USSFC had insufficient controls to prevent a different customer account, which began the day with a \$400,000 positive balance, from ending that day with a negative balance of more than \$1.25 million. Once again, another AP was able to place unauthorized trades in a customer account over a period of time. By giving him a dual role -- as an AP taking orders from USSFC's GIBs and as a back office clerk who worked on breaks and out trades -- USSFC enabled the AP to carry trades overnight without assigning them to a particular account. The AP's initial unauthorized trading resulted in profits and went without apparent notice from USSFC's accounting and compliance employees, such as Wu and Gong. On March 16, 2000, however, a volatile market moved against the AP's unauthorized trades. As a result of the AP's trades, USSFC had insufficient segregated funds, a situation that was remedied only after USSFC received an unsecured loan from a corporate affiliate, Professional Market Brokerage.

iii. Early Warning Notification Failures

60. From July 31, 1997 through September 5, 1997, USSFC's adjusted net capital fell below required amounts, triggering "early warning" notifications to the Commission. USSFC fell below early warning requirements. USSFC did not provide the Commission with notice of the decrease in USSFC's net capital beneath the early warning threshold. In addition, USSFC failed to report to the Commission a change in net capital of 20% or more on the following dates: December 31, 1997, December 31, 1998, March 31, 1999, September 30, 1999 and January 31, 2000. For the last three dates listed, USSFC provided the Commission with notice of this change in net capital only after being notified of this deficiency by the Commission staff. For the remainder of these dates, USSFC never notified the Commission of this change to its net capital.

*Controlling Persons of USSFC*

i. Tung

61. Tung was informed of all significant business matters. Tung was an authorized signer on USSFC's bank accounts and signed checks. USSFC had infrequent "official" Board meetings, but the Board members met informally to discuss business developments. Besides being Chairman of the Board, Tung does not have an official function at USSFC but maintains an office at USSFC, which she visits nearly everyday, and receives a salary.

ii. Hing

62. Between 1994 and February 1999, Hing was President and CEO of USSFC. Currently, Hing is CEO. Hing is a member of the Board and serves as its vice-chairman. Hing is authorized to sign checks and approve wire transfers from USSFC's bank accounts. Hing was authorized to enter into agreements on behalf of USSFC including guarantee agreements with IBs. Hing had ultimate supervisory authority over the compliance function, and USSFC's handling of customer business. Hing hires and fires USSFC employees.

*Supervisory Personnel*

i. White

63. As USSFC's Vice President and head of the International Division, White was responsible for all aspects of the operation and development of the International Division's business. Although Bellassai directly supervised the APs on the International Division order desk, White supervised Bellassai and ultimately was responsible for developing and maintaining customer relationships by, among other things, overseeing Bellassai's supervision of the order desk operations and addressing customer inquiries, concerns or complaints. With his promotion to President in February 1999, White assumed some of Hing's daily responsibilities and became

involved in the retail futures and broker-dealer operations. At that time, White also became a member of the Board.

ii. Gong

64. Gong is a member of USSFC's Board and is USSFC's futures compliance officer. As Compliance Officer, he is responsible for formulating, implementing and enforcing USSFC's compliance procedures to ensure that USSFC's operations comply with the Act, Regulations and NFA Rules. In connection with these responsibilities, Gong reviews the work of the APs, and plays a role in hiring and firing APs. He also is authorized to sign checks and approve wire transfers. Gong reported directly to Hing, while Hing was President, and now reports to both Hing and White.

iii. Wu

65. As USSFC's CFO, Wu oversees USSFC's accounting systems and staff. In addition, Wu is in charge of USSFC's financial reporting. His duties include the supervision of the preparation of segregation calculations, quarterly and year-end financial statements, reconciling USSFC's omnibus clearing confirmations with USSFC's trade blotter and overseeing the handling of breaks or out trades. Wu is also responsible for making and collecting margin calls. One of Wu's primary responsibilities was to prepare the checks and wires and authorize the payment. Wu communicates with USSFC's independent accountant and coordinates audits by NFA, the NASD and other regulatory agencies. Wu reported to Hing and Tung prior to February 1999, and since that time, Wu reports to White and Hing. Wu is a member of the Board.

iv. Bellassai

66. Bellassai was the supervisor of the International Division order desk. In that role, she had direct supervisory authority over the APs working on that order desk. After White became President, her supervisory role was extended to cover both futures trading desks. She is listed in registration materials as the Branch Manager of USSFC's main branch located at its headquarters at 100 Wall Street, New York, New York.

