United States District Court
Southern District of Texas
FILED
MAY 2 1 2009
Michael N. Milby
Clerk of Court

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

U.S. COMMODITY FUTURES TRADING COMMISSION,

Plaintiff,

v.

PRIVATEFX GLOBAL ONE LTD., SA; 36 HOLDINGS LTD.; ROBERT D. WATSON; and DANIEL J. PETROSKI,

Defendants.

FILED UNDER SEAL

Civil Action No.

09-1540

Sealed
Public and unofficial staff access to this instrument are prohibited by court order.

COMPLAINT FOR INJUNCTIVE RELIEF, CIVIL MONETARY PENALTIES, AND OTHER EQUITABLE RELIEF

Plaintiff U.S. Commodity Futures Trading Commission (CFTC) alleges as follows:

I. SUMMARY

1. From at least approximately July 1, 2006 to the present, defendant PrivateFX Global One Ltd., SA (Global One), by and through its agents; defendant 36 Holdings Ltd. (36 Holdings), by and through its agents; defendant Robert D. Watson (Watson), Global One's chairman and principal foreign currency trader and owner of 36 Holdings; and defendant Daniel J. Petroski (Petroski), Global One's chief executive officer and managing director (collectively, Defendants) have orchestrated a fraudulent off-exchange foreign currency (forex) scheme in which they have solicited millions of dollars from investors to purchase shares of Global One. To entice investors to purchase these shares, Defendants touted the supposedly extremely successful historical performance of their "proprietary model" for forex trading, referred to as "Alpha One." Defendants claimed that Alpha One's quarterly forex trading returns

ranged from approximately 6 percent to 10 percent from January 1, 2000 through June 30, 2006, without ever having a losing quarter. Upon information and belief, over 60 investors have purchased approximately $19.5 million of shares in Global One.

2. Since beginning operations in 2006, through May 2009, Defendants have reported returns, generated almost exclusively through forex trading, to Global One investors of roughly 1.5 percent to 3 percent each month and have claimed never to have had a losing month trading forex. In fact, Defendants have claimed that almost all of their individual forex trades since January 1, 2008 have resulted in a profit. This information has been communicated to Global One investors, among other ways, through monthly individual investor reports, Global One's financial statements, various charts, tables, and graphs, and Global One's website.

3. In an effort to verify Defendants' claims concerning their supposed highly successful forex trading, the CFTC and the Securities and Exchange Commission (SEC) subpoenaed documents from Defendants. In response to the CFTC's and the SEC's subpoenas, Global One, Watson, and Petroski provided, among other things, purported "Deutsche Bank Combined Account Statement[s]" for 36 Holdings Ltd. (36 Holdings), in whose account the vast majority of Global One's forex trades purportedly were conducted from January 1, 2009 to April 30, 2009. These statements purport to detail more than 100 separate forex transactions that resulted in forex trading profits of $7,465,629 in the 36 Holdings account from January 1, 2009 to April 30, 2009, of which $2,096,377 is allocated as profits for Global One.

4. These "Deutsche Bank Combined Account Statement[s]," however, are fictitious. The account number contained on the statements does not belong to 36 Holdings or any other entity associated with Defendants. In fact, 36 Holdings never had an account in its name with Deutsche Bank. Further, the forex transactions identified in the "Deutsche Bank Combined

Statement[s]" did not occur in any of Deutsche Bank's forex customer's accounts, and, given the supposed large volume of each of the purported forex transactions, Deutsche Bank would not have permitted such transactions to occur in any of its forex customer's accounts.

5. Apparently, Defendants created these bogus Deutsche Bank records to conceal their fraud from the CFTC and the SEC. The forex trading activity detailed in the "Deutsche Bank Combined Account Statement[s]," as well as the supposed profits generated from that forex trading activity, did not occur. Further, upon information and belief, other purported Global One forex trading conducted through 36 Holdings (and other entities) prior to January 1, 2009 did not occur as represented by Defendants.

6. Defendants' fictitious trading activity and the make-believe profits generated from that fictitious trading activity form the bases for numerous misrepresentations made to Global One's investors regarding Global One's extraordinary forex trading profits and the concomitant returns these investors supposedly enjoyed. In addition, rather than use investor funds to trade forex, Defendants simply misappropriated or misapplied a portion of those funds.

