

COMMISSION ADVISORY

~~~~ CONSUMER WARNING ~~~~

BEWARE OF PROMISES OF PROFITS FROM COMMODITY FUTURES AND OPTIONS TRADING BASED ON THE TRAGIC EVENTS OF SEPTEMBER 11, 2001 AND OTHER PUBLIC INFORMATION RELATING TO THE WAR ON TERRORISM

Consumers need to be alert to solicitations for transactions in commodity futures or options contracts based upon claims that they can make a lot of money with little risk by trading in commodities that are affected by well-known current events, including the tragic attacks on the Pentagon and World Trade Center on September 11, 2001, and the war on terrorism.

The United States Commodity Futures Trading Commission (CFTC) is the federal agency that regulates the trading of commodity futures and options contracts in the United States and brings actions against firms suspected of illegally or fraudulently selling commodity futures and options. Over the past several years, the CFTC has brought actions against wrongdoers who lured customers through claims that they could earn large profits with little risk based on published reports or well-known current events.

The Pitch

Companies often use telephone call solicitations, e-mail messages, internet advertisements, web-sites, discussions on Internet chat rooms, Internet postings or advertisements on radio and television, as well as infomercials, to promote commodity futures and options trading. The CFTC recently has become aware of solicitations claiming that changes in the market due to the September 11, 2001 attacks or subsequent related world events have created an opportunity to make big money by trading in commodity futures and options. The solicitations may promise quick riches – such as turning \$5,000 into \$20,000 in just a few months – with predetermined risk. For example, the CFTC is aware of pitches that a purchase of futures or options in crude oil will be

profitable because unrest in oil-producing countries linked to terrorism will drive up the price of this commodity.

What's Wrong With The Pitch?

These sales pitches are false. Increases in the demand for commodities due to current world events do not necessarily result in an increase in the value of an option or futures contract on those commodities because the market has already factored such demand into the price of futures and options. The markets respond immediately – within a few minutes or hours – to new information. In other words, the prices of commodity options and futures contracts already take into account all known or predictable market conditions, such as changes in demand for a commodity or known shortages of a commodity or problems in production or delivery of that commodity due to major events in the world.

Moreover, claims that the risk of purchasing commodity futures and options can be predetermined or fixed are misleading. Purchasers of commodity option contracts can lose every penny given to a solicitor and, because futures contracts are "leveraged" or "margined," customers may be liable for losses in excess of their initial deposits.

Warning Signs Of Commodity Futures Or Options Fraud

If you are solicited by a company that claims to trade commodity futures or options contracts and asks you to commit funds for those purposes, you should be very careful. Watch for the warning signs listed below, and take the following precautions before placing your funds with any company that offers leveraged or financed commodity transactions:

- *Avoid Any Company That Predicts or Guarantees Large Profits Because of Well-Known Current Events, Published Reports or Predictable, Seasonal Changes in Demand*

- *Stay Away from Companies That Promise Little or No Financial Risk*
- *Carefully Scrutinize Unsolicited Phone Calls or Emails about Investments, Especially Those from Out-of-State Salespersons or Companies with Which You Are Unfamiliar*
- *Be Wary of High-Pressure Efforts to Convince You to Send or Transfer Cash Immediately to the Firm, via Overnight Shipping Companies, the Internet, by Mail, or Otherwise*
- *Hang Up on Aggressive Cold-Callers Promoting "Safe" Investments in Commodity Futures or Options*
- *If You Are Suspicious, Contact the CFTC, the National Futures Association, Your State Attorney General's Office of Consumer Protection, or the Better Business Bureau Prior to Trading.*
- *Be Sure You Get Written Documentation about the Product, the Company, and Its Track Record, in order to Verify the Data. If You Can, Before Doing Business with Any Company, Check the Company's Materials with Someone Whose Financial Advice You Trust*
- *Don't Deal With Individuals Who Won't Give You Their Background Information or Last Name*
- *If in Doubt, Do Not Give Money to Anyone. If You Can't Get Solid Information about the Company and the Investment, You May Not Want to Risk Your Money*

For More Information and Contacts

General information on the commodity futures markets and the CFTC is available through the World Wide Web. Members of the public may report suspected wrongdoing to the CFTC's Web site at www.cftc.gov. You also can communicate directly with the CFTC's Division of Enforcement via e-mail at enforcement@cftc.gov. You may also write or call the U.S. Commodity Futures Trading Commission, Division of

Enforcement, Three Lafayette Centre, 1155 21st Street, N.W., Washington, DC 20581, (202) 418-5320.

To check on the registration status of a firm and its disciplinary history, contact the National Futures Association's Information Center at (800) 621-3570 or its website at:

<http://www.nfa.futures.org/basic/search.asp>

For More Information Regarding Possible Fraud Related to the September 11, 2001 Terrorist Attacks, Please Consult the Following Websites:

United States Department of Justice:

<http://www.usdoj.gov/criminal/fraud/WTCPent-SpecRpt.htm>

Federal Trade Commission:

<http://www.ftc.gov/bcp/online/pubs/alerts/victimlirt.htm>