UNITED STATES OF AMERICA
Before the
COMMODITY FUTURES TRADING COMMISSION

In the Matter of	**CFTC Docket No: 13-21**
The Linn Group, Inc.,	
Respondent.	

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

I.

The Commodity Futures Trading Commission ("Commission") has reason to believe that from in or about October 2007 to the present (the "relevant period"), The Linn Group, Inc. ("TLG" or "Respondent"), a registered futures commission merchant ("FCM") and commodity pool operator ("CPO"), violated Section 4d(a)(2) of the Commodity Exchange Act ("Act"), 7 U.S.C. § 6d(a)(2) (Supp. IV 2011), and Commission Regulations ("Regulations") 1.12 (d), (h), 1.20(a), (c), 1.35(a), 30.7(a), (c), (d), and 166.3, 17 C.F.R §§ 1.12(d), (h), 1.20(a), (c), 1.35(a), 30.7(a), (c), (d), and 166.3 (2012), and Commission Regulation 30.7(c), 17 C.F.R. § 30.7(c) (2011).[1] Therefore, the Commission deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted to determine whether Respondent engaged in the violations set forth herein and to determine whether any order shall be issued imposing remedial sanctions.

II.

In anticipation of the institution of an administrative proceeding, Respondent has submitted an Offer of Settlement ("Offer"), which the Commission has determined to accept. Without admitting or denying the findings or conclusions herein Respondent consents to the entry of this Order Instituting Proceedings Pursuant to Sections 6(c) and 6(d) of the Commodity Exchange Act, as Amended, Making Findings and Imposing Remedial Sanctions ("Order") and acknowledges service of this Order.[2]

[1] Regulation 30.7 was amended in 2012.

[2] Respondent 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

III.

The Commission finds the following:

A. SUMMARY

During the relevant period, TLG engaged in a number of compliance violations of the Act and Regulations, although none caused any loss to customers. Specifically, TLG failed to maintain a separate account to cover its obligations to US customers trading futures and/or options on foreign exchanges on 23 days between December 1, 2007 and January 8, 2008, thereby violating Regulation 30.7; and it failed to timely notify the CFTC of such violations until January 11, 2008. TLG failed to timely obtain acknowledgement letters for certain customer segregated funds accounts and secured accounts between November 2007 and June 2012; and improperly deposited and held non-customer and proprietary funds in a customer omnibus trading account from 2007 to 2011. Additionally, TLG failed to timely notify the CFTC of material inadequacies brought to TLG's attention by its certified public accountant ("CPA") in March 2008 and March 2011 and failed to properly maintain and produce certain records requested by the CFTC relating to its business of dealing in commodity futures from 2007 to 2012.

TLG also failed to diligently supervise its officers, employees, and agents. For example, TLG did not ensure that its former chief financial officer ("CFO") understood the applicable requirements under the Act and Regulations. TLG also failed to adequately train its employees, officers, and agents to ensure compliance with the Act and Regulations, including with respect to the handling, monitoring, recording, and reporting of customer funds.

B. RESPONDENT

The Linn Group, Inc. is an Illinois corporation established in October 1980. TLG has been registered with the CFTC as an FCM since September 2000 and a CPO since March 2007. TLG has approximately 31 registered Associated Persons ("APs"), approximately 8,600 customer accounts, and approximately $77 million of customer funds in segregation. TLG currently has guarantee agreements with 29 introducing brokers ("IB"), which are the firm's primary source of customers.

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is a party; provided, however, that Respondent 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 Respondent 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.

C. FACTS

1. Handling, Monitoring, Recording, and Reporting of Customer Funds

TLG began accepting secured funds from US customers trading futures and/or options on foreign exchanges ("Foreign Customers") pursuant to Regulation 30.7 on or about November 30, 2007. TLG had a Regulation 30.7 secured requirement without maintaining a designated secured account on approximately 23 days between December 1, 2007 and January 7, 2008. TLG first reported Regulation 30.7 customer funds on its daily report to the National Futures Association ("NFA") on or about December 4, 2007. The NFA notified TLG's then-CFO of the Regulation 30.7 requirements, including the requirement to maintain a separate bank account for 30.7 funds and to obtain an acknowledgement letter from the bank confirming that the bank was informed that the money, securities or property are being held in a separate account for Foreign Customers in accordance with CFTC Regulations. Nonetheless, TLG held its domestic customers' and Foreign Customers' funds together in one or more accounts designated for segregated funds. TLG did not open a separate 30.7 bank account as required until January 8, 2008. Even though TLG knew that the amount set aside in separate accounts for Foreign Customers was less than the total amount of such funds required by Regulation 30.7, it failed to provide immediate telephonic and written notice to the Commission and NFA in accordance with Regulation 1.12(h) on or before December 4, 2007. In fact, TLG did not provide such notice to the Commission until January 11, 2008.