#### IV.

### VIOLATIONS OF THE ACT AND REGULATIONS

#### COUNT ONE

**VIOLATION OF SECTIONS 4b(a)(i) & (iii) OF THE ACT:  
FRAUD IN CONNECTION WITH COMMODITY FUTURES CONTRACTS  
CHARGED AGAINST USSFC, JUSTUS, WHITE, BELLASSAI,  
HING, SKRABLE and REYNOLDS**

67. The allegations contained in paragraphs 1 through 66 are realleged and incorporated herein by reference.

68. All orders to make and the making of contracts of sale of commodities for future delivery described herein were or may have been used for (A) hedging any transaction in interstate commerce in such commodity or products or byproducts thereof, or (B) determining the price basis of any transaction in interstate commerce in such commodity, or (C) delivering any such commodity sold, shipped, or received in interstate commerce for the fulfillment thereof.

69. From in or about January 1996 to in or about October 1998, USSFC, Justus, White, Bellassai and Skrable by the conduct alleged in this Complaint, in or in connection with orders to make, or the making of, contracts of sale of commodities for future delivery, made, or to be made, for or on behalf of other persons, where such contracts for future delivery were or

may have been used for any of the purposes set forth in paragraph 68 above, violated Section 4b(a)(i) and (iii) of the Act, in that USSFC, Justus, White, Bellasai and Skrable cheated or defrauded or attempted to cheat or defraud, and willfully deceived or attempted to deceive, customers by, among other things, (1) breaching their fiduciary duties by, among other things, failing to act in the best interest of their customers and (2) failing to inform customers that at all times relevant to the Complaint that they routinely allocated customer trades in an unfair and inequitable manner.

70. From in or about January 1996 to in or about October 1998, non-respondent CCB by the conduct alleged in this Complaint, in or in connection with orders to make, or the making of, contracts of sale of commodities for future delivery, made, or to be made, for or on behalf of other persons, where such contracts for future delivery were or may have been used for any of the purposes set forth in paragraph 68 above, violated Section 4b(a)(i) and (iii) of the Act, in that CCB cheated or defrauded or attempted to cheat or defraud, and willfully deceived or attempted to deceive, customers by, among other things, (1) failing to act in the best interests of their customers and (2) failing to inform customers that at all times relevant to the Complaint that it routinely allocated customer trades in an unfair and inequitable manner.

71. White, Bellasai, and Skrable willfully aided and abetted Justus's and CCB's violations and thereby, pursuant to § 13(a) of the Act, 7 U.S.C. § 13c(a), violated Sections 4b(a)(i) and 4b(a)(iii) of the Act.

72. Reynolds directly or indirectly controlled Justus, and did not act in good faith or knowingly induced, directly or indirectly, the violations of Justus described above and thereby, pursuant to § 13(b) of the Act, 7 U.S.C. § 13c(b), violated Sections 4b(a)(i) and 4b(a)(iii) of the Act.

73. Hing directly or indirectly controlled USSFC, and did not act in good faith or knowingly induced, directly or indirectly, the violations of USSFC described above and thereby, pursuant to § 13(b) of the Act, 7 U.S.C. § 13c(b), violated Sections 4b(a)(i) and 4b(a)(iii) of the Act.

74. Pursuant to Section 2(a)(1)(A)(iii) of the Act, 7 U.S.C. § 4, and Section 1.2 of the Regulations, 17 C.F.R. § 1.2, Justus is liable for any violations of Sections 4b(a)(i) and 4b(a)(iii) of the Act by its officers, directors, managers, employees, and agents, in that all such violations were within the scope of their office or employment with Justus.

75. Pursuant to Section 2(a)(1)(A)(iii) of the Act, 7 U.S.C. § 4, and Section 1.2 of the Regulations, 17 C.F.R. § 1.2, USSFC is liable for any violations of Sections 4b(a)(i) and 4b(a)(iii) of the Act by its officers, directors, managers, employees, and agents, in that all such violations were within the scope of their office or employment with USSFC.

76. Each trade which was fraudulently allocated is alleged as a separate and distinct violation of Sections 4b(a)(i) and (iii) of the Act.

