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WESTERN DISTRICT OF KY

UNITED STATES DISTRICT COURT
for the
WESTERN DISTRICT OF KENTUCKY

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COMMODITY FUTURES TRADING
COMMISSION,

Plaintiff,

v.

E NET SPECULATION LTD. d/b/a E NET
SPECULATION S.A., PATRICE
CORNAZ, and ATHOS SOCRATOUS,
Defendants.

CIVIL ACTION NO:

COMPLAINT FOR INJUNCTIVE
AND OTHER EQUITABLE
RELIEF AND FOR CIVIL
PENALTIES UNDER THE
COMMODITY EXCHANGE ACT

1. Plaintiff, Commodity Futures Trading Commission (“Commission”), an independent federal regulatory agency of the United States, brings this civil action to enjoin violations of the Commodity Exchange Act, as amended (“Act”), 7 U.S.C. §§ 1 *et seq.* (2001), and for its complaint against defendants E Net Speculation, Ltd., d/b/a E Net Speculation S.A. (“E Net”), Patrice Cornaz (“Cornaz”), and Athos Socratous (“Socratous”) (collectively “the Defendants”), alleges as follows:

I. SUMMARY

2. Since at least June 2001, E Net has operated a foreign-based web site accessible to U.S. citizens via the Internet pursuant to which E Net has solicited and accepted funds from U.S. retail investors for the purpose of engaging in speculative trading of futures contracts. These transactions have not been conducted on or subject to the rules of a board of trade designated or registered by the Commission as a contract market or derivatives transaction execution facility for such commodities, or executed or consummated by a member of such contract market or that is licensed, authorized or otherwise subject to regulation by any foreign futures authority. In addition, during this time period, Defendants entered into contracts of sale and purchase of

commodities for future delivery and bucketed those orders by acting as the counterparty to each transaction.

3. By virtue of this conduct, the Defendants have violated Sections 4(a) and 4b(a)(2)(iv) of the Act, 7 U.S.C. §§ 6(a) and 6b(a)(2)(iv).
4. Accordingly, pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1, the Commission brings this action to enjoin the unlawful acts and practices of Defendants and to bar them from engaging in any commodity-related activity, including soliciting new customers or customers' funds in the United States. The Commission seeks civil monetary penalties in the amount of not more than the higher of \$120,000 or triple the monetary gain to Defendants for each violation of the Act. In addition, the Commission seeks disgorgement of Defendants' ill-gotten gains, restitution to customers, prejudgment interest, an order directing relevant domain name registrars and/or registries to temporarily suspend Defendants' Internet domain names pending adjudication on the merits, and such other relief as this Court may deem necessary or appropriate.

II. JURISDICTION AND VENUE

5. This Court has jurisdiction over this action pursuant to Section 6c(a) of the Act, 7 U.S.C. § 13a-1(a), which provides that whenever it shall appear to the Commission that any person has engaged, is engaging, or is about to engage in any act or practice constituting a violation of any provision of the Act or any rule, regulation, or order promulgated thereunder, the Commission may bring an action in the proper District Court of the United States against such person to enjoin such practice, or to enforce compliance with the Act, or any rule, regulation or order thereunder.
6. Venue properly lies with this Court pursuant to Section 6c(e) of the Act, 7 U.S.C. § 13a-1(e), because the Defendants are found in this District, among other places.

7. Unless restrained and enjoined by this Court, the Defendants are likely to continue to engage in the acts and practices alleged in this Complaint or in similar acts and practices, as described more fully below.

III. THE PARTIES

A. Plaintiff

8. The Commission is an independent federal regulatory agency that is charged with the administration and enforcement of the Act, 7 U.S.C. §§ 1 *et seq.*, and the regulations promulgated thereunder.

