

FILED

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

JUN - 4 2007

**NATIONAL FUTURES ASSOCIATION
LEGAL DOCKETING**

In the Matter of:)

ONE WORLD CAPITAL GROUP LLC)
(NFA ID #359973),)

and)

JOHN E. WALSH)
(NFA ID #277351),)

Respondents.)

NFA Case No. 07-BCC-017

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 One World Capital Group LLC ("One World") and John E. Walsh ("Walsh").

ALLEGATIONS

JURISDICTION

1. At all times relevant to this Complaint, One World was a futures commission merchant ("FCM") and Forex Dealer Member ("FDM") of National Futures Association. The firm's main office is located in Winnetka, Illinois and it maintains a branch office in New York City, New York.

2. At all times relevant to this Complaint, John E. Walsh ("Walsh") was a principal and a registered associated person ("AP") of One World and an NFA Associate.

BACKGROUND

3. One World has been registered as an FCM since December 2005 and conducts retail forex and exchange traded futures business.
4. Walsh has a 10% or more ownership interest in the firm and he, along with Timothy W. Furey ("Furey") and Daniel M. Colgan ("Colgan"), are the sole listed principals of the firm. Furey and Colgan are also registered APs of the firm and NFA Associates. Besides Walsh, Furey, and Colgan, the firm has three other APs.
5. In early 2006, several months after One World commenced business, NFA commenced audits of One World's main office and its New York City branch office.
6. From the beginning of NFA's audit, it was evident that One World lacked an understanding of, or was inattentive to, regulatory requirements and was ill prepared to accept customer business as either an FDM or an FCM. The firm had not established adequate systems to enable it to handle customer funds or comply with customer reporting requirements.
7. While One World had an equity system in place for its forex customers, the firm was unable to properly account for its liabilities to its forex customers. Additionally, when the firm began accepting customer funds for exchange traded futures and options, it did so without having an equity system established to handle this type of trading. In fact, the firm initially reported account activity to

clients on an excel spreadsheet prepared manually based on the omnibus account activity statements received from its clearing FCM, Dorman Trading ("Dorman").

8. NFA's audit found that One World failed to maintain required books and records, failed to prepare and file accurate financial statements, and used misleading promotional material.
9. In addition, NFA's audit found that One World and Walsh provided false and misleading information to NFA auditors concerning an individual named Charles Martin ("Martin") and his role at One World. Walsh claimed that Martin was not involved in the operations of One World. However, NFA subsequently learned that Walsh's claim was untrue and that Martin was, in fact, heavily involved in the operations of One World and solicited customers on its behalf.

APPLICABLE RULES

10. NFA Compliance Rule 2-10 requires 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.
11. 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.

12. NFA Financial Requirements Section 4 requires that any Member FCM who violates any of CFTC Regulations 1.10, 1.12, 1.16, 1.17 or 1.20 through 1.30 shall be deemed to have violated an NFA requirement.
13. NFA Compliance Rules 2-36(b)(1) provides that no FDM or Associate of an FDM engaging in any foreign currency futures or options transaction shall cheat, defraud or deceive, or attempt to cheat, defraud or deceive any other person.
14. NFA Compliance Rule 2-36(c) provides that FDMs and their Associates shall observe high standards of commercial honor and just and equitable principles of trade in the conduct of their foreign currency futures and options business.
15. NFA Compliance Rule 2-36(e) provides that each FDM shall diligently supervise its employees and agents in the conduct of their foreign currency futures and options activities for or on behalf of the FDM. Each Associate of an FDM who has supervisory duties shall diligently exercise such duties in the conduct of that Associate's foreign currency futures and options activities for or on behalf of the FDM.
16. NFA Compliance Rule 2-2(f) provides that no Member or Associate shall willfully submit materially false or misleading information to NFA or its agents.
17. NFA Compliance Rule 2-36(b)(5) provides that no FDM or Associate of an FDM engaging in any foreign currency futures or options transaction shall willfully submit materially false or misleading information to NFA or its agents with respect to foreign currency futures or options transactions.