TLG further failed to timely notify the CFTC of a material inadequacy related to the above-referenced deficiencies that it should have discovered on or before December 4, 2007, and that its accountant identified in March 2008, in violation of Regulation 1.12(d). TLG did not submit notice to the CFTC of the material inadequacy until April 11, 2008. TLG similarly failed to timely report to the CFTC another material inadequacy identified by its accountant in March 2011 related to TLG's improper recording of secured customer payables on TLG's balance sheet, also in violation of Regulation 1.12(d). TLG did not provide written notification of the inadequacy to the Commission until August 31, 2011.

Between approximately October 2007 and September 2011, TLG held secured, segregated, non-customer, and proprietary funds in a customer omnibus trading account at Brokerage A ("Brokerage A Account"). TLG opened Brokerage A Account on or about June 29, 2007. On approximately July 1, 2007, TLG obtained an acknowledgement letter from Brokerage A confirming that segregated funds were to be maintained in the account in accordance with CFTC Regulations. TLG thereafter funded the account on August 15, 2007. TLG began depositing secured funds in Brokerage A Account on or about November 30, 2007. As of November 30, 2010, Brokerage A Account also included at least two accounts belonging to TLG's APs and three accounts in the name of TLG containing proprietary funds. TLG opened one of the AP accounts in approximately October 2007 and the other accounts in approximately August 2009. As of November 30, 2010, the non-customer and proprietary funds contained in Brokerage A Account totaled over $20,000. All non-customer and proprietary accounts were closed or transferred to a house account by September 2011.

TLG failed to maintain full, complete, and systematic records of the non-customer funds that were held in its Brokerage A account for the requisite time period and failed to produce the vast majority if not all of those records for inspection when and as requested by the CFTC.

Moreover, TLG failed to obtain acknowledgement letters prior to funding customer segregated and/or secured accounts as required by Regulations 1.20(a) and 30.7(c)(2) on at least eight occasions between November 2007 and June 2012. Specifically, TLG began accepting secured funds in its Brokerage A Account on or about November 30, 2007. It did not obtain an acknowledgement letter referencing the inclusion of secured funds until approximately May 11, 2009. TLG also opened a customer segregated account at Bank A on or about July 31, 2009. It funded that account on approximately August 5, 2009; however, TLG did not obtain an acknowledgement letter until approximately August 12, 2009. In addition, TLG opened a customer segregated account at Bank B on or about September 14, 2009. It funded that account with $1 on approximately September 15, 2009 and wired an additional $1.5 million on approximately September 17, 2009, but never obtained an acknowledgment letter. On approximately October 13, 2009, TLG purchased three CDs at Bank B with funds from the segregated funds account. TLG did not obtain acknowledgment letters for each of the CDs until October 19, 2009. Finally, TLG did not obtain acknowledgement letters for segregated funds and secured funds held in a customer omnibus trading account at Brokerage B until approximately three weeks after the account had been transferred from Brokerage A. TLG back-dated those letters to coincide with the date of the transfer, June 1, 2012.

2. Supervision

During the relevant time, TLG did not have procedures in place to: (i) ensure that the proper type of bank and/or trading accounts were opened to hold secured funds; (ii) identify secured deficiencies that require notice to the Commission; (iii) ensure that only customer funds remain in customer accounts; (iv) maintain complete and systematic records regarding its commodity futures business; and (v) ensure that acknowledgement letters are timely obtained for all accounts holding customer funds. For example, during sworn testimony before the CFTC in 2012, neither TLG's former CFO nor its Chief Executive Officer ("CEO") could recall anything that TLG did in 2007 or after to prepare for accepting secured funds, nor could they identify any procedures in place to monitor the secured requirements.

