



raising entities solicited prospective customers by setting up telephone conference calls with customers and Defendants, and by passing along misrepresentations made by Defendants regarding forex trading. The fund-raising entities served as a conduit for customer funds for Defendants' forex scheme and other financial schemes, and forwarded customer funds to Defendants. The fund-raising entities also used their own funds to trade forex through Defendants.

3. Defendants, directly and through the fund-raising entities, promised customers monthly returns of 20 to 40 percent from forex trading and told some customers that their principal would be guaranteed. Defendants sent prospective customers, directly and through the fund-raising entities, account statements from demonstration forex trading accounts, which were established by Defendants to show that Defendants traded up to \$10 million of customer money and made high profit returns. Based on these representations and others, customers opened forex trading accounts at registered futures commission merchants ("FCMs") in their own names, deposited approximately \$630,000 into these accounts and gave Defendants a limited power of attorney ("LPOA") to manage the accounts. Instead of the promised profitable returns, however, the majority of customer accounts managed by Defendants resulted in losses.

4. Further, at least four customers sent at least \$169,000 to Defendants, directly or through the fund-raising entities, which were not used for forex trading or deposited into trading accounts in those customers' names. Defendants instead put these funds into a bank account in Defendants' names, commingled them with Defendants' funds, and then misappropriated funds. Indeed, Defendants told one of these customers that his funds were not used to trade forex but instead went to pay another investor. As such, Defendants operated a Ponzi scheme.

5. Separate from customer accounts at the FCMs and the \$169,000 misappropriated from the four customers discussed above, Defendants also received at least \$330,000 of funds from customers and the fund-raising entities. Defendants commingled these funds with Defendants' own funds and then deposited them into forex trading accounts in Defendants' names. After trading these funds for a net profit of approximately \$46,000, Defendants withdrew all but \$5,000 from these trading accounts, returned approximately \$78,000 to customers, and misappropriated the remaining \$293,000 of customers' funds. Combined with paragraph 4 above, Defendants therefore misappropriated at least \$462,000 of customer funds.

6. By virtue of this conduct and the further conduct described herein, Defendants have engaged, are engaging, or are about to engage in acts and practices in violation of Section 4b(a)(2)(A)-(C) of the Commodity Exchange Act (the "Act"), as amended by the Food, Conservation, and Energy Act of 2008, Pub. L. No. 110-246, Title XIII (the CFTC Reauthorization Act of 2008 ("CRA")), § 13102-13204, 122 Stat. 1651 (enacted June 18, 2008), to be codified at 7 U.S.C. § 6b(a)(2)(A)-(C).

7. Yancy, along with other Longbranch employees and agents, committed the acts and omissions described herein within the course and scope of their employment at Longbranch. Therefore, Longbranch is liable under Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2006), and CFTC Regulation ("Regulation") 1.2, 17 C.F.R. § 1.2 (2010), as principal for its agents' acts, omissions or failures.

8. Yancy is liable under Section 13(b) of the Act, 7 U.S.C. § 13c(b) (2006), as a controlling person of Longbranch for its violations of the Act, as amended by the CRA, because he did not act in good faith or knowingly induced, directly or indirectly, the acts constituting Longbranch's violations.

## II. JURISDICTION AND VENUE

9. The Commission has jurisdiction over the forex transactions at issue in this case pursuant to Section 2(c)(2) of the Act, as amended by the CRA, to be codified at 7 U.S.C. § 2(c)(2), for conduct that occurred on or after June 18, 2008, the date of the CRA's enactment.

10. Venue properly lies with the Court pursuant to Section 6c(e) of the Act, 7 U.S.C. § 13a-1(e) (2006), because Defendants transacted business in the Southern District of Texas and certain of the transactions, acts, practices, and courses of business alleged occurred, are occurring, and/or are about to occur within this District.

## III. PARTIES

11. The U.S. Commodity Futures Trading Commission is an independent federal regulatory agency that is charged by Congress with the administration and enforcement of the Act, 7 U.S.C. §§ 1 *et seq.* (2006), the Act, as amended by the CRA, to be codified at 7 U.S.C. §§ 1 *et seq.*, and the Regulations, 17 C.F.R. §§ 1.1 *et seq.* (2010). The CFTC maintains its principal office at Three Lafayette Centre, 1155 21<sup>st</sup> Street, NW, Washington, D.C. 20581.

12. Longbranch Group International LLC f/k/a Longbranch LLC is a Texas limited liability company formed on or about January 5, 2009, with its principal place of business at 333 N. Sam Houston Parkway E, Houston, TX 77060. Longbranch Group International LLC applied in November 2008 to be a commodity trading advisor with the CFTC, but withdrew its application. Longbranch Group International LLC is a successor entity to Longbranch LLC, an Idaho for-profit corporation incorporated by Yancy on February 13, 2008, with an address in Boise, Idaho. This entity was administratively dissolved on May 6, 2009.