COUNT I

VIOLATIONS OF NFA COMPLIANCE RULE 2-10 AND NFA FINANCIAL REQUIREMENTS SECTIONS 1 AND 4: FAILING TO MAINTAIN REQUIRED BOOKS AND RECORDS, FAILING TO MEET ITS MINIMUM ADJUSTED NET CAPITAL REQUIREMENT, AND FAILING TO NOTIFY NFA THAT ITS BOOKS AND RECORDS WERE NOT CURRENT.

18. The allegations contained in paragraphs 1, 3 through 8 and 10 through 12, are realleged as paragraph 18.
19. One World failed to properly maintain required books and records, including a sufficient general ledger or support for payments to certain vendors. One World also failed to maintain acknowledgements from certain depositories that were holding customer segregated funds and the statements for these accounts failed to indicate they were segregated accounts. Furthermore, daily confirmation statements lacked customer account numbers and a complete description of the underlying futures positions including strike prices for option contracts. Moreover, One World failed to give NFA telephonic notice of its failure to maintain current books and records. In addition, the firm failed to maintain sufficient supporting documents for its Forex Reports.
20. One World's December 31, 2005 certified financial statement and its January 31, 2006 unaudited financial statement, which were submitted to NFA, were seriously deficient in that they only reported One World's capital and included no entries for customer liabilities, corresponding assets or income – even though the firm had been doing business since December 2005 and had accepted in excess of \$1 million in customer funds.

21. One World resubmitted its January 31, 2006 unaudited financial statement to NFA but failed therein to take a concentration charge against open positions with an unregistered forex dealer, FXDirectDealer. After adjusting for the concentration charge, One World was below its minimum adjusted net capital requirement as of January 31, 2006.
22. By reason of the foregoing acts and omissions, One World is charged with violations of NFA Compliance Rule 2-10 and NFA Financial Requirements Sections 1 and 4.

COUNT II

VIOLATION OF NFA COMPLIANCE RULES 2-36(b)(1), 2-36(c) AND 2-36(e): USING MISLEADING PROMOTIONAL MATERIAL AND FAILING TO ADOPT AND ENFORCE WRITTEN PROCEDURES TO SUPERVISE ITS ASSOCIATES AND EMPLOYEES IN THE USE OF PROMOTIONAL MATERIAL.

23. The allegations contained in paragraphs 1, 3 through 8 and 13 through 15 are re-alleged as paragraph 23.
24. As part of the audit, NFA reviewed One World's promotional websites, "www.1worldfcm.com," "www.1world-forex.com," and "www.1worldfx.com."
25. The website, www.1worldfcm.com, included the following statement:
"Commission Free – Simply put: no commissions, no clearing fee, no exchange fee, no government fee, and no brokerage fee. Sure there may be different names of different fees at different places, but in spot currencies no commissions means just that – NO COMMISSIONS."
26. The website, www.1world-forex.com, claimed that forex trading had "Low costs (no commissions and tight spreads in major markets)."

27. Neither of the above statements was accompanied by a disclosure of how One World would be compensated as required by the NFA Interpretive Notice relating to Forex Transactions ("Forex Interpretive Notice"), which provides that any claims that the FDM does not charge commissions must include a disclosure of how it is compensated in near proximity to this claim. Failure to include such disclosure caused the above statements to be misleading.
28. The Forex Interpretive Notice also provides that an NFA Member may not represent that forex funds deposited with an FDM are given special protection under bankruptcy. Notwithstanding this prohibition, One World's website, www.1world-forex.com, included the claim that "all client funds are held in segregated accounts, where clients have sole deposit/withdrawal rights."
29. One World's websites also included statements that emphasized the profit potential of trading forex and the purported advantages of leverage. For example, the website, www.1world-forex.com, included the statements: "Trade off your profits – Ever been up on a stock and wish you could leverage that profit and get in a little more of the issue? In spot currency trading you can. Use your open profits to add to your positions" and "100:1 Leverage – 100:1 leverage is commonly available from online One World Capital Group, which substantially exceeds the common 2:1 margin offered by equity brokers. At 100:1, traders post \$1000 margin for a \$100,000 position, or 1%. While certainly not for everyone, the substantial leverage available from online currency trading firms is a powerful, moneymaking tool."

