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| FILED by <b>DJ</b> D.C.<br>ELECTRONIC                            |
| May 21, 2009   |
| STEVEN M. LARIMORE<br>CLERK U.S. DIST. CT.<br>S.D. OF FLA. MIAMI |

**UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF FLORIDA  
09-80765-Civ-DIMITROULEAS/SNOW**  
CASE NO. \_\_\_\_\_

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| U.S. COMMODITY FUTURES TRADING<br>COMMISSION,  | ) |
|  | ) |
| Plaintiff,   | ) |
|  | ) |
| v.   | ) |
|  | ) |
| LASALLE INTERNATIONAL CLEARING<br>CORPORATION, STERLING<br>WENTWORTH CURRENCY GROUP,<br>INC., and MICHAEL RIOLO, | ) |
|  | ) |
| Defendants.  | ) |

**COMPLAINT FOR  
PERMANENT INJUNCTIONS, CIVIL MONETARY  
PENALTIES AND OTHER EQUITABLE RELIEF**

Plaintiff, the United States Commodity Futures Trading Commission ("Commission" or CFTC"), by its attorneys, alleges as follows:

**I. SUMMARY**

1. From at least June 18, 2008 to the present (the "relevant period"), LaSalle International Clearing Corporation ("LaSalle"), Sterling Wentworth Currency Group ("Sterling Wentworth"), both through their principal and control person, Michael Riolo ("Riolo") (collectively, "Defendants"), fraudulently solicited and received funds from members of the general public ("customers") for the purpose of trading off-exchange foreign currency ("forex") contracts.

2. Defendants accepted funds from customers during the relevant period and knowingly failed to disclose to them the following: 1) Defendants were going to be, and in fact were the counterparties in each forex transaction entered on behalf of their customers; and 2) Defendants owed millions of dollars to customers and they lacked the funds necessary to make these payments as well as any future payments for prospective profits.

3. Defendants further defrauded customers by making, or causing to be made, and delivering to customers monthly statements depicting the month-end value for each customer's account without disclosing to customers that Defendants lacked sufficient cash to pay to customers the purported value of their accounts.

4. Defendants also expressly overstated the total cash available in these monthly statements. Accordingly, the account statements made and delivered to customers were false.

5. By virtue of this conduct and the further conduct described herein, Defendants have engaged, are engaging, or are about to engage in acts and practices in violation of provisions of the Commodity Exchange Act (the "Act"), 7 U.S.C. §§ 1 *et seq.* (2006), as amended by the Food, Conservation, and Energy Act of 2008, Pub. L. No. 110-246, Title XIII (the CFTC Reauthorization Act of 2008 ("CRA")), §§ 13101-13204, 122 Stat. 1651 (enacted June 18, 2008).

6. Riolo committed the acts and omissions described herein within the course and scope of his employment at both LaSalle and Sterling Wentworth. Therefore, both LaSalle and Sterling Wentworth are liable under Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2006), and Commission Regulation ("Regulation") 1.2, 17 C.F.R. § 1.2 (2009), as principals for Riolo's violations of the Act.

7. Riolo is liable under Section 13(b) of the Act, 7 U.S.C. § 13c(b) (2006), as a controlling person of LaSalle and Sterling Wentworth for their violations of the Act, because he did not act in good faith or knowingly induced, directly or indirectly, the acts constituting the violations.

8. Accordingly, pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2006), and Section 2(c)(2) of the Act as amended by the CRA, to be codified at 7 U.S.C. § 2(c)(2), the Commission brings this action to enjoin Defendants' unlawful acts and practices and to compel their compliance with the Act and to further enjoin Defendants from engaging in any commodity-related activity. In addition, the Commission seeks both preliminary and permanent injunctive relief, civil monetary penalties and remedial ancillary relief, including, but not limited to, trading and registration bans, restitution, disgorgement, rescission, pre- and post-judgment interest, and such other relief as the Court may deem necessary and appropriate.

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

## II. JURISDICTION AND VENUE

10. Section 6c(a) of the Act, 7 U.S.C. § 13a-1 (2006), authorizes the Commission to seek injunctive relief against any person whenever it shall appear to the Commission that such person has engaged, is engaging, or is about to engage in any act or practice constituting a violation of the Act or any rule, regulation, or order thereunder.

