UNITED STATES OF AMERICA
before the
COMMODITY FUTURES TRADING COMMISSION

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Arnost Fronek,	*	
	*	
Complainant,	*	
	*	
v.	*	**Docket No. 06-R017**
	*	
	*	
Qualified Leverage Providers, Inc.,	*	
	*	
Respondent	*	
	*	

DEFAULT ORDER AND REPARATION AWARD

Qualified Leverage Providers, Inc., ("QLP" or "Respondent"), has failed to file a verified answer despite numerous efforts by the Court and the Office of Proceedings ("Proceedings") to contact Respondent and to assist Respondent in meeting the filing requirements. Initially, on February 17, 2006, Proceedings served the Complaint at the Respondent's registered address. The served documents were returned to Proceedings on April 21, 2006 marked "Return to Sender." In consequence, despite the intentional return, Proceedings sought Respondent's changed address. Respondent had failed to meet the requirement that it change its address with the National Futures Association ("NFA"). On May 3, 2006, Proceedings again served the Complaint on Respondent, offering the option to seek an extension of time to file an Answer.

Without seeking extended time, on June 16, 2006, QLP instead filed an unverified and incomplete response well out of the required timelines. In its response QLP argued that since the Introducing Brokers ("IBs") and Associated Persons ("APs") involved in Complainant Fronek's ("Complainant" or "Fronek") solicitation and trading were not registered, that QLP, as the Futures Commission Merchant ("FCM"), could have no liability for the actions of the IBs and APs as its agents.

On June 21, 2006, Proceedings again sought to provide assistance, despite QLP's out of time delivery of an inadequate response, and specifically instructed Respondent on the requirements of verification, the provision of a statement related to bankruptcy and other matters, and the delivery of a certificate of service upon Complainant Fronek. Proceedings required a response by June 27, 2006. Despite the use of Respondent's new address, the documents were returned to Proceedings. Demonstrating extraordinary patience, Proceedings re-mailed the communication to Respondent's President, but received no response.

On July 31, 2006, the Court issued an Order to Show Cause, requiring Respondent to demonstrate on or before August 10, 2006, why the allegations in the Complaint should not be deemed true, with judgment in favor of the Complainant. Respondent again has failed to respond.

QLP has a lengthy history of involvement with deceptive solicitations and illegal trading of commodity options, through a variety of agents.[1] On May 16, 2006, as the result of an NFA action concerning general conduct, sales practice and registration violations, Respondent permanently withdrew from NFA membership. The Court finds particularly reprehensible QLP's election to maintain its practice of failing to oversee its IB and AP agents, while attempting to evade liability on the grounds that the entities with which it associated had illegally failed to register with the NFA.

Taken as a whole, Complainant's allegations are deemed true as to Respondent. Complainant Fronek states that he had no prior experience with options trading. He alleges that acting through its IBs, Respondent fraudulently solicited his foreign currency ("forex") trading account with promises of extraordinary financial gains based upon trading by expert traders with inside information, using deceptive proofs of predictable currency moves and downplaying any actual trading risk. Fronek also alleges that, acting through its IB agents, Respondent was responsible for reckless and deceptive recommendations concerning forex movements based on irrelevant and outdated information, with high pressure sales, and with reckless disregard for his financial well-being. In total, Fronek lost $86,550 as a result of the fraud.

Accordingly, it is concluded that Respondent QLP, acting through its agents, committed violations of Section 4c(b) of the Commodity Exchange Act, 7 U.S.C. § 6c(b), and Commission regulation 33.10, 17 C.F.R. § 33.10, by fraudulently soliciting and trading Fronek's account and that these violations proximately cause $86,550 in damages. QLP is ordered to pay Fronek $86,550, the out-of-pocket losses sustained on his account, plus interest at the rate of 1.30% per annum from February 1, 2005, until this award is paid in full, and the $250.00 filing fee.

Issued this 14th day of August 2006,

George H. Painter
Administrative Law Judge

Judith Hutchison
Attorney-Advisor

[1] In addition to the final NFA action, Respondent was the subject of two Commission actions concerning fraud in the solicitation and trading of forex options (*Commodity Futures Trading Commission v. Madison Forex International, LLC,* 2005 WL 3741507 (S.D. Florida, October 18, 2005), [Current Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 30,130; *Commodity Futures Trading Commission v. World Market, Inc., et al.,* 2005 W.L. 38046993 (S.D. Florida, June 13, 2005) [Current Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 30,100 at 57,401); and three Commission reparations cases).