7. Defendants also produced to the CFTC and the SEC false LGT Bank (Switzerland) Ltd. (LGT) statements for 36 Holdings in a further attempt to conceal Defendants' fraud and discourage further investigation by the CFTC and the SEC.

8. By virtue of this conduct and the further conduct described herein, Defendants have engaged, are engaging, or are about to engage in acts and practices in violation of provisions of the Commodity Exchange Act (Act), 7 U.S.C. §§ 1 *et seq*. (2006), as amended by the Food, Conservation, and Energy Act of 2008, Pub. L. No. 110-246, Title XIII (the CFTC Reauthorization Act of 2008 (CRA)), §§ 13101-13204, 122 Stat. 1651 (enacted June 18, 2008).

9. Watson and Petroski, as well as other agents of Global One, have committed, are committing, or about to commit the acts and omissions described herein within the course and scope of their employment at or agency with Global One; therefore, Global One is liable under Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2006), and CFTC Regulation (Regulation) 1.2, 17 C.F.R. § 1.2 (2009), as principal for its agents' violations of the Act.

10. Watson, as well as other agents of 36 Holdings, have committed, are committing, or about to commit the acts and omissions described herein within the course and scope of their employment at or agency with 36 Holdings; therefore, 36 Holdings is liable under Section 2(a)(1)(B) of the Act and Regulation 1.2 as principal for its agents' violations of the Act.

11. Watson and Petroski are liable under Section 13(b) of the Act, 7 U.S.C. § 13c(b) (2006), as controlling persons of Global One, for its violations of the Act, because they did not act in good faith or knowingly induced, directly or indirectly, the acts constituting Global One's violations.

12. Watson is liable under Section 13(b) of the Act as controlling person of 36 Holdings, for its violations of the Act, because he did not act in good faith or knowingly induced, directly or indirectly, the acts constituting 36 Holdings's violations.

13. Accordingly, pursuant to Sections 6c of the Act, 7 U.S.C. § 13a-1 (2006), and Section 2(c)(2) of the Act, as amended by the CRA, to be codified at 7 U.S.C. § 2(c)(2), the CFTC brings this action to enjoin Defendants' unlawful acts and practices and to compel their compliance with the Act and to further enjoin Defendants from engaging in any commodity-related activity. In addition, the CFTC seeks civil monetary penalties and remedial ancillary relief, including, but not limited to, trading and registration bans, restitution, disgorgement,

rescission, pre- and post-judgment interest, and such other relief as the Court may deem necessary and appropriate.

14. Unless restrained and enjoined by this Court, Defendants are likely to 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

15. Section 6c(a) of the Act, 7 U.S.C. § 13a-1 (2006), authorizes the CFTC to seek injunctive relief against any person whenever it shall appear to the CFTC 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.

16. The CFTC has jurisdiction over the forex transactions at issue in this case pursuant to Section 6c of the Act and Section 2(c)(2) of the Act, as amended by the CRA, to be codified at 7 U.S.C. § 2(c)(2).

17. Venue properly lies with the Court pursuant to Section 6c(e) of the Act, 7 U.S.C. § 13a-1(e) (2006), because Defendants transacted business in the Southern District of Texas and certain of the transactions, acts, practices, and courses of business alleged occurred, are occurring, and/or are about to occur within this District.

III. PARTIES

18. Plaintiff **U.S. Commodity Futures Trading Commission** is an independent federal regulatory agency that is charged with the administration and enforcement of the Act, 7 U.S.C. §§ 1 *et. seq*, and the Regulations promulgated thereunder, 17 C.F.R. §§ 1.1 *et. seq.* The CFTC maintains its principal office at Three Lafayette Centre, 1155 21st Street, NW, Washington, D.C. 20581.

19. Defendant **PrivateFX Global One Ltd., SA** purports to be a corporation formed in the Republic of Panama on March 27, 2006. Global One purports to have offices in Panama, England, Switzerland, and the United States (Sugar Land, Texas). Global One has never been registered with the CFTC.

