

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

SECURITIES AND EXCHANGE COMMISSION
100 F Street, N.E.
Washington, DC 20549,

Plaintiff,

vs.

Civil No.

ONE OR MORE UNKNOWN TRADERS
IN THE COMMON STOCK OF CERTAIN
ISSUERS,

Defendants,

and

JSC PAREX BANK,

Relief Defendant.

CASE NUMBER 1:07CV00431

JUDGE: Ricardo M. Urbina

DECK TYPE: TRO/Preliminary Injunction

DATE STAMP: 03/06/2007

COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

Plaintiff the United States Securities and Exchange Commission ("Commission")

alleges:

SUMMARY

1. This action stems from a modern-day, technological version of the traditional "pump-and-dump" market manipulation scheme. From at least December 2005 through December 2006, the defendants engaged in a scheme to fraudulently use the Internet to intrude into the online brokerage accounts of unsuspecting customers at U.S. broker dealers and place unauthorized trades in the accounts for the defendants' own

pecuniary benefit. The scheme worked like this. First, the defendants purchased in their own accounts shares of stock in a thinly traded company. Shortly thereafter, the defendants, directly or indirectly, intruded into the online brokerage accounts of investors at U.S. broker-dealers, liquidated existing equity positions and, using the resulting proceeds, purchased and sold thousands, and in one instance millions, of shares of the same thinly traded stocks purchased by the defendants in their own accounts. The unauthorized trading in the third-party accounts created the appearance of trading activity and pumped up the price of the stocks. Then, at the height of the price surge, the defendants sold in their own accounts their previously-purchased shares of the same stocks at the inflated prices.

2. In perpetrating their scheme, the defendants masked their identities by intruding into the online accounts using the Internet Protocol addresses of innocent third parties and by trading anonymously through the domestic brokerage accounts of Latvian-based Relief Defendant JSC Parex Bank.

3. As a result of their fraudulent scheme, the defendants realized profits totaling at least \$732,941 from trading in their accounts. In addition, the broker-dealers whose customers' accounts were compromised suffered in excess of \$2 million in losses in their efforts to make their customers whole. All of the defendants' ill-gotten proceeds are held in domestic accounts titled in the name of Relief Defendant JSC Parex Bank.

4. By virtue of their conduct, the defendants have engaged, and unless enjoined will continue to engage, in violations of Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)] and Section 10(b) of the Securities

Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5].

JURISDICTION AND VENUE

5. The Commission brings this action, and this Court has jurisdiction over this action, pursuant to authority conferred by Sections 20(b), 20(d) and 22(a) of the Securities Act [15 U.S.C. §§ 77t(b), 77t(a) and 77v(a)] and Sections 21(d), 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 77u(e) and 78aa].

6. This Court has personal jurisdiction over the defendants and venue is proper in the District of Columbia pursuant to Section 27 of the Exchange Act [15 U.S.C. § 78aa] because some of the transactions, acts, practices, and courses of business constituting the violations alleged herein occurred within this District. In addition, at least one of the victims whose accounts were illegally accessed by the defendants resides within this District.

7. The defendants, directly and indirectly, have made use of the means and instrumentalities of interstate commerce, and the means and instruments of transportation and communication in interstate commerce, in connection with the transactions, acts, practices, and courses of business alleged in this Complaint.

DEFENDANTS

8. The defendants (hereinafter “Unknown Trader Defendants”) are one or more individuals or entities whose identities and addresses are unknown to the Commission at this time because each anonymously traded in securities through one or more brokerage accounts titled in the name of JSC Parex Bank. Between December 2005 and December 2006, the Unknown Trader Defendants purchased and sold, or caused to