11. The Commission has jurisdiction over this matter as alleged herein pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2006), and Section 2(c)(2) of the Act as amended by the CRA, to be codified at 7 U.S.C. § 2(c)(2).

12. Venue properly lies with the Court pursuant to Section 6c(e) of the Act, 7 U.S.C. § 13a-1(e) (2006), because Defendants transacted business in the Southern District of Florida and certain of the transactions, acts, practices, and courses of business alleged occurred, are occurring, and/or are about to occur within this District.

### **III. PARTIES**

13. **Commodity Futures Trading 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, 17 C.F.R. §§ 1.1 *et seq.* The CFTC maintains its principal office at Three Lafayette Centre, 1155 21<sup>st</sup> Street, NW, Washington, D.C. 20581.

14. **LaSalle International Clearing Corporation** is a Florida corporation formed in April 1999, which listed its principal place of business at 11555 Heron Bay Boulevard, Coral Springs, Florida. LaSalle has never been registered with the CFTC.

15. **Sterling Wentworth Currency Group, Inc.** is a Florida corporation formed in April 1999, which listed its principal place of business at 11555 Heron Bay Boulevard, Suite 200, Coral Springs, Florida 33073. Sterling Wentworth has never been registered with the CFTC.

16. **Michael Riolo** resides in Boca Raton, Florida, and is the sole listed officer of both LaSalle and Sterling Wentworth. Riolo has never been registered with the CFTC.

#### **IV. FACTS**

17. From at least June 18, 2008 to the present, Sterling Wentworth, through its principal and control person, Riolo, solicited customers to invest funds to engage in forex transactions. Riolo is the sole officer of both LaSalle and Sterling Wentworth.

18. Customers were directed by Riolo to open up an account at Sterling Wentworth and Lasalle was responsible for executing and clearing forex transactions made for or on behalf of the Sterling Wentworth customers.

19. Generally, Defendants directed customers to deposit their funds into an account in the name of Lasalle at Washington Mutual Bank ("WAMU") in order to open a trading account.

20. Both Lasalle and Sterling Wentworth maintained accounts at WAMU and Riolo was the sole signatory on each of these accounts.

21. All customer accounts opened at Sterling Wentworth were for speculative purposes and managed by Defendants. Defendants had complete discretion to control how many contracts should be purchased or sold for customers, when the contracts should be purchased or sold and the price the customers were obligated to pay and/or receive for the purchase and/or sale of the forex contracts.

22. In addition to having complete discretion over the forex trading conducted on behalf of their customers, Defendants also were the counterparties in each of these forex transactions, i.e., they were acting as a principal in both buying from and selling forex to their customers.

23. As a counterparty in each of these transactions, for every round-turn transaction in which a customer received a profit, Defendants lost funds in an amount equal to the net trading profits gained by the customer.

24. Defendants also prepared or caused to be prepared monthly statements that were delivered to customers during the relevant period. The monthly statements included the value of the customer's account at month-end.

25. Defendants accepted funds from customers during the relevant period and knowingly failed to disclose to them the following: 1) Defendants were going to be and in fact were the counterparties in each forex transaction entered on behalf of their customers; and 2) Defendants owed millions of dollars to customers and they lacked the funds necessary to make these payments as well as any future payments for prospective profits.

26. Defendants also knowingly failed to disclose to customers that they lacked sufficient funds to pay to customers the purported month-end value of their accounts as reflected on the monthly statements delivered to customers. In addition, Defendants expressly overstated the total cash available in these monthly statements.

27. For example, during the relevant period, Defendants prepared and sent monthly statements to at least 25 customers representing that by November 30, 2008, all forex positions were closed. Each account statement also represented the total cash available in each individual customer's account. In sum, for these 25 customers, the cash in their accounts totaled over \$26 million. However, by November 30, 2008, Sterling Wentworth and Lasalle had only \$1,506,521.67 in their WAMU accounts. Accordingly, Defendants knowingly failed to disclose the lack of cash available to pay customers their account balances and prepared and delivered to

customers false account statements that expressly overstated the total cash in those 25 accounts by approximately \$24.5 million.

