

FILED

APR - 4 2007

**NATIONAL FUTURES ASSOCIATION
BEFORE THE
BUSINESS CONDUCT COMMITTEE**

**NATIONAL FUTURES ASSOCIATION
LEGAL DOCKETING**

In the Matter of:)
)
FOREFRONT INVESTMENTS CORPORATION) NFA Case No. 07-BCC-011
(NFA ID #334858),)
)
Respondent.)

COMPLAINT

Having reviewed the investigative report submitted by the Compliance Department of National Futures Association ("NFA"), and having found reason to believe that NFA Requirements are being, have been or are about to be violated and that the matter should be adjudicated, NFA's Business Conduct Committee ("Committee") issues this Complaint against Forefront Investments Corporation ("Forefront").

ALLEGATIONS

JURISDICTION

1. At all times relevant to this Complaint, Forefront was a futures commission merchant ("FCM") and Forex Dealer Member ("FDM") of National Futures Association ("NFA"). The firm was located in Richmond, Virginia.

BACKGROUND

2. At all times relevant to this Complaint, Donald and Barbara Snellgrove were the principal share holders of the firm. Donald Snellgrove was also the firm's chief executive officer and Dr. Steven Janjic was the firm's chief operating officer. The firm employed four associated persons ("APs").

3. In 2006, NFA conducted an audit of Forefront which found a number of deficiencies at the firm, including the use of misleading promotional material; failure to adequately supervise the firm's promotional material; failure to correctly calculate its adjusted net capital and comply with minimum net capital requirements; failure to file timely financial statements; failure to adopt and implement an adequate anti-money laundering ("AML") program; and failure to list a principal and register certain of its employees as APs.

APPLICABLE RULES

4. NFA Compliance Rule 2-9(c) requires, in pertinent part, that all FCM Members develop and implement a written AML program.
5. NFA Compliance Rule 2-10 provides that each Member shall maintain adequate books and records necessary and appropriate to conduct its business including, without limitation, the records required to be kept under Commodity Futures Trading Commission ("CFTC") Regulations 1.18 and 1.32 through 1.37 for the period required under CFTC Regulation 1.31.
6. NFA Compliance Rule 2-36, requires, in pertinent part, that no FDM shall engage in any foreign currency futures or options transaction that is prohibited under the Commodity Exchange Act.
7. NFA Compliance Rule 2-36(b)(1), in pertinent part, prohibits FDMs or Associates of FDMs engaged in any foreign currency futures or options transaction, from cheating, defrauding or deceiving, or attempting to cheat, defraud or deceive any person.
8. NFA Bylaw 301(a) provides, in pertinent part, that no person shall be eligible to become or remain an NFA Member or associated with a Member unless such

person is registered, temporarily licensed or exempt from registration under the Commodity Exchange Act or the rules of the CFTC.

9. NFA Financial Requirements Section 1, in pertinent part, requires FCM Members to file monthly financial reports, no later than seventeen business days after the date for which the report is made and an annual certified financial statement no later than ninety days after the close of each year.
10. NFA Financial Requirements Section 11 provides, in pertinent part, as follows:
 - (a) Each FDM must maintain "Adjusted Net Capital" (as defined in CFTC Regulation 1.17) equal to or in excess of the greatest of:
 - (i) \$1,000,000;
 - (ii) 5% of all liabilities owed to customers (as customer is defined in Compliance Rule 2-36(i)); or
 - (iii) Any other amount required by Section 1 of these Financial Requirements.
 - (b) Each FDM must take a concentration charge on transactions with an unaffiliated, unregulated counterparty if the FDM's net open position with the unregulated counterparty exceeds 10% of the FDM's total long or short position in a particular currency. The amount exceeding 10% will be subject to the CFTC's haircut for uncovered positions regardless of the FDM's overall position.
 - (c) Unless exempted from this section by NFA, each FDM must also take a concentration charge on transactions with affiliates equal to the greater of the following:
 - (i) The sum of the amounts by which the Member's net open position with a single affiliate exceeds 10% of the FDM's total long or short position in a particular currency; or

- (ii) The amount by which the Member's net open position with all affiliates combined exceeds 10% of the FDM's total long or short position in a particular currency.

This amount will be subject to the CFTC's haircut for uncovered positions regardless of the FDM's overall position.

COUNT I

VIOLATION OF NFA COMPLIANCE RULE 2-36(b)(1): USING MISLEADING PROMOTIONAL MATERIAL.

