

STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

IN THE MATTER OF determining
Whether there has been a
Violation of the Commodity Act by:

WALTER, SCOTT, LEV & ASSOCIATES
and
ARTHUR K. RUIZ,
Respondents.

SDO - 36 - 99

SUMMARY ORDER TO CEASE AND
DESIST

Case No. 98-07-221

THE STATE OF WASHINGTON TO

WALTER, SCOTT LEV & ASSOCIATES
90 JOHN STREET, SUITE 702
NEW YORK, NEW YORK 10038

and

ARTHUR K. RUIZ
38 EUCLID AVE.
NEW YORK, NEW YORK 11208

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents, Walter, Scott, Lev & Associates and Arthur K Ruiz have violated the Commodity Act and that their violations justify the entry of an order of the Securities Administrator under RCW 21.30.120 to cease and desist from such violations.

The Securities Administrator finds that delay in ordering the Respondents to cease and desist from such violations would be hazardous to the investors and to the public and that a Summary Order to Cease and Desist should be entered immediately. The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

RESPONDENTS

1. Walter, Scott, Lev & Associates ("Walter Scott") is a firm doing business in commodity contracts and options, involving foreign exchange or interbank traded currency contracts. Walter Scott has its principal place of business at 90 John Street, Suite 702, New York, New York 10038.

1 2. Walter Scott is not currently registered to sell commodity contracts or commodity options with the
2 Commodity Futures Trading Commission (“CFTC”).

3 3. Walter Scott is not currently registered as a commodity broker-dealer in the state of Washington, has
4 not previously been so registered, and is not a person exempt from the prohibition of RCW 21.30.020.

5 4. Walter Scott is not currently registered as a securities broker-dealer with the National Association of
6 Securities Dealers.

7 5. Walter Scott is not currently registered as a securities broker-dealer with the state of Washington.

8 6. Arthur K. Ruiz (“Ruiz”) was employed by Walter Scott, from October 1997 through at least April
9 20, 1998.

10 7. Ruiz is not currently registered to sell commodity contracts or commodity options with the CFTC.

11 8. Ruiz is not currently registered as a commodity sales representative with the state of Washington,
12 has not previously been so registered and is not a person exempt from the prohibition of RCW 21.30.020.

13 9. Ruiz is not currently registered to sell securities with the National Association of Securities Dealers
14 and has not been so registered since August of 1997.

15 10. Ruiz is not currently registered to sell securities in the state of Washington and has never been so
16 registered.

17 NATURE OF RESPONDENTS CONDUCT

18 11. Walter Scott, through its salesperson Ruiz, used high-pressure sales tactics to defraud Washington
19 residents. These tactics consisted of intensive telephone campaigns and unsolicited telephone calls promising high
20 rates of return with minimal risk for investments in speculative foreign currency transactions traded on foreign
21 exchanges or through the interbank market.

22 12. During the months of October and November of 1997, Ruiz repeatedly contacted at least one
23 Washington resident promoting the trading of foreign currency contracts in a discretionary account. During these
24 phone calls Ruiz pressured the resident to make an investment with him, telling him that he would make 20 to 30%
25 returns. Ruiz represented himself to the resident as a very knowledgeable and successful foreign currency trader,

1 assuring the resident that the risk was minimal, since Ruiz would be managing the trades himself. Ruiz failed to
2 advise the resident that he was not registered to sell such investments.

3 13. On or about December 9, 1997 the resident capitulated to Ruiz's sales pitch and sent \$3,500 to Ruiz
4 to establish a discretionary commodity account, in which Ruiz would make spot currency trades for the resident.

5 14. Over the next four months Ruiz periodically called the resident, falsely reporting to the resident that
6 the resident's account had made two to three percent each month. Ruiz ended these phone calls with a request that
7 the resident send Ruiz more money to invest. In response to these phone calls the resident sent additional funds to
8 Ruiz, as follow: \$6,500 on or about February 19, 1998 and \$15,000 on or about April 9, 1998. Ruiz also told the
9 resident was told that it was Walter Scott's policy not to send monthly account statements.

10 15. On or about April 20, 1998, the resident received his first statement, for the period ending March 30,
11 1998. The statement revealed losses in the resident's account of over \$3,700. The resident called Ruiz for an
12 explanation and requested that his account be closed and the remaining funds be returned to him. Ruiz told the
13 resident that the balance in the account was approximately \$21,200. Four days later the resident received a check in
14 the amount of \$18,391.92, with no explanation for the \$2,800 differential.

15 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

16 CONCLUSIONS OF LAW

17 16. The offer and/or sale of foreign currency contracts, as described above, constitutes the offer and/or sale
18 of a commodity contract or commodity option in the state of Washington as defined in RCW 21.30.080 and RCW
19 21.30.010.

20 17. The offer and/or sale of said commodity contracts or commodity options constitute a violation of the
21 prohibition under RCW 21.30.020 because the offer or sale was made by a person not exempt under RCW
22 21.30.030 and the transaction or contract was not exempt under RCW 21.30.040.

23 18. Respondents engaged in one or more fraudulent or deceptive practices in the commodities business, as
24 described above, by engaging in high pressure sales tactics in connection with speculative commodities contract or
25 commodities option offerings in violation of RCW 21.30.060(3).

1 **AUTHORITY AND PROCEDURE**

2 This ORDER is entered pursuant to the provisions of RCW 21.30.120 and is subject to the provisions of
3 ch. 34.05 RCW. The respondents, Walter, Scott, Lev & Associates and Arthur K. Ruiz, may make a written request
4 for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR
5 HEARING accompanying this order.

6 WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

7 DATED this _____ day of _____, 1999.

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9 _____
10 DEBORAH R. BORTNER
11 Securities Administrator

12 Presented by:

13 _____
14 Kristina L. Kneip
15 Securities Examiner

16 Approved by:

17 _____
18 Michael E. Stevenson
19 Chief of Compliance
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