B. Defendants

9. E Net Speculation, Ltd., doing business as E Net Speculation S.A., is a U.K. corporation with a registered address at 15 Rectory Road, Farnborough, Hampshire, GU147BU. Its principal place of business is Colonia 909, #301, 11100 Montevideo, Uruguay. E Net owns three domain names that Cornaz registered in the United States in January 2000: www.enetspeculation.com, www.enetspeculation.net and www.enetspeculation.org. Through its Web site, E Net is engaged in the business of trading futures contracts with the retail public in the U.S. E Net has never been registered with the Commission in any capacity. E Net has neither sought nor obtained Commission designation as a contract market and has neither sought nor obtained “no action” or exemptive relief from the requirements of the Act or Commission regulations.
10. Patrice Cornaz is the founder and president of E Net. On information and belief, Cornaz resides in Geneva, Switzerland. In January 2000, Cornaz registered the domain names used to direct customers to E Net’s Web site with RegisterNames.com of Chagrin Falls, Ohio. Cornaz paid for the registration and later renewed it with his personal credit card.

11. Athos Socratous is the Director and Vice President of E Net. Socratous resides in Etaux, France. Socratous directs many of the activities of E Net, including the content of the Web site and the advertising for E Net.

IV. DEFINITIONS

12. "World Wide Web" or "Web" means a system used on the Internet for cross-referencing and retrieving information. A "Web site" is a set of electronic documents, usually a home page and subordinate pages, readily viewable on a computer by anyone with access to the Web, standard software, and knowledge of the Web site's location or address.
13. "Domain Name" means the familiar, easy to remember names for computers on the Internet (such as "whatever.com"). A domain name corresponds to a series of numbers (called Internet Protocol numbers) that serve as a routing address on the Internet. Domain names are used generally as a convenient way of locating information and reaching others on the Internet.
14. "Board of Trade" means any organized exchange or other trading facility.
15. "Bucketing" means directly or indirectly taking the opposite side of a customer's order for futures contracts into a broker's own account or into an account in which a broker has an interest, without open and competitive execution of the order on an exchange.
16. "Contract Market" means a board of trade or exchange designated by the Commission to trade futures contracts under the Act.
17. "Futures Contract" means an agreement to purchase or sell a commodity for delivery in the future: 1) at a price that is determined at initiation of the contract; 2) which obligates each party to the contract to fulfill the contract at the specified price; 3) which is used to assume or shift price risk; and 4) which may be satisfied by delivery or offset.

18. "Offset" means liquidating a purchase of futures contracts through the sale of an equal number of contracts of the same delivery month, or liquidating a sale of futures contracts through the purchase of an equal number of contracts of the same delivery month.
19. "Organized Exchange" means a trading facility that permits trading by or on behalf of a person that is not an eligible contract participant or by persons other than on a principal-to-principal basis; or that has adopted rules that govern the conduct of participants and include disciplinary sanctions.
20. "Trading Facility" means a person or group of persons that constitutes, maintains, or provides a physical or electronic facility or system in which multiple participants have the ability to execute or trade agreements, contracts, or transactions by accepting bids and offers made by other participants that are open to multiple participants in the facility or system.

V. FACTUAL BACKGROUND

21. In January 2000, Cornaz registered the domain names www.enetspeculation.com, www.enetspeculation.net, and www.enetspeculation.org through RegisteredNames.com in Chagrin Falls, Ohio. All three domain names use the same Internet protocol number address to access its Web site. In September 2000, Defendant Cornaz transferred the ownership of the domain names to Defendant E Net. Subsequently, in October 2000, the domain name registrations were transferred to a French domain name registrar, Gandi Auto Register.
22. Since at least June 2001 to the present, Defendants have solicited U.S. retail customers to trade illegal futures contracts through its Web site. Specifically, Defendants have offered retail customers off-exchange execution of futures contracts.
23. Defendants' Web site states that E Net has "offered via the Internet network and by way of the mini-financial-market system which it developed, a service of OFF

Exchange execution of orders to buy and sell fractions of standard futures contracts and non-standard foreign exchange contracts.” (Emphasis in original). E Net is and has been the counterparty to all such contracts.

