

**UNITED STATES OF AMERICA
BEFORE THE
U.S. COMMODITY FUTURES TRADING COMMISSION**

In the Matter of:)
)
Chase Commodities Corporation,)
)
Registrant.)
_____)

CFTC Docket No. SD 06-0

**OPINION AND ORDER ACCEPTING
OFFER OF SETTLEMENT OF
CHASE COMMODITIES CORPORATION**

RECEIVED
C.F.T.C.
A 11:02
OFFICE OF PROCEEDINGS
PROCEEDINGS CLERK

I.

A Notice of Intent to Revoke Registration (“Notice”) against Chase Commodities Corporation (“Chase” or “Registrant”) was issued by the Commodity Futures Trading Commission (“Commission”) on April 7, 2006. The Notice alleged that Registrant’s registration as an Introducing Broker (“IB”) is subject to statutory disqualification pursuant to Section 8a(2)(C) and (E) of the Commodity Exchange Act, as amended, (the “Act”), 7 U.S.C. § 12a(2)(C) and (E) (2002). To resolve this matter, Registrant has submitted an Offer of Settlement (“Offer”) that the Commission has determined to accept.

II.

Chase acknowledges service of this Opinion and Order (“Order”). Without admitting or denying any of the findings contained in the Order, and prior to any adjudication on the merits, Registrant consents to the entry of this Order and to the use of the findings in this Order only in this proceeding and in any other proceeding brought by the Commission or to which the Commission is a party.¹

¹ Registrant does not consent to the use of its Offer or the findings in this Order as the sole basis for any other proceeding brought by the Commission, other than a proceeding brought in bankruptcy, or to enforce the terms of this Order. Registrant does not consent to the use of the Offer or the findings in this Order by any other person or entity in this or any other proceeding. The findings made in this Order are not binding on any other person or entity, including, but not limited to, any person or entity named as a defendant or respondent in any other proceeding.

III.

The Commission finds the following:

A. SUMMARY

On January 24, 2006, the United States District Court for the Central District of California ("District Court") entered a Consent Order of Permanent Injunction ("Consent Order") finding that Chase violated Section 4c(b) of the Act, 7 U.S.C. § 6c(b) (2002), and Section 33.10 of the Commission's Regulations ("Regulations"), 17 C.F.R. § 33.10 (2004), and enjoining it from further such violations. The Consent Order – to which Chase assented - provides an appropriate basis for revoking Chase's registration under Section 8a(2)(C) and (E) of the Act, 7 U.S.C. § 12a(2)(C) and (E).

B. RESPONDENT

Chase Commodities Corporation is a California corporation with its principal place of business at 21250 Califa Street, Suite 114, Woodland Hills, California 91367. Chase has been registered as an IB since April 2, 2003.

C. FACTS

On August 4, 2004, the Commission filed a Complaint, *Commodity Futures Trading Commission v. Chase Commodities Corp., et al.*, Case No. CV 04-6463 PA (CWx) (C.D. Cal.), in the District Court. The Complaint alleged that from at least August 2003 to March 2004 Chase, by and through its associated persons ("APs"), fraudulently solicited prospective customers to open accounts to trade commodity options ("options") by knowingly misrepresenting and failing to disclose material facts in violation of Section 4c(b) of the Act, 7 U.S.C. § 6c(b), and Section 33.10 of the Regulations, 17 C.F.R. § 33.10.

On January 24, 2006, the District Court entered the Consent Order finding that beginning no later than August 1, 2003, Chase's APs engaged in fraudulent sales solicitations by knowingly misrepresenting material facts concerning the profit potential and risk of trading options and omitting to disclose, in light of the profit representations made, Chase's poor trading record. The Consent Order found that Chase's customers relied on these material misrepresentations in making their decisions to purchase options.

The Consent Order concluded that "Chase, through its APs, in connection with an offer to enter into, the entry into, the confirmation of, the execution of, or the maintenance of commodity options transactions, defrauded, deceived, or attempted to defraud, or deceive, other persons by making false, deceptive, or misleading representations of material facts and by failing to disclose material facts necessary to make other facts disclosed not misleading to customers, all in violation of Section 4c(b) of the Act, 7 U.S.C. § 6c(b), and Section 33.10 of the Regulations, 17 C.F.R. § 33.10."

As a result of these actions, the Consent Order, among other things, permanently enjoined Chase from violating Section 4c(b) of the Act, 7 U.S.C. § 6c(b), and Section 33.10 of the Regulations, 17 C.F.R. § 33.10 and specifically from engaging in any commodity sales solicitations to customers that: 1) misrepresent the profit potential in commodities trading; 2) omit to state that the commodities market already factors into the price of commodities any seasonal trends and other well-known market events; 3) omit material facts necessary to make other facts disclosed not misleading to a customer; 4) omit to provide the actual track record of the broker or firm if the potential for profit is discussed; and 5) omit or downplay the risks involved in commodity trading, regardless of whether the customer has signed a standard risk disclosure statement.