TLG also failed to implement any procedures to comply with various reporting and notification requirements as set forth in the Regulations. As a result, TLG failed to timely report to the CFTC: (i) the secured deficiencies, as described above; (ii) notice of two material inadequacies identified by its CPA in 2008 and 2011, as described above; (iii) that it retained a new accountant as of January 2008; and (iv) that it had substantial reductions in adjusted net capital and/or excess net capital on two occasions between February and April 2008.

Additionally, TLG's CEO knew that TLG's former CFO did not have the requisite knowledge of the Act and applicable Regulations during his tenure as CFO of TLG, from approximately mid-2000 until December 2010, to ensure that TLG complied with the Act and Regulations. Consequently, TLG relied on: (i) its independent auditors; and (ii) its attorneys to ensure compliance with the Act and Regulations rather than providing adequate training to its officers, employees and agents. However, TLG failed to exercise any due diligence in retaining

its CPA in 2008, and engaged a CPA who: (i) had not provided audit services to any company for at least the preceding 20 years; (ii) had never previously audited any other FCMs or entities required to hold segregated accounts for customers; and (iii) did not have any understanding of the CFTC rules and regulations prior to preparation for TLG's 2011 audit.

TLG also failed to oversee its CPA's work, which resulted in repeated violations of Regulation 1.16(d) with respect to TLG's 2007 through 2011 audits and violations of Regulation 1.10(d)(2)(vi) with respect to TLG's 2007, 2008, and 2010 financial statements. Specifically, TLG failed to take action when deficiencies with its CPA's performance were brought to its attention. For example, TLG did not discuss with its CPA the repeated failures to comply with Regulation 1.10(d)(2)(vi) due to errors in its financial statements despite notice from the CFTC of these errors and requests by the CFTC to discuss the issues with the CPA. TLG similarly failed to take meaningful corrective action until seven months after the Commission sent TLG a letter in February 2012 setting forth repeated deficiencies with respect to its CPA's work, which resulted in TLG's ultimately replacing its CPA in September 2012.

IV.

LEGAL DISCUSSION

A. Failure to Supervise

Regulation 166.3, 17 C.F.R. § 166.3 (2012), requires –

> Each Commission registrant, except an associated person who has no supervisory duties, must diligently supervise the handling by its partners, officers, employees and agents (or other persons occupying a similar status or performing a similar function) of all commodity interest accounts carried, operated, advised or introduced by the registrant and all other activities of its partners, officers, employees, and agents (or other persons occupying a similar status or performing a similar function) relating to its business as a registrant.

A violation under Regulation 166.3 is an independent violation for which no underlying violation is necessary. *See In re Collins*, [1996-1998 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 27,194 at 45,744 (CFTC Dec. 10, 1997).

A violation of Regulation 166.3 is demonstrated by showing either that: (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 GNP Commodities, Inc.*, [1990-1992 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 25,360 at 39,219 (CFTC Aug. 11, 1992)(providing that, even if an adequate supervisory system is in place, Regulation 166.3 can still be violated if the supervisory system is not diligently administered), *aff'd sub nom. Monieson v. CFTC*, 996 F.2d 852 (7th Cir. 1993); *In re Paragon Futures Ass'n*, [1990-1992 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 25,266 at 38,850 (CFTC Apr. 1, 1992)

("The focus of any proceeding to determine whether Rule 166.3 has been violated will be on whether [a] review [has] occurred and, if it did, whether it was diligent"); *Samson Refining Co. v. Drexel Burnham Lambert, Inc.* [1987-1990 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 24,596 at 36,566 (CFTC Feb. 16 1990)(noting that, under Regulation 166.3, an FCM has a "duty to develop procedures for the detection and deterrence of possible wrongdoing by its agents")(internal quotation omitted). 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. *In re Paragon Futures,* ¶ 25,266 at 38,850; *CFTC v. Sidoti,* 178 F.3d 1132, 1137 (11th Cir. 1999) (defendant was liable for failure to supervise because he "knew of specific instances of misconduct, yet failed to take reasonable steps to correct the problems").

During the relevant period, TLG did not have procedures in place to (i) ensure that the proper type of bank and/or trading account was opened to hold secured funds; (ii) identify deficiencies in the amount of its secured funds that required notice to the Commission; (iii) ensure that only customer funds remained in customer accounts; (iv) maintain complete and systematic records regarding its commodity futures business; and (v) ensure that acknowledgement letters were timely obtained for all accounts holding customer funds. TLG further did not have procedures to ensure compliance with other Regulations, including certain reporting and notification requirements.