24. Defendant E Net neither delivers the commodities to customers, nor has the facilities to make or take delivery of the commodities.
25. The “mini-contracts” that Defendants claim to have developed are based upon futures contracts offered at major exchanges throughout the world, including the Chicago Board of Trade, the Chicago Mercantile Exchange, the New York Board of Trade, the New York Mercantile Exchange, COMEX, EUREX, the Singapore Exchange, the London International Futures and Options Exchange, and Marche a Terme International de France. On information and belief, Defendants are not and never have been authorized by these exchanges to offer these futures contracts.
26. On information and belief, E Net is not and never has been an approved board of trade or trading facility by financial regulators in France, the United Kingdom, Switzerland, Germany, Singapore or Uruguay. On information and belief, Defendants are not registered with any foreign futures regulatory authority.
27. Defendants do not conduct their futures transactions on or subject to the rules of a board of trade that has been designated by the Commission as a contract market, nor are any of these transactions executed or consummated by or through a member of such a contract market. Defendants do not conduct their transactions on a facility registered as a derivatives transaction execution facility.
28. Defendants have acknowledged that their offer of off-exchange futures contracts violates U.S. law. Nevertheless, Defendants have offered and continue to offer their services to U.S. residents, as well as residents of other countries in which the activities are also unlawful.

29. On information and belief, based on a review of bank records, several hundred or more U.S. residents have entered into futures contracts through E Net. At least seven of these customers learned of E Net on the Internet through advertising banners. These customers clicked on the banners and were redirected to E Net's Web site.
30. Customers opened accounts directly online by completing online forms and clicking on a link at the bottom of the page. The customers were assigned user names and passwords by E Net and deposited funds into trading accounts by submitting credit card information via the Web site.
31. Customers cannot communicate or interact with E Net in any way other than through its web site. At least one of E Net's customers resides in and interacted with E Net from Louisville, Kentucky.
32. These customer funds were held in trading accounts in U.S. currency. These customers traded with E Net by placing online orders for the purchase or sale of futures contracts in the following commodities, among others: wheat, soybean, live cattle, Standard and Poor 500 Stock Price Index, and Eurodollar. These futures contracts were mini versions of contracts offered at major exchanges throughout the world.
33. In January 2000, Cornaz registered the domain names used to direct customers to E Net's Web site with RegisterNames.com of Chagrin Falls, Ohio. Cornaz paid for the registration and subsequent renewals of the domain names with his personal credit card.
34. Socratous directs many of the marketing activities of E Net, including the content of the Web site and the advertising for E Net. Socratous has negotiated and signed contracts relating to the marketing and content of the web site on behalf of E Net.

VI. VIOLATIONS OF COMMODITY EXCHANGE ACT

COUNT I

Violation of Section 4(a) of the Act: Offering to Enter Into and Entering Into Off-Exchange Commodity Futures Contracts

35. The Commission realleges Paragraphs 1 through 34 above and incorporates these allegations herein by reference.
36. Since at least June 2001, and continuing to present, Defendants have offered to enter into, entered into, executed, confirmed the execution of, or conducted business in the United States for the purpose of soliciting, accepting any order for, or otherwise dealing in transactions in, or in connection with, a contract for the purchase or sale of a commodity for future delivery when: (a) such transactions have not been conducted on or subject to the rules of a board of trade which has been designated or registered by the Commission as a contract market or derivatives transaction execution facility for such commodity, and (b) such contracts have not been executed or consummated by or through a member of such contract market, in violation of Section 4(a) of the Act, 7 U.S.C. § 6(a).
37. Cornaz and Socratous directly or indirectly controlled E Net and did not act in good faith, or knowingly induced, directly or indirectly, the acts constituting E Net's violations alleged in this Complaint. Cornaz and Socratous are therefore liable for each of E Net's violations of the Act pursuant to Section 13(b) of the Act, 7 U.S.C. § 13c(b).
38. Each and every futures transaction not conducted on a designated contract market made from June 2001 to the present is alleged as a separate and distinct violation of Section 4(a) of the Act, 7 U.S.C. § 6(a).