28. Defendants were not financial institutions, registered broker dealers, insurance companies, bank holding companies, or investment bank holding companies or the associated persons of financial institutions, registered broker dealers, insurance companies, bank holding companies, or investment bank holding companies.

29. Some or all of Defendants' customers were not "eligible contract participants" as that term is defined in the Act. *See* Section 1a(12)(A)(xi) of the Act, 7 U.S.C. § 1a(12) (2006) (an "eligible contract participant," as relevant here, is an individual with total assets in excess of (i) \$10 million, or (ii) \$5 million and who enters the transaction "to manage the risk associated with an asset owned or liability incurred, or reasonably likely to be owned or incurred, by the individual").

30. The forex transactions conducted by Defendants at Sterling Wentworth and/or LaSalle on behalf of their customers were entered into on a leveraged or margined basis; they were required to provide only a percentage of the value of the foreign currency contracts that they purchased.

31. The forex transactions conducted by Defendants neither resulted in delivery within two days nor created an enforceable obligation to deliver between a seller and a buyer that had the ability to deliver and accept delivery, respectively, in connection with their lines of business. Rather, these forex contracts were offset without anyone making or taking delivery of actual currency (or facing an obligation to do so).

32. By virtue of their actions, Defendants have engaged, are engaging, or are about to engage in acts and practices that violate Sections 4b(a)(2)(A), (B) and (C) of the Act as amended by the CRA, to be codified at 7 U.S.C. §§ 6b(a)(2)(A), (B) and (C).

**V. VIOLATIONS OF THE COMMODITY EXCHANGE ACT**

**COUNT I**

**Violations of Sections 4b(a)(2)(A), (B) and (C) of the Act as amended by the CRA,  
to be codified at 7 U.S.C. §§ 6b(a)(2)(A), (B) and (C)  
(Fraud by Omission and by Making False Statements)**

33. The allegations set forth in paragraphs 1 through 32 are re-alleged and incorporated herein by reference.

34. Sections 4b(a)(2)(A) - (C) of the Act as amended by the CRA, to be codified at 7 U.S.C. §§ 6b(a)(2)(A) - (C), make it unlawful

for any person, in or in connection with any order to make, or the making of, any contract of sale of any commodity for future delivery, or other agreement, contract, or transaction subject to paragraphs (1) and (2) of section 5a(g), that is made, or to be made, for or on behalf of, or with, any other person, other than on or subject to the rules of a designated contract market - (A) to cheat or defraud or attempt to cheat or defraud the other person; (B) willfully to make or cause to be made to the other person any false report or statement or willfully to enter or cause to be entered for the other person any false record; [or] (C) willfully to deceive or attempt to deceive the other person by any means whatsoever in regard to any order or contract or the disposition or execution of any order or contract, or in regard to any act of agency performed, with respect to any order or contract for or, in the case of paragraph (2), with the other person.

35. Sections 4b(a)(2)(A) - (C) of the Act as amended by the CRA apply to Defendants' foreign currency transactions "as if" they were a contract of sale of a commodity for future delivery. Section 2(c)(2)(C)(iv) of the Act as amended by the CRA.



35. As set forth above, during the relevant period, in or in connection with forex contracts, made, or to be made, for or on behalf of other persons, Defendants cheated or defrauded or attempted to cheat or defraud customers or prospective customers, willfully made or caused to be made to customers false reports or statements or willfully entered or caused to be entered for customers false records and willfully deceived or attempted to deceive customers or prospective customers by, among other things, providing customers with fraudulent account statements and/or knowingly failing to inform customers that Defendants were the counterparties to the customers' forex transactions and lacked sufficient funds on hand to pay customers their profits and/or the month-end value of their accounts, all in violation of Sections 4b(a)(2)(A), (B) and (C) of the Act as amended by the CRA, to be codified at 7 U.S.C. §§ 6b(a)(2)(A), (B) and (C).

