UNITED STATES OF AMERICA
Before the
COMMODITY FUTURES TRADING COMMISSION

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In the Matter of	:	**CFTC Docket No. 02-14**
Deidre Anderson	:	**ORDER MAKING FINDINGS AND**
George Lamborn, and	:	**IMPOSING REMEDIAL SANCTIONS**
Richard Lani Sr., *et al.*	:	

I.

On July 15, 2002, the Commodity Futures Trading Commission ("Commission") filed a Complaint and Notice of Hearing ("Complaint") against Deirdre Anderson ("Anderson"), George Lamborn ("Lamborn"), Richard Lani Sr. ("Lani") (collectively referred to as the "settling Respondents") and others. The Complaint charged that Anderson violated Section 4b of the Commodity Exchange Act ("Act"), 7 U.S.C. 6b, and Lamborn and Lani violated Section 166.3 of the Commission Regulations ("Regulations"), 17 C.F.R. § 166.3.

II.

In order to dispose of the allegations and issues raised in the Complaint, the settling Respondents have submitted Offers of Settlement ("Offers") which the Commission has determined to accept. Without admitting or denying any of the allegations in the Complaint or the findings of fact in the Order Making Findings and Imposing Remedial Sanctions ("Order"), and prior to any adjudication on the merits, the settling Respondents acknowledge service of this Order and consent to the use of the findings in this Order in this proceeding and in any other proceeding brought by the Commission or to which the Commission is a party.[1]

III.

The Commission finds the following:

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[1] The settling Respondents do not consent to the use of the Offers or this Order, or the findings to which they have consented in the Offers, as the sole basis for any other proceeding brought by the Commission, other than a proceeding brought to enforce the terms of this Order. The settling Respondents also do not consent to the use of their Offers of the findings in the Order by any other person or entity in this or in any other proceeding. The findings made in the Order are not binding on any other person or entity named as a defendant or respondent in this or any other proceeding.

A. SUMMARY

During the spring and summer of 1997 and 1998 ("the relevant time period"), Anderson and her supervisor orchestrated and participated in a fraudulent trading allocation scheme at Lamborn Securities Inc. ("LSI"), an introducing broker ("IB"), in which profitable trades were directed to certain customers ("preferred customers") and losing trades were allocated to other customers ("losing customers"). Lamborn, the sole owner of LSI, and Lani, a manager at LSI responsible for supervising all commodity futures business, failed to take adequate steps to diligently supervise Anderson, Anderson's supervisor and others at LSI. Accordingly, Anderson violated Section 4b of the Act and Lamborn and Lani violated Section 166.3 of the Regulations.

B. SETTLING RESPONDENTS

Deirdre Anderson resides in Staten Island, N.Y. From August 1994 to October 1999, Anderson was registered with the Commission as an associated person ("AP") at LSI and from January 2000 to May 2001, Anderson was registered as an AP at Alexander Wescott & Co. Inc. From June to July 2001, Anderson was employed and registered as an AP at Refco LLC. Anderson is not presently registered in any capacity with the Commission.

George Lamborn resides in Southampton, NY. From November 1991 until December 1999, Lamborn was registered as both an AP and principal at LSI. Lamborn was the president and chairman of LSI from 1991 until 1999. From December 1999 until August 2002, Lamborn was registered as an AP and principal at the Quasar Group, LLC ("Quasar"). Lamborn is not presently registered in any capacity with the Commission.

Richard Lani Sr. resides in Princeton, New Jersey. From September 1994 until December 1999, Lani was registered as an AP at LSI, as a principal at LSI from May 1995 until December 1999 and as a branch manager at LSI from March 1998 until April 1998. From December 1999 until July 2002, Lani was employed by Quasar and registered as an AP at Quasar. Lani is not presently registered in any capacity with the Commission.

C. FACTS

1. Trade Allocation Scheme

During the relevant time period, Anderson managed a trading desk at LSI. Anderson and others under her direction entered over 400 customer orders for execution for coffee futures contracts with floor brokers ("FBs") on the Coffee Sugar and Cocoa Exchange, Inc. ("CSCE"). The FBs executed these customer orders without receiving account identification information at the time the orders were entered. After these trades were executed and Anderson was able to determine which trades were profitable, Anderson and her supervisor allocated winning and losing trades as they chose among their customer accounts.