20. Defendant **36 Holdings Ltd.** is identified by Global One as a "deal clearing company owned by Robert T. Watson." Watson has formed a number of entities named "36 Holdings," none of which are "deal clearing" companies. Public records indicate that at one time entities named 36 Holdings were incorporated in Delaware and the United Kingdom, but neither entity is currently registered in those locations. Defendants also have claimed that 36 Holdings is located in the British Virgin Islands. In documents provided to investors, Defendants have identified 36 Holdings as being located in both the United Kingdom and Switzerland. Bank records indicate that an entity named 36 Holdings, controlled by Watson, has bank accounts in the United States. 36 Holdings has a bank account with LGT in Switzerland and, according to Defendants, forex trading accounts at a number of financial institutions, including Deutsche Bank. Defendants claim that 36 Holdings trades forex account on behalf of Global One and other funds controlled by Watson. 36 Holdings has never been registered with the CFTC.

21. Defendant **Robert D. Watson**, a U.S. citizen and a resident of Houston, Texas, is the chairman, senior director, and controller of currency dealing operations for Global One and the owner of 36 Holdings. He is also an executive professor in the Department of Finance at Texas A&M University's Mays Business School. Watson has never been registered with the CFTC.

22. Defendant **Daniel J. Petroski**, a U.S. citizen and a resident of Houston, Texas, is the chief executive officer, managing director, and controller of administrative and legal

operations for Global One. Petroski is a lawyer, licensed in Texas since 1987, and a certified public accountant, licensed in Texas since 1984. Petroski has never been registered with the CFTC.

IV. FACTS

23. Starting on or about July 1, 2006, Defendants began raising funds from U.S. investors for their forex fraud scheme through an unregistered offering of up to 45 million Global One shares. Defendants described the offering in a private placement memorandum (PPM) issued June 23, 2006 and revised December 19, 2007.

A. The PPM

24. The PPM describes Global One as an entity that was "created as a Republic of Panama Corporation and . . . managed by Robert D. Watson." Its purported objective is "to speculate in the foreign currency inter-bank market" through the expertise of Watson and Petroski.

25. The PPM further explains that:

> Global One SA will speculate in the foreign currency inter-bank markets based upon a proprietary intra-day and weekly dealing model. Global One SA's positions will only involve the most liquid and largest currency crosses (i.e. EUR/USD, USD/JPY, GBP/USD, USD/ CHF & EUR/JPY). Global One SA will employ a proprietary model for directional dealing of the currency markets; taking positions that last from 10 minutes to five days. This proprietary model is called "Alpha One" (Investment results utilizing Alpha One for 6½ years are depicted in a graph found in Appendix B). Alpha One is designed to find the non-subjective point in which the currency markets have shifted in any time frame and then provides a practical (historically based) and risk effective approach to taking a currency position. Depending on the time frame selected, the position is taken and a historically based expectation is formed for the position to achieve the most risk effective profit. Current computer technology allows monitoring and practical stop loss management of positions Sunday through Friday each week. Alpha One will also indicate several months in advance when the shifting of Global One SA's cash balances to another currency would be advantageous. This can be

> exploited by shifting up to one-third (33%) of Global One SA's cash balances to a currency in which Global One SA speculates, such as the Euro, the Swiss Franc or the Japanese Yen.

26. The PPM identifies various risks associated with forex trading, including "[m]arket movements [that] can be volatile and difficult to predict," "unforeseen events [that] can . . . have a significant impact on currency prices," the "substantial risk" that "the techniques employed on behalf of Global One . . . cannot always be implemented or will be [sic] effective in reducing losses" and that "FX [d]ealing is [s]peculative."

27. Despite the substantial unpredictability of the forex market, Defendants claim in the PPM to have never had an unprofitable month of forex trading. In Appendix B to the PPM, Defendants present Alpha One's purported quarterly and cumulative returns from January 1, 2000 through June 30, 2006. According to Appendix B, Alpha One produced quarterly returns ranging from approximately 6 percent to 10 percent over a six-and-a-half year timeframe. The PPM claims that these returns represent "actual dealing in clients['] accounts."

28. In addition, the PPM claims that Global One will employ the services of 36 Holdings, "a deal clearing company owned by [Watson], . . . when 36 Holdings Ltd. has a competitive advantage over the Global One SA clearing accounts."

