



Commodity Futures Trading Commission
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CFTC Sues Futures Commission Merchant Forex Liquidity LLC Alleging Undercapitalization in Excess of \$11.6 Million

Washington, DC – The U.S. Commodity Futures Trading Commission (CFTC) announced today that on December 13, 2007, it sued **Forex Liquidity LLC** (Forex Liquidity), a registered Futures Commission Merchant (FCM) in Santa Ana, California, charging it with being undercapitalized in excess of \$11.6 million and also with failing to maintain required books and records.

On December 14, 2007, the CFTC won an asset freeze and other emergency relief that will enable the Commission to freeze the remaining assets of Forex Liquidity and safeguard the interests of its customers.

According to the CFTC complaint, as of November 30, 2007, and perhaps earlier, Forex Liquidity's net capitalization was below the minimum required by the Commission. As a Forex Dealer Member of the National Futures Association (NFA) offering to be the counterparty to retail customer foreign currency transactions, Forex Liquidity is required to have a minimum adjusted net capital of \$1 million; instead, according to the complaint, as of December 7, 2007, it had an adjusted net capital deficit of approximately \$11.6 million.

Forex Liquidity is also alleged to have been unable to produce required financial documentation regarding its assets and liabilities. For example, according to the CFTC's complaint, Forex Liquidity represented in reports and discussions with NFA that its assets at one time included a \$35 million ABN-AMRO bond located in Switzerland. The complaint further alleges that Forex Liquidity represented to the NFA that the ABN-AMRO bond (or its proceeds) were transferred to a U.S. registered broker dealer, Commonwealth Financial Network (CFN); however, CFN does not have an account for Forex Liquidity and the account number that the defendant provided to NFA was fictitious. \

Accordingly, the CFTC also charged Forex Liquidity with failure to maintain books and records of its business transactions, specifically, current ledgers that accurately reflect its assets and liabilities.

In the ongoing action in the U.S. District Court for the Central District of California, the CFTC seeks an order of permanent injunction against the defendant, monetary penalties, and other relief. The Honorable Cormac J. Carney, U.S. District Judge, issued the restraining order freezing the assets of Forex Liquidity and prohibiting the defendant from destroying documents or denying CFTC staff access to books and records.

The CFTC appreciates the assistance of the National Futures Association in this action.

The following CFTC Division of Enforcement staff members are responsible for this matter: Peter Haas, Richard Foelber, Paul Hayeck, and Joan Manley.

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