Profitable coffee trades involved in this scheme were generally allocated to eight preferred customers. The eight preferred customers included foreign entities in which Anderson's supervisor had a hidden financial interest as well as friends and family of the supervisor. The preferred customers wrongfully profited over $400,000 pursuant to this scheme.

Accordingly, Anderson violated section 4b of the Act.

2. Supervision Failures

As president, chairman and sole owner of LSI, Lamborn managed all aspects of LSI's business and both he and Lani were principals of LSI. Lani's duties included examining office order tickets, reviewing customer account documentation for the customers' true names and addresses, researching disciplinary histories of all staff at LSI and the handling of all of LSI's compliance issues.

Lamborn and Lani failed to administer minimally adequate supervisory procedures at LSI regarding Anderson's trading desk. Among other things, they failed to take adequate measures to investigate suspicious trading activity by Anderson's customers, they failed to adequately review office order tickets prepared by Anderson and her staff and they failed to observe on customer account documentation that many of Anderson's customers shared the same address and had similar corporate officers. These supervisory failures helped facilitate this fraudulent allocation scheme.

D. LEGAL DISCUSSION

1. Anderson Violated Sections 4b(a)(i) and (iii) of the Act

To establish violations of Sections 4b(a)(i) and (iii) of the Act requires a showing that a person, in connection with any order to make or the making of a contract of sale of a commodity for future delivery made or to be made for or on behalf of any other person, cheated or defrauded or attempted to cheat or defraud another person or willfully deceived or attempted to deceive such other person by any means whatsoever in regard to any such order or contract or the disposition or execution of any such order or contract, or in regard to any act of agency performed with respect to such order or contract for such person.[2]

As the Commission has held, "failing to place account numbers on order tickets does provide an opportunity to direct profitable fills to preferred accounts, and Section 4b of the Act prohibits this type of winning and losing trades."[3]

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[2] 7 U.S.C. 6b(a)(2)(C)(i) and (iii).

[3] *In re GNP Commodities Inc.*, ¶ 25,360 at 39,214 *citing In re Lincolnwood Commodities, Inc.*, [1982 – 1984 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 21,986 at 28,246 (CFTC Jan. 31, 1984); *see also In re Shahrokh Nikkhah*, Comm. Fut. L. Rep. (CCH) ¶28,129 (CFTC May 12, 2000).

Liability under Section 4b(a) of the Act also requires proof of scienter, i.e., proof that Anderson committed the alleged wrongful actions "intentionally or with reckless disregard for [her] duties" under the Act.[4] The evidence shows that Anderson entered orders with the FBs for execution and after determining which trades were profitable, she allocated the winning trades to certain preferred customers. Through this scheme, Anderson cheated, defrauded and deceived certain customers in violation of Section 4b of the Act.

2. Supervision Violations

Section 166.3 of the Regulations requires that Commission registrants diligently supervise the handling by their partners, officers, employees and agents of all commodity interest accounts introduced by the registrants and all other activities of their partners, officers, employees and agents records relating to their customers' transactions and positions as required by the Commission. This duty to supervise requires an adequate supervisory structure and compliance program which is diligently enforced.

Lamborn's and Lani's failure to diligently supervise Anderson and her staff violated Section 166.3 of the Regulations.

IV.

OFFER OF SETTLEMENT

The settling Respondents submitted Offers in which they neither admit nor deny the findings in the Order. Subject to the foregoing, they each: acknowledge service of the Complaint and of this Order and admit the jurisdiction of the Commission with respect to the matters set forth in the Complaint and the Order. They each waive: (1) a hearing and all post-hearing procedures; (2) judicial review by any court; (3) any objection to the staff's participation in the Commission's consideration of the Offers; (4) all claims which they may possess under the Equal Access to Justice Act, 5 U.S.C. § 504 (1994) and 28 U.S.C. § 2412 (1994), as amended by Pub. L. No. 104-121, §§ 231-32, 110 Stat. 862-63, and Part 148 of the Regulations, 17 C.F.R. §§ 148.1, et seq., relating to or arising from this action; and (5) any claim of Double Jeopardy based upon the institution of this proceeding or the entry in this proceeding of any order imposing a civil monetary penalty ("CMP") or any other relief.

