

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

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**11:13 am, Dec 10, 2014**

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**In the Matter of:** )

**IBFX, Inc.** )

**Respondent.** )

) **CFTC Docket No. 15 – 10**

**ORDER INSTITUTING PROCEEDINGS PURSUANT TO  
SECTIONS 6(c) and 6(d) OF THE COMMODITY EXCHANGE ACT, MAKING  
FINDINGS AND IMPOSING REMEDIAL SANCTIONS**

**I.**

The Commodity Futures Trading Commission (“Commission”) has reason to believe that IBFX, Inc. (“IBFX”) violated the Commodity Exchange Act (“Act”) and Commission Regulations. Therefore, the Commission deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted to determine whether IBFX has engaged in the violations as set forth herein and to determine whether any order should be issued imposing remedial sanctions.

**II.**

In anticipation of the institution of this administrative proceeding, IBFX has submitted an Offer of Settlement (“Offer”), which the Commission has determined to accept. Without admitting or denying any of the findings or conclusions herein, IBFX consents to the entry of this Order Instituting Proceedings Pursuant to Sections 6(c) and 6(d) of the Commodity Exchange Act, Making Findings and Imposing Remedial Sanctions (“Order”) and acknowledge service of this Order.<sup>1</sup>

<sup>1</sup> IBFX consents to the entry of this Order and to the use of these findings in this proceeding and in any other proceeding brought by the Commission or to which the Commission is a party; provided, however, that IBFX does not consent to the use of the Offer, or the findings or conclusions in this Order consented to in the Offer, as the sole basis for any other proceeding brought by the Commission, other than in a proceeding in bankruptcy or to enforce the terms of this Order. Nor does IBFX consent to the use of the Offer or this Order, or the findings or conclusions in this Order consented to in the Offer, by any other party in any other proceeding.

### III.

The Commission finds the following:

#### A. Summary

IBFX is registered with the Commission as a retail foreign exchange dealer (“RFED”). From December 2011 through June 9, 2014 (the “Relevant Period”), IBFX failed to meet the minimum net capital requirements on three separate occasions in violation of Commission Regulation 5.7(a)(1)(i) and (3), 17 C.F.R. § 5.7(a)(1)(i) and (3) (2014). First, during the period December 2011 to June 2012, IBFX had uncovered foreign currency positions. Based on the corrected charges to capital for these uncovered positions, as calculated on a month-end basis, IBFX failed to meet the minimum net capital requirements for January 31, 2012. Second, IBFX failed to meet the minimum net capital requirements for a brief period of time on January 9, 2013, due to a typographical error. IBFX immediately discovered this failure, but failed to report the failure to meet minimum net capital to the Commission until January 11, 2013, in violation of Commission Regulation 5.6(a)(1), 17 C.F.R. § 5.6(a)(1) (2014). Finally, IBFX failed to meet the minimum net capital requirements on June 9, 2014, when software that IBFX installed, but did not fully test prior to installation, resulted in uncovered positions requiring charges to capital. This series of events and the circumstances giving rise to and that occurred after the June 9, 2014 event, evidence IBFX’s lack of diligent supervision in violation of Commission Regulation 5.21, 17 C.F.R. § 5.21 (2014).

IBFX has cooperated fully with Division of Enforcement (“Division”) and Division of Swap Dealer and Intermediary Oversight staff.

#### B. Respondent

IBFX is a wholly owned subsidiary of TradeStation Group, Inc. (“TradeStation Group”), which is a wholly owned subsidiary of a Japanese corporation (“Japanese Parent”). IBFX’s headquarters are in Plantation, Florida and it is a provider of retail off-exchange foreign currency (“forex”) trading services, offering individual traders, fund managers and institutional customers the ability to self-direct forex trades online. IBFX has been registered with the Commission as an RFED since January 25, 2011.

