

IN THE UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION

U.S. COMMODITY FUTURES  
TRADING COMMISSION,

Plaintiff,

v.

PRIVATEFX GLOBAL ONE LTD., SA;  
36 HOLDINGS LTD; ROBERT D. WATSON;  
and DANIEL J. PETROSKI,

Defendants.

---

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

PRIVATEFX GLOBAL ONE LTD., SA;  
36 HOLDINGS LTD; ROBERT D. WATSON;  
and DANIEL J. PETROSKI,

Defendants.

§  
§  
§  
§  
§  
§  
§  
§  
§  
§  
§  
§  
§  
§  
§  
§  
§  
§  
§  
§  
§  
§  
§  
§

Civil Action No. 09-1540  
and  
Civil Action No. 09-1541  
**(CONSOLIDATED)**

**CONSENT ORDER OF PERMANENT INJUNCTION  
AND FOR OTHER EQUITABLE RELIEF AGAINST DEFENDANTS  
PRIVATE FX GLOBAL ONE LTD., SA, 36 HOLDINGS LTD.,  
ROBERT D. WATSON, AND DANIEL J. PETROSKI**

**I. INTRODUCTION**

On May 21, 2009, Plaintiff U.S. Commodity Futures Trading Commission (CFTC) filed a Complaint for Injunctive Relief, Civil Monetary Penalties, and Other Equitable Relief (Complaint) in this action against defendants Private FX Global One Ltd., SA (Global One), 36 Holdings Ltd. (36 Holdings), Robert D. Watson (Watson), and Daniel J. Petroski (Petroski)

(collectively, defendants) seeking injunctive and other equitable relief for violations of the Commodity Exchange Act (Act), 7 U.S.C. §§ 1 *et seq.* (2006), 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)), §13101-13204, 122 Stat. 1651 (enacted June 18, 2008). The Court entered an *Ex Parte* Statutory Restraining Order pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2006), on May 21, 2009. The Court entered Consent Orders of Preliminary Injunction and Other Equitable Relief against defendants on June 4, 2009.

## II. CONSENTS AND AGREEMENTS

To effect settlement of all charges alleged in the Complaint against defendants without a trial on the merits or any further judicial proceedings, but reserving resolution of certain necessary statutory and equitable relief, including restitution, disgorgement and/or an appropriate civil monetary penalty, and such other relief as may be appropriate, defendants:

1. Consent to the entry of this Consent Order of Permanent Injunction and Other Equitable Relief Against Defendants Private FX Global One Ltd., SA, 36 Holdings Ltd., Robert D. Watson, and Daniel J. Petroski (Consent Order);
2. Affirm that they have agreed to this Consent Order voluntarily, and that no threat, or promise, other than as specifically contained herein, has been made by the CFTC or any member, officer, agent, or representative thereof, or by any other person, to induce consent to this Consent Order;
3. Acknowledge service of the summons and Complaint;
4. Admit the jurisdiction of this Court over them and the subject matter of this action pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1, and Section 2(c)(2) of the Act as amended by the CRA, to be codified at 7 U.S.C. § 2(c)(2);

5. Admit that venue properly lies with this Court pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1;

6. Waive:

a) any and all claims that they may possess under the Equal Access to Justice Act (EAJA), 5 U.S.C. § 504 (2006) and 28 U.S.C. § 2412 (2006), and/or Part 148 of the Regulations, 17 C.F.R. §§ 148.1 *et seq.* (2009), relating to or arising from this action;

b) any and all claims that they may possess under the Small Business Regulatory Enforcement Fairness Act, 1996 HR 3136, Pub. L. 104-121, §§ 201-253, 110 Stat. 847 (1996), as amended by 2007 HR 2206, Pub. L. No. 110-28, § 8302, 121 Stat. 112 (2007), relating to or arising from this action;

c) any claim of Double Jeopardy based upon the institution of this proceeding or the entry in this proceeding of any order imposing a civil monetary penalty or any other relief; and

d) any and all rights of appeal from this action;

7. Consent to the continued jurisdiction of this Court for the purpose of enforcing the terms and conditions of this Consent Order and for any other purpose relevant to this case, even if they now or in the future reside or operate outside the jurisdiction;

8. Agree that neither they nor any of their agents or employees under their direct or indirect authority or control shall not take any action or make any public statement denying, directly or indirectly, any allegations in the Complaint, or the Findings of Fact and Conclusions of Law in this Consent Order, or creating or tending to create the impression that the Complaint and/or this Consent Order are without factual basis; provided, however, that nothing in this provision shall affect their: (a) testimonial obligations, or (b) rights to take positions in other

proceedings to which the CFTC is not a party. Defendants shall undertake all steps necessary to ensure that all of their agents and employees understand and comply with this agreement;

9. By consenting to the entry of this Consent Order, they neither admit nor deny the allegations of the Complaint or the Findings of Fact and Conclusions of Law in this Consent Order, except as to jurisdiction and venue, which they admit. They agree and intend, however, that all the Findings of Fact and Conclusions of Law made by this Court and contained in Part III of this Consent Order shall be taken as true and correct and be given preclusive effect, relating to any claim made by the CFTC, without further proof, in the course of: (a) any current or subsequent bankruptcy proceeding filed by, on behalf of, or against any defendant; (b) a proceeding to enforce this Consent Order; and/or (c) any proceeding pursuant to Section 8a of the Act, 7 U.S.C. § 12a(1) (2006), and/or Part 3 of the Regulations, 17 C.F.R. §§ 3.1 *et seq.* (2009);

10. Agree to provide immediate notice to this Court and the CFTC by certified mail, in the manner required by paragraph 77 of Part VI of this Consent Order, of any bankruptcy proceeding filed by, on behalf of, or against any of them; and

11. Agree that no provision of this Consent Order shall in any way limit or impair the ability of any other person or entity to seek any legal or equitable remedy against any of them in any other proceeding.