The settling Respondents each stipulate that the record basis on which this Order is entered consists of the Complaint and the Order and the findings to which they have consented in their Offers, which are incorporated in this Order. They each consent to the Commission's issuance of this Order, which makes findings as set forth herein, and orders the following:

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[4] *Hammond v. Smith Barney, Upham & Co.*, [1987-1990 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 24,617 at 36,659, n.21 (CFTC March 1, 1990); *CFTC v. Savage*, 611 F.2d 270, 283 (9th Cir. 1979) (finding of scienter supported by proof of recklessness).

(1) Anderson to cease and desist from violating Section 4b of the Act and Lamborn and Lani to each cease and desist from violating Section 166.3 of the Regulations;

(2) Anderson be permanently prohibited from trading on or subject to the rules of any registered entity, as that term is defined by Section 1a(29) of the Act and all registered entities shall refuse Anderson privileges, beginning on the third Monday after the date of this Order;

(3) Anderson to pay a CMP in an amount of One Hundred Ten Thousand Dollars ($110,000) and Lamborn and Lani to each pay Twenty-Five Thousand Dollars ($25,000). Lani shall make his payment in full within ten days and Anderson's and Lamborn's payments shall each be in accordance with a payment plan;

(4) each of the settling Respondents complies with the undertakings set forth in the Offers and incorporated in this Order.

V.

FINDINGS OF VIOLATIONS

Solely on the basis of the consent evidenced by the Offer, and prior to any adjudication on the merits, the Commission finds that Anderson violated Sections 4b(a)(i) and (iii) of the Act and Lamborn and Lani violated § 166.3 of the Regulations.

VI.

ORDER

Accordingly, IT IS HEREBY ORDERED THAT:

A. Anderson cease and desist from violating Section 4b of the Act and Lamborn and Lani cease and desist from violating Section 166.3 of the Regulations;

B. Anderson be permanently prohibited from trading on or subject to the rules of any registered entity, as that term is defined by Section 1a(29) of the Act, and all registered entities shall refuse Anderson privileges, beginning on the third Monday after the date of this Order;

C. Lani shall pay a CMP in the amount of Twenty Five Thousand Dollars ($25,000) within ten (10) days of the date of this Order. Lani shall make such payment by electronic funds transferred to the account of the Commission at the United States Treasury or by U.S. postal money order, certified check, bank cashier's check or bank money order made payable to the Commodity Futures Trading Commission, and addressed to

Dennese Posey, Division of Enforcement, Commodity Futures Trading Commission, 1155 21st Street, NW, Washington, D.C. 20581 under cover of a letter that identifies his name and the name and docket number of the proceeding. A copy of the cover letter and the form of payment shall be simultaneously transmitted to Gregory Mocek, Director, Division of Enforcement, Commodity Futures Trading Commission at the following address: 1155 21st Street, NW, Washington D.C. 20581 and to Stephen J. Obie, Regional Counsel, Division of Enforcement, Commodity Futures Trading Commission, 140 Broadway, New York, N.Y. 10005. In accordance with Section 6(e)(2) of the Act, 7 U.S.C. § 9a(2) (1994), if Lani fails to pay the full amount of this penalty within fifteen (15) days of the due date, he shall be automatically prohibited from trading on all contract markets and, if he is registered with the Commission, such registration shall be automatically suspended until he shows to the satisfaction of the Commission that payment of the full amount of the penalty imposed against him with interest thereon to the date of payment has been made;

