

Securities Regulation Daily Wrap Up, ENFORCEMENT—E.D.N.Y.: CFTC charges New York-based Ponzi operator with forex fraud, (Jul. 11, 2017)

Securities Regulation Daily Wrap Up

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By [Brad Rosen, J.D.](#)

The CFTC filed an enforcement action in the U.S. District Court for the Eastern District of New York against defendants Daniel Winston LaMarco and his company, GDLogix Inc., charging them with off-exchange forex fraud, commodity pool fraud, and failure to register with the CFTC as required. LaMarco previously resided in Huntington, New York. He currently resides in a federal prison in Manhattan, New York. GDLogix's last known principal place of business was also in Huntington, New York. Neither Defendant has ever been registered with the Commission ([CFTC v. Daniel Winston LaMarco and GDLogix Inc.](#), July 10, 2017).

Defendant LaMarco, a home-based independent software consultant, ran his software consultancy services through GDLogix, the company he founded. LaMarco used GDLogix, to facilitate his forex solicitation and trading activities. According to the CFTC's complaint, from January 2011 through March 2016, [LaMarco and GDLogix fraudulently solicited and accepted](#) \$1,492,650 from 13 individuals to trade off-exchange leveraged or margined retail derivatives forex contracts through a commodity pool.

The majority of these pool participants were friends and acquaintances of LaMarco located in and around Suffolk County, New York. Other pool participants lived in Connecticut, Massachusetts, and Ohio. LaMarco solicited pool participants by word-of-mouth, by email, by the Internet, by the use of mails, and other means.

In familiar fashion, LaMarco solicited pool participants by falsely representing to them the purported success of his personal investments in forex trading and the purported safety of his forex investment strategy. All of these representations were material and false according to the commission's complaint.

The CFTC also alleged that beginning in or about February 2011, LaMarco emailed his investors fabricated monthly statements which purported to provide the pool's profits, losses, and net balances for each participant in order to conceal and perpetuate the fraud. In February 2016, the monthly statements falsely represented to pool participants the total value of the commodity pool had increased to \$1,797,126. In reality, however, LaMarco had lost nearly all of pool participants' funds through unsuccessful trading and by diverting \$630,050 of the total principal invested to some participants as purported "profits" as is typical in a Ponzi scheme.

In a related criminal action involving the same conduct at issue in the CFTC matter, LaMarco pleaded guilty to one count of commodities fraud and one count of wire fraud in February, 2017. LaMarco was sentenced to 42 months in prison and ordered to pay \$872,600 in criminal restitution.

Noting the familiarity of this type of deception, James McDonald, Director of CFTC's Division of Enforcement, stated, "[t]his case is another example of a fraudulent investment scheme based on personal relationships. LaMarco targeted those with whom he made connections through his local community." McDonald further observed, "[t]hrough our cooperative enforcement efforts, we can combine our available remedies with those of our law enforcement partners to achieve maximum deterrence and protection for customers and the markets. In appropriate cases like this one, the U.S. Department of Justice can seek a term of imprisonment, while we seek to ensure wrongdoers never return to the markets we regulate."

In its continuing litigation, the CFTC is seeking full restitution to defrauded customers, disgorgement of ill-gotten gains, civil monetary penalties, permanent registration and trading bans, and a permanent injunction against future violations of federal commodities laws, as charged.

The case is [No. 17-CV-4087](#).

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