### **III. FINDINGS AND CONCLUSIONS**

#### **A. Jurisdiction and Venue**

12. Section 6c(a) of the Act, 7 U.S.C. § 13a-1, authorizes the CFTC to seek injunctive relief against any person whenever it shall appear to the CFTC that such person has engaged, is

engaging, or is about to engage in any act or practice constituting a violation of the Act or any rule, regulation, or order thereunder.

13. The CFTC has jurisdiction over the off-exchange foreign currency (forex) transactions at issue in this case pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1, and Section 2(c)(2) of the Act, as amended by the CRA, to be codified at 7 U.S.C. § 2(c)(2).

14. 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 in violation of the Act occurred within this District.

#### **B. Parties to this Consent Order**

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

16. Defendant **PrivateFX Global One Ltd., SA** was a corporation formed in the Republic of Panama on March 27, 2006. Global One purported to have offices in Panama, England, Switzerland, and the United States (Sugar Land, Texas). Global One has never been registered with the CFTC.

17. Defendant **36 Holdings Ltd.** was identified by Global One as a “deal clearing company owned by Robert D. Watson.” Watson formed a number of entities named “36 Holdings,” none of which are “deal clearing” companies. Public records indicated that at one time entities named 36 Holdings were incorporated in Delaware and the United Kingdom, but neither entity is currently registered in those locations. Other Global One documents provided to

investors stated that 36 Holdings is located in the British Virgin Islands. Still other documents provided to investors identified 36 Holdings as being located in both the United Kingdom and Switzerland. Bank records indicated that an entity named 36 Holdings, controlled by Watson, had bank accounts in the United States. 36 Holdings had a bank account with LGT in Switzerland and, according to defendants, forex trading accounts at a number of financial institutions, including Deutsche Bank. Defendants claimed that 36 Holdings trades forex on behalf of Global One and other funds controlled by Watson. 36 Holdings has never been registered with the CFTC.

18. Defendant **Robert D. Watson**, a U.S. citizen and a resident of Houston, Texas, was the chairman, senior director, and controller of currency dealing operations for Global One. He controlled and was the founding owner of 36 Holdings. From January 1, 2009 through April 30, 2009, he was also an executive professor in the Department of Finance at Texas A&M University's Mays Business School. Watson has never been registered with the CFTC.

19. Defendant **Daniel J. Petroski**, a U.S. citizen and a resident of Houston, Texas, was the chief executive officer and managing director for Global One. Further, Petroski controlled the administrative and legal operations for Global One. Petroski is a lawyer, licensed in Texas since 1987, and a certified public accountant, licensed in Texas since 1984. Petroski has never been registered with the CFTC.

### **C. Findings of Fact**

20. Starting on or about July 1, 2006, defendants began raising funds from U.S. investors through an unregistered offering of up to \$45 million in Global One shares. Defendants described the offering in a private placement memorandum (PPM) issued June 23, 2006 and revised December 19, 2007.

## The PPM

21. The PPM described Global One as an entity that was “created as a Republic of Panama Corporation and . . . managed by Robert D. Watson.” Its purported objective was “to speculate in the foreign currency inter-bank market through the expertise of the Global One SA management team of Robert D. Watson, Daniel J. Petroski, and [one other individual].”

22. The PPM further explained that:

Global One SA will speculate in the foreign currency inter-bank markets based upon a proprietary intra-day and weekly dealing model. Global One SA’s positions will only involve the most liquid and largest currency crosses (i.e. EUR/USD, USD/JPY, GBP/USD, USD/ CHF & EUR/JPY). Global One SA will employ a proprietary model for directional dealing of the currency markets; taking positions that last from 10 minutes to five days. This proprietary model is called “Alpha One” (Investment results utilizing Alpha One for 6½ years are depicted in a graph found in Appendix B). Alpha One is designed to find the non-subjective point in which the currency markets have shifted in any time frame and then provides a practical (historically based) and risk effective approach to taking a currency position. Depending on the time frame selected, the position is taken and a historically based expectation is formed for the position to achieve the most risk effective profit. Current computer technology allows monitoring and practical stop loss management of positions Sunday through Friday each week. Alpha One will also indicate several months in advance when the shifting of Global One SA’s cash balances to another currency would be advantageous. This can be exploited by shifting up to one-third (33%) of Global One SA’s cash balances to a currency in which Global One SA speculates, such as the Euro, the Swiss Franc or the Japanese Yen.

23. The PPM identified various risks associated with forex trading, including “[m]arket movements [that] can be volatile and difficult to predict,” “unforeseen events [that] can . . . have a significant impact on currency prices,” the “substantial risk” that “the techniques employed on behalf of Global One . . . cannot always be implemented or will be [sic] effective in reducing losses” and that “FX [d]ealing is [s]peculative.”

24. Despite the substantial unpredictability of the forex market, defendants claimed in the PPM to have never had an unprofitable month of forex trading. In Appendix B to the PPM, defendants presented Alpha One's purported quarterly and cumulative returns from January 1, 2000 through June 30, 2006. According to Appendix B, Alpha One produced quarterly returns ranging from approximately 6 percent to 10 percent over a six-and-a-half year timeframe. The PPM claimed that these returns represented "actual dealing in clients['] accounts."