11. The allegations contained in paragraphs 1, 3 and 7 are realleged as paragraph 11.
12. As part of NFA's audit of Forefront, NFA reviewed Forefront's websites, promotional e-mails, and other promotional material and noted numerous deficiencies. For example, the website, www.forefrontforex.com – as well as a banner ad and a promotional e-mail (identified as "E-mail 4") that Forefront used – claimed that Forefront's services were "commission free" without including a prominent disclosure, in proximity to such claim, describing how Forefront was compensated. This e-mail (E-mail 4) also stated that Forefront "has up to 400:1 leverage for margin trading," without disclosing the increased risk associated with increased leverage. Another promotional e-mail (identified as "E-mail 1") touted trading results which were hypothetical but were not identified as hypothetical.
13. Yet another promotional e-mail (identified as "E-mail 5") downplayed the risks of Forex trading by claiming that "trading the Forex Market is not as risky as trading the Futures Market and the Forex Market is a lot easier to trade than stocks." Forefront's website also touted the advantage of trading Forex as compared to trading stocks and futures without explaining the risks associated with Forex trading.

14. NFA also reviewed a promotional e-mail (identified as "E-mail A"), which promoted a trading contest sponsored by Forefront, that included the claim, "We already have hundreds of Forex Traders that have signed-up from around the world. To prevent a last minute rush, here are the instructions needed to fully enter into the FOREX 500 Self-Directed Traders Contest." This e-mail was distributed in September 2005. However, the firm admitted to NFA that as of mid-January 2006, only one person had signed up for the contest and, due to a lack of interest, the contest had to be postponed.
15. In addition to reviewing Forefront's websites and promotional e-mails, NFA also visited Forefront's promotional booth at the 2006 Forex Trading Expo in Fort Lauderdale, Florida. Forefront's booth at the Expo had a display banner that stated that trades are "commission free." However, the banner gave no indication of how the firm is compensated. Not only was the banner misleading but it violated Forefront's very own procedures, which expressly prohibited Forefront; its employees and introducing sales agents from representing that Forefront's services are commission free without prominently disclosing how the firm is compensated in near proximity to that representation.
16. Forefront's affiliate, Forefront Investments Limited Partnership ("FILP"), used a website, "www.4front4x.com," which contained the following deficiencies:
 - The website stated that "Leverage opportunities within the foreign exchange marketplace allow a possible return on capital of 50 to 100 percent or more each month." This statement was misleading in that it exaggerated the profit potential and downplayed the risk of loss of Forex trading.
 - The website portrayed the Inter-bank Foreign Exchange Market as highly liquid and frequently traded without disclosing just how

remote and tangential Forefront's relationship is to the Inter-bank Foreign Exchange Market.

17. Forefront's affiliate, FILP, sent misleading monthly statements to its customers that were on Forefront's letterhead instead of FILP's letterhead. Such monthly statements were likely to mislead and confuse customers as to the entity with which they were doing business. This is significant because FILP was an unregistered entity, whereas Forefront is a registered and regulated entity.
18. Forefront is liable, under NFA Compliance Rule 2-36, for the misleading promotional material used by its affiliate, FILP, and the misleading monthly statements that FILP sent to its customers.
19. One of Forefront's unregistered solicitors, Concorde Forex Group, Inc. ("CFG"), used a display banner at the 2006 Forex Trading Expo in Fort Lauderdale that claimed "50, 100, 200 trades without a loss." This statement was misleading in that it exaggerated the profit potential and downplayed the risk of loss of Forex trading.
20. Forefront is liable, under NFA Compliance Rule 2-36, for the misleading promotional material used by its unregistered sales agent, CFG.
21. By reason of the foregoing acts and omissions, Forefront is charged with violations of NFA Compliance Rule 2-36(b)(1).

COUNT II

VIOLATION OF NFA FINANCIAL REQUIREMENTS SECTIONS 1 AND 11 AND COMPLIANCE RULES 2-10 AND 2-36: FAILING TO COMPLY WITH NFA FINANCIAL REQUIREMENTS AND FAILING TO FILE FINANCIAL STATEMENTS IN A TIMELY MANNER.