D. Anderson shall pay a CMP in the amount of One Hundred Ten Thousand Dollars ($110,000) and Lamborn shall pay Twenty-Five Thousand Dollars ($25,000). Anderson's and Lamborn's payments shall each be subject to a payment plan. Anderson and Lamborn will each pay an annual CMP as directed by a monitor designated by the Commission (the "Monitor")[5] on or before July 31 of each calendar year, starting in calendar year 2004 and continuing for ten years (or until the CMP is paid in full, if that happens first). The amount of Anderson's and Lamborn's annual CMP payment shall each consist of a portion of: (1) the adjusted gross income (as defined by the Internal Revenue Code) earned or received during the course of the preceding calendar year; plus (2) all other net cash receipts, net cash entitlements or net proceeds of non-cash assets received during the course of the preceding calendar year. The annual restitution or CMP payment will be determined as follows:

Where Adjusted Gross Income plus Net Cash is:	Percent of Total to be paid is:

[5] Anderson and Lamborn each agree that the National Futures Association is hereby designated as the Monitor for a period of eleven years commencing from the date of entry of the Order. Notice to the Monitor shall be made to Daniel A. Driscoll, Esq. Executive Vice President, and Compliance Officer, or his successor, at the following address: National Futures Association, 200 West Madison Street, Chicago, IL 60606. For ten years, based on the information contained in their sworn financial statements, tax returns and other financial statements and records provided to the Monitor, the Monitor shall calculate the total amount of the CMP to be paid by Anderson and Lamborn. On or before June 30 of each year and starting in calendar year 2004 and concluding in calendar year 2013, the Monitor shall also send written notice to Anderson and Lamborn with instructions to pay by no later than July 31 of the following year the amount of the CMP to be paid in accordance with the payment instructions provided above.

Up to $25,000	0%
$25,000 - $50,000	20% of the amount above
$50,000- $100,000	20% of the amount between $25,000 and $50,000 plus 30% of the amount between $50,000 and $100,000
Above-$100,000	20% of the amount between $25,000 and $50,000 plus 30% of the amount between $50,000 and $100,000 plus 40% of the amount over $100,000

1. Anderson and Lamborn shall each make all annual CMP payments by electronic funds transfer, U.S. postal money order, certified check, bank cashier's check, or bank money order, made payable to the Commodity Futures Trading Commission, and addressed to Dennese Posey, or her successor, Division of Enforcement, Commodity Futures Trading Commission, 1155 21st Street, N.W., Washington, D.C. 20581 under cover of a letter that identifies them and the name and docket number of the proceeding. Copies of the cover letter and the form of payment shall be simultaneously transmitted to Gregory G. Mocek, Director, Division of Enforcement, Commodity Futures Trading Commission, at the following address: 1155 21st Street, N.W., Washington, D.C. 20581 and to Stephen J. Obie, Regional Counsel, Commodity Futures Trading Commission, Division of Enforcement, Eastern Regional Office, 140 Broadway, New York, N.Y. 10005;

2. In the event that payments are not made as directed in paragraphs C and C(1), above, the Commission may bring a proceeding or an action to enforce compliance with this Order and at its option may seek payment of the unpaid CMP payment(s) or immediate payment of the entire amount of the CMP. The only issue that may be raised in defense of such enforcement action is whether the annual CMP payment(s) was paid as directed by the Monitor. Any action or proceeding brought by the Commission compelling payment of the annual CMP payments, due and owing pursuant to paragraphs C and C(1) above, or any portion thereof, or any acceptance by the Commission of partial payment of the annual CMP payments, shall not be deemed a waiver of Anderson's or Lamborn's obligation to make further payments pursuant to the payment plan, or a waiver of the Commission's right to seek to

compel payment of the remaining balance of the CMP assessed against them;

