

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

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In the Matter of:	)	
	)	
Bruce Miller	)	CFTC Docket No.02-14
Barcelona, Spain	)	
	)	
Deirdre Anderson	)	COMPLAINT AND NOTICE
Staten Island, New York	)	OF HEARING PURSUANT TO
	)	SECTIONS 6(c) and 6(d) OF THE
George Lamborn	)	COMMODITY EXCHANGE
Southampton, New York	)	ACT, AS AMENDED
	)	
Richard Lani Sr.	)	
Princeton, New Jersey	)	
	)	
Daniel Lipton	)	
Long Beach, New York	)	
	)	
Kenneth Lawson	)	
Brooklyn New York	)	
	)	
Respondents.	)	

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

**I.**

**SUMMARY**

1. From March until July 1997 and from June to July 1998 (“the relevant time period”), Bruce Miller (“Miller”) and Deirdre Anderson (“Anderson”), formerly registered associated persons (“APs”) at Lamborn Securities Inc. (“LSI”), an introducing broker (“IB”),

orchestrated and participated in a massive trade allocation scheme involving coffee futures contracts allocated on behalf of 19 customers.

2. During the relevant time period, Miller, Anderson and others under their direction at LSI entered orders, without account identification, with telephone clerks working for Brian Thornton (“Thornton”), Daniel Lipton (“Lipton”) and Kenneth Lawson (“Lawson”), registered floor brokers (the “FBs”) on the Coffee Sugar and Cocoa Exchange, Inc. (“CSCE”). At the end of the day, after they were able to determine which trades were profitable, Miller and Anderson provided these clerks with the customer account numbers for these 19 customers in a way that benefited Miller and Anderson.

3. The 19 customers consisted of 13 individual investors and 6 corporate entities which were domiciled outside of the United States (the “foreign entities”).

4. Profitable coffee trades involved in this scheme were generally allocated to 8 of the 19 customers (the “preferred coffee customers”) and the 11 remaining customers were allocated the losing trades (the “losing coffee customers”). The preferred coffee customers, in part, consisted of Miller’s relatives, the wife of a business associate and 3 foreign entities in which Miller had a hidden financial interest. The trades fraudulently allocated to the 8 preferred coffee customers resulted in profits totaling more than \$400,000 during the relevant time period.

5. George Lamborn (“Lamborn”) was the sole proprietor of LSI, and both he and Richard Lani Sr. (“LaniSr.”) were principals of LSI and were responsible for supervising Miller, Anderson and their staff. Lamborn and LaniSr. failed to take adequate steps to diligently supervise Miller, Anderson and their staff and thus facilitated this allocation scheme.

## II.

### RESPONDENTS

6. Bruce Miller, a United States citizen, is presently residing and working in Barcelona, Spain. From June 1989 until June 1994, Miller was registered with the Commission as a principal of Iron Horse Trading, Inc. (“IHT”), an IB, and as an AP at IHT from February 1990 until June 1994. From May 1994 until February 1999, Miller was registered as an AP of LSI and from May 1994 until May 1996, Miller was registered as a branch manager of LSI. Miller has not been registered with the Commission in any capacity since February 1999.

7. Deirdre Anderson resides in Staten Island, New York. From August 1994 to October 1999, Anderson was registered with the Commission as an AP at LSI and is presently employed and registered as an AP at Refco LLC.

8. George Lamborn resides in Southampton, New York. From November 1990 until December 1996, Lamborn was registered as an AP and principal at Lamborn Asset Management, Inc. (“LAM”), an IB formerly registered with the Commission. Lamborn also was president, chairman and sole owner of LAM. LAM was the sole owner of LSI. From November 1991 until December 1999, Lamborn was registered as both an AP and principal at LSI. Lamborn was both the president and chairman of LSI from 1991 until 1999. From December 1999 until the present, Lamborn has been registered as an AP and principal at the Quasar Group, LLC (“Quasar”), an IB registered with the Commission.

9. Richard Lani Sr. resides in Princeton, New Jersey. LaniSr. was registered as an AP at LAM from May 1993 until December 1996 and as a principal at LAM from June 1993 until December 1996. From September 1994 until December 1999, LaniSr. also 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 the present, LaniSr. has been employed by Quasar and registered as an AP at Quasar.

10. Daniel Lipton resides in Long Beach, New York. From October 1989 until the present, Lipton has been registered with the Commission as a FB and has been a member of the CSCE since September 1989. Lipton also has been a member of the New York Cotton Exchange since August 14, 1997 and a member of the New York Futures Exchange since January 29, 1998.

11. Kenneth Lawson resides in Brooklyn, New York. From June 1986 until June 2001, Lawson was registered with the Commission and was a member of the CSCE from May 1986 until June 2000. Lawson has not been registered in any capacity with the Commission since June 2001.