25. In addition, the PPM claimed that Global One will employ the services of 36 Holdings, "a deal clearing company owned by [Watson], . . . when 36 Holdings Ltd. has a competitive advantage over the Global One SA clearing accounts."

26. The PPM also provided that Global One's management team would be compensated out of the 25 percent of the gross profits allocated to Global One. According to the PPM, the remaining 75 percent of Global One's gross profits would be allocated among Global One's investors.

27. The Global One offering raised approximately \$21 million from at least 80 investors.

#### **Global One's Purportedly Successful Forex Operations**

28. From at least October 2006 to at least May 2009, Global One investors periodically received information from defendants about Global One's financial performance, which is inextricably tied to Global One's purported forex trading. In this regard, Global One investors received from defendants, among other things, Global One's income statements and balance sheets, monthly investor reports, and various financial charts, tables, and graphs.

29. The income statements purportedly provided investors with a line-item summary of Global One's sources of income and expenses. This allowed investors to see Global One's



purported income from forex trading, as compared to purported income generated from bond sales, commissions, and interest income. From these statements, investors could see that substantially all of Global One's income came from purported forex trading. For example, from January 2009 through April 2009, income from purported forex trading equaled 99.9 percent of the total income supposedly earned by Global One.

30. The balance sheets purportedly provided investors with a line-item summary of Global One's assets, liabilities, and investor equity. The income from purported forex trading affects several line items in the balance sheets. For example, the cash balances held at numerous banks and Global One's account at 36 Holdings, as well as investor's individual equity accounts, increased with purported forex trading profits.

31. The monthly investor reports provided investors with a summary of the activity that occurred in their individual Global One accounts during the month (*i.e.*, prior balance, deposits, withdrawals, the investor's stock dividends for the month, and the ending balance). It also stated the returns (in both dollars and as a percentage) on the investor's account for several different time periods—monthly, year-to-date, and 2006 through 2008. The returns reported by Global One were derived, in large part, from its purported forex trading income.

32. The charts, tables, and graphs provided to investors illustrate Global One's return as compared to various benchmarks (*e.g.*, the Standard & Poor's 500 and Dow Jones Industrial Average). The charts, tables, and graphs also presented Global One's return for various periods of time (*e.g.*, monthly, year-to-date, since inception, etc.). The returns reported are derived, in large part, from Global One's purported forex trading income.

33. Despite the self-acknowledged unpredictability of the forex market, Global One's income statement, investor reports, charts, tables, and graphs provided to investors implausibly

stated that from August 2006 through April 2009 (33 consecutive months), Global One never had a losing month. Global One's monthly returns during that time ranged between 1.57 percent and 2.93 percent. Global One also stated in various charts, graphs, and tables that, as of February 2009, Global One's average monthly return equaled 2.26 percent, its annualized return equaled 23.04 percent, and its cumulative return since inception equaled 69.95 percent.

34. During 2008, Global One purportedly executed 146 trades (which include multiple forex transactions associated with the buying of a forex position and the offsetting of that position) across all of its trading accounts—126 of those purported trades were profitable and only 20 were unprofitable. This means that 86 percent of Global One's purported trades were winning trades. Most of this supposed success was found in Global One's 36 Holdings trading account—118 of Global One's 146 executed 2008 trades supposedly occurred in this account, with 94 percent of those trades being profitable. Global One's forex trading in the 36 Holdings account during 2008 purportedly earned Global One total trading profits of approximately \$4.7 million. Global One executed only 28 trades in or through other accounts—only 46 percent of those trades were profitable; as a result, Global One's 2008 forex trading, outside of the 36 Holdings account, resulted in trading losses of approximately \$26,000. One hundred percent of Global One's forex trading income in 2008, therefore, was generated in its 36 Holdings account.

35. Global One's purported forex trading success extended into 2009. Global One's January, February, March, and April of 2009 statements included monthly returns of 1.77 percent, 2.07 percent, 1.82 percent, and 1.48 percent, respectively. Once again, nearly all of Global One's income was generated by purported forex trading profits through Global One's

36 Holdings account. From January through April 2009, trading in Global One's 36 Holdings account supposedly generated 98 percent of Global One's income.

36. In addition to sending financial information directly to investors, Global One also made financial information available to its investors through a website—[www.privatefx.net](http://www.privatefx.net). At a minimum, investors could access Global One's PPM, subscription agreement, monthly investor reports, and the results of Global One's quarterly and annual audit reports supposedly conducted by its U.S. and Panamanian auditors.

37. According to Global One's 2008 audited financial statements, its year-end assets totaled \$22,702,650.20. The notes to Global One's 2008 audited financial statements provided: "In an effort to protect against potential bank failures, Global One places cash on deposit with various banks throughout the world." The notes then provided a listing with the percentage of Global One's funds that supposedly were held at each of seven different banking institutions around the world. The largest portion of Global One's cash deposits, 38 percent, allegedly were held at 36 Holdings in Switzerland.

38. There were no counterparties to the fictitious forex transactions purportedly conducted by Global One, 36 Holdings, and Watson on behalf of Global One and its investors. In addition, some or all of defendants and the futures commission merchants that were counterparties to defendants' actual forex transactions were not financial institutions, registered broker dealers, insurance companies, financial holding companies, or investment bank holding companies or the associated persons of registered broker dealers, insurance companies, financial holding companies, or investment bank holding companies.