#### C. Facts

As an RFED offering or engaging in retail forex transactions, IBFX is subject to the minimum capital requirements as set forth in Part 5 of the Commission’s Regulations, 17 C.F.R. pt. 5 (2014).

##### 1. January 31, 2012 Failure to Meet Minimum Net Capital

In November 2011, Interbank FX, LLC (“Interbank FX”) was acquired by TradeStation Group. Thereafter, the retail forex business formerly operated by Interbank FX was merged into the existing retail forex business that was operated by another TradeStation Group subsidiary, TradeStation Forex, Inc. After consolidation, the retail

forex company was renamed IBFX. As part of the merger, IBFX acquired a forex business operated using the MetaTrader 4 platform (“MT4”). As IBFX was implementing new risk management processes following its acquisition of Interbank FX, IBFX discovered numerous uncovered foreign currency positions carried over from Interbank FX for the period December 2011 through June 2012. IBFX immediately covered the uncovered positions, contacted the Commission and soon thereafter adopted new risk management procedures designed to reduce the likelihood of a recurrence.

Discovery of the uncovered positions caused IBFX to reduce its adjusted net capital per Commission Regulation 5.7(b)(2)(v)(A), 17 C.F.R. §5.7(b)(2)(v)(A) (2014), for each uncovered position. *See also* 17 C.F.R. §1.17(c)(5)(ii) (2014). Based on IBFX’s revised month-end computations of its adjusted net capital during the period December 2011 through June 2012, IBFX failed to meet the minimum net capital requirements at one month-end, January 31, 2012. On January 31, 2012, IBFX took a capital deduction of \$1,134,118, which resulted in IBFX’s adjusted net capital falling \$628,772 below the required amount.

## **2. January 9, 2013 Failure to Meet Minimum Net Capital and Untimely Report of Deficiency**

Following the close of the January 9, 2013 trading session, an IBFX employee attempted to correct IBFX’s exposure in the Eurodollar position caused by a retail customer trade error. The IBFX employee mistakenly made a “fat finger” error by taking a position in the Singapore Dollar (i.e., wrong currency) for the wrong amount. IBFX discovered and then covered the position within forty-four (44) minutes, but IBFX faced significant exposure during those forty-four (44) minutes. Once discovered, the erroneous position was covered with no losses in client accounts.

IBFX made the necessary corrections to its adjusted net capital as a result of the uncovered position, *see* 17 C.F.R. § 5.7(b)(2)(v)(A) (2014), 17 C.F.R. § 1.17(c)(5)(ii) (2014), and as a result failed to meet the minimum net capital requirements during that forty-four (44) minute period with a deficit of \$7,854,474. *See* 17 C.F.R. § 5.7(a)(3) (2014) (requiring that each registrant is in compliance with the minimum net capital requirements “at all times”).

Commission Regulation 5.6(a)(1), 17 C.F.R. § 5.6(a)(1) (2014), requires RFEDs to give the Commission notice when its adjusted net capital is lower than that required by Commission Regulation 5.7. The regulation further requires that “[t]he notice must be given immediately after the applicant or registrant knows or should know that its adjusted net capital is less than that required by any of the aforesaid rules to which the applicant or registrant is subject...” 17 C.F.R. § 5.6(a)(1) (2014).

On January 11, 2013, IBFX reported the failure to meet the minimum net capital requirement deficiency that arose after the market closed on January 9, 2013 via the Commission’s electronic Windjammer system, but IBFX’s initial notice used an incorrect amount for determining its minimum net capital requirements. IBFX ultimately

submitted a corrected notice three days later on Monday, January 14, 2013 – five days after the initial violation.