COUNT II

Violation of Section 4b(a)(2)(iv): Bucketing Orders for Futures Contracts

39. The Commission realleges Paragraphs 1 through 38 above and incorporates these allegations herein by reference.
40. During the relevant period, Defendants Cornaz and Socratous knowingly caused Defendant E Net to bucket orders for futures contracts by causing E Net to act as the counterparty to each of Defendants' customers in violation of Section 4b(a)(2)(iv) of the Act.
41. Defendants Cornaz and Socratous engaged in this conduct in or in connection with orders to make, or the making of, contracts of sale of commodities for future delivery, made, or to be made, for or on behalf of other persons where such contracts for future delivery were or may have been used for (a) hedging any transaction in interstate commerce in such commodity, or the products or byproducts thereof, or (b) determining the price basis of any transaction in interstate commerce in such commodity, or (c) delivering any such commodity sold, shipped, or received in interstate commerce for the fulfillment thereof.
42. Cornaz and Socratous were acting within the scope of their employment, office or agency while engaging in this conduct. Therefore, E Net is liable for each of Cornaz's and Socratous's violations of the Act pursuant to Section 2(a)(1)(b) of the Act. 7 U.S.C. § 2(a)(1)(b).
43. Each and every transaction in which Cornaz and Socratous willfully and knowingly caused E Net to bucket the orders is alleged as a separate and distinct violation of Section 4b(a)(2)(iv) of the Act. 7 U.S.C. § 6b(a)(2)(iv).

VII. RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that this Court, as authorized by Section 6c of the Act, 7 U.S.C. § 13a-1, and pursuant to its own equitable powers:

- a) Enter an Order finding Defendants liable for violating Section 4(a) of the Act, 7 U.S.C. § 6(a), and Section 4b(a)(2)(iv) of the Act, 7 U.S.C. § 6b(a)(2)(iv);
- b) Enter a temporary, a preliminary and a permanent injunction prohibiting the Defendants and any other person or entity associated with them, or any successor thereof, from engaging in conduct violative of the provisions of the Act as alleged in this Complaint, and from engaging in any activity relating to commodity futures or options on commodity futures in the U.S., including but not limited to, soliciting, accepting or receiving funds, revenue or other property from any person, giving advice for compensation, or soliciting prospective customers, related to the purchase and sale of any commodity futures or options on commodity futures contracts;
- c) Enter an Order directing the Defendants and any successors thereof, to disgorge, pursuant to such procedure as the Court may order, all benefits received from the acts or practices which constituted violations of the Act, as described herein, and interest thereon from the date of such violations;
- d) Enter an Order directing the Defendants to pay a civil monetary penalty in the amount of not more than the higher of \$120,000 or triple the monetary gain to Defendants for each violation of the Act;
- e) Grant ancillary remedial relief, including but not limited to, an accounting and restitution, and prejudgment interest;
- f) Enter an order *pendente lite* that freezes Defendants' assets, permits Commission staff to inspect Defendants' records and prohibits Defendants from destroying any

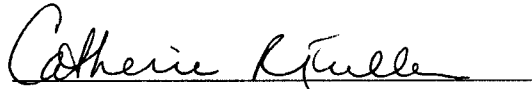
records or documents as more fully set forth in the Plaintiff's Motion for a Temporary Restraining Order;

- g) Enter an order directing relevant domain name registrars and/or registries to suspend and prevent the transfer of Defendants' domain names www.enetspeculation.com, www.enetspeculation.net and www.enetspeculation.org until such time as Defendants bring the web site into compliance with the Act; and
- h) Grant such other and further equitable or remedial ancillary relief as the Court may deem appropriate.

Dated: March 18, 2004

Respectfully submitted,

ATTORNEYS FOR PLAINTIFF
COMMODITY FUTURES TRADING COMMISSION



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