13. Jeremiah C. Yancy a/k/a Jeremiah C. Glaub's last known address was in Atoka, Oklahoma. Yancy is the chief executive officer ("CEO"), president, and principal of

Longbranch Group International LLC and Longbranch LLC. Yancy has never been registered in any capacity with the Commission.

#### IV. FACTS

14. From at least July 2008 to present, Yancy and Longbranch, by and through its employees and agents, solicited at least 64 customers to open forex accounts. Defendants solicited over \$1 million of customer funds intended for use in forex trading from at least 36 of the customers solicited. Defendants' customers included members of Yancy's church in Idaho, where he was a pastor. Defendants told prospective customers that they managed forex trading for non-profit organizations, including churches and orphanages.

15. Defendants also solicited prospective customers through several "fund-raising entities" to trade in forex, as well as for several other financial schemes operated by Defendants.

16. Defendants made misrepresentations to prospective customers through telephone conference calls set up by the fund-raising entities. Further, Defendants' misrepresentations were passed along to customers via emails from the fund-raising entities.

17. To solicit customers, Defendants, directly and through the fund-raising entities, represented to prospective customers that they would earn 20 to 40 percent monthly returns through forex trading and told some customers that their principal was guaranteed. Defendants also sent, directly and through the fund-raising entities, account statements to prospective customers showing high returns, telling customers that the statements were for forex accounts purportedly containing up to \$10 million traded by Defendants. Defendants did not inform customers that these forex trading account statements were for demonstration and/or test accounts and did not represent actual trading of accounts containing any customer funds.

18. Defendants also represented to customers that Yancy had known Longbranch's forex trader for at least seven years. In fact, Yancy had met the forex trader less than a year before making these representations.

19. Based on Defendants' misrepresentations, 64 customers opened forex trading accounts with Forex Direct Dealer ("FXDD"). Of the 64 customer accounts at FXDD, 36 customers funded their accounts with a net total of approximately \$630,000.

20. All the accounts at FXDD were opened in individual customer names and managed through a LPOA given to Longbranch. Each customer account was linked to a Longbranch trading account through a "percentage allocation management module" ("PAMM"). The PAMM structure allowed Defendants to trade on behalf of multiple customer accounts and to allocate profits and losses on a percentage basis among those accounts, depending on their capitalization. The majority of customer accounts managed by Defendants through the PAMMs had net losses of up to 95 percent over the life of the accounts. Although some customers withdrew funds from their accounts within a short time after funding and earned minimal profits through forex trading, on the whole, the PAMM accounts lost approximately \$230,000.

21. Additionally, at least four customers sent at least \$169,000 to Defendants, either directly or through one of the fund-raising entities, for the purpose of trading forex, but the money was never deposited into forex trading accounts in those customers' names. Instead, Defendants deposited these funds into bank accounts in Longbranch's name, commingled the funds with Defendants' funds, and misappropriated the funds for their own use and business expenses.

22. Defendants told one customer that the funds he invested with Defendants to trade forex were never actually traded, but instead went to pay another investor. Therefore, Defendants are operating a Ponzi scheme.

23. Defendants also received at least \$330,000 of customer funds, which Defendants commingled with Defendants' own funds and then deposited into forex trading accounts in Defendants' own names. After trading these funds for a net profit of approximately \$46,000, Defendants withdrew all but \$5,000 from these trading accounts, returned approximately \$78,000 to customers and misappropriated the remaining \$293,000 of these customer funds.

24. In total, Defendants misappropriated at least \$462,000 of customer funds.

25. Neither Defendants, Defendants' customers, nor the FCMs that were the counterparties to the forex transactions were financial institutions, registered broker dealers, insurance companies, bank holding companies, or investment bank holding companies or the associated persons of financial institutions, registered broker dealers, insurance companies, bank holding companies, or investment bank holding companies.

26. Defendants, along with some or all of Defendants' customers, were not "eligible contract participants" as that term is defined in the Act. See Section 1a(12)(A)(v) and (xi) of the Act, 7 U.S.C. § 1a(12)(A)(v) and (xi) (2006). An "eligible contract participant," as relevant here, is: (1) an individual with total assets in excess of (i) \$10 million, or (ii) \$5 million and who enters the transaction "to manage the risk associated with an asset owned or liability incurred, or reasonably likely to be owned or incurred, by the individual; and (2) "a corporation . . . that has total assets exceeding \$10,000,000 . . . ."