### **3. June 9, 2014 Failure to Meet Minimum Net Capital and Lack of Supervision**

On or about June 6, 2014, IBFX rolled out new software for an IBFX server known as the “IS04 Server” that was intended to improve the connection between the MT4 trading platform and IBFX’s risk systems. This software and related plug-ins are referred to by IBFX as the “Bridge.” This particular version of the Bridge had been tested by IBFX in an environment that mimicked many, but not all of IBFX’s servers. Specifically, IBFX’s IS04 server contains a special plug-in used for contract for differences trading on behalf of one non-U.S. customer; that plug-in does not exist on other IBFX servers. IBFX failed to test the June 6, 2014 Bridge software in an environment that replicated the unique needs of the IS04 server.

At approximately 5:00 p.m. ET on June 8, 2014, the trading session for the IS04 server opened.

At approximately 3:45 a.m. ET on June 9, 2014, the Japanese Parent’s risk management staff in Tokyo (the “Tokyo risk group”) noticed a high frequency of forex trades with the same notional size and currency. Staff from the Tokyo risk group contacted IBFX operations staff, who began conducting tests to identify the problem. It appeared that the newly installed Bridge was continually replicating a customer trade on the IS04 server resulting in increasing numbers of new uncovered positions for IBFX. At approximately 5:00 a.m. ET, IBFX staff made a decision to shut down the Bridge and return it to its prior version. The prior version of the Bridge and MT4 software were brought back online at approximately 6:00 a.m. ET and the duplicating behavior ceased.

IBFX then began the process of quantifying and covering its exposure. IBFX lacked the ability to determine exposure of the type created by the software error (“non-warehouse exposure”) on a real time basis. Without the capability to generate automated reports, IBFX staff gathered data from its MT4 trading system and risk management system and completed a manual comparison. Based on their review and analysis, IBFX entered covering trades into its non-warehouse system, which were manually executed by Tokyo risk management staff.

IBFX promptly reported its minimum net capital position at approximately 1:35 p.m. ET on June 9. Initial estimates indicated that IBFX had a minimum net capital deficit of approximately \$19 million.

During the afternoon of June 9, 2014, IBFX staff began calculating the profits and losses for the day. During this analysis, IBFX staff developed concerns that the covering trades from the morning did not appear to have reduced IBFX’s exposure created by the Bridge issue and instead had doubled IBFX’s exposure. IBFX learned that its covering trades from the morning of June 9, 2014, had been placed in the wrong direction (i.e., short positions were treated as long positions and vice versa). Shortly thereafter, IBFX

entered a second set of covering trades to reduce the exposure from the original Bridge issue and the additional exposure created by the first set of covering trades that were placed in the wrong direction. These covering trades were also placed in the non-warehouse system but were transacted using an automated system given the late hour in the day.

At the height of its exposure on June 9, 2014, IBFX had uncovered positions requiring deductions to adjusted net capital that resulted in a minimum net capital deficit of \$42,343,483.97. All of the uncovered positions were entered into on behalf of IBFX and not customer accounts. After covering the positions, IBFX remedied the deficit.

IBFX timely notified the National Futures Association (“NFA”) and Commission staff of the incident and minimum net capital deficit telephonically and in writing on June 9, 2014.

#### IV. LEGAL DISCUSSION

The minimum capital requirements imposed by the Commission were adopted in order to further the Commission’s mission of ensuring market integrity and protecting customer funds in an ever-changing derivatives marketplace. *See* Minimum Financial Requirements, 43 Fed. Reg. 39,956, 39,957 (Sept. 8, 1978) (describing the need for enhanced minimum financial requirements); *see also In re Premex, Inc.*, CFTC Docket No. 79-44, 1988 WL 232224, at \*6 (Feb. 17, 1988) (“[T]he minimum capital requirements are of central importance because they are the primary financial protection for public customers who must entrust their funds to commodity professionals in order to participate in the markets regulated by the Commission. If customers cannot commit their funds to the market with confidence, the liquidity of the market will be irreparably harmed.”).