39. The forex transactions at issue were conducted for or on behalf of Global One investors. In fact, according to defendants, the tremendous returns represented to Global One

investors were the product of forex trading. Some or all of Global One's investors were not "eligible contract participants" as that term is defined in the Act. *See* Section 1a(12)(A)(xi) of the Act, 7 U.S.C. § 1a(12) (2006) (an "eligible contract participant" is, in relevant part, 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").

40. Global One's investors were offered, or entered into, forex transactions through their investment in Global One. These forex transactions were offered, or entered into (or purportedly entered into), on a leveraged or margined basis.

41. The forex transactions conducted (or purportedly conducted) by Global One, 36 Holdings, and Watson on behalf of Global One and its investors neither resulted in delivery nor created an enforceable obligation to deliver between a seller and a buyer that have the ability to deliver and accept delivery, respectively, in connection with their lines of business; rather, these forex contracts remained (or purportedly remained) open from day to day and ultimately were offset (or purportedly offset) without anyone making or taking delivery of actual currency (or facing an obligation to do so).

#### **Global One "Pays" Stock Dividends to Its Investors**

42. Global One's method of compensating or rewarding its investors for Global One's purported forex trading success is relatively complex. Rather than paying investors cash or crediting an individual Global One account from which investors can make cash withdrawals, Global One paid its investors by issuing stock dividends. Consequently, Global One's PPM noted that because "Global One SA does not generally intend to pay cash distributions but will,

instead, continuously distribute stock dividends, an investment in Global One SA is not suitable for investors seeking current distributions of income or requiring periodic cash payments.”

43. The stock dividends “paid” to an investor equals the investor’s equity account balance (as expressed in dollars, not shares) multiplied by Global One’s monthly return that is derived, almost entirely, by Global One’s purported forex trading. The value of the shares is then credited to the investor’s equity account (again expressed in dollars, not shares).

44. Global One maintained an individual equity account for each of its investors. The amount in each investor’s equity account is reported, among other places, on the investor’s monthly report.

45. An investor could only withdraw funds from his or her equity account by redeeming shares. Each share could be redeemed by the investor, assuming he or she followed Global One’s stock redemption rules, for \$10.00 per share. According to these rules, unless waived by Global One, an investor could not sell his or her shares until that person held a shareholder interest for six full and consecutive months. Furthermore, written notice must be given to Global One at least 30 days prior to the proposed sale date. There are no cash transfers from Global One to investors until the stock is redeemed. Certain Global One investors have redeemed shares for cash.

#### **Defendants’ Forex Trading Records**

46. On May 8, 2009, defendants produced to the CFTC and the Securities and Exchange Commission (SEC) a number of third-party documents purportedly verifying their forex trading activity. Specifically, defendants produced numerous Global One and 36 Holdings “Deutsche Bank Combined Account Statement[s].” These documents purportedly reflected forex trading by defendants Global One and 36 Holdings (on behalf of Global One and other,

unidentified funds controlled by Watson) in two forex trading accounts at Deutsche Bank: account \*\*\*\*\*2030, in the name of Global One, and account \*\*\*\*\*1723, in the name of 36 Holdings. In addition, on May 8, 2009, defendants produced numerous 36 Holdings account statements for Global One (account \*\*\*\*\*0234), which purported to reflect Global One's portion of certain forex trading conducted by 36 Holdings. On May 13, 2009, defendants produced to the CFTC and the SEC additional documents purporting to reflect forex trading activity in account \*\*\*\*\*1723.

**Defendants' Genuine Forex Trading in account \*\*\*\*\*2030**

47. The statements defendants produced for Global One's account \*\*\*\*\*2030 at Deutsche Bank are for the period October 2007 through March 2009. They reflected minimal forex trading by Global One that resulted in a mix of very small profits and losses, consistent with the volatile nature of forex trading. In total, approximately 17 forex trades occurred in this account between October 2007 and April 2009, and these forex trades resulted in a cumulative loss of \$11,017.34.

48. Defendants claimed that the vast majority of Global One's forex trading occurred in accounts other than \*\*\*\*\*2030 at Deutsche Bank. Further, through counsel, defendants have claimed that the forex trades in account \*\*\*\*\*2030 were executed by young "trainees," who had not yet developed Watson's skills in forex trading. Defendants claimed they had provided these young trainees investor money for "training" purposes.

**Defendants' Fictitious Forex Trading in account \*\*\*\*\*1723**

49. The "Deutsche Bank Combined Account Statement[s]" defendants produced for Deutsche Bank account \*\*\*\*\*1723, in the name of 36 Holdings, covered more than 100 separate purported forex transactions occurring between January and April 2009. Pursuant to an

arrangement between 36 Holdings and Global One, a portion of the profits or losses generated by each of the forex transactions in this account were allocated to Global One. Specifically, 25 percent of the account's profits and losses were allocated to Global One for January 2009 and 30 percent of the account's profits and losses were allocated to Global One for February, March, and April 2009.

50. Between January 1, 2009 and April 30, 2009, almost all of Global One's purported forex trades occurred in this 36 Holdings account at Deutsche Bank. These purported trades involved millions of dollars in notional value of Japanese Yen, Euros, British Pounds, Swiss Francs, and U.S. Dollars. In fact, the smallest purported transaction involved 12 million units of one of these currencies, and the largest purported transaction involved 40 million units of one of these currencies. These purported forex transactions, which were given unique ticket numbers, were almost universally profitable, resulting in supposed multi-million dollar gains. In total, these "Deutsche Bank Combined Account Statement[s]" purported to show that in the first four months of 2009, 36 Holdings generated forex trading profits of \$7,465,629 and that \$2,096,377 of these profits were allocated to Global One.