30. The website, www.1world-forex.com, also included claims hyping the profit potential of forex trading and the benefits of leverage. For example, this website claimed that forex trading gives customers the “[a]bility to use leverage to maximize profits,” and “allows for leverage of up to 100 to 1, sometimes more, so that a \$100,000 contract may be secured with only \$1,000 of capital at risk.”
31. The above statements touting the profit potential of forex trading and the benefits of leverage were misleading and unbalanced in that they failed to include adequate risk disclosure concerning the risks of trading forex and the increased risks associated with increased leverage.
32. In addition, the website, www.1world-forex.com, included the claim that “the mini’s small contract size allows you to familiarize yourself with our platform features and learn to trade with less risk.” This statement was misleading in that it suggested that the likelihood of loss was less with the mini contract as opposed to the regular contract when, in fact, the likelihood of loss was essentially the same with both the mini and the regular contract as they both trade the same markets.
33. The website, www.1worldfx.com, included profitable performance information for which One World and Walsh had no support.
34. In addition, One World failed to adopt and enforce written procedures to supervise its associates and employees in the use of promotional material. Had it done so, the promotional material deficiencies cited above might have been prevented.
35. By reason of the foregoing acts and omissions, One World is charged with violations of NFA Compliance Rules 2-36(b)(1), 2-36(c), and 2-36(e).

COUNT III

VIOLATION OF NFA COMPLIANCE RULES 2-2(f) AND 2-36(b)(5): PROVIDING FALSE AND MISLEADING INFORMATION TO NFA.

36. The allegations contained in paragraphs 1 through 9, 16 and 17 are realleged as paragraph 36.
37. Charles Martin ("Martin") applied for registration as an AP and NFA Associate, in February 2002. At that time, NFA denied Martin's application for AP registration based on a felony drug conviction and a misdemeanor theft conviction. Thus, Martin was and is prohibited from acting as a principal or AP of an NFA Member.
38. During NFA's audit of One World, NFA received information that Martin was in charge of One World's entire operation and was acting as an undisclosed principal of the firm. Based on this information, NFA asked Walsh about Martin's involvement with One World. Walsh provided NFA with a written representation in which Walsh stated, "Charles Martin is not involved in the operations of [One World] and did not directly or indirectly contribute capital to [One World]."
39. The information provided by Walsh was contradicted by several customers of One World, viz., the Wall Street Fund Corp., the Khym Foundation, and Young Man Kim. These three customers filed CFTC reparations complaints against One World in which they allege that Martin played a significant role in the operations of One World.
40. Dr. Max Gwon ("Dr. Gwon") is the operator of the Wall Street Fund Corp., and the individual who introduced the Khym Foundation and Young Man Kim to Walsh and Martin. According to Dr. Gwon, he had monthly meetings with both Walsh

and Martin before and after Wall Street Fund Corp. opened a forex account at One World in December 2005.

41. Also, according to Dr. Gwon, he was informed by Walsh and Martin that Martin was a managing member of One World and the firm's trading strategist and that Walsh handled the administrative and operational end of the business. Walsh and Martin gave Dr. Gwon a business card that listed Martin's name and One World.
42. In addition, according to Dr. Gwon, Martin solicited him to open an exchange traded futures account for the Wall Street Fund Corp., which he agreed to do in 2006. (This account was in addition to the forex account that Wall Street Fund Corp. opened in 2005). Dr. Gwon's decision to initially invest was influenced by performance information that appeared on the website, www.1worldfx.com. According to Dr. Gwon, Walsh and Martin had directed him to this performance information. Yet, Walsh told NFA that he knew of no one who had relied on this performance information in opening an account, and made no mention of Dr. Gwon or the Wall Street Fund Corp.
43. Based on the foregoing, it is alleged that Walsh provided false information to NFA concerning Martin's role at One World and customers' reliance on the performance information on the website, www.1worldfx.com.
44. By reason of the foregoing acts and omissions, One World and Walsh are charged with violations of NFA Compliance Rules 2-2(f) and 2-36(b)(5).

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: 06/04/07

By: _____

Chairperson

AFFIDAVIT OF SERVICE

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

One World Capital Group LLC
525 Chestnut Street, 2nd Floor
Winnetka, IL 60093
Attn: John E. Walsh, President

John E. Walsh
608 Wharton Drive
Lake Forest, IL 60045


Nancy Miskovich-Paschen

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


Notary Public