Off-exchange forex transactions between an RFED and its customers entail risks not present in a futures transaction executed on a designated contract market and cleared through a registered derivatives clearing organization because the RFED acts as the counterparty to the customer. Regulation of Off-Exchange Retail Foreign Exchange Transactions and Intermediaries, 75 Fed. Reg. 3282, 3285 (proposed Jan. 20, 2010). These risks coupled with Congressional concerns about the possibility of undercapitalized “shell” RFEDs “from whom it may be impossible to recover funds in the event of customer claims,” led to even higher capital requirements for RFEDs than those already in place for futures commission merchants (“FCM(s)”). *Id.* at 3289; *see also* 7 U.S.C. § 2(c)(2)(B)(i)(II)(ff) and 2(c)(2)(B)(ii) (2012); 17 C.F.R. § 5.7 (2014).

Commission Regulation 5.7(a)(1)(i) requires each RFED offering or engaging in retail forex transactions to maintain adjusted net capital equal to the greatest of: twenty million dollars (\$20,000,000); twenty million dollars (\$20,000,000) plus five percent of the RFED’s total retail forex obligation in excess of \$10,000,000; any amount required by Commission Regulation 1.17, 17 C.F.R. § 1.17 (2014); or the amount of adjusted net capital required by a registered futures association of which the RFED is a member. 17

C.F.R. § 5.7(a)(1)(i) (2014). Commission Regulation 5.7(a)(3) requires that each RFED meet the minimum net capital requirements “at all times.” 17 C.F.R. § 5.7(a)(3) (2014).

RFEDs, like FCMs, are also required to diligently supervise their partners, officers, employees and agents relating to their business as a Commission registrant. 17 C.F.R. §5.21 (2014).

**A. January 31, 2012 Failure to Meet Minimum Net Capital**

On January 31, 2012, IBFX’s required minimum net capital was computed as \$20,000,000 plus five percent of the RFED’s total retail forex obligation in excess of \$10,000,000 pursuant to Regulation 5.7(a)(1)(i)(B), 17 C.F.R. § 5.7(a)(1)(i)(B) (2014). Adjusted net capital is computed using the guidance set forth for futures commission merchants in Regulation 1.17, 17 C.F.R. § 1.17 (2014), with certain additions specific to retail forex transactions. *See* 17 C.F.R. § 5.7(b)(2) (2014).

Specifically, RFEDs are required to take a capital deduction for uncovered positions. *See* 17 C.F.R. § 1.17(j) (2014) (defining “covered” positions). The amount of the reduction is dependent on the type of uncovered position. For example, RFEDs must take a capital deduction equal to six percent of any uncovered net positions in Euros, British pounds, Canadian dollars, Japanese yen or Swiss francs and a reduction of twenty percent for all uncovered positions in other foreign currencies. 17 C.F.R. § 5.7(b)(2)(v)(A) (2014).

As described in Part III *supra*, IBFX identified numerous previously unidentified uncovered forex positions for the period December 2011 through June 2012 and made the necessary adjustments to its capital computations. For the month ending January 31, 2012, IBFX took a capital deduction of \$1,134,118. As a result of this deduction, IBFX failed to meet the minimum net capital requirements on January 31, 2012, by \$628,772 in violation of Commission Regulation 5.7. 17 C.F.R. § 5.7 (2014).

**B. January 9, 2013 Failure to Meet Minimum Net Capital**

IBFX was subject to enhanced supervisory procedures during the Relevant Period. *See* NFA, Compliance Rule 2-9(b) (2007) (imposing additional supervision requirements on registrants that meet certain criteria). As part of the enhanced supervisory requirements, IBFX was required to use the Commission’s “early warning level” as its minimum net capital requirement. *See* NFA, Interpretive Notice 9021: NFA Compliance Rule 2-9, at II.B (2011) (“Any Forex Dealer Member (“FDM”) or [Futures Commission Merchant (“FCM”)] meeting the criteria is required to maintain adjusted net capital of at least the early warning requirement under CFTC rules.”); *see also* 17 C.F.R. § 5.6(b) (2014). On January 9, 2013, IBFX’s minimum net capital requirements were calculated as one hundred ten percent of twenty million dollars (\$20,000,000), plus five percent of its total retail forex obligation in excess of \$10,000,000. 17 C.F.R. § 5.6(b)(2) (2014).