51. Through counsel, defendants claimed that these "Deutsche Bank Combined Account Statement[s]" were actual Deutsche Bank statements reflecting defendants' trading activity that were downloaded electronically, exclusively by Watson, from Deutsche Bank's website at the end of each month.

52. These "Deutsche Bank Combined Account Statement[s]," prepared by Watson and given to counsel for presentation to the SEC and CFTC, however, were fictitious. After examining its internal records, Deutsche Bank confirmed that account \*\*\*\*\*1723 was not owned, or otherwise controlled, by 36 Holdings or any of the defendants; instead, it is an account

owned by an unrelated entity and unrelated individuals, located in Kingston, Jamaica. The account has been closed since February 2008, with a zero balance. The last trade in that account occurred in November 2007.

53. 36 Holdings never had any account in its name at Deutsche Bank, and account \*\*\*\*\*1723 did not engage in the forex trades reflected in the “Deutsche Bank Combined Account Statement[s]” produced by defendants. In fact, the forex transactions associated with the ticket numbers identified in the fictitious statements either did not occur in any Deutsche Bank account or were associated with different transactions than those purported to have occurred in the “Deutsche Bank Combined Account Statement[s].” Moreover, Deutsche Bank allows customers to buy or sell forex only in certain-sized lots—which are far smaller than the lots listed in the “Deutsch Bank Combined Account Statement[s]” provided by defendants.

54. The “Deutsche Bank Combined Account Statement[s]” produced by defendants were forgeries, created by Watson in an attempt to falsely persuade the CFTC and SEC that the returns represented to investors were genuine and that further investigation is unwarranted.

55. The 2009 forex trading detailed in the “Deutsche Bank Combined Account Statement[s]” for 36 Holdings account \*\*\*\*\*1723, for and on behalf of Global One and its investors (as well as for and on behalf of other, unidentified funds controlled by Watson), never occurred. Further, other purported Global One forex trading conducted through 36 Holdings (and other entities) prior to January 1, 2009 did not occur as represented by defendants. Accordingly, rather than use investor funds to trade forex, defendants, beginning on at least June 18, 2008, simply misappropriated or misapplied a portion of those funds.

56. The fictitious forex trading activity and the make-believe profits generated from that fictitious trading form the basis for numerous misrepresentations made to Global One’s



investors. Because Global One's fictitious forex trading results were conveyed by defendants, among other ways, in each investor's monthly report, Global One's income statement and balance sheet, and the charts, tables, and graphs provided to investors and potential investors, all these reports and statements are fraudulent.

57. Defendants provided Global One investors with, among other things, false monthly reports and false financial statements of Global One and 36 Holdings, based on information prepared by Watson, that misrepresented forex trading activity and profits supposedly earned therefrom. These documents allowed defendants Global One, 36 Holdings, and Watson to conceal and expand their fraudulent scheme.

#### **Fictitious LGT Bank Statements**

58. Included in defendants' May 8 and 13, 2009 productions to the CFTC and the SEC were numerous purported LGT quarterly statements for 36 Holdings (client number \*\*\*2575). These LGT statements purportedly cover the period from March 31, 2008 to March 31, 2009. The most recent LGT quarterly statement provided by defendants purports that the value of assets in that account exceed \$69 million.

59. Through counsel, defendants claimed that Deutsche Bank account \*\*\*\*\*1723, in the name of 36 Holdings, is linked to this 36 Holdings account at LGT and that the funds in that LGT account serve as collateral for the forex trading of Global One, 36 Holdings, and Watson. This claim was untrue. The balance in that account never exceeded \$350,000.

60. The LGT statements produced by defendants and created by Watson were false and did not accurately reflect the account's value or the activity in the account. Defendants, once again, produced fictitious documents (prepared by Watson) in an attempt to conceal the fraud from the CFTC and the SEC.

61. In addition, Deutsche Bank does not permit its clients to use funds on deposit at other financial institutions as collateral for forex margin trades at Deutsche Bank. Defendants' representations to the contrary were false.

**D. Conclusions of Law**

62. 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), 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.

63. Section 4b(a)(2)(A)-(C) of the Act, as amended by the CRA, applies to defendants' forex transactions "as if" they were a contract of sale of a commodity for future delivery. Section 2(c)(2)(C)(iv) of the Act, as amended by the CRA, to be codified at 7 U.S.C. § 2(c)(2)(C)(iv).

64. As set forth in Section III.C. of this Consent Order, from at least June 18, 2008 through May 21, 2009, in or in connection with forex contracts, made or to be made, for or on behalf of, or with, other persons, Global One, 36 Holdings, and Watson cheated or defrauded or attempted to cheat or defraud investors or prospective investors and willfully deceived or attempted to deceive investors or prospective investors by, among other things, knowingly (i) misappropriating or misapplying investor funds; (ii) misrepresenting forex trading activity that purportedly occurred on behalf of investors, as well as purported returns investors would and did

receive by virtue of these forex trades; and (iii) making, causing to be made, and distributing reports and statements to investors and prospective investors that contained false forex trading activity, false profits generated from such activity, and other misinformation, all in violation of 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).