## **COUNT TWO**

### **VIOLATIONS OF SECTION 4m OF THE ACT: FAILURE TO REGISTER AS COMMODITY TRADING ADVISORS CHARGED AGAINST JUSTUS, REYNOLDS, SKRABLE AND BELLASSAI**

77. The allegations contained in paragraphs 1 through 76 above are realleged and incorporated herein by reference.

78. At various times from in or about 1996 through in or about 1998, Justus, Reynolds, Skrable and Bellassai acted as CTAs, in that, for compensation or profit, Justus, Reynolds, Skrable and Bellassai engaged in the business of advising others, directly and through publications or electronic media, as to the value of or the advisability of trading in contracts of sale of a commodity

for future delivery made or to be made on or subject to the rules of a contract market, or, for compensation or profit as part of their regular business, issued or promulgated analyses or reports concerning such activities. At all relevant times, Justus, Reynolds, Skrable and Bellassai used the mails or other means or instrumentalities of interstate commerce, directly or indirectly, to engage in business as CTAs, without the benefit of registration with the Commission, in violation of Section 4m(1) of the Act, 7 U.S.C. § 6m(1).

79. Pursuant to Section 2(a)(1)(A)(iii) of the Act, 7 U.S.C. § 4, and Section 1.2 of the Regulations, 17 C.F.R. § 1.2, Justus is liable for any violations of Sections 4m(1) of the Act, 7 U.S.C. § 6m(1), by its officers, directors, managers, employees, and agents, in that all such violations were within the scope of their office or employment with Justus.

### **COUNT THREE**

#### **VIOLATIONS OF SECTION 4o OF THE ACT: FRAUD BY COMMODITY TRADING ADVISORS CHARGED AGAINST JUSTUS, REYNOLDS, SKRABLE and BELLASSAI**

80. The allegations contained in paragraphs 1 through 79 above are realleged and incorporated herein by reference.

81. At various times from in or about 1996 through in or about 1998, Justus, Skrable and Bellassai, by use of the mails or other means or instrumentalities of interstate commerce, directly or indirectly, employed a device, scheme or artifice to defraud clients or prospective clients, by the manner in which futures trading orders for the CCB accounts at USSFC were handled, recorded and reported, the method by which the futures trades for the CCB accounts were allocated on USSFC's books and records, and the nature of the orders themselves, in violation of Section 4o(1)(A) of the Act, 7 U.S.C. § 6o(1)(A).

82. At various times from in or about 1996 through in or about 1998, Justus, Skrabble and Bellassai, by use of the mails or other means or instrumentalities of interstate commerce, directly or indirectly, engaged in transactions, practices, or courses of business which operated as a fraud or deceit upon clients or prospective clients, by the manner in which futures trading orders for the CCB accounts at USSFC were handled, recorded and reported, the method by which the futures trades for the CCB accounts were allocated on USSFC's books and records, and the nature of the orders themselves, in violation of Section 4o(1)(B) of the Act, 7 U.S.C. § 6o(1)(B).

83. Reynolds directly or indirectly controlled Justus, and did not act in good faith or knowingly induced, directly or indirectly, the violations of Justus described above and thereby, pursuant to § 13(b) of the Act, 7 U.S.C. § 13c(b), violated Sections 4o(1)(A) and 4o(1)(B) of the Act.

84. Pursuant to Section 2(a)(1)(A)(iii) of the Act, 7 U.S.C. § 4, and Section 1.2 of the Regulations, 17 C.F.R. § 1.2, Justus is liable for any violations of Sections 4o(1)(A) and 4o(1)(B) of the Act by its officers, directors, managers, employees, and agents, in that all such violations were within the scope of their office or employment with Justus.

#### **COUNT FOUR**

#### **VIOLATIONS OF SECTION 6(c) OF THE ACT: FILING A FALSE REPORT WITH THE COMMISSION CHARGED AGAINST GONG, HING, AND USSFC**

85. The allegations contained in paragraphs 1 through 84 above are realleged and incorporated herein by reference.

86. Gong willfully made false or misleading statements of material facts in a registration application or report filed with the Commission under the Act in violation of Section 6(c) of the Act, by filing with the NFA at least one Form 8-T containing a false or misleading statement, in or about December 1996, which falsely states (i) that the reason for the termination

of the AP, was “voluntary,” when, in fact, the AP was terminated by USSFC for cause, which Gong knew; (ii) that the AP, while associated with USSFC was not the subject of any internal investigation, when, in fact, he was the subject of an internal investigation, which Gong knew; and (iii) that there was no reason to believe that the AP, while associated with USSFC may have violated any provision of any commodities or securities law or regulation or any rule of any self-regulatory body or engaged in conduct inconsistent with just and equitable principles of trade under the rules or regulations of any domestic or foreign or self-regulatory body, when, in fact, there were reasons to believe that the AP violated provisions of the Act and NFA rules, which Gong knew.