D. LEGAL DISCUSSION

Pursuant to Section 8a(2)(C) of the Act, 7 U.S.C. § 12a(2)(C),² the Commission may revoke the registration of any person “if such person is permanently or temporarily enjoined by order, judgment, or decree of any court of competent jurisdiction, including an order entered pursuant to an agreement of settlement to which the Commission or any Federal or State agency or other governmental body is a party, from... engaging in or continuing any activity where such activity involves...fraud.” Furthermore, under Section 8a(2)(E) of the Act, 7 U.S.C. § 12a(2)(E),³ the Commission may revoke the

² Section 8a(2)(C) provides in full that the Commission may take registration action:

if such person is permanently or temporarily enjoined by order, judgment, or decree of any court of competent jurisdiction, including an order entered pursuant to an agreement of settlement to which the Commission or any Federal or State agency or other governmental body is a party, from (i) acting as a futures commission merchant, introducing broker, floor broker, floor trader, commodity trading advisor, commodity pool operator, associated person of any registrant under this chapter, securities broker, securities dealer, municipal securities broker, municipal securities dealer, transfer agent, clearing agency, securities information processor, investment adviser, investment company, or affiliated person or employee of any of the foregoing or (ii) engaging in or continuing any activity where such activity involves embezzlement, theft, extortion, fraud, fraudulent conversion, misappropriation of funds, securities or property, forgery, counterfeiting, false pretenses, bribery, gambling, or any transaction in or advice concerning contracts of sale of a commodity for future delivery, concerning matters subject to Commission regulation under section 6c or 23 of this title, or concerning securities.

³ Section 8a(2)(E) provides in full that the Commission may take registration action:

if such person, within ten years preceding the filing of the application or at any time thereafter, has been found in a proceeding brought by the Commission or any Federal or State agency or other governmental body, or by agreement of settlement to which the Commission or any Federal or State agency or other governmental body is a party, (i) to have violated any provision of this chapter, the Securities Act of 1933

registration of any person “if such person, within ten years...has been found in a proceeding brought by the Commission or any Federal or State agency or other governmental body, or by agreement of settlement to which the Commission or any Federal or State agency or other governmental body is a party [] to have violated any provision of this chapter...where such violation involves...fraud...”

As discussed above, Chase entered into the Consent Order on January 24, 2006, which contained findings of fact and conclusions of law that Chase engaged in sales solicitation fraud in violation of the Act and Regulations, and which permanently enjoined Chase from continuing such activity. Thus, pursuant to Section 8a(2)(C) and (E) of the Act, cause exists for revocation of Chase’s registration as an IB.

IV.

OFFER OF SETTLEMENT

Registrant has submitted an Offer in which, without admitting or denying the findings herein, it acknowledges service of the Order, and admits: 1) the jurisdiction of the Commission with respect to the matters set forth in the Order; 2) that in the action entitled *Commodity Futures Trading Commission v. Chase Commodities Corp., et al.*, Case No. CV 04-6463 PA (CWx), the U.S. District Court for the Central District of California entered a consent order of permanent injunction and other equitable relief against Chase on January 25, 2006, enjoining Chase from engaging in or continuing activity where such activity involves fraud; and 3) that Chase is registered with the Commission as an IB.

Further, in the Offer, Registrant waives: (1) a hearing; (2) all post-hearing procedures; (3) judicial review by any court; (4) any objection to the staff’s participation in the Commission’s consideration of the Offer; (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 or any other relief; and (6) all claims which it may possess under the Equal Access to Justice Act, 5 U.S.C. § 504 (2000) and 28 U.S.C. §

[15 U.S.C. 77a et seq.], the Securities Exchange Act of 1934 [15 U.S.C. 78a et seq.], the Public Utility Holding Company Act of 1935 [15 U.S.C. 79 et seq.], the Trust Indenture Act of 1939 [15 U.S.C. 77aaa et seq.], the Investment Advisers Act of 1940 [15 U.S.C. 80b-1 et seq.], the Investment Company Act of 1940 [15 U.S.C. 80a-1 et seq.], the Securities Investors Protection Act of 1970 [15 U.S.C. 78aaa et seq.], the Foreign Corrupt Practices Act of 1977, chapter 96 of title 18, or any similar statute of a State or foreign jurisdiction, or any rule, regulation, or order under any such statutes, or the rules of the Municipal Securities Rulemaking Board where such violation involves embezzlement, theft, extortion, fraud, fraudulent conversion, misappropriation of funds, securities or property, forgery, counterfeiting, false pretenses, bribery, or gambling, or (ii) to have willfully aided, abetted, counseled, commanded, induced, or procured such violation by any other person.

2412 (2000), and Part 148 of the Commission Regulations, 17 C.F.R. §§ 148.1, *et seq.* (2004), relating to, or arising from, this action.

Finally, Registrant stipulates that the record basis on which this Order is entered consists solely of the findings in this Order, the entry of which Chase has consented to in the Offer. Pursuant to the Offer, Registrant consents to the Commission's issuance of this Order determining that Chase is statutorily disqualified from registration with the Commission.

V.

FINDING

Based on the foregoing, the Commission finds that cause exists to revoke Chase's registration as an IB pursuant to Section 8a(2)(C) and (E) of the Act, 7 U.S.C. 12a(2)(C) and (E).

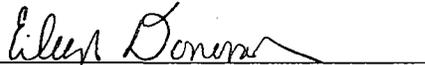
VI.

Accordingly, IT IS HEREBY ORDERED THAT:

Chase's registration as an IB is hereby revoked.

The provisions of this Order shall be effective immediately. A copy of this Order shall be served on Chase at the address set forth in the Notice, on all contract markets, and on the National Futures Association.

By the Commission.



Eileen Donovan
Acting Secretary of the Commission
Commodity Futures Trading Commission

Dated: September 13, 2006