65. As set forth in Section III.C. of this Consent Order, from at least June 18, 2008 through May 21, 2009, in or in connection with forex contracts, made or to be made, for or on behalf of, or with, other persons, Petroski, acting with reckless disregard for the truth as to the forex activity purportedly conducted by Global One, 36 Holdings, and Watson (on behalf of Global One and its investors) and the bank and other financial statements prepared by Watson, 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) by, among other things: (i) misappropriating or misapplying investor funds; (ii) misrepresenting forex trading activity that purportedly occurred on behalf of investors, as well as purported returns investors would and did receive by virtue of these forex trades; and (iii) making, causing to be made, and distributing reports and statements to investors and prospective investors that contained false forex trading activity, false profits generated from such activity, and other misinformation.

66. Watson and Petroski controlled Global One, directly or indirectly, and did not act in good faith or knowingly induced, directly or indirectly, Global One's conduct alleged in this Complaint. Pursuant to Section 13(b) of the Act, 7 U.S.C. § 13c(b) (2006), therefore, Watson and Petroski are liable for Global One's violations of 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).

67. Watson controlled 36 Holdings, directly or indirectly, and did not act in good faith or knowingly induced, directly or indirectly, 36 Holdings's conduct alleged in this Complaint. Pursuant to Section 13(b) of the Act, therefore, Watson is liable for 36 Holdings's violations of 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).

68. The foregoing acts, misrepresentations, omissions, and failures of Watson and Petroski, as well as other Global One employees and agents, occurred within the scope of their employment or agency with Global One; therefore, Global One is liable for these acts pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B), and Regulation 1.2, 17 C.F.R. § 1.2.

69. The foregoing acts, misrepresentations, omissions, and failures of Watson, as well as other 36 Holdings employees and agents, occurred within the scope of their employment or agency with 36 Holdings; therefore, 36 Holdings is liable for these acts pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B), and Regulation 1.2, 17 C.F.R. § 1.2.

70. Each misappropriation, issuance of a false report or statement, misrepresentation, or omission of material fact is a separate and distinct violation of 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).

#### **IV. PERMANENT INJUNCTION**

##### **IT IS HEREBY ORDERED THAT:**

71. Defendants are permanently restrained, enjoined and prohibited from directly or indirectly:

- A) cheating or defrauding or attempting to cheat or defraud other persons in or in connection with any order to make, or the making of any contract of sale of any commodity in interstate commerce or for future delivery, made, or to be made for or on behalf of any other person;

- B) willfully making or causing to be made to such other person any false report or false statement or willfully entering or causing to be entered for others any false record; or
- C) willfully deceiving or attempting to deceive any other persons by any means whatsoever in regard to any such order or contract or the disposition or execution of any such order or contract, or in regard to any act of agency performed with respect to such order or contract for such persons

in violation of Section 4b(a)(2)(A)-(C) of the Act, to be codified at 7 U.S.C. § 6b(a)(2)(A)-(C).

72. Defendants are permanently restrained, enjoined, and prohibited from engaging, directly or indirectly, in:

- A) 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));
- B) entering into any transactions involving commodity futures, options on commodity futures, commodity options (as that term is defined in Regulation 32.1(b)(1)) (“commodity options”), and/or foreign currency (as described in Sections 2(c)(2)(B) and 2(c)(2)(C)(i) of the Act as amended by the by the Food, Conservation, and Energy Act of 2008, Pub. L. No. 110-246, Title XIII (the CFTC Reauthorization Act of 2008) § 13101, 122 Stat. 1651 (enacted June 18, 2008)) (“forex contracts”) for their own personal account or for any account in which they have a direct or indirect interest;
- C) having any commodity futures, options on commodity futures, commodity options, and/or forex contracts traded on their behalf;
- D) 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;
- E) soliciting, receiving or accepting any funds from any person for the purpose of purchasing or selling any commodity futures, options on commodity futures, commodity options, and/or forex contracts;
- F) 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 Commission except as provided for in Regulation 4.14(a)(9), 17 C.F.R. § 4.14(a)(9); and
- G) acting as a principal (as that term is defined in Regulation 3.1(a), 17 C.F.R. § 3.1(a)), agent or any other officer or employee of any person registered, exempted from registration or required to be registered with the Commission except as provided for in Regulation 4.14(a)(9), 17 C.F.R. § 4.14(a)(9).

73. Defendants are further permanently restrained, enjoined, and prohibited from filing a petition in bankruptcy without providing the CFTC with prompt notice by Certified Mail of such filing, as required by Part VI, paragraph 77 of this Consent Order.

74. The injunctive provisions of this Consent Order shall be binding upon defendants, upon any person who acts in the capacity of officer, agent, employee, attorney, successor and/or assign of defendants and upon any person who receives actual notice of this Consent Order, by personal service or otherwise, insofar as he or she is acting in active concert or participation with defendants.

**V. RESTITUTION, DISGORGEMENT, AND CIVIL MONETARY PENALTIES  
RESERVED FOR FURTHER COURT PROCEEDINGS**

75. Defendants agree that the amounts of restitution, disgorgement, and civil monetary penalties, and prejudgment interest shall be determined by the Court upon motion of the CFTC, and defendants further agree that in connection with the CFTC's motion for restitution, disgorgement, civil monetary penalties, and pre- and post-judgment interest thereon, and at any hearing held on such motion: (a) they will be precluded from arguing that they did not violate the Act as found in this Consent Order; (b) they may not challenge the validity of this Consent Order; (c) solely for the purposes of such motion and any related hearing, all the Findings of Fact and Conclusions of Law made by this Court and contained in Part III of this Consent Order shall be taken as true and correct and be given preclusive effect by the Court; (d) they may not challenge the jurisdiction of Court; and (e) the Court may determine the issues raised in the motion on the basis of affidavits, declarations, excerpts of sworn deposition or investigative testimony, and documentary evidence, without regard to the standards for summary judgment contained in Rule 56(c) of the Federal Rules of Civil Procedure. In connection

with the CFTC's motion for restitution, disgorgement, prejudgment interest, and civil monetary penalties, the parties may take discovery, including discovery from appropriate non-parties.

