

FILED

AUG 18 2010

NATIONAL FUTURES ASSOCIATION
BEFORE THE
HEARING COMMITTEE

NATIONAL FUTURES ASSOCIATION
LEGAL DOCKETING

In the Matter of:)	
)	
CDH GLOBAL HOLDINGS, LLC)	
(NFA ID #402884),)	
)	
CDH FOREX INVESTMENTS, LLC)	NFA Case No. 10-MRA-004
(NFA ID #390384))	
)	
and)	
)	
LINDA FAYE HARRIS)	
(NFA ID #397342),)	
)	
Respondents.)	

DECISION

This Decision is issued pursuant to National Futures Association (NFA) Compliance Rule 3-15 by a designated three-person Panel (Panel) of its Hearing Committee. A hearing was held to consider all relevant matters pertaining to the Notice of Member Responsibility Action (MRA Notice) issued to CDH Global Holdings, LLC (CDH Global), CDH Forex Investments, LLC (CDH Forex) and the Notice of Associate Responsibility Action (ARA Notice) issued to Linda Faye Harris (Harris) in the above-captioned matter.

I

PROCEDURAL BACKGROUND

On July 19, 2010, the President of NFA, with the concurrence of the Executive Committee, issued a Member Responsibility Action (MRA) against CDH Global and CDH Forex and an Associate Responsibility Action (ARA) against Harris. The MRA and ARA were deemed necessary to protect customers because NFA had reason to believe that:

- Harris, CDH Global and CDH Forex provided false and misleading information to NFA, and failed to cooperate with NFA, in its investigation of highly dramatic profit claims made in CDH Global's and CDH Forex's disclosure documents, which appear to be wholly fictitious;

- Harris, CDH Global and CDH Forex provided false and misleading information to NFA, and failed to cooperate with NFA, in its investigation of Harris' claim that CDH Global and CDH Forex had at one time over \$18 million under management although NFA's investigation has shown that CDH Global and CDH Forex never had anywhere near that amount under management; and
- Harris and CDH Forex recently filed a new disclosure document for CDH Forex, which contained the same false and misleading information.

The MRA/ARA Notice stated that the MRA and ARA were effective immediately and would remain in effect until CDH Global, CDH Forex and Harris demonstrated to the satisfaction of NFA that it was in compliance with all NFA Requirements. Finally, the Notice advised Respondents of their right to request a prompt hearing.

On July 27, 2010, Harris, on behalf of herself and CDH Global and CDH Forex requested a hearing. The hearing was held on August 6, 2010.

II

EVIDENCE PRESENTED AT THE HEARING

During the hearing, NFA presented one witness and entered a number of documents into evidence. Harris testified on behalf of Respondents. A summary of the evidence follows:

Mark Arnold

Mark Arnold, an auditor in NFA's Compliance Department, testified substantially as follows:

CDH Global is a member of NFA and is registered as a commodity trading advisor. CDH Forex is also a member of NFA and is registered as a commodity pool operator. Harris is an associate member of NFA and is registered as a associated person (AP) and listed as a principal of both CDH Global and CDH Forex.

In April 2010, NFA decided to begin an audit of CDH Global and CDH Forex. NFA decided to audit these firms because their respective disclosure documents included extremely high rates of return and NFA wanted to test the validity of the reported returns. Specifically, both disclosure documents indicated that CDH Forex's trading program had achieved a 25.85 percent rate of return in 2007; a 269.94 percent rate of return in 2008 and a 510.66 percent rate of return in 2009. The CDH Global disclosure document indicated that its proprietary account had achieved a 371 percent rate of return in 2009.

Prior to visiting the firms' offices, NFA sent a document request list to Harris. NFA sent the request to Harris because she is the only AP/principal of these

firms. In response to NFA's request, Harris provided copies of carrying broker statements for two brokerage firms – ODL Securities (ODL) and Advanced Markets. Harris informed NFA that these were the brokerage firms that carried the accounts that represented the performance returns reported in the disclosure documents.

For ODL Securities, Harris provided NFA with two sets of statements. Harris indicated that one set was for the proprietary trading performance for CDH Global and the other was for customer trading accounts managed by CDH Forex. For Advanced Markets, Harris provided statements for the trading accounts that were traded by CDH Forex.

Harris also provided NFA with copies of CDH Forex's bank statements for June 2009 through March 2010, CDH Forex's internal accounting journals and a list of customers for CDH Forex who, according to Harris, had accounts at Advanced Markets and ODL Securities.

According to the carrying broker statements provided by Harris, the amount of money on deposit with the two firms varied from month to month. In March 2010, the amount on deposit at Advanced Markets was under \$300,000. The statements for ODL Securities indicated that in December 2009, the firm held over \$18.9 million.