TLG further failed to adequately and diligently supervise its employees, officers and agents, including but not limited to the activities of its then-CFO and then-CPA. For example, TLG did not ensure that its then-CFO understood the requirements under the Act and Regulations. TLG also failed to adequately train its employees, officers, and agents to ensure compliance with the Act and Regulations, including with respect to the handling, monitoring, recording, and reporting of customer funds. Similarly, TLG failed to vet and oversee its CPA, which resulted in violations of Regulations 1.10(d)(2)(vi) and 1.16(d). TLG thereby failed to supervise diligently the handling of customer accounts and did not have sufficient policies and procedures in place to detect and deter the violations of the Regulations found herein, in violation of Regulation 166.3.

B. Failure to Properly Maintain Customer Accounts

Section 4d(a)(2) of the Act, 7 U.S.C. § 6d(a)(2) (Supp. IV 2011), requires that, among other things, customer funds "shall be separately accounted for and shall not be commingled" with an FCM's funds. Regulation 1.20(c), 17 C.F.R. § 1.20(c) (2012), sets forth the requirements for customer funds traded on domestic exchanges, including the requirement prohibiting an FCM from commingling segregated funds with its own funds or the funds of any other person.

Regulation 30.7(a), 17 C.F.R. § 30.7(a) (2012), provides similar requirements for secured funds, including that an FCM cannot commingle secured funds with its own funds or the funds of any other person, and that an FCM "must maintain in a separate account or accounts, money, securities and property in an amount at least sufficient to cover or satisfy all of its current obligations to foreign futures or foreign options customers denominated as the foreign futures or foreign options secured amount." According to Regulation 30.7(c)(1), 17 C.F.R. § 30.7(c)(1)

(2011), 30.7(a) accounts "must be maintained under an account name that clearly identifies them as such..." Regulation 30.7(c)(2), 17 C.F.R. 30.7(c)(2) (2012), also requires that FCMs obtain a "written acknowledgement" from each bank or financial institution where foreign futures and options customer funds are held, which reflects that the money, security, or property in the account belongs to commodity or options customers and that those funds are maintained in accordance with the Regulations.

Regulation 30.7(d), 17 C.F.R. § 30.7(d) (2012), explicitly prohibits commingling of secured and segregated funds in one account:

> In no event may money, securities or property representing the foreign futures or foreign options secured amount be held or commingled and deposited with customer funds in the same account or accounts required to be separately accounted for and segregated pursuant to section 4d of the Act and the regulations thereunder.

Between November 30, 2007 and January 8, 2008, TLG failed to maintain Regulation 30.7 secured funds in a separate account to cover its obligations to Foreign Customers. Instead, TLG held its secured funds in one or more bank accounts designated for customer segregated funds and in a customer omnibus account at Brokerage A in violation of Regulation 30.7(a) and 30.7(d). Moreover, the segregated bank account(s) and customer omnibus account titles did not specify that those accounts were designated for 30.7 funds as required by Regulation 30.7(c)(1), notwithstanding that the customer omnibus account contained sufficient funds to cover TLG's 30.7 obligations for the days it had a secured requirement between November 30, 2007 and January 8, 2008. Further, the acknowledgement letters for those accounts did not reference 30.7 funds as required by Regulation 30.7(c)(2). TLG obtained a revised acknowledgement letter for its customer omnibus account at Brokerage A that referenced deposits of both segregated and secured funds on or about May 11, 2009.

Additionally, between approximately October 2007 and September 2011, TLG violated Regulation 1.20(c) and further violated Regulation 30.7(a) by improperly holding secured, segregated, AP, and proprietary funds in its customer omnibus trading account at Brokerage A.

C. Failure to Obtain Acknowledgement Letters

The Regulations require FCMs to obtain and retain in their files a "written acknowledgement" from each bank or financial institution where customer funds are held, which reflects that the money, securities, or property in the account belongs to commodity or options customers and that those funds are maintained in accordance with the Regulations. Regulation 1.20(a), 17 C.F.R. § 1.20(a) (2012), requires written acknowledgements for accounts held on behalf of customers trading on domestic exchanges and Regulation 30.7(c)(2), 17 C.F.R. § 30.7(c)(2) (2012), requires written acknowledgement letters for accounts held on behalf of Foreign Customers.

