



connection with retail forex transactions, all RFEDs must have been registered with the CFTC by October 18, 2010.

2. Beginning on October 18, 2010 and continuing to the present (the “relevant period”), City Credit Capital, (UK) Ltd. (“City Credit”) solicits or accepts orders from non-ECPs located in the United States in connection with retail forex transactions and is, or offers to be, the counterparty to these retail forex transactions without being registered as an RFED with the CFTC, in violation of Section 2(c)(2)(C)(iii)(I)(aa) of the Act, as amended, to be codified at 7 U.S.C. § 2(c)(2)(C)(iii)(I)(aa) and Regulation 5.3(a)(6)(i), 17 C.F.R. § 5.3(a)(6)(i).

3. By virtue of this conduct and the further conduct described herein, City Credit has engaged, is engaging, or is about to engage in acts and practices in violation of the Act, as amended, and the Regulations.

4. Accordingly, pursuant to Section 6c of the Act, as amended, to be codified at 7 U.S.C. § 13a-1, and Section 2(c)(2) of the Act, as amended, to be codified at 7 U.S.C. § 2(c)(2), the Commission brings this action to enjoin City Credit’s unlawful acts and practices and to compel its compliance with the Act, as amended, and the Regulations and to further enjoin City Credit from engaging in certain commodity or forex-related activity, including, through its website, soliciting customers or offering to be the counterparty to customers’ forex transactions, without appropriate registration with the Commission.

5. In addition, the Commission seeks civil monetary penalties and remedial ancillary relief, including, but not limited to, trading and registration bans, disgorgement, rescission, pre- and post-judgment interest, and such other relief as the Court may deem necessary and appropriate.

6. Unless restrained and enjoined by this Court, City Credit likely will continue to engage in the acts and practices alleged in this Complaint and similar acts and practices, as more fully described below.

## **II. JURISDICTION AND VENUE**

7. Section 6c(a) of the Act, as amended, to be codified at 7 U.S.C. § 13a-1(a), authorizes the Commission to seek injunctive relief against any person whenever it shall appear to the Commission that such person has engaged, is engaging, or is about to engage in any act or practice constituting a violation of the Act or any rule, regulation, or order thereunder.

8. The Commission has jurisdiction over the conduct and transactions at issue in this case pursuant to Section 6c of the Act, as amended, to be codified at 7 U.S.C. § 13a-1, and Section 2(c)(2) of the Act, as amended, to be codified at 7 U.S.C. § 2(c)(2).

9. Venue properly lies with the Court pursuant to Section 6c(e) of the Act, as amended, to be codified at 7 U.S.C. § 13a-1(e), because City Credit transacts business in this District and certain transactions, acts, practices, and courses of business alleged in this Complaint occurred, are occurring, and/or are about to occur within this District.

## **III. PARTIES**

10. Plaintiff **Commodity Futures Trading 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 thereunder, 17 C.F.R. § 1.1 *et seq.* (2011).

11. Defendant **City Credit Capital, (UK) Ltd.** is a company that is located in London, UK. City Credit's principal place of business is located at 20<sup>th</sup> Floor Tower 42, 25 Old Broad Street, London, UK EC2N 1HQ. City Credit has never been registered with the Commission in any capacity.

#### IV. STATUTORY BACKGROUND

12. For the purposes of trading retail forex, a “retail foreign exchange dealer” is defined in Regulation 5.1(h)(1), 17 C.F.R. § 5.1(h)(1) (2011), as any person that is, or offers to be, the counterparty to a retail forex transaction, except for certain persons not relevant to this Complaint.

13. An ECP is defined by the Act, in relevant part, as an individual with total assets in excess of (i) \$10 million, or (ii) \$5 million and who enters the transaction “to manage the risk associated with an asset owned or liability incurred, or reasonably likely to be owned or incurred, by the individual.” *See* Section 1a of the Act, as amended, to be codified at 7 U.S.C. § 1a.

#### V. FACTS

14. On October 18, 2010, the Commission adopted new regulations implementing certain provisions of the Dodd-Frank Act and the CRA. For the purposes of retail forex transactions, the new regulations, among other things, require RFEDs to register with the CFTC.

15. City Credit solicits potential United States customers who are not ECPs to open leveraged forex trading accounts through its website, <http://www.cccapital.co.uk>. This website is hosted by a server located in Hong Kong and the domain name is registered through a domain name registrar in Canada.

16. City Credit also solicits potential United States customers who are not ECPs to open leveraged forex trading accounts through what it refers to as “Introducing Agents.” These “Introducing Agents” are independent agents who may receive a commission for introducing clients to City Credit.