22. The allegations contained in paragraphs 1, 3, 5 through 7, 9 and 10 are realleged as paragraph 22.

23. Forefront was below its adjusted net capital requirement as of June 30, 2006 and October 6, 2006. In addition, the firm's books and records were not current as of those dates. The firm also did not file a written notice with NFA regarding its failure to meet its adjusted net capital requirement as of June 30, 2006 and October 6, 2006.
24. Forefront also failed to file its financial statements on time. Its February 28, 2006 unaudited financial statement was four days late; its December 31, 2005 audited financial statement was three days late; and each of its August 31, 2005, December 31, 2005, and March 31, 2006 unaudited financial statements was one day late. Forefront was charged a total of \$2,000 in late fees for these tardy financial statements.
25. In addition, NFA noted during the audit that Forefront's cash subsidiary ledgers did not include the names of customers who had deposited funds with the firm.
26. By reason of the foregoing acts and omissions, Forefront is charged with violations of NFA Financial Requirements Sections 1 and 11 and NFA Compliance Rules 2-10 and 2-36.

COUNT III

VIOLATION OF NFA COMPLIANCE RULE 2-9(c): FAILING TO ESTABLISH AND IMPLEMENT AN ADEQUATE ANTI-MONEY LAUNDERING PROGRAM.

27. The allegations contained in paragraphs 1, 3 and 4 are realleged as paragraph 27.
28. NFA Compliance Rule 2-9(c) requires that an FCM provide for annual independent testing of the adequacy of its AML program and document the results of such testing.

29. During NFA's audit of Forefront, the firm was unable to demonstrate that it had completed an annual independent AML audit.
30. By reason of the foregoing acts and omissions, Forefront is charged with violations of NFA Compliance Rule 2-9(c).

COUNT IV

VIOLATION OF NFA BYLAW 301(a): FAILURE TO HAVE A PRINCIPAL ALSO REGISTERED AS AN AP.

31. The allegations contained in paragraphs 1, 3 and 8 are realleged as paragraph 31.
32. From December 1, 2005 to January 10, 2006, Forefront did not have a principal who was registered as an AP.
33. By reason of the foregoing acts and omissions, Forefront is charged with violations of NFA Bylaw 301(a).

PROCEDURAL REQUIREMENTS

ANSWER

You must file a written Answer to the Complaint with NFA within thirty days of the date of the Complaint. The Answer shall respond to each allegation in the Complaint by admitting, denying or averring that you lack sufficient knowledge or information to admit or deny the allegation. An averment of insufficient knowledge or information may only be made after a diligent effort has been made to ascertain the relevant facts and shall be deemed to be a denial of the pertinent allegation.

The place for filing an Answer shall be:

National Futures Association
200 West Madison Street
Suite 1600
Chicago, Illinois 60606-3447
Attn: Legal Department-Docketing

Failure to file an Answer as provided above shall be deemed an admission of the facts and legal conclusions contained in the Complaint. Failure to respond to any allegation shall be deemed an admission of that allegation. Failure to file an Answer as provided above shall be deemed a waiver of hearing.

POTENTIAL PENALTIES, DISQUALIFICATION AND INELIGIBILITY

At the conclusion of the proceedings conducted as a result of or in connection with the issuance of this Complaint, NFA may impose one or more of the following penalties:

- (a) expulsion or suspension for a specified period from NFA membership;
- (b) bar or suspension for a specified period from association with an NFA Member;
- (c) censure or reprimand;
- (d) a monetary fine not to exceed \$250,000 for each violation found; and
- (e) order to cease and desist or any other fitting penalty or remedial action not inconsistent with these penalties.

The allegations in this Complaint may constitute a statutory disqualification from registration under Section 8a(3)(M) of the Commodity Exchange Act. Respondents in this matter who apply for registration in any new capacity, including as an associated person with a new sponsor, may be denied registration based on the pendency of this proceeding.

Pursuant to the provisions of CFTC Regulation 1.63 penalties imposed in connection with this Complaint may temporarily or permanently render Respondents who are individuals ineligible to serve on disciplinary committees, arbitration panels and governing boards of a self-regulatory organization, as that term is defined in CFTC Regulation 1.63.

**NATIONAL FUTURES ASSOCIATION
BUSINESS CONDUCT COMMITTEE**

Dated: 04-04-07

By: _____

Chairperson

/jac(Complaints\Forefront)

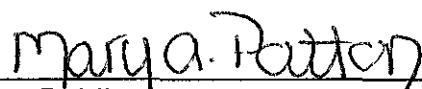
AFFIDAVIT OF SERVICE

I, Nancy Miskovich-Paschen, on oath state that on April 4, 2007, I served a copy of the attached Complaint, by sending such copy in the United States mail, first-class delivery, and by overnight mail, in envelopes addressed as follows:

Forefront Investments Corporation
200 Westgate Parkway
Suite 104
Richmond, VA 23233
Attn: Steve Janjic


Nancy Miskovich-Paschen

Subscribed and sworn to before me
on this 4th day of April 2007.



Notary Public