TLG violated Regulations 1.20(a) and 30.7(c)(2) because it failed to obtain written acknowledgements prior to funding customer segregated and/or secured accounts on at least 8 occasions between November 2007 and June 2012.

D. **Failure to Provide Timely Notice of Secured Deficiencies**

Regulation 1.12(h), 17 C.F.R. § 1.12(h) (2012), provides:

> Whenever a person registered as a futures commission merchant knows or should know that the total amount of its funds on deposit in segregated accounts on behalf of customers, or that the total amount set aside on behalf of customers trading on non-United States markets, is less than the total amount of such funds required by the Act and the Commission's rules to be on deposit in segregated or secured amount accounts on behalf of such customers, the registrant must report such deficiency immediately by telephone notice, confirmed immediately in writing by facsimile notice, to the registrant's designated self-regulatory organization and the [CFTC.]

Despite notice of the Regulation 30.7 requirements on or before December 4, 2007, TLG did not notify the CFTC that the amount set aside in a separate account for Foreign Customers was less than the total amount of such funds required by the Act until January 11, 2008, although TLG's customer omnibus account at Brokerage A contained sufficient funds to cover TLG's 30.7 obligations for the days it had a secured requirement between November 30, 2007 and January 8, 2008.

E. **Failure to Provide Timely Notice of Material Inadequacies**

Regulation 1.12(d), 17 C.F.R. 1.12(d) (2012), provides:

> Whenever any applicant or registrant discovers or is notified by an independent public accountant, pursuant to § 1.16(e)(2) of this chapter, of the existence of any material inadequacy, as specified in § 1.16(d)(2) of this chapter, such applicant or registrant must give facsimile notice of such material inadequacy within twenty-four (24) hours, and within forty-eight (48) hours after giving such notice file a written report stating what steps have been taken to correct the material inadequacy.

On at least two occasions, TLG failed to notify the CFTC via facsimile within 24 hours and file a written report within 48 hours that it had discovered and/or that its independent public accountant notified it of a material inadequacy. First, TLG failed to timely notify the CFTC of a material inadequacy related to Regulation 30.7 secured deficiencies that it discovered on or before December 4, 2007 and that its accountant identified in March 2008, in violation of Regulation 1.12(d). Instead, TLG submitted notice to the CFTC of the material inadequacy on April 11, 2008. Second, TLG failed to timely notify the CFTC of another material inadequacy identified by its accountant in March 2011 related to TLG's improper recording of secured customer payables on TLG's balance sheet, also in violation of Regulation 1.12(d). TLG formally provided written notification of the inadequacy to the Commission on August 31, 2011.

F. **Record Keeping**

Regulation 1.35(a) requires, among other things, that FCMs "keep full, complete, and systematic records, together with all pertinent data and memoranda, of all transactions relating to its business of dealing in commodity futures." 17 C.F.R. § 1.35(a) (2012). Such records include "all orders (filled, unfilled, or canceled), trading cards, signature cards, street books, journals, ledgers, canceled checks, copies of confirmations, copies of statements of purchase and sale, and all other records, data and memoranda, which have been prepared in the course of its business of dealing in commodity futures ..." *Id.* FCMs are required to retain all such records for a period of five years and produce them for inspection when and as requested by the CFTC. 17 C.F.R. §§ 1.31(a), 1.35(a) (2012).

TLG failed to maintain full, complete, and systematic records related to its customer omnibus brokerage account, including holding TLG's AP and proprietary accounts in that omnibus brokerage account, for the requisite period. Accordingly, TLG violated Regulation 1.35(a).

V.

FINDINGS OF VIOLATIONS

Based on the foregoing, the Commission finds that, during the relevant period, TLG violated Section 4d(a)(2) of the Commodity Exchange Act ("Act"), 7 U.S.C. 6d(a)(2) (Supp. IV 2011) and Commission Regulations ("Regulation") 1.12(d), (h), 1.20(a), (c), 1.35(a), 30.7(a), (c), (d), and 166.3, 17 C.F.R §§ 1.12(d), (h), 1.20(a), (c), 1.35(a), 30.7(a), (c), (d), and 166.3 (2012), and Commission Regulation 30.7(c), 17 C.F.R. § 30.7(c) (2011).

VI.