29. The PPM also provides that Global One's management team of Watson, Petroski, and John M. Edwards will be compensated out of the 25 percent of the gross profits allocated to Global One. According to the PPM, the remaining 75 percent of Global One's gross profits will be allocated among Global One's investors.

30. Upon information and belief, the Global One offering raised approximately $19.5 from over 60 investors.

B. Global One's Purportedly Successful Forex Operations

31. From at least October 2006 to at least May 2009, Global One investors periodically have received information from Defendants about Global One's financial performance, which is inextricably tied to Global One's purported forex trading. In this regard, Global One investors have received from Defendants, among other things, Global One's income statements and balance sheets, monthly investor reports, and various financial charts, tables, and graphs.

32. The income statements purportedly provide investors with a line-item summary of Global One's sources of income and expenses. This allows investors to see Global One's purported income from forex trading, as compared to purported income generated from bond sales, commissions, and interest income. From these statements, investors can see that substantially all of Global One's income comes from purported forex trading. For example, from January 2009 through April 2009, income from purported forex trading equaled 99.9 percent of the total income supposedly earned by Global One.

33. The balance sheets purportedly provide investors with a line-item summary of Global One's assets, liabilities, and investor equity. The income from purported forex trading affects several line items in the balance sheets. For example, the cash balances held at numerous banks and Global One's account at 36 Holdings, as well as investor's individual equity accounts, increase with purported forex trading profits.

34. The monthly investor reports provide investors with a summary of the activity that occurred in their individual Global One accounts during the month (*i.e.*, prior balance, deposits, withdrawals, the investor's stock dividends for the month, and the ending balance). It also states the returns (in both dollars and as a percentage) on the investor's account for several

different time periods—monthly, year-to-date, and 2006 through 2008. The returns reported by Global One are derived, in large part, from its purported forex trading income.

35. The charts, tables, and graphs provided to investors illustrate Global One's return as compared to various benchmarks (*e.g.*, the Standard & Poor's 500 and Dow Jones Industrial Average). The charts, tables, and graphs also present Global One's return for various periods of time (*e.g.*, monthly, year-to-date, since inception, etc.). The returns reported are derived, in large part, from Global One's purported forex trading income.

36. Despite the self-acknowledged unpredictability of the forex market, Global One's income statement, investor reports, charts, tables, and graphs provided to investors implausibly state that from August 2006 through April 2009 (33 consecutive months), Global One never had a losing month. Global One's monthly returns during that time ranged between 1.57 percent and 2.93 percent. Global One also states in various charts, graphs, and tables that, as of February 2009, Global One's average monthly return equaled 2.26 percent, its annualized return equaled 23.04 percent, and its cumulative return since inception equaled 69.95 percent.

37. During 2008, Global One purportedly executed 146 trades (which include multiple forex transactions associated with the buying of a forex position and the offsetting of that position) across all of its trading accounts—126 of those purported trades were profitable and only 20 were unprofitable. This means that 86 percent of Global One's purported trades were winning trades. Most of this supposed success is found in Global One's 36 Holdings trading account—118 of Global One's 146 executed 2008 trades supposedly occurred in this account, with 94 percent of those trades being profitable. Global One's forex trading in the 36 Holdings account during 2008 purportedly earned Global One total trading profits of approximately $4.7 million. Global One executed only 28 trades in or through other accounts—

only 46 percent of those trades were profitable; as a result, Global One's 2008 forex trading, outside of the 36 Holdings account, resulted in trading losses of approximately $26,000. One hundred percent of Global One's forex trading income in 2008, therefore, was generated in its 36 Holdings account.

38. Global One's purported forex trading success extended into 2009. Global One's January, February, March, and April of 2009 statements include monthly returns of 1.77 percent, 2.07 percent, 1.82 percent, and 1.48 percent, respectively. Once again, nearly all of Global One's income was generated by purported forex trading profits through Global One's 36 Holdings account. From January through April 2009, trading in Global One's 36 Holdings account supposedly generated 98 percent of Global One's income.

39. In addition to sending financial information directly to investors, Global One also made financial information available to its investors through a website—www.privatefx.net. At a minimum, investors could access Global One's private placement memorandum, subscription agreement, monthly investor reports, and the results of Global One's quarterly and annual audit reports supposedly conducted by its U.S. and Panamanian auditors.