When NFA reviewed the ODL statements, NFA staff identified some discrepancies in the statements. For example, ending equity balance as of November 30, 2008 adjusted for the activity in December 2008 did not equal the December 31, 2008 ending balance on the statement. After NFA pointed out the discrepancies, Harris indicated she did not know why the statements were incorrect but that she would contact ODL Securities. Later, she provided NFA with "corrected" statements, which appeared to eliminate all the discrepancies NFA had identified.

Given the type of errors NFA had identified, as well as the amount of assets supposedly under management, NFA decided to confirm the balances with Advanced Markets and ODL Securities. Advanced Markets confirmed the balances. ODL Securities, however, did not respond to NFA's request. As a result, NFA staff contacted the firm. A representative of the firm informed NFA staff, and confirmed in writing, that the account had only opened on April 19, 2010 and that it had not been funded. ODL Securities also informed NFA that it did not have any accounts in the names of customers who Harris had told NFA maintained accounts at ODL. When NFA discussed the brokerage firm account statements bearing ODL Securities' name provided to NFA by Harris, ODL Securities indicated that the account statements had been falsified.

NFA staff confronted Harris with these findings in July 2010 and asked her to provide NFA with the name and email address of her contact at ODL Securities and any account opening paperwork in her possession. Harris did not provide NFA with any of this information.

NFA staff then questioned the validity of the bank statements, especially in light of the fact that the statements supposedly reflected performance fees that were remitted to Harris for the trading that took place at ODL Securities. Staff directed Harris to provide NFA with direct access to her on-line bank account and with contact information for a representative at the bank. Harris did not give NFA access to the account or provide bank contact information.

NFA also sent Harris a written request for documents and information. The request directed Harris to provide NFA by 2:00 p.m. the day of the request (July 16, 2010) with the June 2010 bank statements for CDH Global and CDH Forex, as well as a number of related persons and entities, and contact information for a representative at Wachovia Bank and ODL Securities. NFA also directed Harris to provide, by 12:00 p.m. the next day, bank statements and supporting documents for the life of the CDH Forex, CDH Global and any related accounts, a list of customers for CDH Global and CDH Forex, as well as a written description of the account opening process at ODL and any email correspondence with them (See NFA Exhibit 16).

Harris' only response to the email was to indicate that a few accounts for which NFA had asked for bank statements were not active and that she had no direct representative at Wachovia Bank or ODL Securities. When NFA informed her that this was not a sufficient response, Harris sent NFA an email that indicated the following:

After reviewing our records and discussing the information presented to us yesterday, we have decided not to contest the matter. We do not have any documentation to substantiate the ODL statements, accounts and related information presented to the NFA. As such, the materials requested cannot be provided. We fully understand the ramifications of our actions and the possibility of disciplinary action being taken against us. We sincerely apologize for the misrepresentation and any inconvenience and confusion this has caused and would like to resolve this matter so that we can continue to make the necessary changes to be compliant with NFA regulations. Sincerely, Chance and Linda Harris.

As a result of this response and Harris' failure to provide NFA with the information NFA had requested, NFA's Executive Committee issued the MRA and ARA.

Linda Harris

Harris testified substantially as follows:

Harris does not dispute the MRA or that it was appropriate. She does, however, dispute some of the facts included in the MRA and the affidavit. The affidavit states that CDH Forex never had more than \$300,000 under management. This is false because the firm had \$700,000 under management at one time. It was correct, however, that the firm had \$300,000 under management as of March 31, 2010, the audit date.

The capsule performance information in the disclosure document includes proprietary trading, hypothetical accounts as well as managed accounts of actual clients. The reason the capsules are incorrect was because at one point NFA advised her to present them that way.

Harris drafted a letter of rebuttal that included these points and sent it to Advanced Markets and CDH Global's and CDH Forex's clients (See Respondent Exhibit 1).

The ODL statements represented a hypothetical account. Harris, however, did not have a demo or simulation account at ODL. ODL did not generate those statements. Harris created the ODL heading on the statements. The email that appears to be from ODL Securities to Harris providing the carrying broker statements was not actually sent by ODL Securities.

Harris agreed to provide NFA with most of the information it requested on July 16, 2010, but she will not be able to provide all the information.

III

FINDINGS AND CONCLUSIONS

After considering all of the relevant evidence introduced at the hearing, the Panel makes the following findings of fact and conclusions of law:

- CDH Global submitted a disclosure document to NFA that indicated that it had achieved an annual rate of return of 371% in 2009 from trading in a proprietary account. CDH Forex submitted a disclosure document to NFA that reported an annual rate of return for customer accounts in excess of 500% for 2009.
- NFA asked Harris to provide NFA with carrying broker statements to support these rates of return. Harris provided NFA with carrying broker statements from two firms.
- One set of the brokerage firm statements Harris provided purportedly were for customer accounts that had an aggregate value of \$18 million at one point. These carrying broker statements, however, were completely fictitious, were created by Harris and did not represent actual customer trading. In fact, the brokerage house in question never held an account for CDH Global's or CDH Forex's customers.
- Harris went to great lengths to obscure the fact that she was providing false information to NFA. The carrying broker statements were sent to NFA via email from Harris. Harris made it appear that the carrying broker statements had been emailed to her from the brokerage firm and then she forwarded them to NFA.