87. USSFC is liable for Gong’s violation of Section 6(c) pursuant to Section 2(a)(1)(A)(iii) of the Act and Regulation 1.2.

88. Hing directly or indirectly controlled Gong, and did not act in good faith or knowingly induced, directly or indirectly, Gong’s violation described above and thereby, pursuant to § 13(b) of the Act, 7 U.S.C. § 13c(b), violated Section 6(c) of the Act.

#### **COUNT FIVE**

#### **VIOLATIONS OF SECTION 1.12 OF THE COMMISSION’S REGULATIONS: FAILURE TO NOTIFY THE COMMISSION OF MATERIAL FINANCIAL CHANGES CHARGED AGAINST USSFC, TUNG, HING AND WU**

89. The allegations contained in paragraphs 1 through 88 above are realleged and incorporated herein by reference.

90. From on or about July 31, 1997 through on or about September 5, 1997, USSFC knew or should have known that its adjusted net capital was less than the greater of 150 percent of the minimum dollar amount required by Regulation 1.17(a)(1)(i), or 6 percent of the customer

funds required to be segregated and foreign futures or foreign options secured amount, less the market value of commodity options purchased by its customers on or subject to the rules of a contract market or foreign board of trade, and did not file a written notice with the Commission to that effect within five business of its adjusted net capital falling below the threshold set forth above in violation of Section 1.12(b) of the Commission's Regulations.

91. On or about December 31, 1997, December 31, 1998, March 31, 1999, September 30, 1999 and January 31, 2000, USSFC experienced a reduction of net capital of 20 percent or more, without filing written notice of such reduction with the Commission within two business days in violation of Section 1.12(g) of the Commission's Regulations, 17 C.F.R. § 1.12(g).

92. Wu willfully aided, abetted, counseled, commanded, induced, or procured USSFC's violations of Sections 1.12(b) and 1.12(g) of the Commission's Regulations, 17 C.F.R. §§ 1.12(b) & 1.12(g) alleged above, and thereby, pursuant to § 13(a) of the Act, 7 U.S.C. § 13c(a), violated Sections 1.12(b) and 1.12(g) of the Commission's Regulations, 17 C.F.R. §§ 1.12(b) & 1.12(g).

93. Tung and Hing directly or indirectly control USSFC, and did not act in good faith or knowingly induced, directly or indirectly, the violations of USSFC described above and thereby, pursuant to § 13(b) of the Act, 7 U.S.C. § 13c(b), violated Sections 1.12(b) and 1.12(g) of the Commission's Regulations, 17 C.F.R. §§ 1.12(b) & 1.12(g).

**COUNT SIX**

**VIOLATIONS OF SECTION 166.3**  
**OF THE COMMISSION'S REGULATIONS:**  
**FAILURE TO SUPERVISE CHARGED AGAINST USSFC,**  
**TUNG, HING, GONG, WU, WHITE AND BELLASSAI**

94. The allegations contained in paragraphs 1 through 93 are realleged and incorporated herein by reference.

95. At all times relevant to this Complaint, USSFC, Hing, Gong, Wu, White and Bellassai were Commission registrants.

96. From in or about January 1996 through the present, USSFC, Hing, Gong, Wu, White and Bellassai have had supervisory duties relating to their business as registrants.

97. From in or about January 1996 through October 1998, USSFC, Hing, Gong, Wu, White and Bellassai failed to exercise diligently their supervisory duties, including, but not limited to, the following:

- (a) Failing to supervise diligently the activities of the employees working on the International Division order desk in taking, recording and confirming the futures trading orders for the ICS and CCB accounts and the handling, transfer and withdrawal of funds from those accounts; and
- (b) Failing to design, implement, monitor and follow a program of supervision and compliance designed to deter and detect violations of the Act or the Commission Regulations, including, but not limited to, the foregoing violations of Sections 4b(a)(i) and 4b(a)(iii) of the Act and the practice of allocating trades to accounts after execution without ensuring that the allocations were done in a fair and equitable manner.

98. From in or about January 1995 through the present, USSFC, Hing, White, Gong, and Wu failed to exercise diligently their supervisory duties, including, but not limited to, the following:

- (a) Failing to supervise diligently the activities of the employees working on the Retail order desk who engaged in fraud, the trading of dangerously undermargined accounts and unauthorized trading;
- (b) Failing to design, implement, monitor and follow a program of supervision and compliance or the implementation of internal controls designed to prevent USSFC employees from engaging in unauthorized trading that has led to substantial customer debit balances;
- (c) Failing to design, implement, monitor and follow a program of training, supervision and compliance to deter and detect violations of the Act or the Commission Regulations, including, but not limited to, the foregoing violations of Section 6(c) of the Act and Section 1.12 of the Commission's Regulations; and
- (d) Failing to design, implement, monitor and follow a program of supervision and compliance or the implementation of internal controls designed to prevent USSFC from issuing false and misleading Form 8-Ts.