17. As advertised on its website, City Credit offers individual customers the opportunity to trade forex.

18. Customers can open trading accounts by submitting information online through City Credit's website, by downloading the account opening documents from the website and mailing the completed documents to City Credit, or by completing account opening documents supplied to them by an "Introducing Agent."

19. The City Credit Personal Account Application Form asks that the prospective client enter certain information, such as her name, address, including country of residence, telephone and email contact information.

20. Although City Credit inquires about an account holder's annual income, it fails to inquire about its prospective customers' net worth and thus cannot determine if they have total assets of \$5 million and if they are ECPs.

21. To complete the account opening procedure, the customer must fund his or her account by using one of various options and may do so with any major currency. However, City Credit specified that the minimum deposit requirement is \$5,000 U.S. dollars.

22. During the relevant period, City Credit has offered to act as a counterparty to and solicited and accepted orders from at least 112 United States retail forex customers.

23. Through its website during the relevant period, City Credit solicits, accepts and executes orders from United States customers who are not ECPs in connection with leveraged retail forex transactions at City Credit and offers to act as a counterparty to U.S. customers.

24. City Credit fails to inquire whether a prospective customer has the ability or the business need to accept foreign currency into his bank account.

25. The retail forex transactions City Credit engages in with non-ECP United States customers during the relevant period neither result in delivery within two days nor create an enforceable obligation to deliver between a seller and a buyer who have the ability to deliver and

accept delivery, respectively, in connection with their lines of business. Rather, these retail forex transactions remain open from day to day and ultimately are offset without anyone making or taking delivery of actual currency (or facing an obligation to do so).

26. Thus, City Credit has been and is acting as an RFED and continues to do so by acting as a counterparty for United States customers to trade forex at City Credit.

27. By the date of the filing of this complaint, City Credit has not registered with the Commission as an RFED or in any other capacity. Furthermore, City Credit is not exempt from registration.

## **VI. VIOLATIONS OF THE COMMODITY EXCHANGE ACT**

### **COUNT ONE:**

#### **VIOLATION OF SECTION 2(c)(2)(C)(iii)(I)(aa) OF THE ACT, AS AMENDED: FAILURE TO REGISTER**

28. Paragraphs 1 through 27 are realleged and incorporated herein.

29. During the relevant period, City Credit solicits and accepts orders from non-ECPs in connection with leveraged or margined forex transactions at an RFED. City Credit engages in this conduct without being registered at an RFED, as required by Regulation 5.3(a)(6)(i), 17 C.F.R. § 5.3(a)(6)(i) (2011), all in violation of Section 2(c)(2)(C)(iii)(I)(aa) of the Act, as amended, to be codified at 7 U.S.C. § 2(c)(2)(C)(iii)(I)(aa).

30. Each day that City Credit engages in this conduct since October 18, 2010 is alleged as a separate and distinct violation of Section 2(c)(2)(C)(iii)(I)(aa) of the Act, as amended, to be codified at 7 U.S.C. § 2(c)(2)(C)(iii)(I)(aa).

**COUNT TWO:  
VIOLATION OF REGULATION 5.3(a)(6)(i)  
FAILURE TO REGISTER AS A RETAIL FOREIGN EXCHANGE DEALER**

31. Paragraphs 1 through 27 are realleged and incorporated herein.

32. During the relevant period, City Credit is, or offers to be, the counterparty to retail forex transactions without being registered as an RFED in violation of Regulation 5.3(a)(6)(i), to be codified at 17 C.F.R. § 5.3(a)(6)(i) (2011).

33. Each day that City Credit fails to register as an RFED since October 18, 2010 is alleged as a separate and distinct violation of Regulation 5.3(a)(6)(i), 17 C.F.R. § 5.3(a)(6)(i) (2011).

**VII. RELIEF REQUESTED**

WHEREFORE, the CFTC respectfully requests that this Court, as authorized by Section 6c of the Act, as amended, to be codified at 7 U.S.C. § 13a-1, and pursuant to its own equitable powers, enter:

A. An order finding that City Credit violated Section 2(c)(2)(C)(iii)(I)(aa) of the Act, as amended, to be codified at 7 U.S.C. § 2(c)(2)(C)(iii)(I)(aa);

B. An order finding that City Credit violated Regulation 5.3(a)(6)(i), 17 C.F.R. § 5.3(a)(6)(i) (2011);

C. An order of permanent injunction prohibiting City Credit, and any other person or entity associated with it, from engaging in conduct in violation of Section 2(c)(2)(C)(iii)(I)(aa) of the Act, as amended, to be codified at 7 U.S.C. § 2(c)(2)(C)(iii)(I)(aa);