Harris admitted, however, that she did not receive these statements from the brokerage firm and, therefore, the email from the brokerage firm was fictitious.

NFA had ample grounds for issuing this MRA and there are ample grounds for maintaining it. The Panel is deeply concerned about the deceitful nature of Harris' interaction with NFA and the effort she expended trying to mislead NFA. Harris, on behalf of herself and CDH Global and CDH Forex, created fictitious trading statements designed to mislead NFA. Despite repeated attempts by NFA, Harris failed to provide NFA with records it needed to complete its investigation of this matter and determine the extent of customer harm, if any. Although Harris has provided NFA with records that she maintains are the bank statements that NFA had requested, given her past history with providing fictitious statements, staff will need to analyze these documents closely to ensure that they are legitimate. Moreover, Harris has still not provided the cancelled checks and other supporting bank records that NFA requested. Finally, based on the evidence at the hearing, it is apparent that the performance information in both CDH Global's and CDH Forex's disclosure documents is not accurate. Neither firm, however, has an updated disclosure document that has been approved by NFA, which it is required to have under NFA Compliance Rule 2-41.

As a result, the Panel concludes that it is appropriate that CDH Global, CDH Forex and Harris continue to be subject to the restrictions placed upon them by the MRA/ARA.

IV

ORDER

The MRA is affirmed. CDH Global, CDH Forex and Harris continue to be:

- prohibited from soliciting or accepting any funds from customers or investors, soliciting investments for any commodity pools or other investment vehicles, or placing any trades on behalf of customers, commodity pools or investors except liquidation or risk reducing trades; and
- prohibited from disbursing or transferring any funds of customers, investors, or commodity pools over which they exercise control, or participants in any such commodity pools, without prior approval from NFA.

In addition, Harris is required to provide copies of this Decision via overnight carrier to all: a) customers of Harris, CDH Global, CDH Forex and any other entities over which Harris exercises control; and b) banks and other financial institutions in which money is on deposit in the name of Harris, CDH Global and CDH Forex or any other entity which Harris exercises control.

These restrictions shall remain in effect until:

- CDH Forex and CDH Global submit disclosure documents to NFA that are subsequently approved by NFA staff;
- CDH Forex, CDH Global and Harris prepare correspondence that is acceptable to NFA, which rescinds the rebuttal letter (in which Harris challenges the MRA/ARA Notice) that Harris sent to customers of Harris, CDH Global and CDH Forex and demonstrate to NFA that each of those customers received a copy of the correspondence;
- NFA staff determines that the bank statements submitted on August 6, 2010 are legitimate and complete; and
- Global, CDH Forex and Harris provide NFA with the remaining requested bank documentation or NFA staff determines it is not necessary.

V

APPEAL

CDH Global, CDH Forex and Harris may appeal this Decision to the Commodity Futures Trading Commission (Commission) pursuant to Commission Regulation 171.44 by filing a notice of appeal with the Commission within thirty days of the date of service of this Decision. CDH Global, CDH Forex and Harris may petition the Commission to stay the effective date of this Decision pursuant to Commission Regulation 171.43 by filing a petition for a stay with the Commission within ten days of the date of service of this Decision.

**NATIONAL FUTURES ASSOCIATION
HEARING PANEL**

Dated: 08/18/2010

By: Terrence B. Clarke
Terrence B. Clarke,
Chairperson

/caw(BCC Cases/CDH MRA Decision)

AFFIDAVIT OF SERVICE

I, Nancy Miskovich-Paschen, on oath state that on August 18, 2010, 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:

David Stawick
Office of the Secretariat
Commodity Futures Trading
Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Terry Montgomery
Futures Trading Investigator
Division of Enforcement
Commodity Futures Trading
Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

William Penner
Deputy Director
Commodity Futures Trading
Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Tempest Thomas
Proceedings Clerk
Office of Proceedings
Commodity Futures Trading
Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

CDH Forex Investments LLC
CDH Global Holdings LLC
1011 Surrey Lane
Building 200
Flower Mound, TX 75022
Attn: Linda Faye Harris

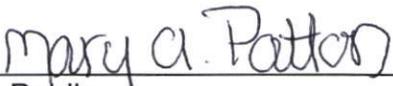
Linda Faye Harris
1514 Glenmore Drive
Lewisville, TX 75077

and by hand delivery to:

Ronald V. Hirst, Esq.
National Futures Association
300 South Riverside Plaza
Suite 1800
Chicago, IL 60606


Nancy Miskovich-Paschen

Subscribed and sworn to before me
on this 18th day of August 2010.



Notary Public

