



2. At all times relevant to this Complaint, Brocco and Gooch were principals and associated persons ("APs") of AMI and Associate Members of NFA. As such, Brocco and Gooch were and are required to comply with NFA Requirements and are subject to disciplinary proceedings for violations thereof. AMI is liable for violations of NFA Requirements committed by Brocco and Gooch during the course of their activities on behalf of AMI.

### **BACKGROUND**

3. AMI is located in Charlotte, North Carolina and has been an NFA Member since June 2006. Its principal business is to act as the counterparty to off-exchange foreign currency futures ("forex") as an FDM. Brocco is the firm's president and owns 50% of the holding company that owns AMI. Gooch is AMI's chief operating officer ("COO").
4. NFA began an examination of AMI in September 2006. NFA's review determined that both AMI and its unregistered sales solicitors used misleading and deceptive promotional material and that AMI had committed several financial and recordkeeping violations. In addition, NFA's review found that AMI, Brocco and Gooch failed to adequately supervise the firm's activities.

### **APPLICABLE RULES**

5. NFA Compliance Rule 2-10 provides, in pertinent part, 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(b)(1) provides, in pertinent part, that no FDM shall cheat, defraud or deceive, or attempt to cheat, defraud, or deceive any other person.
7. 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 forex business.
8. NFA Compliance Rule 2-36(d) provides that an FDM that is the counterparty, or offers to be the counterparty, to forex transactions for customers shall be subject to discipline for the activities of any person that solicits or introduces a customer to the Member or that manages such customer's accounts, unless such person is a Member or Associate of NFA, meets the criteria in Bylaw 306(b), or would be exempt from Commission registration if it were acting in the same capacity in connection with exchange-traded futures contracts.
9. NFA Compliance Rule 2-36(e) provides that each FDM shall diligently supervise its employees and agents in the conduct of their forex 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 forex activities for or on behalf of the FDM.
10. NFA Financial Requirements Section 11(a), 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.
11. NFA Financial Requirements Section 11(b), in pertinent part, requires each FDM to 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.

12. NFA Financial Requirements Section 12, in pertinent part, requires each FDM to collect and maintain a minimum security deposit as set out in the Financial Requirement for each forex transaction between the FDM and a person that is not an eligible contract participant as defined in Section 1a(12) of the Commodity Exchange Act.
13. NFA Financial Requirements Section 13, in pertinent part, requires each FDM to file weekly electronic reports showing liabilities to customers and other financial information required by NFA. The report must be prepared as of the last business day of the week and must be filed by noon on the following business day in the format and using the electronic filing method provided by NFA.

#### COUNT I

**VIOLATION OF NFA COMPLIANCE RULES 2-36(b)(1) AND (c): CHEATING, DEFRAUDING OR DECEIVING ANOTHER PERSON OR ATTEMPTING TO DO SO AND FAILURE TO OBSERVE HIGH STANDARDS OF COMMERCIAL HONOR AND JUST AND EQUITABLE PRINCIPLES OF TRADE.**

14. The allegations contained in paragraphs 1 through 3, 6 and 7 are realleged as paragraph 14.
15. AMI used promotional material on its website that was misleading and deceptive in that, while it listed fees charged to AMI's customers, it failed to include the pip spread that was also charged. AMI's website also included the statement that AMI "does not trade against its clients, they assume no risk, no conflict of

interest” which statement was deceptive and misleading in that, in fact, AMI acted as the counterparty to customer transactions and did assume risk.

16. Under NFA Compliance Rule 2-36(d), AMI is subject to discipline for conduct by non-Members of NFA that solicit for or introduce customers to AMI that would violate NFA Compliance Rules 2-36(b)(1) and 2-36(c) when engaged in by an NFA Member.
17. InterBank Group LLC (“InterBank Group”), a non-NFA Member solicitor acting on AMI’s behalf, solicited the public to open accounts at AMI through a website at [www.interbankgroup.com](http://www.interbankgroup.com).
18. The InterBank Group website was misleading and deceptive in that it contained numerous discussions of the possibility of profit without including equally prominent discussions of the risk of loss. For example, the website included several examples of potential profitability which featured returns ranging from 65% to 400% without including proximate and meaningful discussions of the risk of loss.
19. The InterBank Group website was further misleading and deceptive in that it touted the advantages of leverage without disclosing the accompanying increase in risk. For example, it stated that:

100:1 leverage is commonly available from online FX dealers...while certainly not for everyone, the substantial leverage available from online currency trading firms is a powerful, moneymaking tool. Rather than merely loading up on the risk as many people incorrectly assume, leverage is essential in the forex market.
20. The InterBank Group website was further misleading and deceptive in that it contained statements that falsely implied that customers would be trading in the

interbank market. For example, the website included such claims as, "InterBank Group clients routinely benefit from the size and strength of the one of the world's largest online foreign exchange providers," and "With access to over \$1 billion in liquidity from the world's top FX banks, InterBank Group is able to pass along bank level pricing to our clients through our clearing firms." In reality, customers did not enjoy "bank level pricing" as InterBank Group widens the spreads from the prices that it receives from AMI by as much as 39 pips. Further, AMI offsets its forex exposure with IFX Markets, Inc., which in turn offsets its exposure with IFX Markets, Ltd. ("IFX Ltd."). Thus, the statements implying that InterBank Group's customers are receiving the same prices that banks and other institutions do are misleading and likely to deceive the public as the spread charged to its customers is widened from the spread on prices that IFX Ltd. receives from its counterparties.