D. An order of permanent injunction prohibiting City Credit, and any other person or entity associated with it, from engaging in conduct in violation of Regulation 5.3(a)(6)(i), 17 C.F.R. § 5.3(a)(6)(i) (2011);

E. An order of permanent injunction prohibiting City Credit, and any other person or entity associated with it or its website, from operating its website while in violation of Section 2(c)(2)(C)(iii)(I)(aa) of the Act, as amended, to be codified at 7 U.S.C. § 2(c)(2)(C)(iii)(I)(aa), and Regulation 5.3(a)(6)(i), 17 C.F.R. § 5.3(a)(6)(i) (2011);

F. An order of permanent injunction prohibiting City Credit and any successor thereof, from, directly or indirectly:

- 1) Trading on or subject to the rules of any registered entity (as that term is defined in Section 1a of the Act, as amended, to be codified at 7 U.S.C. § 1a);
- 2) Entering into any transactions involving commodity futures, options on commodity futures, commodity options (as that term is defined in Regulation 32.1(b)(1), 17 C.F.R. § 32.1(b)(1) (2011)) (“commodity options”), swaps, and/or foreign currency (as described in Sections 2(c)(2)(B) and 2(c)(2)(C)(i) of the Act, as amended, to be codified at 7 U.S.C. §§ 2(c)(2)(B) and 2(c)(2)(C)(i)) (“forex contracts”) for its own personal account or for any account in which it has a direct or indirect interest;
- 3) Having any commodity futures, options on commodity futures, commodity options, swaps, and/or forex contracts traded on its behalf;
- 4) Controlling or directing the trading for or on behalf of any other person or entity, whether by power of attorney or otherwise, in any account involving commodity futures, options, commodity options, swaps, and/or forex contracts;

5) Soliciting, receiving or accepting any funds from any person for the purpose of purchasing or selling any commodity futures, options on commodity futures, commodity options, swaps and/or forex contracts;

6) Applying for registration or claiming exemption from registration with the CFTC in any capacity, and engaging in any activity requiring such registration or exemption from registration with the CFTC except as provided for in Regulation 4.14(a)(9), 17 C.F.R. § 4.14(a)(9) (2011); and

7) Acting as a principal (as that term is defined in Regulation 3.1(a), 17 C.F.R. § 3.1(a) (2011)), agent, or any other officer or employee of any person registered, exempted from registration or required to be registered with the CFTC except as provided for in Regulation 4.14(a)(9), 17 C.F.R. § 4.14(a)(9) (2011).

G. Enter an order requiring that City Credit, as well as any of its successors, disgorge to any officer appointed or directed by the Court all benefits received including, but not limited to, salaries, commissions, loans, fees, revenues and trading profits derived, directly or indirectly, from acts or practices that constitute violations of the Act, as amended, and the Regulations, including pre and post-judgment interest;

H. Enter an order directing City Credit and any successors thereof, to rescind, pursuant to such procedures as the Court may order, all contracts and agreements, whether implied or express, entered into between it and any of the customers whose funds were received by them as a result of the acts and practices, which constituted violations of the Act, as amended, and the Regulations as described herein;

I. Enter an order requiring City Credit to pay civil monetary penalties under the Act, to be assessed by the Court, in amounts of not more than the greater of: (1) triple its

monetary gain for each violation of the Act, as amended, and the Regulations or (2) \$140,000 for each violation committed on or after October 23, 2008;

J. Enter an order requiring City Credit to pay costs and fees as permitted by 28 U.S.C. §§ 1920 and 2412(a)(2) (2006); and

K. Enter an order providing such other and further relief as this Court may deem necessary and appropriate under the circumstances.

September 7, 2011

Respectfully submitted,

COMMODITY FUTURES TRADING COMMISSION

/s/ Susan B. Padove

Susan B. Padove  
Senior Trial Attorney  
Illinois ARDC No.  
[spadove@cftc.gov](mailto:spadove@cftc.gov)

Elizabeth M. Streit  
Chief Trial Attorney  
Illinois ARDC No. 06188119

Scott R. Williamson  
Deputy Regional Counsel  
Illinois ARDC No. 06191293

Rosemary Hollinger  
Regional Counsel  
Illinois ARDC No. 3123647

Attorneys for Plaintiff  
Commodity Futures Trading Commission  
525 West Monroe Street, Suite 1100  
Chicago, Illinois 60661

(312) 596-0544 (Padove)  
(312) 596-0537 (Streit)  
(312) 596-0560 (Williamson)  
(312) 596-0520 (Hollinger)  
(312) 596-0700 (office number)  
(312) 596-0714 (facsimile)