On January 9, 2013, IBFX staff committed a “fat finger” error resulting in a large uncovered foreign currency position, which was discovered and covered within forty-four (44) minutes. As a result of the uncovered position, IBFX was required to take a capital deduction. *See* 17 C.F.R. § 5.7(b)(2)(v)(A) (2014), 17 C.F.R. § 1.17(c)(5)(ii) (2014). IBFX’s adjusted minimum net capital fell below its net capital requirement by \$7,854,474. IBFX’s failure to meet the minimum net capital requirements violated Commission Regulation 5.7(a)(1)(i) and (3), 17 C.F.R. § 5.7(a)(1)(i) and (3) (2014).

### **C. Failure to Timely Report the January 9, 2013 Deficiency**

Commission Regulation 5.6(a)(1), 17 C.F.R. § 5.6(a)(1) (2014), requires RFEDs to give the Commission notice when its adjusted net capital is lower than that required by Commission Regulation 5.7. The regulation further requires that “[t]he notice must be given *immediately* after the applicant or registrant knows or should know that its adjusted net capital is less than that required by any of the aforesaid rules to which the applicant or registrant is subject...” 17 C.F.R. § 5.6(a)(1) (2014) (emphasis added).

Although IBFX discovered the “fat finger” error on January 9, 2013 and the resulting failure to meet the minimum net capital requirement, it did not notify the Commission until January 11, 2013 – two days following discovery. After consultation with Commission staff, IBFX submitted a corrected notice of its failure to meet the minimum net capital requirements using the early warning level on January 14, 2013 – five days after the event occurred.

IBFX failed to comply with Commission Regulation 5.6(a)(1), 17 C.F.R. § 5.6(a)(1) (2014), because it failed to give timely notice to the Commission. IBFX’s notice two days after discovery of the deficit did not comply with the immediacy required by Commission Regulation 5.6(a)(1), which is intended to protect customers and market participants. *See* Regulation of Off-Exchange Retail Foreign Exchange Transactions and Intermediaries, 75 Fed. Reg. 3282, 3285 (proposed Jan. 20, 2010) (indicating that the proposed RFED rules were drafted to mimic the rules regulating on-exchange instruments and regulated entities such as FCM’s with important modifications unique to RFEDs); Maintenance of Minimum Financial Requirements by Futures Commission Merchants and Introducing Brokers, 63 Fed. Reg. 45,711 (Aug. 27, 1988) (codified at 17 C.F.R. §1.12) (amending notice requirements for FCMs who fail to meet the minimum adjusted net capital requirements from notice within 24 hours to *immediate* notice in order to “afford the CFTC and industry self-regulatory organizations (SROs) sufficient advance notice of a firm’s financial or operational problems to take any protective or remedial action that may be needed to assure the safety of customer funds and the integrity of the marketplace”) (emphasis added).

### **D. June 9, 2014 Failure to Meet Minimum Net Capital**

As discussed *supra*, RFED’s are required to take a capital deduction for uncovered positions. *See* 17 C.F.R. § 1.17(j) (2014). On June 9, 2014, a problem with the newly installed Bridge resulted in substantial uncovered positions for IBFX. After taking appropriate capital deductions based on these uncovered positions and in light of

IBFX's heightened capital requirements, IBFX had a minimum net capital deficit of \$42,343,483.97. IBFX's failure to meet the minimum net capital requirements violated Commission Regulation 5.7(a)(1)(i), 17 C.F.R. § 5.7(a)(1)(i) (2014).