21. The InterBank Group website was also misleading and deceptive in that it falsely implied that forex funds deposited with AMI through the InterBank Group were given special protection under the bankruptcy laws. For example, despite the fact that InterBank Group is only a soliciting firm and not the counterparty to forex transactions and has no control over customer deposits, the InterBank Group website implied that its customers' funds enjoyed an extraordinary degree of protection. Specifically, it represented that: "At InterBank Group, we realize that safety of funds is a major concern for investors. As a result, we've taken several important measures to ensure the utmost safety of customer deposits."

22. The InterBank Group website was additionally misleading and deceptive in that it represented that its services were commission free without prominently disclosing – in proximity to that representation – how it is compensated. Not only did InterBank Group's material fail to disclose -- in proximity to the representations of commission free trading – that it charges a spread of up to 39 pips on currencies, but it also failed to disclose that it charges a \$1 transaction fee on all trades. Examples of InterBank Group's representations in this regard include:

- It is much more cost-efficient to trade Forex in terms of both commissions and transaction fees. InterBank Group charges NO commissions or fees whatsoever, while still offering traders access to all relevant market information and trading tools.
- Capitalize on unmatched liquidity and no commissions or fees.

23. Advanced Forex, Inc. ("AFXI"), a non-NFA Member solicitor acting on AMI's behalf, solicited the public to open accounts at AMI through a website at [www.afxi.com](http://www.afxi.com).

24. The AFXI website was misleading and deceptive in that it included numerous statements that falsely indicated that customers trade directly with the interbank market and receive interbank pricing on their retail forex transactions. For example, the website included the statements, "Advanced Markets gives us the opportunity to trade directly on a US bank feed" and "Advanced Markets offers a true 2-pip spread on all major currency pairs and will not deviate from interbank pricing at any time."

25. The AFXI website was further misleading and deceptive in that it included discussions of the possibility of profit without an equally prominent discussion of

the risk of loss. For example, the website touts "Unsurpassed Benefits: Higher success for profitability," "AFXI/Advanced Markets Trading Benefits: Profitable Forex Management," and "the secret to our success is actually extremely obvious, we only trade when the market is favorable, leaving out days that could possibly show losses." These statements gave a false and misleading impression of the profit potential and the risk of loss trading forex through AFXI and AMI.

26. The AFXI website was also misleading and deceptive in that it included statements that falsely implied that forex funds are afforded special protection under bankruptcy. For example, AFXI's website included the statements, "Under regulation, dealing centers are required to maintain a client's assets in a segregated account" and "Registered FDIC."
27. The AFXI website was additionally misleading and deceptive in that it gave a distorted and misleading impression of the profit potential and risk of loss associated with trading forex and included testimonials such as the following:  
"AFXI has an extraordinary system for trading forex, they offer a complete profitable trading environment that is second to none...protecting from the negative experiences one could ensure in a market such as the foreign exchange."
28. Lyons Forex Group ("Lyons"), a non-NFA Member solicitor acting on AMI's behalf, solicited the public to open accounts at AMI through a website at [www.lyonsforex.com](http://www.lyonsforex.com).
29. The Lyons website was misleading and deceptive in that it included a statement

indicating that Lyons charges no commissions when, in fact, customers who are introduced to AMI by Lyons pay \$2 in commissions on each forex transaction.

30. By reason of the foregoing acts and omissions, AMI is charged with violations of NFA Compliance Rules 2-36(b)(1) and (c) based on the material on its own website and, pursuant to NFA Compliance Rule 2-36(d), AMI is further subject to discipline for violations of NFA Compliance Rules 2-36(b)(1) and (c) based on the foregoing acts and omissions by non-NFA Members, InterBank Group, AFXI, and Lyons.

## COUNT II

### **VIOLATION OF NFA FINANCIAL REQUIREMENTS SECTIONS 11(a), 11(b), 12 AND 13 AND NFA COMPLIANCE RULE 2-10: FAILURE TO MAINTAIN REQUIRED ADJUSTED NET CAPITAL; FAILURE TO TAKE REQUIRED CHARGES; FAILURE TO COLLECT AND MAINTAIN REQUIRED SECURITY DEPOSITS; FAILURE TO FILE ACCURATE WEEKLY REPORTS AND FAILURE TO MAINTAIN ACCURATE RECORDS.**

31. The allegations contained in paragraphs 1, 2, 5 and 10 through 13 are realleged as paragraph 31.
32. AMI's net capital computation as of July 31, 2006 failed to reflect the concentration charge on material positions held with unregulated counterparties, resulting in an overstatement of its net capital position of approximately \$58,000.
33. AMI failed to maintain accurate financial records as of, at least, July 31, 2006, in that its records failed to reflect approximately \$120,000 in open customer positions, and the corresponding liability to customers. In addition, AMI overstated the current value of its certificate of deposit and failed to properly accrue for back office processing and salary expenses.
34. AMI failed to meet its required \$1 million ANC as of, at least, July 31, 2006.

