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## Day Trading Advisors Targeted by Federal Law Enforcers

### 'How-To' Products Promise Extravagant Profits, Few Risks, While North American Securities Administrators Association Says 70% of Day Traders Lose Money

FOR RELEASE

May 1, 2000

In a coordinated crackdown on deceptive day trading promotions, the Federal Trade Commission, Commodity Futures Trading Commission, and Securities and Exchange Commission have halted the claims of 14 online firms that promised to share the secrets of making easy money with little risk, using their day trading strategies. Day traders attempt to make money buying and selling stocks or other investments over a very short time period - usually in the same day.

"People who push day trading systems or services as a sure way to make money are peddling pipe-dreams," said Jodie Bernstein, Director of the FTC's Bureau of Consumer Protection. "Day trading is a high risk venture that's likely to leave investors high and dry. The bottom line? If you're considering becoming a day trader, don't give up your day job."

The FTC targeted Internet operators who sold combinations of online, 'real time' training; software programs; trading manuals; e-mail newsletters and mentoring services for prices ranging from \$79 to \$4995. Using advertising claims such as ". . . Make money regardless of the market going up or down," ". . . return on account of 2041%," ". . . this service has returned an average of 167% annually," and phony testimonials, the operators promoted their systems with exaggerated claims about earnings or profits and little or no mention of the risks associated with day trading. They also claimed that their systems minimize those risks.

State securities regulators in Massachusetts and Washington analyzed accounts at several day trading firms and found that very few day traders

actually make money. "Seven in 10 day traders lose money," said Bradley Skolnik, Indiana's securities commissioner and president of the North American Securities Administrators Association (NASAA). "Anyone who tries to tell you otherwise isn't being straight with you. Always ask yourself: if this person really has figured out a fool-proof way to make money day trading, why are they selling it to total strangers? Why aren't they day trading themselves?"

Skolnik praised today's actions, noting that day trading schools and seminars often fall outside the usual jurisdiction of securities regulators, who focus on registered brokerage and investment advisory firms and the sale of investments.

The FTC charged CompuTrade LLC and Bernard Lewis of Dana Point, California; Ellery Coleman, d/b/a/ Granite Investments in Warner Robins, Georgia; and Michael and Michelle Chrisman, d/b/a/ Day Trading International of Kirksville, Missouri with making unsubstantiated, false and misleading statements in violation of federal law.

The FTC alleged that CompuTrade and Lewis made unsubstantiated claims that consumers can expect to earn as much as six or seven figure incomes annually; earn huge profits even with no previous experience in currency trading, and earn profits of \$500 to \$750 or more a day. The FTC also alleged that CompuTrade and Lewis misrepresented testimonials and falsely claimed that consumers can reasonably expect to trade with little financial risk.

The FTC alleged that Ellery Coleman and Granite Investments made unsubstantiated claims that users of their programs can expect to achieve substantial profits consistently and that trades recommended by their trading programs were actually made and resulted in substantial profits. The agency also charged that Coleman misrepresented that he used his own program to trade profitably on his own behalf, that testimonials in his ads reflect the actual experiences of consumers who use his program, and that consumers can reasonably expect to trade profitably with little financial risk.

The FTC charged the Chrismans with making unsubstantiated earnings claims and misrepresenting that consumers can reasonably expect to day trade with little or no financial risk. In addition, it alleged that specific past earnings claims were false, since the Chrismans and Day Trading International were not in business for some years for which the claims were made.

The consent orders to settle the complaints would bar false claims, including claims that day trading involves little or no financial risk. The settlement with Coleman bars false claims that he used his own system to enrich himself. All of the settlements would require the respondents to have substantiation for any earnings claims or claims about income or profit, or about any financial benefit or other benefit of any kind from the purchase or use of any trading program. Finally, the settlements would require that any future advertisements contain the disclosure, "DAY TRADING involves high risks and YOU can LOSE a lot of money." "CURRENCY TRADING" and "FUTURES TRADING" would be substituted where appropriate.

The Federal Trade Commission has a free brochure, "[Day Trading Ads: Cutting Through the Bull](#)," and [a web page at <www.ftc.gov/bcp/online/edcams/daytrade>](#) that advises consumers:

- There's no fail-safe way to trade in stocks, commodity futures, options or similar investments without risk.
- No computerized day trading system or advisory service can accurately predict what the price of a security, stock or bond will be on any particular day.

- Even trading advisors with long histories of success can suddenly lose a fortune.
- Extravagant profit claims and glowing testimonials are likely to be exaggerated or totally fabricated.
- Your best protection as an investor is to know what you're buying, what the ground rules are when you buy and sell, and what level of risk you're assuming.

The FTC votes to accept the proposed consent agreements were 5-0. An announcement regarding the proposed consent agreements will be published in the Federal Register shortly. They will be subject to public comment for 30 days, until May 30, after which the Commission will decide whether to make them final. Comments should be addressed to the FTC, Office of the Secretary, 600 Pennsylvania Avenue, N.W., Washington, D.C. 20580.

**NOTE:** Consent agreements are for settlement purposes only and do not constitute an admission of a law violation. When the Commission issues a consent order on a final basis, it carries the force of law with respect to future actions. Each violation of such an order may result in a civil penalty of \$11,000.

**Copies** of the complaints, consent agreements, an analysis to aid public comment, and the FTC's brochure, "[Day Trading Ads: Cutting Through the Bull](#)," are available from the FTC's web site at <http://www.ftc.gov> and also from the FTC's Consumer Response Center, Room 130, 600 Pennsylvania Avenue, N.W., Washington, D.C. 20580; toll free at 877-FTC-HELP (877-382-4357); TDD for the hearing impaired 1-866-653-4261. The NASAA day trading report is available online at [www.nasaa.org/daytradingreport.htm](http://www.nasaa.org/daytradingreport.htm). To find out the latest news as it is announced, call the FTC NewsPhone recording at 202-326-2710.

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## CONTACT INFORMATION

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(FTC File Nos.  
002 3085 (CompuTrade),  
002 3053 (Granite)  
002 3113 (Day Trading International))



## Related Cases

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[Chrisman, Michael G. and Michelle R. Chrisman, individually and d/b/a DayTrading International, In the Matter of Coleman, Ellery, individually and d/b/a Granite Investments CompuTrade LLC and Bernard Lewis](#)

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