#### **E. Failure to Supervise**

Commission Regulation 5.21, 17 C.F.R. § 5.21 (2014), was modeled after Commission Regulation 166.3, 17 C.F.R. § 166.3 (2013). Commission Regulation 5.21 applies only to RFEDs, whereas Commission Regulation 166.3 applies to *all* Commission registrants. Commission Regulation 166.3 and thus Commission Regulation 5.21, require that every Commission registrant (except associated persons who have no supervisory duties) diligently supervise the handling by its partners, employees and agents of all activities relating to its business as a registrant. Registrants have an affirmative duty to supervise their employees and agents diligently by establishing, implementing, and executing an adequate supervisory structure and compliance programs. In order to prove a failure to supervise, the Commission must demonstrate that either: (1) the registrant's supervisory system was generally inadequate; or (2) the registrant failed to perform its supervisory duties diligently. *In re Murlas Commodities*, [1994-1996 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 26,485 at 43,161 (CFTC Sept. 1, 1995); *In re Paragon Futures Assoc.*, [1990-1992 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 25,266 at 38,850 (CFTC Apr. 1, 1992); *Bunch v. First Commodity Corp. of Boston*, [1990-1992 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 25,352 at 39,168-69 (CFTC Aug. 5, 1992).

As evidenced in connection with the June 9, 2014 net capital deficit, IBFX lacked adequate policies, procedures, and/or controls relating to the development and implementation of software affecting its business as a Commission registrant, specifically related to the development and implementation of the Bridge. IBFX also lacked adequate policies and procedures related to its analysis of non-warehouse exposure resulting in the doubling of its exposure and net capital deficit on June 9, 2014. Evidence of violations that "should be detected by a diligent system of supervision, either because of the nature of the violations or because the violations have occurred repeatedly" is probative of a failure to supervise. *Paragon Futures*, ¶ 25,266 at 38,850. IBFX implemented a system that it failed to test completely and did not have a system to detect trades generated by the system in error in a timely manner. In addition, IBFX was unable to accurately assess and reverse the errors, leaving IBFX undercapitalized. IBFX lacked an adequate supervisory system and failed to perform supervisory duties in a diligent manner, leading to the undercapitalization of almost two hundred (200%) percent of its required capitalization. Therefore, IBFX failed to supervise its employees and agents diligently by establishing, implementing, and executing an adequate supervisory structure and compliance programs in violation of Commission Regulation 5.21. 17 C.F.R. § 5.21 (2014).

## V. OFFER OF SETTLEMENT

IBFX has submitted the Offer in which it, without admitting or denying the findings and conclusions herein:

- A. Acknowledges receipt of service of this Order;
- B. Admits the jurisdiction of the Commission with respect to all matters set forth in this Order and for any action or proceeding brought or authorized by the Commission based on violation of or enforcement of this Order;
- C. Waives:
  - 1. the filing and service of a complaint and notice of hearing;
  - 2. a hearing;
  - 3. all post-hearing procedures;
  - 4. judicial review by any court;
  - 5. any and all objections to the participation by any member of the Commission's staff in the Commission's consideration of the Offer;
  - 6. any and all claims that it may possess under the Equal Access to Justice Act, 5 U.S.C. §504 (2012) and 28 U.S.C. § 2412 (2012), and/or the rules promulgated by the Commission in conformity therewith, Part 148 of the Commission's Regulations, 17 C.F.R. §§ 148.1-30 (2014), relating to, or arising from, this proceeding;
  - 7. any and all claims that it may possess under the Small Business Regulatory Enforcement Fairness Act of 1996, Pub. L. No. 104-121, §§ 201-253, 110 Stat. 847, 857-868 (1996), as amended by Pub. L. No. 110-28, § 8302, 121 Stat. 112, 204-205 (2007), relating to, or arising from, this proceeding; and
  - 8. any claims of Double Jeopardy based on the institution of this proceeding or the entry in this proceeding of any order imposing a civil monetary penalty or any other relief;
- D. Stipulates that the record basis on which this Order is entered shall consist solely of the findings contained in this Order to which IBFX has consented in the Offer;
- E. Consents, solely on the basis of the Offer, to the Commission's entry of this Order that:
  - 1. makes findings by the Commission that IBFX violated