40. According to Global One's 2008 audited financial statements, its year-end assets totaled $22,702,650.20. The notes to Global One's 2008 audited financial statements provide: "In an effort to protect against potential bank failures, Global One places cash on deposit with various banks throughout the world." The notes then provide a listing with the percentage of Global One's funds that supposedly were held at each of seven different banking institutions around the world. The largest portion of Global One's cash deposits, 38 percent, allegedly were held at 36 Holdings in Switzerland.

41. There were no counterparties to Defendants' fictitious forex transactions. In addition, some or all of Defendants and the futures commission merchants that were counterparties to Defendants' actual forex transactions were not financial institutions, registered broker dealers, insurance companies, bank holding companies, or investment bank holding companies or the associated persons of registered broker dealers, insurance companies, bank holding companies, or investment bank holding companies.

42. The forex transactions at issue were conducted for or on behalf of Global One investors. In fact, according to Defendants, the tremendous returns represented to Global One investors were the product of forex trading. Some or all of Global One's investors were not "eligible contract participants" as that term is defined in the Act. *See* Section 1a(12)(A)(xi) of the Act, 7 U.S.C. § 1a(12) (2006) (an "eligible contract participant" is, in relevant part, 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").

43. Global One's investors were offered, or entered into, forex transactions through their investment in Global One. These forex transactions were offered, or entered into (or purportedly entered into), on a leveraged or margined basis.

44. The forex transactions conducted (or purportedly conducted) by Defendants neither resulted in delivery nor created an enforceable obligation to deliver between a seller and a buyer that have the ability to deliver and accept delivery, respectively, in connection with their lines of business; rather, these forex contracts remained (or purportedly remained) open from day to day and ultimately were offset (or purportedly offset) without anyone making or taking delivery of actual currency (or facing an obligation to do so).

C. Global One "Pays" Stock Dividends to Its Investors

45. Global One's method of compensating or rewarding its investors for Global One's purported forex trading success is relatively complex. Rather than paying investors a cash payment or crediting an individual Global One account from which investors can make cash withdrawals, Global One pays its investors by issuing stock dividends. Consequently, Global One's PPM notes that because "Global One SA does not generally intend to pay cash distributions but will, instead, continuously distribute stock dividends, an investment in Global One SA is not suitable for investors seeking current distributions of income or requiring periodic cash payments."

46. The stock dividends "paid" to an investor equals the investor's equity account balance (as expressed in dollars, not shares) multiplied by Global One's monthly return that is derived, almost entirely, by Global One's purported forex trading. The value of the shares is then credited to the investors equity account (again expressed in dollars, not shares).

47. Global One maintains an individual equity account for each of its investors. The amount in each investor's equity account is reported, among other places, on the investor's monthly report.

48. An investor may only withdraw funds from his or her equity account by redeeming shares. Each share can be redeemed by the investor, assuming he or she follows Global One's stock redemption rules, for $10.00. According to these rules, unless waived by Global One, an investor may not sell his or her shares until that person has held a shareholder interest for six full and consecutive months. Furthermore, written notice must be given to Global One at least 30 days prior to the proposed sale date. There are no cash transfers from Global One

to investors until the stock is redeemed. Upon information and belief, certain Global One investors have redeemed shares for cash.

D. Defendants' Forex Trading Records

49. On May 8, 2009, Defendants produced to the CFTC and the SEC a number of third-party documents purportedly verifying their forex trading activity. Specifically, Defendants produced numerous Global One and 36 Holdings "Deutsche Bank Combined Account Statement[s]." These documents purportedly reflect forex trading by Defendants in two forex trading accounts at Deutsche Bank: account ******2030, in the name of Global One, and account ******1723, in the name of 36 Holdings. These documents allegedly show forex trading by Global One and by 36 Holdings (on behalf of Global One and other, unidentified funds controlled by Watson). In addition, on May 8, 2009, Defendant produced numerous 36 Holdings account statements for Global One (account ******0234), which purport to reflect Global One's portion of certain forex trading conducted by 36 Holdings. On May 13, 2009, Defendants produced to the CFTC and the SEC additional documents purporting to reflect forex trading activity in account ******1723.

