

market news, the value of the Euro (which they sometimes refer to as the Eurodollar) or the Japanese Yen is poised to move dramatically, allowing quick-acting customers to make huge profits in a matter of a few weeks or months through the purchase of foreign currency options.

3. At the same time, defendants claim that they can minimize risk by applying their knowledge and experience, and by closely watching the market. The sales pitch is replete with high-pressure tactics, which include repeated calls urging potential customers to invest immediately or miss out on substantial profits, and sending account opening documentation by FedEx or fax and seeking a quick return of the documentation. Shortly after the initial purchase, telemarketers generally attempt to solicit even larger investments based on similar claims.

4. These materially false representations concerning the likelihood that customers will profit from purchasing foreign currency options from the defendants, and the false representations and material omissions concerning the risk of loss violate Section 4c(b) of the Commodity Exchange Act (the "Act"), 7 U.S.C. § 6c(b) (1994) ("Section 4c(b)"), and Commission Regulation 32.9, 17 C.F.R. §32.9 (2000).

5. Additionally, because the options sold by the defendants are not consummated on or subject to the rules of a contract market designated by the Commodity Futures Trading Commission (the "Commission"), the defendants have violated Section 4c(b) of the Act and Commission Regulations 32.11 and 33.3(a) thereunder, 17 C.F.R. §§32.11 and 33.3(a)(2000).

6. The defendants also have violated Section 4c(b) of the Act and Commission Regulation 32.5, 17 C.F.R. §32.5 (2000), by failing to provide prospective customers with a disclosure document containing such key required information as the duration of the option, a list of elements comprising the purchase price, a description of all costs that may be incurred if the

option is exercised, and an explanation concerning the necessary fall or rise in the price of the contract underlying the option in order for the customer to profit.

7. As telemarketers, defendants Ledoux, Crowder and Livoti are directly liable for violating Section 4c(b) and Commission Regulations 32.5, 32.9, 32.11, and 33.3.

8. Accordingly, pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (1994), the Commission brings this action to enjoin the unlawful acts and practices of the defendants and to compel their compliance with the Act. In addition, the Commission seeks civil monetary penalties, a freeze of defendants' assets, disgorgement of the defendants' ill-gotten gains, restitution to customers, and such other relief as this Court may deem necessary or appropriate.

9. Unless enjoined by this Court, the defendants are likely to continue to engage in the acts and practices alleged in this Complaint and similar acts and practices, as more fully set forth below.

II.

JURISDICTION AND VENUE

10. Section 2(c)(2)(B) of the Act, as amended by the Commodity Futures Modernization Act of 2000 ("CFMA"), Appendix E, to Public L. No. 106-554, 114 Stat. 2763 (2000), clarifies the Commission jurisdiction over certain retail currency options. This Court has jurisdiction over this action pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (1994), which authorizes the Commission to seek injunctive relief against any person whenever it shall appear that such person has engaged, is engaging, or is about to engage in any act or practice constituting a violation of any provision of the Act or any rule, regulation or order thereunder.

11. Venue properly lies with this Court pursuant to Section 6c(e) of the Act, 7 U.S.C. § 13a-1(e), because the defendants are found in, inhabit, or transact business in this District and

the acts and practices in violation of the Act have occurred, are occurring, or are about to occur within this District, among other places

III.

THE PARTIES

A. The Plaintiff

12. **Commodity Futures Trading Commission** (the “Commission”) is an independent federal regulatory agency charged by Congress with the administration and enforcement of the Act, 7 U.S.C. §§ 1, et seq., and the regulations promulgated thereunder, 17 C.F.R. §§ 1, et seq. (2000).

B. The Defendants

13. **World Banks Foreign Currency Traders, Inc.** (“World Banks”) is a Florida corporation with a principal place of business at 23257 State Road 7, Boca Raton, Florida, 33428. World Banks has never been registered with the Commission in any capacity, nor has it been designated by the Commission as a contract market for the trading of options on foreign currency or options on foreign currency futures contracts.

14. **International Investors Trading Group, Inc.** (“IITG”) is a Florida corporation with a principal place of business at 2061 Northwest Second Ave., Suite 106, Boca Raton, Florida 33431. IITG has never been registered with the Commission in any capacity nor has it been designated by the Commission as a contract market for the trading of options on foreign currency or options on foreign currency futures contracts.