Commission Regulation 5.7(a)(1)(i) and (3), 17 C.F.R. § 5.7(a)(1)(i) and (3) (2014), on three separate instances when it failed to meet the minimum net capital requirements;

2. makes findings by the Commission that IBFX violated Commission Regulation 5.6(a)(1), 17 C.F.R. § 5.6(a)(1) (2014), when it failed to give timely notice of the January 9, 2013 net capital deficiency;

3. make findings by the Commission that IBFX violated Commission Regulation 5.21, 17 C.F.R. § 5.21 (2014), when it failed to supervise its employees and agents diligently by establishing, implementing, and executing an adequate supervisory structure and compliance programs;

4. orders IBFX to cease and desist from violating Commission Regulations 5.7(a)(1)(i) and 3, 5.6(a)(1), 5.21, 17 C.F.R. §§ 5.7(a)(1)(i) and 3 (2014); *id.* at 5.6(a)(1); and *id.* at 5.21;

5. orders IBFX to pay a civil monetary penalty in the amount of six hundred thousand dollars (\$600,000) within ten (10) days of the date of entry of this Order, plus post-judgment interest; and

6. orders IBFX, and its successors and assigns, to comply with the conditions and undertakings consented to in the Offer and as set forth in Part VII of this Order.

Upon consideration, the Commission has determined to accept the Offer.

## VI. FINDINGS OF VIOLATIONS

Based on the foregoing, the Commission finds that, during the Relevant Period, IBFX: (1) failed to meet the minimum net capital requirements on three separate occasions in violation of Commission Regulation 5.7(a)(1)(i) and (3), 17 C.F.R. § 5.7(a)(1)(i) and (3) (2014); (2) failed to give timely notice to the Commission of its January 9, 2013 minimum net capital deficiency in violation of Commission Regulation 5.6(a)(1), 17 C.F.R. § 5.6(a)(1) (2014); and (3) failed to supervise its employees and agents diligently by establishing, implementing, and executing an adequate supervisory structure and compliance programs in violation of Commission Regulation 5.21, 17 C.F.R. § 5.21 (2014).

## VII. ORDER

**Accordingly, IT IS HEREBY ORDERED THAT:**

A. IBFX shall cease and desist from violating Commission Regulations 5.7(a)(1)(i) and 3, 5.6(a)(1), and 5.21, 17 C.F.R. §§ 5.7(a)(1)(i) and 3 (2014); *id.* at 5.6(a)(1); *id.* at 5.21;

**B.** IBFX shall pay a civil monetary penalty in the amount of six hundred thousand dollars (\$600,000) within ten (10) business days of the date of the entry of this Order (the "CMP Obligation"). If the CMP Obligation is not paid in full within ten (10) business days of the date of entry of this Order, then post-judgment interest shall accrue on the CMP Obligation beginning on the date of entry of this Order and shall be determined by using the Treasury Bill rate prevailing on the date of entry of this Order pursuant to 28 U.S.C. § 1961 (2012). IBFX shall pay the CMP Obligation by electronic funds transfer, U.S. postal money order, certified check, bank cashier's check, or bank money order. If payment is to be made by other than electronic funds transfer, the payment shall be made payable to the Commodity Futures Trading Commission and sent to the address below:

Commodity Futures Trading Commission  
Division of Enforcement  
Attn: Accounts Receivables – AMZ 340  
E-mail Box: 9-AMC-AMZ-AR-CFTC  
DOT/FAA/MMAC  
6500 S. MacArthur Blvd.  
Oklahoma City, OK 73169  
Telephone: (405) 954-7262

If payment by electronic funds transfer is chosen, IBFX shall contact Nikki Gibson or her successor at the above address to receive payment instructions and shall fully comply with those instructions. IBFX shall accompany payment of the CMP Obligation with a cover letter that identifies IBFX and the name and docket number of this proceeding. IBFX shall simultaneously transmit copies of the cover letter and the form of payment to the Chief Financial Officer, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, NW, Washington, D.C. 20581.