1. <u>Defendants' Genuine Forex Trading in account ******2030</u>

50. The statements Defendants produced for Global One's account ******2030 at Deutsche Bank are for the period October 2007 through March 2009. They reflect minimal forex trading by Global One that resulted in a mix of very small profits and losses, consistent with the volatile nature of forex trading. In total, approximately 17 forex trades occurred in this account between October 2007 and April 2009, and these forex trades resulted in a cumulative loss of $11,017.34.

51. Defendants claim that the vast majority of Global One's forex trading occurred in accounts other than ******2030 at Deutsche Bank. Further, through counsel, Defendants have claimed that the forex trades in account ******2030 were executed by young "trainees," who have not yet developed Watson's skills in forex trading. Defendants claim they have provided these young trainees investor money for "training" purposes.

2. <u>Defendants' Fictitious Forex Trading in account ******1723</u>

52. The "Deutsche Bank Combined Account Statement[s]" Defendants produced for Deutsche Bank account ******1723, in the name of 36 Holdings, cover more than 100 separate purported forex transactions occurring between January and April 2009. Pursuant to an arrangement between 36 Holdings and Global One, a portion of the profits or losses generated by each of the forex transactions in this account were allocated to Global One. Specifically, 25 percent of the account's profits and losses were allocated to Global One for January 2009 and 30 percent of the account's profits and losses were allocated to Global One for February, March, and April 2009.

53. Between January 1, 2009 and April 30, 2009, almost all of Global One's purported forex trades occurred in this 36 Holdings account at Deutsche Bank. These purported trades involved millions of dollars in notional value of Japanese Yen, Euros, British Pounds, Swiss Francs, and U.S. Dollars. In fact, the smallest purported transaction involved 12 million units of one of these currencies, and the largest purported transaction involved 40 million units of one of these currencies. These purported forex transactions, which are given unique ticket numbers, were almost universally profitable, resulting in supposed multi-million dollar gains. In total, these "Deutsche Bank Combined Account Statement[s]" purport to show that in the first

four months of 2009, 36 Holdings generated forex trading profits of $7,465,629 and that $2,096,377 of these profits were allocated to Global One.

54. Through counsel, Defendants claimed that these "Deutsche Bank Combined Account Statement[s]" are actual Deutsche Bank statements reflecting Defendants' trading activity that were downloaded electronically from Deutsche Bank's website at the end of each month.

55. These "Deutsche Bank Combined Account Statement[s]," however, are fictitious. After examining its internal records, Deutsche Bank confirmed that account ******1723 is not owned, or otherwise controlled, by 36 Holdings or any of the Defendants; instead, it is an account owned by an unrelated entity and unrelated individuals, located in Kingston, Jamaica. The account has been closed since February 2008, with a zero balance. The last trade in that account occurred in November 2007.

56. 36 Holdings never had any account in its name at Deutsche Bank, and account ******1723 did not engage in the forex trades reflected in the "Deutsche Bank Combined Account Statement[s]" produced by Defendants. In fact, upon information and belief, the forex transactions associated with the ticket numbers identified in the fictitious statements either did not occur in any Deutsche Bank account or were associated with different transactions than those purported to have occurred in the "Deutsche Bank Combined Account Statement[s]." Moreover, Deutsche Bank allows customers to buy or sell forex only in certain-sized lots—which are far smaller than the lots listed in the "Deutsch Bank Combined Account Statement[s]" provided by Defendants.

57. The "Deutsche Bank Combined Account Statement[s]" produced by Defendants are forgeries, apparently created by Defendants in an attempt to falsely persuade the CFTC and

SEC that Defendants have generated the returns represented to investors and that further investigation is unwarranted.

58. The 2009 forex trading detailed in the "Deutsche Bank Combined Account Statement[s]" for 36 Holdings account ******1723, for and on behalf of Global One and its investors (as well as for and on behalf of other, unidentified funds controlled by Watson), never occurred. Further, upon information and belief, other purported Global One forex trading conducted through 36 Holdings (and other entities) prior to January 1, 2009 did not occur as represented by Defendants. Accordingly, rather than use investor funds to trade forex, Defendants, beginning on at least June 18, 2008, simply misappropriated or misapplied a portion of those funds.