15. **Daniel Ledoux** (“Ledoux”) is an individual residing at 6698 Buena Vista Dr., Margate, FL 33063. Ledoux was registered with the Commission as an associated person at

various firms from January 1993 to November 2000. Currently, he is not registered with the Commission in any capacity.

16. **Gavin Livoti**, also known as Gavin Lavote, (“Livoti”) is an individual residing at 2234 N. Federal Highway #36 Boca Raton, FL 33431 and/or 4324 S. Ocean Blvd Suite D, Highland Beach, FL 33487. Livoti has been registered with the Commission as an associated person of various firms from October 1991 through September 1997. In September 1996, Livoti was subject to disciplinary action by the National Futures Association (NFA) following a hearing for making “misleading statements” to customers with a “reckless regard of the truth.” Specifically, Livoti was required to, among other things, tape record all sales solicitation calls made by him or those he supervised for one year, and attend a NFA-approved training course on the fundamentals of futures markets and regulations. In September 1997, the NFA President issued a Notice of Intent to Deny Livote’s Registration. The Notice of Intent charged that Livoti’s nolo contendere plea to the felony offense of possessing an unlawfully issued driver’s license, as well as his failure to update his applications for registration, disqualified him from registering under the Commodity Exchange Act. In October, 1997, Livoti withdrew his pending registration.

17. **Bryant Crowder**, also known as Brian Crowder, also known as Brian McCrowder, (“Crowder”) is an individual residing at 21663 Town Place Dr, Boca Raton, FL 33433. Crowder has never been registered with the Commission in any capacity. In 1998, Crowder was convicted of multiple state felony counts, all relating to racketeering, fraud, and boiler room sales. He served jail time and then was released on probation.

IV.

FACTUAL BACKGROUND

A. The Common Enterprise

18. The World Banks Common Enterprise has solicited customers in order to sell purported foreign currency options contracts. The solicitations are primarily through telemarketing directed nationwide and in Canada, and to a lesser extent radio and television advertising.

19. The companies comprising World Banks Common Enterprise share officers and telemarketers.

20. Both World Banks and IITG send customers identical or virtually identical account opening documents, including the same customer account application, customer agreement, and customer signature form. Even the graphics on the covers of the folder for account-opening documents are the same, except for insertion of a different corporate logo.

21. Both World Banks and IITG use the same “compliance” scheme in which representatives of a purportedly separate company call customers immediately following the customers’ decision to purchase foreign currency options, and purport to “verify” transaction by asking rapid-fire questions.

22. World Banks and IITG purport to clear through the same firm with an office in the Bahamas, International Investors Holding Corporation (“IIHC”). World Banks Common Enterprise customers receive statements that purport on their face to be from IIHC. However, the statements do not affirmatively represent to the customer the role of IIHC in the transaction.

B. The Solicitation Scheme

23. During the course of telephone sales solicitations, the World Banks Common Enterprise, through its telemarketers, defendants Livoti, Crowder, Ledoux, and others (the “World Banks telemarketers”), has misrepresented to customers the likelihood of profiting and misrepresented and failed to disclose the risk of loss.

24. In particular, the World Banks telemarketers use a sales pitch in which they urge prospective customers to purchase options, usually in Eurodollars (“Euro”) or the Japanese Yen, in order to capitalize on a market that is supposedly poised to move dramatically. If a potential customer hesitates about whether to purchase the options, the World Banks telemarketers make a barrage of calls over the ensuing days to persuade him or her to invest. World Banks telemarketers emphasize that time is of the essence, and that if a customer does not immediately invest, he or she will miss out on substantial profits. Customers are also told that their investment will return a substantial profit within weeks, or, at most, several months, and are sometimes urged to sell assets to avail themselves of this opportunity.

25. At the same time, World Banks telemarketers drastically downplay the potential risk of loss by promising to use their many years of experience to watch the markets closely and alert the customer to get out of the market at precisely the appropriate time. Occasional references to risk are overwhelmed by World Banks telemarketers’ high-pressure sales tactics and by their false claims that a quick and substantial profit is likely to result, if only the customer will send an investment check without delay.

26. World Banks telemarketers offer to, and in fact, fax account opening documentation, along with wire instructions to pressure customers to open an account and invest immediately. Sometimes they dispatch FedEx to deliver and return the account documents.

