FILED

NATIONAL FUTURES ASSOCIATION BEFORE THE BUSINESS CONDUCT COMMITTEE

JUN 1 4 2007

NATIONAL FUTURES ASSOCIATION LEGAL DOCKETING

In the Matter of:)	
DIRECT FOREX LLC (NFA ID #351765),) NFA Case No. 07-BCC-0)19
	,)	
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 Direct Forex LLC ("DFX").

ALLEGATIONS

JURISDICTION

1. At all times relevant to this Complaint, DFX was a futures commission merchant ("FCM") Forex Dealer Member ("FDM") of NFA. As such, DFX was and is required to comply with NFA Requirements and is subject to disciplinary proceedings for violations thereof.

APPLICABLE RULES

2. 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.

- 3. NFA Compliance Rule 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.
- 4. 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.
- 5. NFA Financial Requirements Section 4 provides 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.
- 6. NFA Financial Requirements Section 8 provides that if requested by NFA, a

 Member FCM or introducing broker must promptly submit such additional reports

 and supplemental financial information which NFA deems necessary.
- 7. NFA Financial Requirements Section 11, in pertinent part, requires each FDM to maintain Adjusted Net Capital ("ANC"), as defined in CFTC Regulation 1.17, equal to or in excess of \$1,000,000.
- 8. NFA Registration Rule 214 requires, in pertinent part, that a sponsor must notify NFA within 20 days after the termination of the association of an AP through the filing of a Form 8-T.

COUNT I

VIOLATION OF NFA COMPLIANCE RULE 2-10 AND NFA FINANCIAL REQUIREMENTS SECTIONS 4, 8 AND 11: FAILURE TO MAINTAIN ACCURATE BOOKS AND RECORDS; FAILURE TO MEET MINIMUM NET CAPITAL REQUIREMENTS; FAILURE TO FILE REQUIRED TELEGRAPHIC NOTICE AND FAILURE TO SUBMIT AN AUTHORIZED OATH.

9. The allegations contained in paragraphs 1, 2 and 5 through 7 are realleged as paragraph 9.

- CFTC Regulation 1.18(a), in part, requires FCMs to maintain a current and accurate general ledger and computation of its net capital.
- 11. DFX failed to keep a current and accurate general ledger and computation of its net capital as of, at least, November 30, 2006, in that it failed to accrue for legal expenses, failed to take proper capital charges for uncovered off-exchange metals positions and uncovered off-exchange foreign currency futures positions. In addition, it misclassified a receivable as a current asset.
- DFX failed to maintain its required minimum ANC for the months ending
 November 30, 2006 and December 31, 2006.
- DFX failed to file timely required telegraphic notice with NFA that its ANC fell below the minimum requirement for the months ending November 30, 2006 and December 31, 2006.
- 14. CFTC Regulation 1.10(d)(4) requires, in pertinent part, that if a registrant is a limited liability company the oath or affirmation on a Form 1-FR-FCM must be made by the chief executive officer, the chief financial officer, the manager, the managing member, or those members vested with the management authority for the limited liability company or limited liability partnership.
- 15. The oaths or affirmations for DFX's Forms 1-FR-FCMs for dates preceding November 30, 2006 were submitted by Frank Connors, who was not the chief executive officer, the chief financial officer, the manager, the managing member, or a member vested with the management authority for DFX.
- 16. NFA requested DFX to provide, among other things, a weekly report of its liability to customers and a current listing of its solicitors.

- 17. DFX failed to provide NFA with an accurate report of its liability to customers for its forex weekly report of January 12, 2007, in that it did not include two deposits of customer funds totaling \$19,889 in the Customer Cash Balance.
- 18. DFX failed to provide NFA with a current list of its solicitors for, at least, its forex weekly report of January 12, 2007.
- 19. By reason of the foregoing acts and omissions, DFX is charged with violations of NFA Compliance Rule 2-10 and NFA Financial Requirements Sections 4, 8 and 11.

COUNT II

VIOLATION OF NFA COMPLIANCE RULES 2-36(b)(1) AND 2-36(c): USE OF DECEPTIVE PROMOTIONAL MATERIAL AND FAILURE TO UPHOLD HIGH STANDARDS OF COMMERCIAL HONOR AND JUST AND EQUITABLE PRINCIPLES OF TRADE.

- 20. The allegations contained in paragraphs 1, 3 and 4 are realleged as paragraph 20.
- 21. NFA Compliance Rule 2-36(b)(1), in pertinent part, prohibits the use of deceptive promotional material by Members who engage in any foreign currency futures or options transaction.
- 22. DFX used deceptive and misleading promotional material in that its website contained a mention of the possibility of profit in the banner "Start Mini, Earn Big" without accompanying that statement with an equally prominent statement of the risk of loss.
- 23. The observance of high standards of commercial honor and just and equitable principles of trade required of Members who engage in any foreign currency futures or options transaction requires, in pertinent part, that customers be provided with information on NFA's Background Affiliation Status Information

- Center ("BASIC") system when the customer first opens an account and at least once a year thereafter.
- 24. DFX failed to observe high standards of commercial honor and just and equitable principles of trade in that it failed to provide each customer with written information regarding BASIC, including the website address.
- 25. By reason of the foregoing acts and omissions, DFX is charged with violations of NFA Compliance Rules 2-36(b)(1) and 2-36(c).

COUNT III

VIOLATION OF NFA REGISTRATION RULE 214: FAILURE TO MAKE A TIMELY FILING TERMINATING AN ASSOCIATED PERSON.

- 26. The allegations contained in paragraphs 1 and 8 are realleged as paragraph 27.
- 27. Allison Owaynat ("Owaynat") was registered as an associated person ("AP") of DFX from October 6, 2005 through January 31, 2007.
- 28. Owaynat did not act in the capacity of an AP of DFX for a period exceeding 20 days before January 31, 2007.
- 29. DFX failed to file a Form 8-T with NFA reporting Owaynat's termination as an AP within 20 days after that termination.
- 30. By reason of the foregoing acts and omissions, DFX is charged with violations of NFA Registration Rule 214.

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.

mation 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 AP 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

Dated: 6-14-07

/nam(Complaint:Direct Forex LLC.nam)

AFFIDAVIT OF SERVICE

I, Nancy Miskovich-Paschen, on oath state that on June 14, 2007, I served a copy of the attached Complaint, by sending such copy by overnight mail and regular mail, first class delivery, in envelopes addressed as follows:

Christopher M. Pilkerton, Esq. Ruddy Law Office, PLLC 1225 15th Street, NW Washington, DC 20005

Nancy Miskovich-Paschen

Subscribed and sworn to before me on this 14th day of June, 2007.

Notary Public

OFFICIAL SEAL
Margaret A. Vandermyde
Notary Palific, State of Hinots
MY COMMISSION EXPIRES 05-15-99