59. Defendants' fictitious forex trading activity and the make-believe profits generated from that fictitious trading form the basis for numerous misrepresentations made to Global One's investors. Because Global One's fictitious forex trading results were conveyed by Defendants, among other ways, in each investor's monthly report, Global One's income statement and balance sheet, and the charts, tables, and graphs provided to investors and potential investors, all these reports and statements are fraudulent.

60. By providing Global One investors with, among other things, false monthly reports and false financial statements of Global One and 36 Holdings that misrepresented forex trading activity and profits supposedly earned therefrom, Defendants were able to conceal and expand their fraudulent scheme.

E. Fictitious LGT Bank Statements

61. Included in Defendants' May 8 and 13, 2009 productions to the CFTC and the SEC were numerous purported LGT quarterly statements for 36 Holdings (client number

***2575). These LGT statements purportedly cover the period from March 31, 2008 to March 31, 2009. The most recent LGT quarterly statement provided by Defendants purports that the value of assets in that account exceed $63 million.

62. Through counsel, Defendants claim that Deutsche Bank account ******172336, in the name of 36 Holdings, is linked to this 36 Holdings account at LGT and that the more than $60 million in that LGT account serves as collateral for Defendants' forex trading. This claim is untrue.

63. The LGT statements produced by Defendants are false and do not accurately reflect the account's value or the activity in the account. Defendants, once again, produced fictitious documents in an attempt to conceal their fraud from the CFTC and the SEC.

64. In addition, Deutsche Bank does not permit its clients to use funds on deposit at other financial institutions as collateral for forex margin trades at Deutsche Bank. Defendants' representations to the contrary are false.

V. VIOLATIONS OF THE COMMODITY EXCHANGE ACT

Violations of Section 4b(a)(2)(A)-(C) of the Act as amended by the CRA, to be codified at 7 U.S.C. § 6b(a)(2)(A)-(C) (Fraud in Connection with Forex)

65. The allegations set forth in paragraphs 1 through 64 are realleged and incorporated herein by reference.

66. Section 4b(a)(2)(A)-(C) of the Act as amended by the CRA, to be codified at 7 U.S.C. § 6b(a)(2)(A)-(C), make it unlawful

> for any person, in or in connection with any order to make, or the making of, any contract of sale of any commodity for future delivery, or other agreement, contract, or transaction subject to paragraphs (1) and (2) of section 5a(g), that is made, or to be made, for or on behalf of, or with, any other person, other than on or subject to the rules of a designated contract market – (A) to cheat or defraud or attempt to cheat or defraud the other

> person; (B) willfully to make or cause to be made to the other person any false report or statement or willfully to enter or cause to be entered for the other person any false record; [or] (C) willfully to deceive or attempt to deceive the other person by any means whatsoever in regard to any order or contract or the disposition or execution of any order or contract, or in regard to any act of agency performed, with respect to any order or contract for or, in the case of paragraph (2), with the other person.

67. As set forth above, from at least June 18, 2008 through the present, in or in connection with forex contracts, made or to be made, for or on behalf of, or with, other persons, Defendants cheated or defrauded or attempted to cheat or defraud investors or prospective investors and willfully deceived or attempted to deceive investors or prospective investors by, among other things, knowingly (i) misappropriating or misapplying investor funds; (ii) misrepresenting forex trading activity that purportedly occurred on behalf of investors, as well as purported returns investors would and did receive by virtue of these forex trades; and (iii) making, causing to be made, and distributing reports and statements to investors and prospective investors that contained false forex trading activity, false profits generated from such activity, and other misinformation, all in violation of Section 4b(a)(2)(A)-(C) of the Act as amended by the CRA, to be codified at 7 U.S.C. § 6b(a)(2)(A)-(C).

68. Defendants engaged in the acts and practices described above knowingly or with reckless disregard for the truth.

69. Watson and Petroski control (or during the relevant period controlled) Global One, directly or indirectly, and did not act in good faith or knowingly induced, directly or indirectly, Global One's conduct alleged in this Complaint. Pursuant to Section 13(b) of the Act, therefore, Watson and Petroski are liable for Global One's violations of Section 4b(a)(2)(A)-(C) of the Act, as amended by the CRA, to be codified at 7 U.S.C. § 6b(a)(2)(A)-(C).

