



COMMISSION NEWS

ARIZONA CORPORATION COMMISSION, 1200 W. WASHINGTON, PHOENIX, AZ 85007

TO: EDITORS, NEWS DIRECTORS
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CONTACT: Heather Murphy (602) 542-0844

CORPORATION COMMISSION SLAMS FOREIGN CURRENCY INVESTMENT FRAUDS WITH SANCTIONS AND HEAVY FINES

PHOENIX ... The Corporation Commissioners ordered six individuals and three companies to cease and desist from fraudulent practices in the illegal sale of unregistered foreign currency securities in Arizona. They were also ordered to pay over \$336,000 in restitution and \$775,000 in penalties.

Michael E. Cho and James Charles Simmons, Jr., both former Phoenix-area residents, were marketing managers at the Phoenix office who engaged in fraudulent practices in their sale of these unregistered securities. Wing Ming Tam, a Bay-area resident who managed both the San Francisco and Phoenix offices, also engaged in fraudulent sale practices along with K. (David) Sharma, To Fai Cheng and Jean Yuen. Sharma is a Hong Kong resident who managed Eastern Vanguard Forex LTD., while Cheng, also a Hong Kong resident, and Yuen, a San Francisco resident, owned the Arizona corporation that operated the Phoenix office. Guo Quan Zhang, who has a California address, together with Sammy Lee Chun Wing and Peter Suen Suk Tak, both Hong Kong residents, were ordered to pay restitution and penalties as persons who controlled some of the named companies.

The securities were commodity investment contracts in the form of foreign currency trading accounts with Eastern Vanguard Forex LTD., a British Virgin Islands company operating from Macau in China and controlled by Eastern Vanguard Group Limited, a British Virgin Islands company headquartered in Hong Kong. Forex Investment Services Corporation, an Arizona corporation, marketed the securities in the Valley from a downtown Phoenix high-rise office. This Arizona office in turn was managed from San Francisco by Tokyo International Investment LTD., the trade name for Y & T INC., a California corporation that also marketed the accounts in the Bay area.

According to the Order issued March 28, salesmen recruited as currency traders marketed the securities from the Phoenix office. The trainees told investors they were professional currency traders able to make sound investment decisions. The Order states that the Companies failed to disclose material information about the accounts and the named individuals and companies. Between April 1996 and December 1997, when the office was closed, at least 21 accountholders invested a total of over \$423,000 with Eastern Vanguard Forex LTD. Over \$336,000 was lost in these accounts, about three out of every four dollars invested.

Mark Sendrow, Director of the Securities Division of the Arizona Corporation Commission stated that "These currency trading accounts are regulated securities in Arizona. Investors should check to be sure both the investment product and the person touting them are registered with the Securities Division." Arizona Corporation Commission Chairman Carl J. Kunasek stated: "The foreign currency trading fraud in this case ruthlessly victimized individuals and families who were lied to and told it was a safe investment." Commissioner Jim Irvin added that "the Corporation Commission will come down with full force on investment fraud schemes like this." Commissioner William A. Mundell stated: "Investors should be wary about giving their money to trading programs involving overseas companies that claim – as in this case – that they aren't subject to regulation in Arizona."

Before investing in any account that speculates in trading foreign currencies or other commodities, always check with the Securities Division to see whether the investment and the salesman are registered or required to be registered. You can visit the Division web site at www.ccsd.cc.state.az.us or call at (602) 542-4242.

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