99. For all the foregoing reasons, USSFC, Hing, Gong, Wu, White and Bellassai failed to supervise diligently the handling by their partners, officers, employees or agents (or persons occupying a similar status or performing a similar function) of all commodity interest accounts that they carried, operated, advised or introduced and all other activities of his partners, officers, employees, or agents (or persons occupying a similar status or performing a similar

function) relating to his business as a Commission registrant, in violation of Commission Regulation 166.3.

100. From at least as early as in or about 1994 through the present, Tung has directly or indirectly controlled USSFC, Hing, Gong, and Wu, and from in or about January 1996 through the present, Tung has directly or indirectly controlled White and Bellasai, and did not act in good faith or knowingly induced, directly or indirectly, the violations of USSFC, Hing, Gong, Wu, White and Bellasai described above and thereby, pursuant to § 13(b) of the Act, 7 U.S.C. § 13c(b), violated Section 166.3 of the Commission's Regulations, 17 C.F.R. § 166.3.

## V.

By reason of the foregoing allegations, the Commission deems it necessary and appropriate, pursuant to its responsibilities under the Act, to institute public administrative proceedings to determine whether the allegations set forth in Parts I-IV above are true and, if so, whether an appropriate order should be entered in accordance with Sections 6(c) and 6(d) of the Act, 7 U.S.C. §§ 9 & 15,:

- a) Directing that Respondents cease and desist from violating the provisions of the Act and Regulations set forth in Parts I-IV of the Complaint;
- b) Suspending or revoking USSFC's, Hing's, White's, Bellasai's, Gong's, Wu's, and Reynolds's registrations;
- c) Prohibiting Respondents from trading on or subject to the rules of any contract market and requiring all contract markets to refuse Respondents all trading privileges thereon;

- d) Requiring Respondents to make restitution to customers of damages proximately caused by their violations of the Act and Regulations, including pre-judgment interest thereon from the date of the violations; and
- e) Assessing against each Respondent a civil monetary penalty in an amount of not more than the higher of \$100,000 or triple the monetary gain to each Respondent for each violation of the Act and Regulations occurring on or before November 27, 1996, and assessing against each Respondent a civil monetary penalty in an amount of not more than the higher of \$110,000 or triple the monetary gain to each Respondent for each violation of the Act and Regulations occurring after November 27, 1996.

## VI.

WHEREFORE, IT IS HEREBY ORDERED that a public hearing for the purpose of taking evidence on the allegations set forth in Sections I-IV above be held before an Administrative Law Judge, in accordance with the Commission's Rules of Practice under the Act (the "Commission's Rules"), 17 C.F.R. §§ 10.1 et seq., at a time and place to be set as provided by Section 10.61 of the Commission's Rules, 17 C.F.R. § 10.61, and that all post-hearing procedures shall be conducted pursuant to Sections 10.81 through 10.107 of the Commission's Rules, 17 C.F.R. §§ 10.81-10.107.

IT IS FURTHER ORDERED that each Respondent shall file an Answer to the allegations contained in this Complaint within twenty (20) days after service, pursuant to Section 10.23 of the Commission's Rules, 17 C.F.R. § 10.23, and shall serve two copies of such Answer and of any documents filed in these proceedings upon Charles J. Sgro, Regional Counsel, and

Karl D. Cooper, Trial Attorney, Division of Enforcement, Commodity Futures Trading Commission, One World Trade Center, Suite 3747, New York, New York 10048 or upon such other counsel as may be designated by the Division. If any Respondent fails to file the required Answer, or fails to appear at a hearing after being duly served, such Respondent shall be deemed in default and the proceedings may be determined against such Respondent upon consideration of the Complaint, the allegations of which shall be deemed to be true.

IT IS FURTHER ORDERED that this Complaint and Notice of Hearing shall be served upon each Respondent personally or by registered or certified mail, pursuant to Section 10.22 of the Commission's Rules, 17 C.F.R. § 10.22.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecutorial functions in this or any factually related proceedings will be permitted to participate or advise the decision in this matter except as a witness or counsel in a proceeding held pursuant to notice.

By the Commission.

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Jean A. Webb  
Secretary to the Commission  
Commodity Futures Trading Commission

Date: October 26, 2000