### **III.**

#### **FACTS**

##### **A. Miller's Relationship with LSI**

12. From January 1992 until February 2000, LSI, a New York corporation, was registered as an IB with the Commission. Lamborn was the president, chairman and sole owner of LSI (through LAM) and LaniSr. was responsible for managing all business conducted by LSI.

13. On April 1, 1994, Miller agreed with Lamborn to operate a trading desk ("desk") at LSI. Miller solicited his own customers and maintained his own staff.

##### **B. Miller's and Anderson's Trading Desk at LSI**

14. Miller hired Anderson in January 1994 to work as a clerk for IHT. In May 1994, Miller, Anderson and other IHT staff went to work at Miller's desk at LSI.

15. Miller was responsible for soliciting customer business, hiring and firing of staff, supervising his desk and taking customer orders. Anderson's duties were to manage the desk,

which included reviewing customer account opening documentation, taking customer orders, preparing office tickets, calling in trades to the clerks working for the FBs for execution, confirming executed orders with customers and supervising staff at Miller's desk. She also was responsible for filing summaries at the end of each day with the futures commission merchants ("FCMs") specifying how trades should be allocated.

16. Miller brought many of the 19 customer accounts involved in this allocation scheme to LSI, and he, Anderson and other staff under their direction were responsible for entering orders on behalf of these customers for all of the coffee futures contracts.

C. The Fraudulent Allocation Scheme

17. This massive scheme involved the fraudulent allocation of coffee futures contracts traded on the CSCE on certain dates during the relevant time period. Miller and Anderson fraudulently allocated over 400 customer orders to buy and sell over 3,600 coffee contracts among the 19 customers at LSI resulting in the preferred coffee customers reaping undeserved profits totaling over \$400,000.

18. Miller and Anderson created a risk-free trading environment by routinely entering their orders with clerks working for the FBs, Thornton, Lipton and Lawson, without any customer account identification, and only provided this account identification at the end of the day for these 19 customers after determining which trades were profitable.

i. Mechanics of Scheme

19. Miller, Anderson and their staff simultaneously entered identical buy and sell orders with clerks working for Thornton, Lipton or Lawson, without any customer account identification. These identical buy and sell orders were frequently matched against each other and executed as a cross-trade by the same FB. On the same day, Miller, Anderson and/or staff

simultaneously entered another identical buy and sell order, also without customer identification, with the same FB for execution in order to offset the first set of cross-trades. These two sets of cross-trades resulted in two roundturn trades, one profitable and one unprofitable. Once it was determined which roundturn trade was profitable, Miller, Anderson and/or their staff provided the account number for the preferred coffee customer to the clerk working for the FB for the profitable roundturn trade and likewise linked the account number for the losing trade with the losing coffee customer.

20. Through this scheme, Miller and Anderson controlled the allocation of profitable and losing trades to these 19 LSI customers.

ii. Results of Scheme

21. Profitable coffee trades involved in this scheme were generally allocated to 8 of the 19 customers and the 11 remaining customers were allocated the losing trades. The preferred coffee customers, in part, consisted of Miller's relatives, the wife of a business associate and 3 foreign entities in which Miller had a hidden financial interest. These 3 foreign entities generally received the most profitable trades.

a. Losing Coffee Customers

22. The chart below lists the account numbers for the losing coffee customers, the names of the brokers responsible for executing trades on behalf of these customers and the time period when those trades were executed. All of these trades were fraudulently allocated by Miller and Anderson to the detriment of these losing coffee customers.

<b>Customer</b>	<b>Executing Broker</b>	<b>Time Period When Trades Were Executed</b>
39020	Thornton, Lipton and Lawson	May 1997 to July 1997
23620	Thornton	April 1997 to May 1997

<b>Customer</b>	<b>Executing Broker</b>	<b>Time Period When Trades Were Executed</b>
69813	Lipton	July 1998
22492	Lipton	June 1998 to July 1998
69811	Lipton	June 1998
39043	Lipton	June 1998
39048	Lipton	June 1998
69808	Lipton	June 1998 to July 1998
69737	Lipton	June 1998 to July 1998
69812	Lipton	June 1998 to July 1998
69809	Lipton	June 1998

b. Preferred Coffee Customer Results

23. The chart below lists the account numbers for the preferred coffee customers, the names of the brokers responsible for executing trades on behalf of these customers and the time period when those trades were executed. All of these trades were fraudulently allocated by Miller and Anderson to the benefit of these preferred coffee customers.