35. AMI also failed to collect and maintain the required minimum security deposit for forex transactions between itself and its retail customers.
36. In addition, AMI failed to file accurate weekly electronic reports with NFA reflecting liabilities to customers and other financial information. Specifically, the reports that AMI filed between June and September 2006 represented that there were no open customer positions and no concentration charges. However, this representation was untrue in that AMI had open customer positions at virtually all times during that period and, on occasion, was required to take concentration charges.
37. By reason of the foregoing acts and omissions, AMI is charged with violations of NFA Compliance Rule 2-10 and NFA Financial Requirements Sections 11(a), 11(b), 12 and 13.

### COUNT III

#### VIOLATION OF NFA COMPLIANCE RULE 2-36(e): FAILURE TO SUPERVISE.

38. The allegations set forth in paragraphs 1 through 3 and 9 are realleged as paragraph 38.
39. Brocco, AMI's president, and Gooch, the firm's COO, had and have overall responsibility for diligently supervising AMI's employees and agents in the conduct of their foreign currency futures and options activities for or on behalf of AMI. Without limitation, Brocco is responsible for submitting AMI's financial statements to NFA on a monthly basis and Gooch is responsible for maintaining AMI's financial records and monitoring the websites of AMI's solicitors.
40. The allegations contained in paragraphs 32 through 36 are realleged as paragraph 40.

41. As evidenced by the violations of financial recordkeeping requirements and NFA Financial Requirements by AMI which are incorporated by reference in paragraph 40 above, AMI, Brocco and Gooch failed to effectively supervise AMI's employees and agents in their financial and recordkeeping activities on behalf of AMI.
42. The allegations contained in paragraphs 15 through 29 are realleged as paragraph 42.
43. AMI's procedures require the firm to conduct periodic reviews of its solicitors' websites, and, if deficiencies are noted, provide the solicitor with a written review of the problems and requires the solicitor to make corrections. If deficiencies are not corrected, AMI is to send a follow-up letter to the solicitor.
44. AMI, Brocco and Gooch failed to effectively supervise the use and content of promotional material used by the InterBank Group, AFXI and Lyons in that they failed to detect and/or correct a number of material misrepresentations presented on those solicitors' websites. For example, Gooch sent a letter to the InterBank Group that indicated that there were "no apparent deficiencies" noted with the material on the site – when, in fact, there were numerous deficiencies with the website as alleged in Count I. AMI sent a letter to Lyons on July 24, 2006, which noted several problems with Lyons' website. However, as of at least September 18, 2006, Lyons' website still contained the noted deficiencies and AMI failed to follow its procedures and send a second letter to the solicitor.
45. By reason of the foregoing acts and omissions, AMI, Brocco and Gooch are charged with violations of NFA Compliance Rule 2-36(e).

## **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.

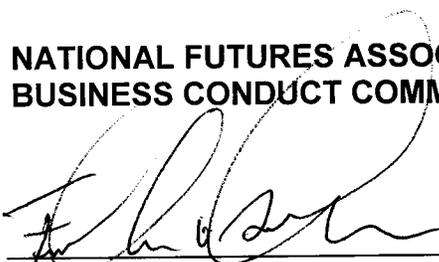
The allegations in this Complaint may constitute a statutory disqualification from registration under Section 8a(3)(M) of the Commodity Exchange Act.

Respondents in this matter who apply for registration in any new capacity, including as an 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  
BUSINESS CONDUCT COMMITTEE**

Dated: 06-28-07

By:   
Chairperson

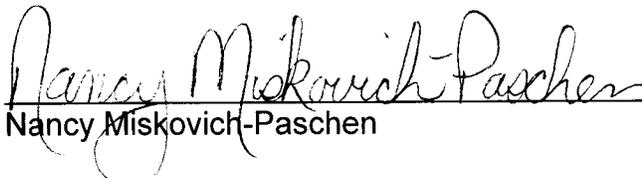
**AFFIDAVIT OF SERVICE**

I, Nancy Miskovich-Paschen, on oath state that on June 28, 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:

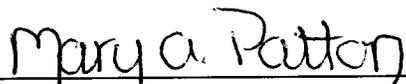
Advanced Markets, Inc.  
13950 Ballantyne Corporate Place  
Suite 175  
Charlotte, NC 28277  
Attn: Anthony P. Brocco, President

Anthony P. Brocco  
11198 Island Lakes Lane  
Boca Raton, FL 33498

Geoffrey Gooch  
7001 NW 47th Place  
Lauderhill, FL 33319

  
Nancy Miskovich-Paschen

Subscribed and sworn to before me  
on this 28th day of June 2007.

  
Notary Public