27. While the account documentation warns of the risks associated with options transactions, the telemarketers give customers very little time to review the documentation. Moreover, the warnings the documents contain are inconsistent with and overwhelmed by the barrage of promises made by the World Banks telemarketers. In some instances, the World Banks telemarketers have told customers that the document is a mere formality and only a way to secure an account. In any event, the account documentation and the World Banks telemarketers fail to disclose all costs that may be incurred if an option is exercised and the effect of commissions and fees on the potential to profit.

28. In addition, the account opening documentation includes a brochure claiming that “World Banks Foreign Currency Traders [is] the preferred choice for investors into the international world of trading over the foreign currency exchange.” This brochure urges potential customers to “Remember: Timing is critical ...call your World Banks’ customer service specialist today” in bold lettering at least three font sizes larger than the rest of the text on the page.

29. After customers make their initial purchases, the World Banks telemarketers solicit additional orders for foreign currency options by touting big profits and increasingly favorable market conditions. In particular, defendants Ledoux and Livoti target recent investors claiming that if the customer invests more money, he or she will make substantial profits in a short period of time, usually within a matter of weeks, because of some purported market condition or news report.

30. After a customer invests and attempts to inquire about their investment, defendants become evasive or unavailable. For instance, defendants frequently fail to issue statements to customers, issue statements containing errors, or both. Also, defendants make it

difficult, if not impossible, for customers to contact their telemarketers. Phone numbers issued to customers by defendants are disconnected, or have prerecorded messages stating that there are “technical difficulties” with the phone lines, or that calls from that customer’s calling area are “blocked.” Finally, defendants convey conflicting information to customers as to whether the firm with which they invested, either World Banks or IITG, is still operating, or whether it was taken over by another business. Ultimately, defendants tell customers that most, if not all, of their money is gone. In some cases, defendants return nominal sums of money to customers to appease them. In other cases, customers never hear anything further from the firm, and do not have a working number through which they can contact the firm.

31. World Banks telemarketers fail to disclose the risk of near-certain loss associated with the purchase of their foreign currency options. The World Banks telemarketers’ claims concerning extraordinary profits and minimal risk are false since customers routinely lose all or the bulk of their investment.

32. World Banks telemarketers make claims of high profits and fail to disclose risks associated with their options contracts with knowledge of their falsity or with reckless disregard for their truth or falsity.

33. The World Banks Common Enterprise fails to send initial or periodic account statements until a customer insists on receiving one. When a customer finally obtains a statement, it often contains errors, such as the incorrect customer name, number of options purchased, strike prices, and type of option purportedly purchased. The statements appear to be issued by IIHC.

V.

**VIOLATIONS OF THE COMMODITY EXCHANGE ACT
AND COMMISSION REGULATIONS**

COUNT I

**VIOLATION OF SECTION 4c(b) OF THE ACT, 7 U.S.C. § 6c(b), and COMMISSION
REGULATION 32.9, 17 C.F.R. § 32.9: FRAUD**

34. Since December 21, 2000, World Banks, IITG and the World Banks telemarketers, in or in connection with an offer to enter into, the entry into, or the confirmation of the execution of, commodity option transactions, have cheated, defrauded or deceived, or attempted to cheat, defraud, or deceive other persons by making false, deceptive, or misleading representations of material facts and by failing to disclose material facts, in soliciting customers or potential customers, including, but not limited to:

- (a) false representations that customers will reap substantial profits in a short period;
- (b) false representations that the World Banks Common Enterprise investment scheme involves little or no risk; and
- (c) failure to disclose the effect of commissions and fees on the potential to profit in the context of claims that a customer will reap substantial profit.

35. Each misrepresentation, omission and willful deception made since December 21, 2000, including but not limited to those specifically alleged herein, is alleged as a separate and distinct violation of Section 4c(b) and Commission Regulation 32.9.

COUNT II

VIOLATIONS OF SECTION 4c(b) OF THE ACT, 7 U.S.C. § 6c(b), AND COMMISSION REGULATIONS 32.11 AND 33.3(a), 17 C.F.R. §§32.11 and 33.3(a)(2000): OFFER AND SALE OF COMMODITY OPTIONS NOT CONDUCTED ON A BOARD OF TRADE WHICH HAS BEEN DESIGNATED BY THE COMMISSION AS A CONTRACT MARKET

36. Section 2(c)(2)(B)(ii) of the CFMA, Appendix E, to Public L. No. 106-554, 114 Stat. 2763 (2000), provides that the Commission shall have jurisdiction over options contracts on foreign currency, so long as the option is “offered to, or entered into with, a person that is not an eligible contract participant” and the counter-party to the option, or the person offering to be the counter-party, is not a regulated entity, as defined in the CFMA.