<b>Customer</b>	<b>Executing Broker</b>	<b>Time Period When Trades Were Executed</b>
23604, 23607 and 69723. All 3 account numbers pertain to the same customer.	Thornton, Lipton and Lawson	April 1997 to June 1997 and June 1998 to July 1998
23637 and 69727. Both account numbers pertain to the same customer.	Lipton and Lawson	July 1997 and June 1998
23630 and 23631. Both account numbers pertain to the same customer.	Thornton, Lipton and Lawson	April 1997 to July 1997
23640	Thornton, Lipton and Lawson	May 1997 to July 1997

<b>Customer</b>	<b>Executing Broker</b>	<b>Time Period When Trades Were Executed</b>
60623	Thornton	April 1997 to May 1997
69725	Thornton, Lipton and Lawson	May 1997 to July 1997
39000	Thornton, Lipton and Lawson	May 1997 to July 1997
60640	Thornton	April 1997

D. Lamborn's and LaniSr.'s Supervisory Role at LSI

24. As president, chairman and sole owner of LSI, Lamborn managed all aspects of LSI's business. Lamborn was responsible for supervising the staff working on the trading desks at LSI. No staff at these desks could be hired without Lamborn's approval and all staff were paid by checks drawn against either the LAM or LSI checking account. Miller's desk used office order tickets stamped with LSI's name when writing up customer orders and all floor brokerage operations executing orders for these desks were routinely informed by staff that customer trades were executed on behalf of LSI.

25. In December 1996, Lamborn made LaniSr. responsible for supervising all commodity futures business transacted through LSI. LaniSr. was responsible for examining office order tickets prepared by Miller's desk, approving, along with Lamborn, the opening of all customer accounts, researching disciplinary histories of all potential LSI staff and the handling of all of LSI's compliance issues including resolving customer complaints and filing all regulatory documents, subject to Lamborn's approval, on behalf of LSI.

26. LSI's Commodity Compliance and Branch Office Supervision Manual required Lamborn and LaniSr., in their capacity as supervisors, to review all opening account documentation for their customers' true names and addresses. Lamborn and LaniSr. failed to



observe on this documentation that customers with account numbers 23604, 23607, 69723, 23637, 69727, 23630 and 23631 all shared the same address and had similar corporate officers.

27. LaniSr. was aware that during the relevant time period identical buy and sell orders were entered by Miller's desk on behalf of LSI customers with the FBs for execution. LaniSr. failed to take adequate measures to investigate these irregular trades and Lamborn failed to diligently supervise LaniSr. to whom he had delegated responsibility of reviewing office order tickets. Lamborn and LaniSr. failed to design an adequate system of supervision to detect hundreds of suspicious orders.

28. To the extent that Miller and LaniSr. reviewed any of the office tickets prepared by Millers' desk, they failed to have adequate procedures in place to notice hundreds of LSI order tickets prepared without account identification during the relevant time period.

29. Lamborn and LaniSr. were aware of Miller's prior disciplinary history in which he made unauthorized customer trades and altered customer trading tickets, yet they failed to supervise Miller any differently than any other staff member working at LSI.

30. Lamborn and LaniSr. failed to administer minimally adequate supervisory procedures regarding Miller's desk and Lamborn failed to adequately supervise LaniSr.

#### IV.

### **VIOLATIONS OF THE ACT AND REGULATIONS**

#### **COUNT ONE**

#### **VIOLATION OF SECTIONS 4b(a)(i) & (iii) OF THE ACT: FRAUD IN CONNECTION WITH COMMODITY FUTURES CONTRACTS CHARGED AGAINST BRUCE MILLER AND DEIRDRE ANDERSON**

31. The allegations contained in paragraphs 1 through 30 are realleged and incorporated herein by reference.

32. All orders to make or the making of all contracts of sale of any commodity for future delivery described herein were or may have been used for (A) hedging any transaction in interstate commerce in such commodity or products or byproducts thereof, or (B) determining the price basis of any transaction in interstate commerce in such commodity, or (C) delivering any such commodity sold, shipped, or received in interstate commerce for the fulfillment thereof.

33. During the relevant time period, Miller and Anderson, by the conduct alleged in this Complaint, in or in connection with orders to make, or the making of, contracts of sale of commodities for future delivery, made, or to be made, for or on behalf of other persons, where such contracts for future delivery were or may have been used for any of the purposes set forth in paragraph 32 above, violated Section 4b(a)(i) and (iii) of the Act, in that they cheated or defrauded or attempted to cheat or defraud their losing coffee customers, and willfully deceived or attempted to deceive their losing coffee customers regarding their orders or contracts or the disposition or execution of their orders or contracts.