OFFER OF SETTLEMENT

Respondent has submitted an 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 the 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 (2006) and 28 U.S.C. § 2412 (2006), 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 (2012), 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, 857-68 (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 upon 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 Respondent has consented in the Offer; and

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 Respondent violated Section 4d(a)(2) of the Act, 7 U.S.C. 6d(a)(2) (Supp. IV 2011) and Regulations 1.12(d), (h), 1.20(a), (c), 1.35(a), 30.7(a), (c), (d), and 166.3, 17 C.F.R §§ 1.12(d), (h), 1.20(a), (c), 1.35(a), 30.7(a), (c), (d), and 166.3 (2012), and Commission Regulation 30.7(c), 17 C.F.R. § 30.7(c) (2011);

2. orders Respondent to cease and desist from violating Section 4d(a)(2) of the Act, 7 U.S.C. § 6d(a)(2) (Supp. IV 2011) and Regulations 1.12(d), (h), 1.20(a), (c), 1.35(a), 30.7(a), (c), (d), and 166.3, 17 C.F.R §§ 1.12(d), (h), 1.20(a), (c), 1.35(a), 30.7(a), (c), (d), and 166.3 (2012);

3. orders Respondent to pay a civil monetary penalty in the amount of four hundred thousand dollars ($400,000) plus post-judgment interest; and

4. orders TLG and its successors and assigns to comply with the undertakings consented to in its Offer and as set forth below in Section VII of this Order.

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

VII.

ORDER

Accordingly, IT IS HEREBY ORDERED THAT:

A. Respondent shall cease and desist from violating Section 4d(a)(2) of the Act, 7 U.S.C. 6d(a)(2) (Supp. IV 2011) and Regulations 1.12(d), (h), 1.20(a), (c), 1.35(a), 30.7(a), (c), (d), and 166.3, 17 C.F.R §§ 1.12(d), (h), 1.20(a), (c), 1.35(a), 30.7(a), (c), (d), and 166.3 (2012), and Commission Regulation 30.7(c), 17 C.F.R. § 30.7(c) (2011);

B. Respondent shall pay a civil monetary penalty in the amount of four hundred thousand dollars ($400,000) (the "CMP Obligation"). 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 the Order pursuant to 28 U.S.C. § 1961 (2006). Respondent shall pay this civil monetary penalty 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 other than by electronic funds transfer, then 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) 954-5644

If payment is to be made by electronic funds transfer, Respondent shall contact Linda Zurhorst or her successor at the above address to receive payment instructions and shall fully comply with those instructions. Respondent shall accompany payment of the CMP Obligation with a cover letter that identifies the paying Respondent and the name and docket number of this proceeding. The paying Respondent 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. Respondent and its successors and assigns shall comply with the following conditions and undertakings set forth in the Offer:

1. TLG will immediately undertake to implement strengthened procedures related to handling, monitoring, recording, and reporting of customer funds and procedures to prevent and detect violations of the Act and Regulations. Within thirty (30) days of the effective date of this Order, TLG will hire an outside

consulting firm ("Consultant") that is not unacceptable to the Commission and who is knowledgeable of the Act and Regulations, possesses strong internal control expertise, and has previously provided consulting and auditing services to FCMs. The Consultant shall review and assess TLG's operations, provide training, and make recommendations regarding "best practices" in Respondent's control processes and procedures, supervision and compliance programs to prevent future violations of the Act and Regulations, and assist TLG in reviewing and updating its current procedures as necessary in order to fully comply with the Act and the Commission's Regulations. Within sixty (60) days thereafter, the Consultant will submit to Commission staff the procedures it has recommended at that time and TLG will submit an affidavit that the procedures have been implemented. The Consultant shall conduct an audit of TLG ninety (90) days after the effective date of this Order and every ninety (90) days thereafter for a period of one year from the effective date of this Order to ensure that it is following the newly implemented procedures, and the Consultant shall provide a copy of its report to Commission staff.

2. Public Statements: Respondent 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 Respondent's: (i) testimonial obligations; or (ii) right to take legal positions in other proceedings to which the Commission is not a party Respondent 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.

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

4. Change of Address/Phone: Until such time as Respondent satisfies in full its CMP Obligation as set forth in this Order, Respondent 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 as of this date.

By the Commission.

Christopher J. Kirkpatrick
Deputy Secretary of the Commission
Commodity Futures Trading Commission

Dated: April 18, 2013