27. The forex transactions conducted by Defendants at FCMs, both on behalf of their customers and in accounts in Defendants' names, were entered into on a leveraged or margined

basis. Defendants' customers were required to provide only a percentage of the value of the forex contracts that they purchased.

28. The forex transactions conducted by Defendants neither resulted in delivery within two days nor created an enforceable obligation to deliver between a seller and a buyer that had the ability to deliver and accept delivery, respectively, in connection with their lines of business. Rather, these forex contracts remained open from day to day and ultimately were offset without anyone making or taking delivery of actual currency (or facing an obligation to do so).

29. At all material times, Longbranch was wholly owned by Yancy, who held himself out to the public as the President and CEO of Longbranch and solicited members of the general public to invest with Longbranch. Yancy managed the day to day operations of Longbranch including, but not limited to, hiring a forex trader and corresponding with customers and the fund-raising entities regarding their forex trading accounts. As such, Yancy is a controlling person of Longbranch.

30. By virtue of their actions, Defendants have engaged, are engaging, or are about to engage in acts and practices that violate Section 4b(a)(2)(A)-(C) of the Act, as amended by the CRA, to be codified at 7 U.S.C. § 6b(a)(2)(A)-(C).

## V. VIOLATIONS OF THE COMMODITY EXCHANGE ACT

### COUNT I

#### **Violations of Sections 4b(a)(2)(A)-(C) of the Act, as amended by the CRA, to be codified at 7 U.S.C. §§ 6b(a)(2)(A)-(C) (Fraud in Connection with Forex)**

31. The allegations set forth in paragraphs 1 through 30 are realleged and incorporated herein by reference.



32. Sections 4b(a)(2)(A)-(C) of the Act, as amended by the CRA, to be codified at 7 U.S.C. §§ 6b(a)(2)(A)-(C), make it unlawful

for any person, in or in connection with any order to make, or the making of, any contract of sale of any commodity for future delivery, or other agreement, contract, or transaction subject to paragraphs (1) and (2) of section 5a(g), that is made, or to be made, for or on behalf of, or with, any other person, other than on or subject to the rules of a designated contract market – (A) to cheat or defraud or attempt to cheat or defraud the other person; (B) willfully to make or cause to be made to the other person any false report or statement or willfully to enter or cause to be entered for the other person any false record; [or] (C) willfully to deceive or attempt to deceive the other person by any means whatsoever in regard to any order or contract or the disposition or execution of any order or contract, or in regard to any act of agency performed, with respect to any order or contract for or, in the case of paragraph (2), with the other person.

33. As set forth above, from at least July 2008, through the present, in or in connection with forex contracts, made, or to be made, for or on behalf of or with other persons, Defendants cheated or defrauded, or attempted to cheat or defraud, customers or prospective customers and willfully deceived or attempted to deceive customers or prospective customers by, among other things, knowingly (i) misappropriating customer funds by not depositing those funds into customer trading accounts but instead using customer funds for personal and business use; (ii) sending customers account statements for the demonstration trading accounts but representing that such statements were for actual trading accounts; (iii) telling customers that Defendants' forex trading would result in monthly profits of 20 to 40 percent when, in fact, Defendants' forex trading lost money over the life of the accounts; (iv) telling customers that Yancy had known Defendants' forex trader for several years; and (v) telling some customers that their principal was guaranteed, all in violation of Sections 4b(a)(2)(A)-(C) of the Act, as amended by the CRA, to be codified at 7 U.S.C. §§ 6b(a)(2)(A)-(C).

34. Defendants engaged in the acts and practices described above knowingly or with reckless disregard for the truth.

35. Yancy controls Longbranch, directly or indirectly, and did not act in good faith or knowingly induced, directly or indirectly, Longbranch's conduct alleged in this Count. Therefore, pursuant to Section 13(b) of the Act, 7 U.S.C. § 13c(b) (2006), Yancy is liable for Longbranch's violations of Sections 4b(a)(2)(A)-(C) of the Act, as amended by the CRA, to be codified at 7 U.S.C. §§ 6b(a)(2)(A)-(C).

36. The foregoing acts, misrepresentations, omissions, and failures of Yancy, along with other Longbranch employees and agents, occurred within the scope of their employment with Longbranch; therefore, Longbranch is liable for these acts pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2006), and Regulation 1.2, 17 C.F.R. § 1.2 (2010), as principal for its agent's acts, omissions or failures of the Act, as amended by the CRA.