**COUNT TWO**  
**VIOLATION OF SECTION 166.3**  
**OF THE COMMISSION'S REGULATIONS:**  
**FAILURE TO SUPERVISE CHARGED AGAINST**  
**GEORGE LAMBORN AND RICHARD LANI SR.**

34. The allegations contained in paragraphs 1 through 33 are realleged and incorporated herein by reference.

35. At all times relevant to this Complaint, Lamborn and LaniSr. were Commission Registrants.

36. At all times relevant to this Complaint, Lamborn and LaniSr. had supervisory duties relating to their business as registrants.

37. At all times relevant to this Complaint, Lamborn and LaniSr. failed to exercise diligently their supervisory duties, including, but not limited to, the following:

- (a) Failing to supervise diligently the activities of Miller's desk in taking, recording, entering and allocating coffee futures orders for the 19 customers involved in this allocation scheme;
- (b) Failing to design, implement, monitor and follow a program of supervision and compliance designed to deter and detect violations of the Act or the Commission Regulations, including, but not limited to, the foregoing violations of Sections 4b(a)(i) and 4b(a)(iii) of the Act;

38. For all the foregoing reasons, Lamborn and LaniSr. failed to supervise diligently the handling by their partners, officers, employees or agents (or persons occupying a similar status or performing a similar function) of all commodity interest accounts that they carried, operated, advised or introduced and all other activities of their partners, officers, employees, or agents (or persons occupying a similar status or performing a similar function) relating to their business as Commission registrants, in violation of Commission Regulation 166.3.

**COUNT THREE**  
**VIOLATIONS OF SECTION 4g OF THE ACT AND**  
**1.35 OF THE COMMISSION'S REGULATIONS:**  
**RECORDKEEPING VIOLATIONS CHARGED AGAINST**  
**DANIEL LIPTON AND KENNETH LAWSON**

39. The allegations contained in paragraphs 1 through 38 are realleged and incorporated herein by reference.

40. Lipton and Lawson failed to prepare immediately upon receipt of a customer order, a written record that included account identification, in violation of Section 4g of the Act and Commission Regulation 1.35(a-1)(2)(i).

## V.

By reason of the foregoing allegations, the Commission deems it necessary and appropriate, pursuant to its responsibilities under the Act, to institute public administrative proceedings to determine whether the allegations set forth in Parts I-IV above are true and, if so, whether an appropriate order should be entered in accordance with Sections 6(c) and 6(d) of the Act, 7 U.S.C. §§ 9 & 15:

- a) Directing that Respondents cease and desist from violating the provisions of the Act and Regulations set forth in Parts I-IV of the Complaint;
- b) Suspending or revoking Respondents' registrations;
- c) Prohibiting Respondents 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 requiring all registered entities to refuse Respondents all privileges thereon; and
- d) Assessing against each Respondent a civil monetary penalty in an amount of not more than the higher of \$110,000 or triple the monetary gain to each Respondent for each violation of the Act and Regulations.

## VI.

WHEREFORE, IT IS HEREBY ORDERED that a public hearing for the purpose of taking evidence on the allegations set forth in Sections I-IV above be held before an Administrative Law Judge, in accordance with the Commission's Rules of Practice under the Act (the "Commission's Rules"), 17 C.F.R. §§ 10.1 et seq., at a time and place to be set as provided by Section 10.61 of the Commission's Rules, 17 C.F.R. § 10.61, and that all post-hearing

procedures shall be conducted pursuant to Sections 10.81 through 10.107 of the Commission's Rules, 17 C.F.R. §§ 10.81-10.107.

IT IS FURTHER ORDERED that each Respondent shall file an Answer to the allegations contained in this Complaint within twenty (20) days after service, pursuant to Section 10.23 of the Commission's Rules, 17 C.F.R. § 10.23, and shall serve two copies of such Answer and of any documents filed in these proceedings upon Charles J. Sgro, Regional Counsel, and Steven Ringer, Trial Attorney, Division of Enforcement, Commodity Futures Trading Commission, 140 Broadway, New York, New York 10005 or upon such other counsel as may be designated by the Division. If any Respondent fails to file the required Answer, or fails to appear at a hearing after being duly served, such Respondent shall be deemed in default and the proceedings may be determined against such Respondent upon consideration of the Complaint, the allegations of which shall be deemed to be true.

IT IS FURTHER ORDERED that this Complaint and Notice of Hearing shall be served upon each Respondent personally or by registered or certified mail, pursuant to Section 10.22 of the Commission's Rules, 17 C.F.R. § 10.22.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecutorial functions in this or any factually related proceedings will be permitted to participate or advise the decision in this matter except as a witness or counsel in a proceeding held pursuant to notice.

By the Commission.

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Jean A. Webb  
Secretary to the Commission  
Commodity Futures Trading Commission

Date: July 15, 2002