

NATIONAL FUTURES ASSOCIATION  
BEFORE THE HEARING PANEL

**FILED**

**NOV - 9 2007**

**NATIONAL FUTURES ASSOCIATION  
LEGAL DOCKETING**

In the Matter of: )  
)  
NEW WORLD HOLDINGS LLC )  
(NFA ID #331188), )  
)  
STEVEN D. ERDMAN )  
(NFA ID #68887), )  
)  
THOMAS E. FRITZ )  
(NFA ID #6906), )  
)  
and )  
)  
LEE A. GAUS )  
(NFA ID #33197), )  
)  
Respondents. )

NFA Case No. 07-BCC-009

**DECISION**

Having reviewed all matters relevant to the Complaint issued by the Business Conduct Committee ("BCC") of National Futures Association ("NFA") against New World Holdings LLC ("New World"), Steven D. Erdman ("Erdman"), Thomas E. Fritz ("Fritz") and Lee A. Gaus ("Gaus") in the above-captioned matter, and the Offer of Settlement ("Offer") submitted by New World, Erdman, Fritz and Gaus and having accepted the Offer, the Hearing Panel ("Panel") issues the following Decision.

I

**ALLEGED VIOLATIONS OF NFA REQUIRMENTS**

In April 2007, the BCC issued a Complaint against New World, an independent introducing broker NFA Member located in Chicago which also had branch offices in Ohio, Nebraska, and Florida. The Complaint also named, as respondents,

New World's principals and managing members, viz., Erdman, Fritz and Gaus, all of whom were also associated persons of New World and NFA Associates.

The Complaint alleged that New World, Erdman, Fritz and Gaus committed the following violations of NFA Requirements: violation of NFA Compliance Rule 2-9(a) by New World, Erdman, Fritz and Gaus for failing to supervise New World and its branch offices' operations; violation of NFA Compliance Rule 2-10 by New World for not preparing and reporting monthly net capital computations, in accordance with NFA Requirements, and not maintaining current books and records; violation of NFA Compliance Rule 2-8(b) by New World for failing to document supervisory personnel's review of discretionary trading; violation of NFA Registration Rule 210 by New World for failing to list a branch office; violation of NFA Compliance Rule 2-4 by New World for bunching non-customer and customer accounts in the same order; violation of NFA Compliance Rule 2-9(c) by New World for failing to develop an adequate anti-money laundering ("AML") program and to conduct an independent annual AML audit; violation of NFA Compliance Rule 2-38 by New World for failing to develop and implement an adequate written business continuity and disaster recovery plan; and violation of NFA Compliance Rule 2-4 by New World for failing to provide customers with a copy of its privacy policy on an annual basis.

## II

### OFFER OF SETTLEMENT

New World, Erdman, Fritz and Gaus submitted an Offer in which they proposed to settle the charges against them on the following terms:

1. Without admitting or denying the allegations in the Complaint, they stipulated that a Decision issued by the Hearing Panel accepting their Offer will include findings that New World committed the violations alleged against it in the Complaint.

2. They stipulated that their Offer was contingent upon NFA dismissing the charges against Erdman, Fritz, and Gaus, with prejudice (which NFA agreed to do).
3. They stipulated and agreed that New World will pay a fine of \$30,000, which will be due and payable thirty days after the date of a Decision accepting their Offer.
4. They agreed that Erdman, Fritz, and Gaus will guarantee – and shall be jointly and severally liable for – payment of the \$30,000 fine, in the event that New World fails to pay it.
5. They agreed that, within thirty days of a Decision accepting their Offer, New World will adopt and implement written compliance procedures – acceptable to NFA – which are of a corrective nature and address the deficiencies cited in the Complaint, including the supervision of New World's branch offices; New World's AML program and procedures; New World's ethics training procedures, privacy policy, and business continuity and disaster recovery program; and the preparation of monthly capital computations, the review by supervisory personnel of discretionary trading, the preparation and retention of required books and records, and the requirements for bunched orders.
6. They agreed that, within thirty days of a Decision accepting their Offer, New World will employ, for a period of two years, an experienced outside compliance consultant to monitor – and make periodic reports and recommendations to New World concerning – New World's compliance program and activities, including the specific areas outlined in the preceding paragraph. They further agreed to provide NFA with copies of all reports and recommendations of the outside compliance consultant.
7. They agreed that their Offer and any Decision accepting their Offer was expressly contingent upon the following terms and conditions: (a) that the Hearing Panel's acceptance of their Offer would operate to bar any future Member Responsibility Action ("MRA") or BCC Complaints against them for any conduct occurring prior to the date of their Offer, of which NFA had corporate knowledge; (b) the Hearing Panel's acceptance of their Offer would resolve and terminate all complaints, investigations and audits relating to them, which were pending as of the date of their Offer; and (c) their Offer and any Decision accepting their Offer could not be used as a sole basis for any other action or proceeding by NFA against them, including any registration matter, except their Offer and any Decision accepting their Offer may be used in an action to enforce their terms or in a subsequent disciplinary action or regulatory action against New World, Erdman, Fritz and/or Gaus where they may be considered as disciplinary history and evidence in aggravation on the issue of sanctions.