37. Neither the corporate defendants nor IIHC are proper counter-parties for retail foreign currency transactions.

38. Section 1a(12)(A)(xi) of the CFMA defines an eligible contract participant as an individual who has total assets in excess of: (a) \$10 million; or (b) \$5 million and who enters the transaction to manage the risk associated with the asset he owns. Most, if not, all of the customers solicited by the World Banks Common Enterprise were not eligible contract participants.

39. Since December 21, 2000, the World Banks Common Enterprise and the World Banks telemarketers have offered to enter into, entered into, executed, confirmed the execution of, or conducted business for the purpose of soliciting, accepting any order for, or otherwise dealing in any transaction in, or in connection with, a commodity option when: (a) such transactions have not been conducted on or subject to the rules of a board of trade which has been designated by the Commission as a “contract market” for such commodity, and (b) such contracts have not been executed or consummated by or through a member of such contract

market, in violation of Section 4c(b) of the Act, 7 U.S.C. § 6c(b), and the Commission Regulations 32.11 and 33.3(a), 17 C.F.R. §§ 32.11, 33.3(a).

40. Each foreign exchange commodity option transaction not conducted on a designated contract market made since December 21, 2000, including but not limited to those specifically alleged herein, is alleged as a separate and distinct violation of Section 4c(b) and Commission Regulations 32.11 and 33.3(a).

COUNT III

VIOLATIONS OF SECTION 4c(b) OF THE ACT, 7 U.S.C. § 6c(b), and COMMISSION REGULATION 32.5, 17 C.F.R. § 32.5: FAILURE TO MAKE PROPER DISCLOSURES

41. Commission Regulation 32.5 requires that a person soliciting or accepting an order for an options transaction shall deliver to the customer or prospective customer a disclosure statement. That statement must include a brief description of the transaction (including the duration of the options offered and a list of elements comprising the purchase price), a description of all costs that may be incurred by the customer if the option is exercised, an explanation concerning the necessary rise or fall in the price of the contract underlying the option in order for the customer to profit and the effect of commissions and fees on potential profit, and a specific, boldfaced statement concerning the risk of loss. This information does not appear in the documentation that the defendants furnish to customers in connection with the sale of foreign currency options.

42. World Banks Common Enterprise failed to furnish customers with the disclosure statement, in violation of Section 4c(b) of the Act and Commission Regulation 32.5, 17 C.F.R. § 32.5.

43. Each failure to provide a required disclosure statement since December 21, 2000, including but not limited to those specifically alleged herein, is alleged as a separate and distinct violation of Section 4c(b) of the Act and Commission Regulation 32.5.

VI.

RELIEF

Wherefore, the Commission respectfully requests that this Court, as authorized by Section 6c of the Act, 7 U.S.C. § 13a-1 (1994), and pursuant to its own equitable powers, enter:

- a. a permanent injunction prohibiting the defendants and any other person or entity associated with them, or any successor thereof, from engaging in conduct violative of the provisions of the Act as alleged in this Complaint, and from engaging in any activity relating to commodity interest trading, including but not limited to, soliciting, accepting or receiving funds, revenue or other property from any person, giving advice for compensation, or soliciting prospective customers, related to the purchase and sale of any commodity futures or options on commodity futures contracts;
- b. an order directing the defendants and any successors thereof, to disgorge pursuant to such procedure as the Court may order, all benefits received from the acts or practices which constituted violations of the Act, as described herein, and interest thereon from the date of such violations;
- c. an order directing the defendants to make full restitution to every customer whose funds were received by them as a result of acts and practices which constituted violations of the Act, as described herein, and interest thereon from the date of such violations;

- d. an order directing the defendants to pay a civil monetary penalty in the amount of not more than the higher of \$120,000 or triple the monetary gain to each defendant for each violation of the Act or Regulations; and
- e. such other and further remedial ancillary relief as the Court may deem appropriate.

Respectfully submitted by,

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Filed: August 23, 2001