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Release Number 8898-24

**Federal Court Orders California-Based Precious Metals Company, CEO, Senior Salesperson to Pay Over \$56 Million for Fraud in Connection with Precious Metals Sales**

April 25, 2024

**Washington, D.C.** — The Commodity Futures Trading Commission today announced Judge R. Gary Klausner of the U.S. District Court for the Central District of California entered a consent order against **Red Rock Secured, LLC** (Red Rock), **Sean L. Kelly f/k/a Shade L. Kelly-Johnson** (Kelly), and **Anthony “Tony” Spencer** (Spencer) on April 23. The order finds the defendants liable for making fraudulent misrepresentations to customers and rendering unlawful investment advice in connection with the purchase and sale of precious metals.

The order requires the defendants collectively to pay \$38,984,313.90 in restitution to those defrauded, disgorge \$5.1 million in ill-gotten gains, and pay \$12.25 million in civil monetary penalties. Additionally, the order enjoins the defendants from further violations of the Commodity Exchange Act (CEA), CFTC regulations, and state law provisions, as charged, and imposes permanent trading bans in any CFTC-regulated markets as well as registration bans against the defendants. It also bars Spencer and Kelly from acting as investment advisers, broker-dealers, or commodity advisers in California and Hawaii.

The order resolves the lawsuit filed on May 15, 2023 by the CFTC and its co-plaintiffs, the California Department of Financial Protection & Innovation (DFPI) and the State of Hawaii Department of Commerce and Consumer Affairs, Securities Enforcement Branch (SEB). [See CFTC Press Release No. [8704-23](#)]

“The defendants preyed upon elderly victims to liquidate their retirement savings to invest in a precious metals scam,” said Director of Enforcement Ian McGinley. “The CFTC remains steadfast in ridding the precious metals industry of fraud; this significant resolution announced in conjunction with state partners in California and Hawaii is yet another example of the results.”

**Case Background**

The order finds the defendants executed a nationwide fraud, from approximately November 2019 through approximately June 2022, in which the defendants convinced at least 950 people to pay over \$69 million for silver and gold Canadian Red-Tailed Hawk (RTH) coins worth only \$30 million, reflecting mark-ups of between 91.89% and 129.97% over Red Rock’s cost to acquire the coins. Most of these customers used tax-deferred or other retirement funds to purchase the RTH coins from Red Rock. The order finds Red Rock did not disclose these mark-ups to customers, but rather Spencer (and other Red Rock salespersons) effectively engaged in bait-and-switch conduct: Spencer discussed the lower mark-up on one category of products Red Rock offered (i.e., 1% to 5% mark-up on common bullion products) but then sold customers the supposedly “premium” RTH coins, which carried the exponentially higher mark-ups.

According to the order, Red Rock sales staff, including Spencer, a senior salesperson, told customers that because Red Rock had a “direct relationship” with the Royal Canadian Mint (RCM) which produced the RTH coins, Red Rock was able to buy the coins “at wholesale” and “pass the savings” onto its customers. In fact, the order finds Red Rock did not have a direct relationship with the RCM, but bought all of its RTH coins from a wholesaler. The order also finds Red Rock marketed the RTH coins as “limited quantity,” when there was no mintage limit on the RTH coins. The order further finds Kelly, as Red Rock’s CEO, controlled the company’s operations and was responsible for the actions of its agents, including Spencer.

**Parallel Civil Action**

On May 15, 2023, the U.S. Securities and Exchange Commission (SEC) filed suit against the defendants and another individual for violations arising from the fraudulent precious metals scheme and rendering unlawful investment advice. [See SEC Press Release No. [2023-93](#)]

The CFTC thanks and acknowledges the assistance of the SEC. The CFTC also thanks its co-plaintiffs, the California DFPI and Hawaii SEB, for their assistance.

The CFTC cautions that orders requiring payment of funds to victims may not result in the recovery of any money lost because wrongdoers may not have sufficient funds or assets. The CFTC will continue to fight vigorously for the protection of customers and to ensure the wrongdoers are held accountable.

The Division of Enforcement (DOE) staff responsible for this action are James Garcia, Dan Jordan, Kelly Folks, Michael Loconte, Rick Glaser, and Erica Bodin.

**CFTC’s Precious Metals Customer Fraud Advisory**

The CFTC has issued several customer protection [Fraud Advisories and Articles](#) that provide the warning signs of fraud, including the [Precious Metals Fraud Advisory](#), which alerts customers to precious metals fraud and lists simple ways to spot precious metals scams.

The CFTC also strongly urges the public to verify a company’s registration with the CFTC before committing funds. If unregistered, a customer should be wary of providing funds to that entity. A company’s registration status can be found at [NFA BASIC](#).

Customers and other individuals can report suspicious activities or information, such as possible violations of commodity trading laws, to the Division of Enforcement via a toll-free hotline 866-FON-CFTC (866-366-2382), [file a tip or complaint](#) online, or contact the [Whistleblower Office](#). Whistleblowers may be eligible to receive between 10 and 30 percent of the monetary sanctions collected paid from the Customer Protection Fund financed through monetary sanctions paid to the CFTC by violators of the CEA.

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RELATED LINKS

Consent Order: [Red Rock Secured, LLC, et al.](#)

**Resources**

- CFTC Regulations
- Commodity Exchange Act
- Privacy Policy
- Web Policy
- FOIA
- EEO Statement
- No Fear Act
- Accessibility Statement
- Procurement
- USA.gov
- Glossary

**Actions**

- Search Public Comments
- Submit Tips & Complaints
- Search Industry Filings
- Whistleblower.gov
- Office of Technology Innovation
- Inspector General

**Sitemap**



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