76. Until the issues of restitution, disgorgement, and civil monetary penalties are resolved by further order of this Court, the Order Granting Plaintiff's *Ex Parte* Emergency Motion for Statutory Restraining Order, Appointment of Receiver, Expedited Discovery, Preliminary Injunction, and Other Equitable Relief (DE#10) previously ordered by the Court shall remain in full force and effect.

## VI. MISCELLANEOUS PROVISIONS

77. Notice: All notices required to be given by any provision in this Consent Order shall be sent certified mail, return receipt requested, as follows:

Notice to CFTC:

Division of Enforcement  
U.S. Commodity Futures Trading Commission  
Two Emanuel Cleaver II Blvd. Suite 300  
Kansas City, MO 64112-1764

Notice to Global One and 36 Holdings:

Thomas L Taylor, III  
Taylor Cuadrado PC  
3200 Southwest Freeway, Suite 3300  
Houston, TX 77027

Notice to Robert D. Watson, *Pro Se*:

13121 Louetta Road #450  
Cypress, TX 77429

Notice to Daniel J. Petroski:

Richard Roper  
Thompson & Knight LLP  
333 Clay St, Ste 3300

Houston , Texas 77002

All such notices to the CFTC shall reference the name and docket number of this action.

78. **Change of Address/Phone:** In the event that any defendant changes his or its telephone number(s) and/or address(es) at any time, such defendant shall provide written notice of the new number(s) and/or address(es) to the CFTC within ten (10) calendar days thereof.

79. **Entire Agreement and Amendments:** This Consent Order incorporates all of the terms and conditions of the settlement among the parties hereto to date. Nothing shall serve to amend or modify this Consent Order in any respect whatsoever, unless: (a) reduced to writing; (b) signed by all parties hereto; and (c) approved by order of this Court.

80. **Invalidation:** If any provision of this Consent Order or if the application of any provisions or circumstances is held invalid, the remainder of the Consent Order and the application of the provisions to any other person or circumstance shall not be affected by the holding.

81. **Waiver:** The failure of any party hereto at any time or times to require performance of any provision hereof shall in no manner affect the right of such party at a later time to enforce the same or any other provision of this Consent Order. No waiver in one or more instances of the breach of any provision contained in this Consent Order shall be deemed to be or construed as a further or continuing waiver of such breach or waiver of the breach of any other provision of this Consent Order.

82. **Continuing Jurisdiction of this Court:** This Court shall retain jurisdiction of this cause to assure compliance with this Consent Order and for all other purposes

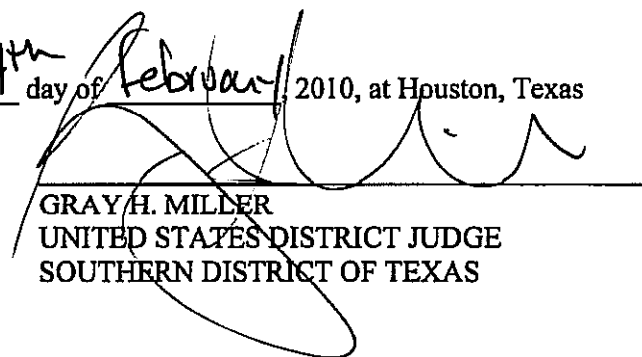


related to this action, including any motion by a defendant to modify or for relief from the terms of this Consent Order.

83. Authority: Thomas L. Taylor III, Esq., as Receiver appointed pursuant to this Court's Order dated May 21, 2009 is hereby authorized, empowered and directed to sign and submit this Order on behalf of Global One and 36 Holdings.

84. Counterparts and Facsimile Execution: This Consent Order may be executed in two or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered (by facsimile or otherwise) to the other party, it being understood that all parties need not sign the same counterpart. Any counterpart or other signature to this agreement that is delivered by facsimile or otherwise shall be deemed for all purposes as constituting good and valid execution and delivery by such party of this Consent Order.

SO ORDERED, this 24<sup>th</sup> day of February, 2010, at Houston, Texas



GRAY H. MILLER  
UNITED STATES DISTRICT JUDGE  
SOUTHERN DISTRICT OF TEXAS

---

Robert D. Watson, *Pro Se*  
Defendant

Date: February \_\_\_\_, 2010

---

Daniel J. Petroski  
Defendant

Date: February \_\_\_\_, 2010

---

Richard Roper  
Thompson & Knight LLP  
333 Clay St, Ste 3300  
Houston, Texas 77002  
Attorney for Defendant Daniel J.  
Petroski

