

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

**In the Matter of**

CFTC DOCKET NO. SD 07-04

## COMMODITY INVESTMENT GROUP, INC.

Registrant.

PROCEEDINGS CLERK

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**NOTICE OF INTENT TO REVOKE REGISTRATION  
PURSUANT TO SECTION 8A(2)(C) AND (E) OF  
THE COMMODITY EXCHANGE ACT, AS AMENDED**

I.

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

1. Commodity Investment Group, Inc. ("CIG") is a Florida corporation with its principal place of business at 3511 W. Commercial Blvd, Ste. 400, Ft. Lauderdale, FL 33309.
  2. Since February 2001 CIG has been registered with the Commission as an Introducing Broker ("IB") pursuant to Section 4d and in accordance with Section 4f of the Commodity Exchange Act, as amended ("Act"), 7 U.S.C. §§ 6d and 6f (2004).
  3. On June 21, 2005, the Commission filed a federal civil injunctive action against CIG and others. *Commodity Futures Trading Commission v. Commodity Investment Group, Inc., et al.*, Case No. 05-CV-5741 (HB) (S.D.N.Y. filed June 21, 2005).
  4. The Complaint alleged that, among other things, from at least February 2001 through at least June 2005, CIG fraudulently solicited prospective customers to open accounts to trade options on futures contracts by knowingly misrepresenting and failing to disclose material

facts concerning, among other things: (i) the likelihood that a customer would realize large profits from trading commodity options; (ii) the risk involved in trading commodity options; and (iii) CIG's poor trading record, in light of the profit representations made, in violation of Section 4c(b) of the Act, 7 U.S.C. § 6c(b), and Commission Regulation ("Regulation") 33.10(a) and (c), 17 C.F.R. § 33.10(a) and (c) (2004).

5. On February 27, 2007, the United States District Court for the Southern District of New York entered a Consent Order of Permanent Injunction and Equitable Relief against CIG and others ("Consent Order") in the federal civil injunctive action.

6. The Consent Order contained stipulated facts that, from February 2001 and continuing through at least September 2005, CIG, through its Associated Persons ("APs"), solicited members of the general public to open accounts to trade commodity options. In telephone sales calls, CIG APs made uniform and consistent misrepresentations regarding the risks and rewards of trading commodity options. In particular, CIG APs engaged in fraudulent sales solicitations by, among other things: (a) misrepresenting the likelihood of profiting from trading commodity options; (b) minimizing the risk of loss; and (c) in light of the profit representations made, failing to disclose that over 90% of CIG's customers lost money trading commodity options.

7. The Consent Order contained stipulated conclusions of law that CIG, 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

Regulation 33.10(a) and (c), 17 C.F.R. § 33.10(a) and (c). CIG stipulated that its misrepresentations and omissions were material and that it acted with scienter. CIG agreed to the entry of the Consent Order that made these stipulated facts and conclusions of law.

8. As a result of these actions, the Consent Order:

- a. Permanently enjoins CIG from violating Section 4c(b) of the Act and Regulation 33.10(a) and (c), and specifically from engaging in any commodity sales solicitations to customers that: i) misrepresent the profit potential in commodities trading; ii) omit that the market factors into the price of commodities seasonal trends and well-known market events; iii) omit the actual track record of the broker or firm; iv) omit or downplay the risk involved in commodity trading; and v) omit any material fact necessary to make other facts disclosed not misleading;
- b. Permanently enjoins CIG from directly or indirectly engaging in any commodities trading that is subject to the rules of a registered entity, as that term is defined by Section 1a(29) of the Act, 7 U.S.C. § 1a(29), in any account: (i) held in the name of CIG; or (ii) in which CIG has a direct or indirect financial interest; or (iii) held in the name of any other person;
- c. Permanently enjoins CIG from applying for registration or seeking exemption from registration with the Commission in any capacity or engaging in any activity requiring registration or exemption from registration, except as provided for in Regulation 4.14(a)(9), 17 C.F.R. § 4.14(a)(9); and
- d. Orders CIG to pay \$11,819,785 in restitution to defrauded customers and \$7 million in civil monetary penalties.

9. Pursuant to Section 8a(2)(C) of the Act, 7 U.S.C. § 12a(2)(C), the Commission may revoke the registration of any person "if such person is permanently ... enjoined by order ... of any court of competent jurisdiction, including an order entered pursuant to an agreement of settlement to which the Commission ... is a party, from ... engaging in or continuing any activity where such activity involves ... fraud." Furthermore, under Section 8a(2)(E) of the Act, the Commission may revoke the registration of any person "if such person, within ten years ... has been found ... by agreement of settlement to which the Commission ... is a party, (i) to have violated any provision of this Act... where such violation involves ... fraud ...."

10. The facts set forth in paragraphs 1 through 9, above, constitute a valid basis for the Commission to revoke CIG's IB registration.

## II.

11. Pursuant to Regulation 3.60(a), 17 C.F.R. § 3.60(a), CIG is hereby notified that a public proceeding shall be conducted in accordance with the provisions of Regulation 3.60, 17 C.F.R. § 3.60, on the following questions:

- a. Whether CIG is subject to statutory disqualification from registration under Section 8a(2)(C) and (E) of the Act, as set forth in Section I, above; and
- b. If the answer to question "a" in paragraph 11 above is affirmative, whether the registration of CIG as an IB should be revoked.

12. Such proceeding shall be held before an Administrative Law Judge, in accordance with Regulation 3.60, 17 C.F.R. § 3.60, and all post-hearing procedures shall be conducted pursuant to Regulation 3.60(i)-(j), 17 C.F.R. § 3.60(i)-(j).

13. In accordance with the provisions of Regulation 3.60(a)(3), 17 C.F.R. § 3.60(a)(3), CIG is entitled to file a response challenging the evidentiary basis of the statutory

disqualification or to show cause why, notwithstanding the accuracy of the allegations, its registration should not be suspended, revoked, or restricted. Such response must be filed with the Hearing Clerk, Office of Hearings and Appeals, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21<sup>st</sup> Street, N.W., Washington, D.C. 20581, and a copy served upon Manal Sultan, Division of Enforcement, at 140 Broadway, 19<sup>th</sup> Fl., New York, NY 10005, within thirty (30) days after the date of service of this Notice upon CIG, in accordance with the provisions of Regulation 3.60(b), 17 C.F.R. § 3.60(b). If CIG fails to file a timely response to this Notice, the allegations set forth herein shall be deemed to be true and the presiding officer may issue an Order of Default in accordance with the provisions of Regulation 3.60(g), 17 C.F.R. § 3.60(g).

### III.

The Hearing Clerk shall serve this Notice of Intent to Revoke Registration Pursuant to Section 8a(2)(C) and (E) of the Commodity Exchange Act, as Amended by registered or certified mail pursuant to Regulation 3.50, 17 C.F.R. § 3.50.

By the Commission.



Eileen Donovan  
Acting Secretary to the Commission  
Commodity Futures Trading Commission

Dated: July 26, 2007