

FILED

SEP 26 2008

NATIONAL FUTURES ASSOCIATION  
BEFORE THE  
BUSINESS CONDUCT COMMITTEE

NATIONAL FUTURES ASSOCIATION  
LEGAL DOCKETING

In the Matter of: )  
)  
ONE WORLD CAPITAL GROUP LLC )  
(NFA ID #359973), )  
)  
and ) NFA Case No. 08-BCC-024  
)  
JOHN E. WALSH )  
(NFA ID #277351), )  
)  
Respondents. )

**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 ("BCC") 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 NFA.
2. At all times relevant to this Complaint, Walsh was the president and managing member of One World, a registered associated person of the firm and an NFA Associate.

## **BACKGROUND**

3. One World is located in Winnetka, Illinois and its principal business is the handling of customer accounts trading in off-exchange foreign currency transactions ("forex").
4. In June 2007, NFA's BCC issued a Complaint against One World and Walsh which charged One World with failing to meet minimum adjusted net capital requirements or maintain current books and records, using misleading promotional material, and failing to adopt and enforce written procedures to supervise the use of promotional material. The BCC Complaint also charged Walsh and One World with providing false and misleading information to NFA concerning the role at One World of an individual named Charles Martin.
5. One World settled the BCC case by agreeing to pay a fine of \$100,000, on or before December 31, 2007, and an additional fine of \$50,000, on or before February 1, 2008, if the firm continued to engage in retail forex business. To date, One World has not made any payments with respect to these fines.
6. In addition to the BCC Complaint, on November 30, 2007, NFA's Executive Committee issued a *Member Responsibility Action ("MRA")* against One World and Walsh based on their failure to demonstrate that One World had sufficient capital to comply with its minimum net capital requirement and discharge its liabilities to customers. The MRA remains in effect and prohibits One World from conducting any new business, placing new trades except for liquidation purposes, or disbursing any funds without the prior approval of NFA.

## APPLICABLE RULES

7. NFA Compliance Rule 2-5 provides, in pertinent part, that each Member and Associate shall cooperate promptly and fully with NFA in any NFA investigation, inquiry, audit, examination or proceeding regarding compliance with NFA requirements or any NFA disciplinary or arbitration proceeding.
8. 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.
9. NFA Compliance Rule 2-36(b)(5) provides that no FDM or Associate of an FDM engaging in any forex transaction shall willfully submit materially false or misleading information to NFA or its agents with respect to forex transactions.
10. 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.
11. 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.
12. NFA Financial Requirements Section 11 provides, in pertinent part, that each FDM must maintain adjusted net capital equal to or in excess of the greatest of: (i)

\$5,000,000; (ii) 5% of all liabilities owed to customers; or (iii) any other amount required by Financial Requirements Section 1.

**COUNT I**

**VIOLATION OF NFA COMPLIANCE RULES 2-5, 2-10, 2-36(b)(5), 2-36(c) AND 2-36(e), AND FINANCIAL REQUIREMENTS SECTION 11: FAILING TO COOPERATE WITH NFA IN AN INVESTIGATION OF ONE WORLD'S ACTIVITIES; FAILING TO MAINTAIN CURRENT BOOKS AND RECORDS; PROVIDING FALSE AND MISLEADING INFORMATION TO NFA; FAILING TO UPHOLD HIGH STANDARDS OF COMMERCIAL HONOR AND JUST AND EQUITABLE PRINCIPLES OF TRADE; FAILING TO SUPERVISE ONE WORLD'S FINANCIAL CONDITION, OR ITS PREPARATION AND MAINTENANCE OF BOOKS AND RECORDS; AND FAILING TO MAINTAIN REQUIRED MINIMUM ADJUSTED NET CAPITAL.**

13. The allegations contained in paragraphs 1 through 12 are realleged as paragraph 13.
14. After the BCC case, which is described in paragraphs 4 and 5 above, was settled, NFA continued to monitor One World's activities. On November 28, 2007, NFA sent an audit team to One World's Winnetka offices after receiving information that some of One World's forex customers were experiencing difficulty in withdrawing funds from their One World trading accounts. After arriving at One World's offices, NFA's auditors spoke to Walsh and asked him for information as to One World's liabilities to customers.
15. Walsh told the NFA auditors that he did not know the exact amount of customer liabilities because the electronic trading platform that One World's forex customers use was not reliable and, therefore, he was not certain if the customer liabilities reported by the electronic trading platform were accurate. NFA's auditors asked Walsh for the margin equity report from the electronic trading platform and a current net capital computation for the firm. The auditors also

gave Walsh a list of other documents that NFA needed to complete its investigation.