### III

#### FINDINGS

Having considered the matter and having accepted the Offer submitted by New World, Erdman, Fritz and Gaus, the Hearing Panel finds that New World violated the following NFA Requirements: NFA Compliance Rule 2-9(a) by failing to supervise New World and its branch offices' operations; NFA Compliance Rule 2-10 by not preparing and reporting monthly net capital computations, in accordance with NFA Requirements, and not maintaining current books and records; NFA Compliance Rule 2-8(b) by failing to document supervisory personnel's review of discretionary trading; NFA Registration Rule 210 by failing to list a branch office; NFA Compliance Rule 2-4 by bunching non-customer and customer accounts in the same order; NFA Compliance Rule 2-9(c) by failing to develop an adequate AML program or conduct an independent annual AML audit; and NFA Compliance Rule 2-38 by failing to develop and implement an adequate written business continuity and disaster recovery plan.

### IV

#### PENALTY

Having considered the matter and having accepted the Offer submitted by New World, Erdman, Fritz and Gaus, the Hearing Panel orders as follows:

1. New World shall pay a fine of \$30,000, which will be due and payable thirty days after the date of this Decision.
2. Erdman, Fritz, and Gaus shall guarantee – and be jointly and severally liable for – payment of the \$30,000 fine, in the event that New World fails to pay it.
3. Within thirty days of this Decision, New World shall adopt and implement written compliance procedures – acceptable to NFA – which are of a corrective nature and address the deficiencies cited in the Complaint, including the supervision of New World's branch offices; New World's AML

program and procedures; New World's ethics training procedures, privacy policy, and business continuity and disaster recovery program; and the preparation of monthly capital computations, the review by supervisory personnel of discretionary trading, the preparation and retention of required books and records, and the requirements for bunched orders.

4. Within thirty days of this Decision, New World shall employ, for a period of two years, an experienced outside compliance consultant to monitor – and make periodic reports and recommendations to New World concerning – New World's compliance program and activities, including the specific areas outlined in the preceding paragraph. New World shall provide NFA with copies of all reports and recommendations of the outside compliance consultant.
5. The charges against Erdman, Fritz, and Gaus are dismissed, with prejudice.
6. The Hearing Panel's acceptance of New World, Erdman, Fritz and Gaus's Offer shall 1) operate to bar any future MRA or BCC Complaints against them for any conduct occurring prior to the date of their Offer, of which NFA had corporate knowledge, and 2) resolve and terminate all complaints, investigations and audits relating to them, which were pending as of the date of their Offer. Furthermore, New World, Erdman, Fritz and Gaus's Offer and this Decision accepting their Offer cannot be used as a sole basis for any other action or proceeding by NFA against them, including any registration matter, except their Offer and this Decision accepting their Offer may be used in an action to enforce their terms or in a subsequent disciplinary action or regulatory action against New World, Erdman, Fritz and/or Gaus where they may be considered as disciplinary history and evidence in aggravation on the issue of sanctions.

**NATIONAL FUTURES ASSOCIATION  
HEARING PANEL**



Date: November 9, 2007

By: \_\_\_\_\_  
Chairperson

**AFFIDAVIT OF SERVICE**

I, Myra Lewis, on oath state that on November 9, 2007, I served copies of the attached Decision, by sending such copies in the United States mail, postage prepaid, certified mail, return receipt requested, and by regular mail, first-class delivery, in envelopes addressed as follows:

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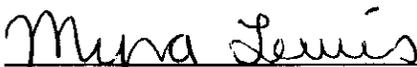
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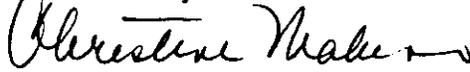
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Myra Lewis

Subscribed and sworn to before me  
on this 9<sup>th</sup> day of November 2007.

  
Notary Public