Date: February \_\_\_\_, 2010

---

PrivateFX Global One Ltd., SA  
Defendant

By Thomas L. Taylor, III, Receiver  
for  
PrivateFX Global One Ltd., SA

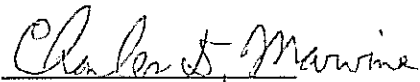
Date: February \_\_\_\_, 2010

---

36 Holdings LTD  
Defendant

By Thomas L. Taylor, III, Receiver  
for  
36 Holdings LTD

Date: February \_\_\_\_, 2010



Charles D. Marvine  
Missouri Bar No. 44906  
Braden M. Perry  
Missouri Bar No. 53865  
Christopher A. Reed  
Missouri Bar No. 59025  
U.S. Commodity Futures Trading  
Commission  
Division of Enforcement  
Two Emanuel Cleaver II Blvd., Ste. 300  
Kansas City, MO 64112  
Tel.: (816) 960-7743 (Marvine)  
Tel.: (816) 960-7712 (Perry)  
Tel.: (816) 960-7740 (Reed)  
Fax: (816) 960-7750  
cmarvine@cftc.gov  
bperry@cftc.gov  
creed@cftc.gov



Robert D. Watson, *Pro Se*  
Defendant

Date: February 19, 2010

Daniel J. Petroski  
Defendant

Date: February \_\_\_\_, 2010

Richard Roper  
Thompson & Knight LLP  
333 Clay St, Ste 3300  
Houston, Texas 77002  
Attorney for Defendant Daniel J.  
Petroski

Date: February \_\_\_\_, 2010

PrivateFX Global One Ltd., SA  
Defendant

By Thomas L. Taylor, III, Receiver  
for  
PrivateFX Global One Ltd., SA

Date: February \_\_\_\_, 2010

36 Holdings LTD  
Defendant

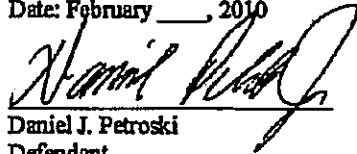
By Thomas L. Taylor, III, Receiver  
for  
36 Holdings LTD

Date: February \_\_\_\_, 2010

Charles D. Marvine  
Missouri Bar No. 44906  
Braden M. Perry  
Missouri Bar No. 53865  
Christopher A. Reed  
Missouri Bar No. 59025  
U.S. Commodity Futures Trading  
Commission  
Division of Enforcement  
Two Emanuel Cleaver II Blvd., Ste. 300  
Kansas City, MO 64112  
Tel.: (816) 960-7743 (Marvine)  
Tel.: (816) 960-7712 (Perry)  
Tel.: (816) 960-7740 (Reed)  
Fax: (816) 960-7750  
cmarvine@cftc.gov  
bperry@cftc.gov  
creed@cftc.gov

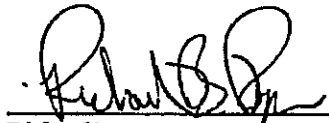
Robert D. Watson, Pro Se  
Defendant

Date: February \_\_, 2010



Daniel J. Petroski  
Defendant

Date: February 22, 2010



Richard Roper  
Thompson & Knight LLP  
333 Clay St, Ste 3300  
Houston, Texas 77002  
Attorney for Defendant Daniel J.  
Petroski

Date: February 22, 2010

PrivateFX Global One Ltd., SA  
Defendant

By Thomas L. Taylor, III, Receiver  
for  
PrivateFX Global One Ltd., SA

Date: February \_\_, 2010

36 Holdings LTD  
Defendant

By Thomas L. Taylor, III, Receiver  
for  
36 Holdings LTD

Date: February \_\_, 2010

Charles D. Marvine  
Missouri Bar No. 44906  
Braden M. Perry  
Missouri Bar No. 53865  
Christopher A. Reed  
Missouri Bar No. 59025  
U.S. Commodity Futures Trading  
Commission  
Division of Enforcement  
Two Emanuel Cleaver II Blvd., Ste. 300  
Kansas City, MO 64112  
Tel.: (816) 960-7743 (Marvine)  
Tel.: (816) 960-7712 (Perry)  
Tel.: (816) 960-7740 (Reed)  
Fax: (816) 960-7750  
cmarvine@cftc.gov  
bperry@cftc.gov  
creed@cftc.gov

Robert D. Watson, *Pro Se*  
Defendant

Date: February \_\_\_\_, 2010

Daniel J. Petroski  
Defendant

Date: February \_\_\_\_, 2010

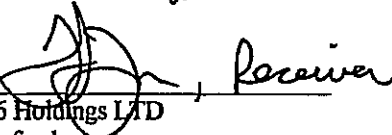
Richard Roper  
Thompson & Knight LLP  
333 Clay St, Ste 3300  
Houston, Texas 77002  
Attorney for Defendant Daniel J.  
Petroski

Date: February \_\_\_\_, 2010

  
PrivateFX Global One Ltd., SA  
Defendant

By Thomas L. Taylor, III, Receiver  
for  
PrivateFX Global One Ltd., SA

Date: February 18, 2010

  
36 Holdings LTD  
Defendant

By Thomas L. Taylor, III, Receiver  
for  
36 Holdings LTD

Date: February 18, 2010

Charles D. Marvine  
Missouri Bar No. 44906  
Braden M. Perry  
Missouri Bar No. 53865  
Christopher A. Reed  
Missouri Bar No. 59025  
U.S. Commodity Futures Trading  
Commission  
Division of Enforcement  
Two Emanuel Cleaver II Blvd., Ste. 300  
Kansas City, MO 64112  
Tel.: (816) 960-7743 (Marvine)  
Tel.: (816) 960-7712 (Perry)  
Tel.: (816) 960-7740 (Reed)  
Fax: (816) 960-7750  
cmarvine@cftc.gov  
bperry@cftc.gov  
creed@cftc.gov