3. The Commission notes that an order requiring immediate full payment of the CMP against Anderson and Lamborn would be appropriate in this case, but does not impose it based upon their financial condition. Anderson and Lamborn acknowledge that the Commission's acceptance of the Offers is conditioned upon the accuracy and completeness of the sworn Financial Statements they have provided regarding their financial conditions. Anderson and Lamborn consent that if at any time following entry of this Order, the Division of Enforcement ("Division") of the Commission obtains information indicating that their representations concerning their financial conditions were fraudulent, misleading, inaccurate or incomplete in any material respect at the time they were made, the Division may, at any time following the entry of this Order, petition the Commission to: (1) re-open this matter to consider whether they provided accurate and complete financial information at the time such representations were made; (2) require immediate payment of the full amount of the CMP required in paragraphs C and C(1) above; and (3) seek any additional remedies that the Commission would be authorized to impose in this proceeding if Anderson's and Lamborn's Offers had not been accepted. No other issues shall be considered in connection with this petition other than whether the financial information provided by Anderson and Lamborn was fraudulent, misleading, inaccurate or incomplete in any material respect, and whether any additional remedies should be imposed. Anderson and Lamborn may not, by way of defense to any such petition concerning the financial information provided by them, contest the validity of or the findings in this Order, assert that payment of a CMP should not be ordered, or contest the amount of the CMP penalty to be paid. If in such proceeding the Division petitions for and the Commission orders immediate payment of less than the full amount of the CMP, such petition shall not be deemed a waiver of their obligation to pay the remaining balance of the CMP penalty assessed against them, pursuant to the payment plan; and

E. Anderson, Lamborn and Lani shall each comply with the following undertakings as set forth in their Offers:

1. Anderson and Lamborn shall each provide their sworn financial statements, CFTC Form 12, to the Monitor on June 30 and December 31 of each calendar year, starting on June 30, 2003, and continuing through and including December 31, 2013. Each of the financial statements shall provide:

a. a true and complete itemization of all of all rights, title and interest in (or claimed in) any asset, wherever, however and by whomever held;

b. an itemization, description and explanation of all transfers of assets with a value of $1,000 or more over the preceding six-month interval; and

c. a detailed description of the source and amount of all income or earnings, however generated.

2. Anderson and Lamborn shall each also provide the Monitor with complete copies of their signed, individual or joint federal income tax returns, including all schedules and attachments thereto (e.g., IRS Forms W-2 and Forms 1099), as well as any filings they are required to submit to any state tax or revenue authority, on or before June 30 of each calendar year or as soon thereafter as the same are filed. In the event Anderson or Lamborn moves at any time, they each shall provide written notice of their new address to the Monitor and the Commission within ten (10) calendar days thereof. If, during the same time period, either Anderson or Lamborn elects to file a joint tax return, they each shall provide all documents called for by this paragraph, including the signed and filed joint tax return, plus a draft individual tax return prepared on IRS Form 1040 containing a certification by a licensed certified public accountant that the "Income" section (currently lines 7-22 of Form 1040) truly, accurately and completely reflects all income, that the "Adjusted Gross Income" section truly, accurately and completely identifies all deductions, and that the deductions contained in the "Adjusted Gross Income" section are equal to or less than 50% or the deductions that Anderson or Lamborn is entitled to claim on the joint tax return; provided however that they each may claim 100% of the deductions contained in the "Adjusted Gross Income" section that are solely his or hers. Such individual tax return shall include all schedules and attachments thereto (e.g., IRS Forms W-2 and Forms 1099), as well as any filing required to be submitted to any state tax or revenue authority;

3. Anderson shall never apply for registration or seek exemption from registration with the Commission in any capacity and shall never engage in activity requiring registration or exemption from registration with the Commission;

4. For a period of two years after entry of the Order, Lamborn and Lani shall each not act in a supervisory capacity for any activities regarding the trading of commodity futures and/or options;

5. The settling Respondents each agree to cooperate fully with the Commission and its staff in this proceeding and in any related inquiry, investigation or legal proceeding by, among other things: 1) responding promptly, completely, and truthfully to any inquiries or requests for information; 2) authenticating documents; 3) testifying completely and truthfully; and 4) not asserting privileges under the Fifth Amendment of the United States Constitution; and

6. Each of the settling Respondents will not take any action or make any public statements denying, directly or indirectly, any finding in this Order, or creating, or tending to create, the impression that this Order is without a factual basis; provided, however, that nothing in this provision shall affect their (i) testimonial obligations; or (ii) right to take legal positions in other proceedings to which the Commission is not a party.

The provisions of this Order shall be effective on this date.

By the Commission.

Dated: June 6, 2003

Edward W. Colbert

Edward W. Colbert
Deputy Secretary to the Commission
Commodity Futures Trading Commission