70. Watson controls (or during the relevant period controlled) 36 Holdings, directly or indirectly, and did not act in good faith or knowingly induced, directly or indirectly, 36 Holdings's conduct alleged in this Complaint. Pursuant to Section 13(b) of the Act, therefore, Watson is liable for 36 Holdings's violations of Section 4b(a)(2)(A)-(C) of the Act, as amended by the CRA, to be codified at 7 U.S.C. § 6b(a)(2)(A)-(C).

71. The foregoing acts, misrepresentations, omissions, and failures of Watson and Petroski, as well as other Global One employees and agents, occurred within the scope of their employment or agency with Global One; therefore, Global One is liable for these acts pursuant to Section 2(a)(1)(B) of the Act and Regulation 1.2.

72. The foregoing acts, misrepresentations, omissions, and failures of Watson , as well as other 36 Holdings employees and agents, occurred within the scope of their employment or agency with 36 Holdings; therefore, 36 Holdings is liable for these acts pursuant to Section 2(a)(1)(B) of the Act and Regulation 1.2.

73. Each misappropriation, issuance of a false report or statement, misrepresentation, or omission of material fact, including but not limited to those specifically alleged herein, is alleged as a separate and distinct violation of Section 4b(a)(2)(A)-(C) of the Act, as amended by the CRA, to be codified at 7 U.S.C. § 6b(a)(2)(A)-(C).

VI. RELIEF REQUESTED

WHEREFORE, the CFTC respectfully requests that the Court, as authorized by Section 6c of the Act, 7 U.S.C. § 13a-1 (2006), and pursuant to its own equitable powers, enter:

a) An order finding that Defendants violated Section 4b(a)(2)(A)-(C) of the Act, as amended by the CRA, to be codified at 7 U.S.C. § 6b(a)(2)(A)-(C);.

b) An order of permanent injunction prohibiting Defendants and any of their agents, servants, employees, assigns, attorneys, and persons in active concert or participation with any Defendant, including any successor thereof from engaging, directly or indirectly:

(i) in conduct in violation of Section 4b(a)(2)(A)-(C) of the Act, as amended by the CRA, to be codified at 7 U.S.C. § 6b(a)(2)(A)-(C); and

(ii) in any activity related to trading in any commodity, as that term is defined in Section 1a(4) of the Act, 7 U.S.C. § 1a(4) (2006) (commodity interest), including but not limited to, the following:

(aa) trading any commodity interest account for themselves or on behalf of any other person or entity;

(bb) soliciting, receiving, or accepting any funds in connection with the purchase or sale of any commodity interest contract;

(cc) 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) (2009), or acting as a principal, 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); and

(dd) from engaging in any business activities related to commodity interest trading.

c) An order directing Defendants, as well as any successors to any Defendant, to disgorge, pursuant to such procedure as the Court may order, all benefits received from the acts

or practices that constitute violations of the Act, as described herein, and pre- and post-judgment interest thereon from the date of such violations;

d) An order directing Defendants to make full restitution to every person or entity whose funds they received or caused another person or entity to receive as a result of acts and practices that constituted violations of the Act, as described herein, and pre- and post-judgment interest thereon from the date of such violations;

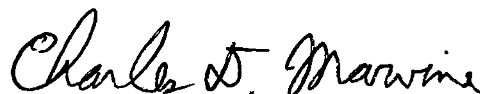
e) An order directing Defendants and any successors thereof, to rescind, pursuant to such procedures as the Court may order, all contracts and agreements, whether implied or express, entered into between them and any of the investors whose funds were received by them as a result of the acts and practices which constituted violations of the Act, as described herein;

f) An order directing each Defendant to pay a civil monetary penalty in the amount of the higher of (1) triple the monetary gain to Defendant for each violation of the Act, or (2) $130,000 for each violation of the Act on or before October 22, 2008 and $140,000 for each violation of the Act on or after October 23, 2008, plus post-judgment interest;

g) An order requiring Defendants to pay costs and fees as permitted by 28 U.S.C. §§ 1920 and 2412(a)(2); and

h) Such other and further relief as the Court deems proper.

Respectfully submitted by,



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Dated: May 21, 2009