37. Each misappropriation, issuance of a false account statement, misrepresentation or omission of material fact, including but not limited to those specifically alleged herein, is alleged as a separate and distinct violation of Sections 4b(a)(2)(A), (B) or (C) of the Act, as amended by the CRA, to be codified at 7 U.S.C. §§ 6b(a)(2)(A)-(C).

## VI. RELIEF REQUESTED

**WHEREFORE**, the CFTC respectfully requests that the Court, as authorized by Section 6c of the Act, 7 U.S.C. § 13a-1 (2006), and pursuant to its own equitable powers, enter:

a) An order finding that Defendants violated Section 4b(a)(2)(A)-(C) of the Act, as amended by the CRA, to be codified at 7 U.S.C. § 6b(a)(2)(A)-(C).

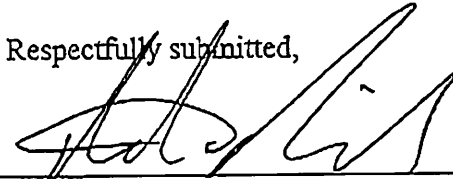
b) An order of permanent injunction prohibiting Defendants and any of their agents, servants, employees, assigns, attorneys, and persons in active concert or participation with any Defendant, including any successor thereof, from engaging, directly or indirectly, in:

- i. conduct in violation of Sections 4b(a)(2)(A)-(C) of the Act, as amended by the CRA, to be codified at 7 U.S.C. §§ 6b(a)(2)(A)-(C);
- ii. trading on or subject to the rules of any registered entity (as that term is defined in Section 1a(29) of the Act, 7 U.S.C. § 1a(29) (2006));
- iii. entering into any transactions involving commodity futures, options on commodity futures, commodity options (as that term is defined in Regulation 32.1(b)(1), 17 C.F.R. § 32.1(b)(1) (2010)) ("commodity options"), and/or foreign currency (as described in Section 2(c)(2)(C)(i) of the Act as amended by the CRA, to be codified at 7 U.S.C. § 2(c)(2)(C)) ("forex contracts") for their own personal account or for any account in which they have a direct or indirect interest;
- iv. having any commodity futures, options on commodity futures, commodity options, and/or forex contracts traded on their behalf;
- v. controlling or directing the trading for or on behalf of any other person or entity, whether by power of attorney or otherwise, in any account involving commodity futures, options on commodity futures, commodity options, and/or forex contracts;
- vi. soliciting, receiving, or accepting any funds from any person for purposes of purchasing or selling any commodity futures, options on commodity futures, commodity options, and/or forex contracts;

- vii. applying for registration or claiming exemption from registration with the CFTC in any capacity, and engaging in any activity requiring such registration or exemption from registration with the CFTC, except as provided for in Regulation 4.14(a)(9), 17 C.F.R. § 4.14(a)(9) (2010); and
- viii. acting as a principal (as that term is defined in Regulation 3.1(a)), agent, or any other officer or employee of any person (as that term is defined in Section 1a(28) of the Act, 7 U.S.C. § 1a(28) (2006)) registered, exempted from registration or required to be registered with the CFTC, except as provided for in Regulation 4.14(a)(9), 17 C.F.R. § 4.14(a)(9) (2010);
  - c) An order directing Defendants, as well as any successors and/or agents to any Defendant, to disgorge, pursuant to such procedure as the Court may order, all benefits received from the acts or practices which constitute violations of the Act, as amended by the CRA, as described herein, and pre- and post-judgment interest thereon from the date of such violations;
  - d) An order directing Defendants to make full restitution to every person or entity whose funds Defendants received or caused another person or entity to receive as a result of acts and practices that constituted violations of the Act, as amended by the CRA, as described herein, and pre- and post-judgment interest thereon from the date of such violations;
  - e) An order directing Defendants and any successors thereof, to rescind, pursuant to such procedures as the Court may order, all contracts and agreements, whether implied or express, entered into between them and any of the customers whose funds were received by them as a result of the acts and practices which constituted violations of the Act, as amended by the CRA, as described herein;

- f) An order directing each Defendant to pay a civil monetary penalty under the Act, to be assessed by the Court, in amounts of not more than the higher of 1) triple the monetary gain to Defendant for each violation of the Act, as amended by the CRA, or 2) \$130,000 for each violation of the Act, as amended by the CRA, occurring from October 23, 2004 through October 22, 2008, and \$140,000 for each violation of the Act, as amended by the CRA, occurring on or after October 23, 2008, plus post-judgment interest;
- g) An order requiring Defendants to pay costs and fees as permitted by 28 U.S.C. §§ 1920 and 2412(a)(2); and
- h) Such other and further relief as the Court deems proper.

Respectfully submitted,



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Dated this 15<sup>th</sup> day of August, 2010.