

**PROPOSED ASSET ALLOCATION PLANS FOR THE CLIENTS OF  
INTERNATIONAL FINANCIAL SERVICES (NEW YORK), INC.**

**I. Background**

On July 17, 2002, the Commodity Futures Trading Commission (“CFTC”) filed a civil lawsuit against International Financial Services (New York), Inc. and International Financial Services (New York), LLC (collectively “IFS”). On the same date, the United States District Court for the Southern District of New York authorized the U.S. Marshals Service to secure the IFS’ New York and Houston offices. IFS is no longer an operating entity, and the New York and Houston offices are permanently closed.

The Court appointed a Receiver, Brian Rosner, Esq., to oversee IFS’ affairs. Since that time, the Receiver has supervised an analysis of IFS’ clients’ deposits, withdrawals, and trading results, identified and collected IFS’ assets, and developed a proposed plan (the “Plan”) to distribute IFS’ assets to former IFS clients.<sup>1</sup> The Plan, which is set forth below, has been tentatively approved by the Court, subject to consideration of any objections by former IFS clients.

**II. Objections**

The Plan set forth below is a proposed plan. Before the Plan receives final approval, the Court will accept and consider objections to the Plan. Any objections shall be set forth in writing, and shall be mailed to both the Court and the Receiver’s counsel, Natalie A. Napierala, Esq., at the following addresses:

Honorable Gerard E. Lynch  
United States District Judge  
United States Courthouse  
40 Centre Street, Room 803  
New York, New York 10007-1581

Natalie A. Napierala, Esq.  
The Law Office of Brian Rosner  
Three New York Plaza, 14<sup>th</sup> Floor

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<sup>1</sup> Because the Receiver has substantial information concerning clients’ deposits, withdrawals and trading results, additional information is not required to make a distribution pursuant to the Plan. Should the Receiver require additional account information, the Receiver will notify the relevant IFS clients.

To be considered, any objections must comply with the above requirements and be post marked no later than September 30, 2003.

Once the Court has considered all timely objections, the Court will either issue final approval of the Plan as it is set forth herein, or the Court will approve a modified version of the Plan. Once approval has been given, the final approved distribution plan will be posted on the CFTC website, <http://www.cftc.gov/files/enf/03orders/enfIFS-finalplan.pdf>, and the Receiver will distribute IFS' assets in accordance with such plan.

### **III. Distribution**

#### **A. Assets Available for Distribution**

Between IFS New York and IFS Houston, a total of \$32,930,454 was deposited with IFS.<sup>2</sup> At the time that IFS was placed into receivership, the Receiver took control of IFS' bank accounts located in the United States. By the time that the assets held by IFS are to be distributed, the net balance of IFS' United States bank accounts will be approximately \$1.1 million dollars.

The majority of the \$32,930,454 deposited with IFS was transferred to Sociedade Comercial Siu Lap Limitada ("Siu Lap"), IFS' exclusive currency broker and dealing counterpart, which is located in Macao, a Special Administrative Region of China. It is believed that Siu Lap presently has at least \$1.87 million dollars of IFS' clients' funds. The Receiver has undertaken diligent efforts to recover these funds from Siu Lap, but without success. Accordingly, this money is not now available for distribution, and will not be available for distribution in the future unless the assets located outside of the United States are seized by or on behalf of the United States.

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<sup>2</sup> Based upon an analysis of the trading records of IFS Houston and IFS New York, it appears that, of \$32,930,454 deposited with IFS, a total of \$25,428,840 was lost by losing trading accounts, while a total of \$142,148 was gained by profiting trading accounts. Hence, the losing accounts lost, on average, 81.34% of the amounts invested, while the profiting accounts gained, on average, 10.84% of the amounts invested. Viewed another way, IFS lost a total of \$178.89 for every dollar of profit earned.

It is also possible that additional assets may be recovered in continuing litigation brought by the CFTC against various parties. It is not anticipated at this time that such recoveries will be sufficiently large to affect the general nature of the proposed Plan.

B. Classes of Recipients

Under the Plan, there are three classes of recipients – New Investors, Current Investors and Historic Investors – which are defined as follows:

- New Investors are investors who transferred funds to IFS for trading, but who did not, as of July 17, 2002, the date IFS was closed, have accounts that were officially open, or that could be traded. As a result, their funds were never traded. According to IFS' records, there were a total of three New Investor accounts, with \$120,000 in deposits.
- Current Investors are investors who transferred funds to IFS for trading, and who did have, as of July 17, 2002, accounts that could be traded. Some of these accounts had been traded, while a small number had not. Some of these accounts had positive equity balances, some had negative equity balances, and some had zero balances. Nevertheless, according to IFS' records, these accounts were open as of July 17, 2002, and had a total of \$1,887,051 in equity.
- Historic Investors are investors who transferred funds to IFS for trading and whose accounts were traded, but whose accounts, as of July 17, 2002, were closed.

C. Unpaid Withdrawals

A number of IFS investors, both Current and Historic, requested to withdraw funds from their accounts. While a number of these requested withdrawals were processed, for reasons that are unknown, these withdrawals were never completed. In other words, IFS issued checks for a number of requested withdrawals, but these checks never cleared IFS' bank accounts.

D. Funds Available for Distribution

As set forth above, there is approximately \$1.1 million available for distribution. Although the Court entered an order of default judgment against IFS for \$101 million, IFS has no known assets, aside from the \$1.1 million, to repay defrauded investors.

E. Distribution Plan.

The Plan provides that the three New Investors, with equity totaling \$120,000, will be fully reimbursed for their \$120,000 in deposits. The Plan also provides that Historic Investors who had unpaid withdrawals will be fully reimbursed for their \$36,306 in unpaid withdrawals. After deducting \$156,306 for these reimbursements from the approximately \$1.1 million available for distribution, there is a total of approximately \$943,694 remaining.

The remaining approximately \$943,694 will be distributed to Current Investors who had either equity balances or unpaid withdrawals as of July 17, 2002.<sup>3</sup> The total amount of these equity balances and unpaid withdrawals is \$2,048,699. Because the approximately \$943,694 remaining for distribution will be distributed pro rata to these clients, who have a total of \$2,048,699 in equity balances and unpaid withdrawals, such clients will receive approximately forty-six percent (46%) of their equity balances and/or unpaid withdrawals.

One of the benefits of the Plan is that New Investors and Historic Investors with unpaid withdrawals are fully reimbursed. Additionally, IFS Current Investors with equity balances will receive a greater portion of their investments than they likely would have received had IFS continued to trade their accounts.

Although we still believe that this Plan is the most equitable plan available under the present circumstances, we recognize that the Plan does not provide any reimbursement to any investors – either Current or Historic – for their trading losses. It is envisaged that, while this Plan is the most appropriate plan for the present distribution, should additional funds be recovered, a more comprehensive distribution of such funds

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<sup>3</sup> As noted above, Current Investors with equity balances or unpaid withdrawals are investors who, pursuant to IFS' Daily Account Activity Report, had open accounts as of July 17, 2002.

could reimburse trading losses of Historic and Current Investors.<sup>4</sup> The Receivership will keep all IFS investors apprised should any money be located for additional distribution in the future. Nevertheless, as set forth above, the Court will consider timely objections to this Plan.

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<sup>4</sup> If assets located outside of the United States are seized by or on behalf of the United States, and either all or a portion of the money transferred to Siu Lap is recovered, the Receiver expects to initiate a second distribution which will reimburse all Current and Historic Investors pro rata for their trading losses.