16. NFA returned to One World's offices on November 29, 2007, but were unable to gain entry. NFA auditors telephoned Walsh, who claimed that the electric trading platform that the firm used had crashed overnight and that he was working at home. NFA reiterated its request that Walsh provide NFA with the margin equity report from the electronic trading platform. Walsh said that he would need more time to produce the equity report due to the electronic trading platform crashing the previous evening.
17. Shortly after the above telephone conversation, Walsh arrived at One World's offices. NFA auditors asked Walsh to produce all of the documents it had requested on November 28, 2007 and to sign bank confirmations so that NFA could verify balances on deposit at Bank of America and Harris Bank. However, Walsh left the One World offices without signing the bank confirmations.
18. Later that day, One World's receptionist told the NFA auditors that Walsh had gone to the hospital and that she did not believe that he would be returning that day. The NFA auditors returned to One World's offices on November 30, 2007, but were not allowed in by One World personnel.
19. Based on Walsh's unavailability and unresponsiveness, and his and One World's failure to furnish NFA with an equity report and other books and records requested by NFA, NFA was unable to verify One World's assets and liabilities. However, from the limited information made available to NFA, it appeared that

One World's assets, which are attributable to its forex business, had decreased dramatically between March and November 2007.

20. As of March 31, 2007, when NFA previously audited One World, NFA confirmed that One World had in excess of \$8.8 million at banks and carrying brokers with respect to its forex business. However, as of December 2007, NFA was only able to confirm that One World had approximately \$600,000 at banks and carrying brokers relative to its forex business. This amount appears to be far short of One World's liabilities to its forex customers. In fact, according to an equity run that NFA's auditors observed on a desk at One World's offices, when they were at the firm in late November 2007, One World's liabilities to its forex customers was \$7.9 million.
21. The aforementioned equity run was never produced to NFA's auditors by One World. Moreover, it dramatically contradicted the information in the weekly forex reports One World filed with NFA in 2007. One World's weekly forex reports showed a steady decrease in One World's assets and liabilities to forex customers from over \$8 million early in the year to approximately \$500,000 by the end of November.
22. By reason of the foregoing acts and omissions, One World and Walsh are charged with violations of NFA Compliance Rules 2-5, 2-10, 2-36(b)(5), 2-36(c), and 2-36(e), and Financial Requirements Section 11.

## **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

E-Mail: [Docketing@nfa.futures.org](mailto:Docketing@nfa.futures.org)  
Facsimile: 312-781-1672

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;

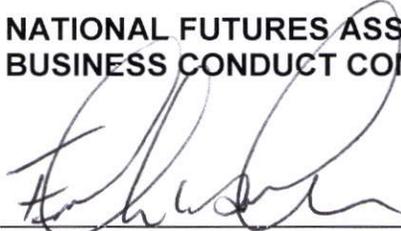
- (b) bar or suspension for a specified period from association with an NFA Member;
- (c) censure or reprimand;
- (d) a monetary fine not to exceed \$250,000 for each violation found; and
- (e) order to cease and desist or any other fitting penalty or remedial action not inconsistent with these penalties.

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: 09/24/08

By:   
Chairperson

/jac(Complaints\One World\_Walsh)

**AFFIDAVIT OF SERVICE**

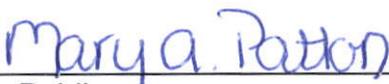
I, Nancy Miskovich-Paschen, on oath state that on September 26, 2008, I served copies of the attached Complaint, by sending such copies in the United States mail, first-class delivery, and by overnight mail, in envelopes addressed as follows:

One World Capital Group LLC  
818 Elm Street  
Winnetka, IL 60093  
Attn: John Walsh, President

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

  
Nancy Miskovich-Paschen

Subscribed and sworn to before me  
on this 26th day of September 2008.

  
\_\_\_\_\_  
Notary Public