**C. Public Statements:** IBFX agrees that neither it nor any of its successors and assigns, agents or employees under its authority or control shall take any action or make any public statement denying, directly or indirectly, any findings or conclusions in this Order or creating, or tending to create, the impression that this Order is without a factual basis; provided, however, that nothing in this provision shall affect IBFX's: (i) testimonial obligations; or (ii) right to take legal positions in other proceedings to which the Commission is not a party. IBFX and its successors and assigns shall undertake all steps necessary to ensure that all of its agents and/or employees under its authority or control understand and comply with this agreement.

**D. Undertakings:** IBFX and its successors and assigns shall comply with the following conditions and undertakings set forth in the Offer:

1. **Forex Exposure Monitoring** – On or before March 31, 2015, IBFX shall develop an automated forex exposure monitoring system that will enable the comprehensive real-time monitoring of its actual forex exposure, including but not limited to warehouse exposure, non-warehouse exposure, and exposure created from out-trades or erroneous system generated trading. This system should enable management to fully understand its forex exposures by currency including limit breaches and effects on net capital.

2. **Supervisory Procedures** – Within ninety (90) days of entry of this Order, IBFX shall adopt and implement risk management procedures regarding twenty-four (24) hour forex exposure monitoring. These procedures should clearly identify the monitoring process including defined limits, responsibilities and authorities, systems and reports used, effect on capital, conditions requiring escalation, and escalation procedures with clear lines of responsibility. IBFX shall conduct and document training of all management and staff involved in this function at least annually.

3. **Information Technology Development Procedures** – IBFX shall, within sixty (60) days of entry of this Order, retain a nationally recognized independent third-party consultant (the "Consultant").

a) The Consultant shall, at a minimum, review and evaluate IBFX's information technology development and implementation policies and procedures relating to its business as an RFED, including but not limited to the deployment of new software and code.

b) The Consultant shall prepare and issue to the Board of Directors of IBFX a written report ("Report") which shall:

(1) Describe the scope and methodologies used by the Consultant in order to complete the review;

(2) Describe IBFX's compliance with the review;

(3) Describe any findings with regard to the adequacy of IBFX's existing information technology development and implementation policies and procedures and IBFX's response to such findings; and

(4) Make recommendations, if any, with regard to matters assessed, setting forth why such recommendations are reasonably designed to improve IBFX's information technology development and implementation policies and procedures.

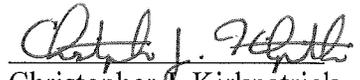
c) IBFX shall advise the Division, in writing, of any recommendations made by the Consultant that IBFX considers unduly burdensome, unachievable, impractical, or unreasonably costly and describe, in writing, an alternative policy, procedure, or system designed to achieve the same objective or purpose or provide an explanation as to the reason for disagreement.

**E. Partial Satisfaction:** IBFX understands and agrees that any acceptance by the Commission of partial payment of IBFX's CMP Obligation shall not be deemed a waiver of its obligation to make further payments pursuant to this Order, and shall not be deemed a waiver of the Commission's right to seek to compel payment of any remaining balance.

**F. Change of Address/Phone:** Until such time as IBFX satisfies in full its CMP Obligation as set forth in this Order, IBFX shall provide written notice to the Commission by certified mail of any change to its telephone number and mailing address within ten (10) calendar days of the change.

The provisions of this Order shall be effective on this date.

**By the Commission**



Christopher V. Kirkpatrick  
Secretary of the Commission  
Commodity Futures Trading Commission

Dated: December 10, 2014