36. Defendants engaged in the acts and practices described above knowingly or with reckless disregard for the truth.

37. Riolo controlled LaSalle and Sterling Wentworth, directly or indirectly, and did not act in good faith or knowingly induced, directly or indirectly, LaSalle's and Sterling Wentworth's conduct alleged in this Count. Therefore, pursuant to Section 13(b) of the Act, 7 U.S.C. § 13c(b) (2006), Riolo is liable for LaSalle's and Sterling Wentworth's violations of Sections 4b(a)(2)(A), (B) and (C) of the Act as amended by the CRA, to be codified at 7 U.S.C. §§ 6b(a)(2)(A), (B) and (C).

38. The foregoing acts, misrepresentations, omissions, and failures of Riolo occurred within the scope of his employment with Sterling Wentworth and LaSalle; therefore, Sterling Wentworth and LaSalle are liable for Riolo's violations of Sections 4b(a)(2)(A), (B) and (C) of

the Act as amended by the CRA, to be codified at 7 U.S.C. §§ 6b(a)(2)(A), (B) and (C), pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2006), and Regulation 1.2, 17 C.F.R. § 1.2 (2009).

39. Each misrepresentation or omission of material fact and false report or account statement, including but not limited to those specifically alleged herein, is alleged as a separate and distinct violation of Sections 4b(a)(2)(A), (B) and (C) of the Act as amended by the CRA, to be codified at 7 U.S.C. §§ 6b(a)(2)(A), (B) and (C).

#### **VI. RELIEF REQUESTED**

**WHEREFORE**, the CFTC respectfully requests that the Court, as authorized by Section 6c of the Act, 7 U.S.C. § 13a-1 (2006), and pursuant to its own equitable powers, enter:

- a) An order finding that Defendants violated Sections 4b(a)(2)(A), (B) and (C) of the Act as amended by the CRA, to be codified at 7 U.S.C. §§ 6b(a)(2)(A), (B) and (C).
- b) An order of preliminary and permanent injunction prohibiting Defendants and any of their agents, servants, employees, assigns, attorneys, and persons in active concert or participation with any Defendant, including any successor thereof, from engaging, directly or indirectly in conduct in violation of Sections 4b(a)(2)(A), (B) and (C) of the Act as amended by the CRA, to be codified at 7 U.S.C. §§ 6b(a)(2)(A) and (C);
- c) An order of permanent injunction prohibiting Defendants and any of their agents, servants, employees, assigns, attorneys, and persons in active concert or participation with any Defendant, including any successor thereof, from

engaging, directly or indirectly in any activity related to trading in any commodity, as that term is defined in Section 1a(4) of the Act, 7 U.S.C. § 1a(4) (2006) ("commodity interest"), including but not limited to, the following:

- (aa) from trading of any commodity interest account for themselves or on behalf of any other person or entity;
  - (bb) from soliciting, receiving, or accepting any funds in connection with the purchase or sale of any commodity interest contract;
  - (cc) from applying for registration or claiming exemption from registration with the CFTC in any capacity, and engaging in any activity requiring such registration or exemption from registration with the CFTC, except as provided for in Regulation 4.14(a)(9), 17 C.F.R. § 4.14(a)(9) (2009), or acting as a principal, agent, or any other officer or employee of any person registered, exempted from registration or required to be registered with the CFTC, except as provided for in Regulation 4.14(a)(9); and
  - (dd) from engaging in any business activities related to commodity interest trading.
- d) An order directing Defendants to make full restitution to every person or entity whose funds Defendants received or caused another person or entity to receive as a result of acts and practices that constituted violations of the Act, as described herein, and pre- and post-judgment interest thereon from the date of such violations;
- e) An order directing Defendants, as well as any other person or entity associated with them, including any successor thereof, to disgorge, pursuant to such procedure as the Court may order, all benefits received from the acts or

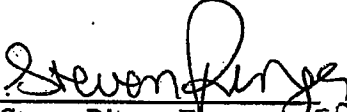
practices which constitute violations of the Act, as described herein, and interest thereof from the date of such violations;

- f) An order directing each Defendant to pay a civil monetary penalty in the amount of the higher of \$140,000 for each violation of the Act committed or triple the monetary gain to each Defendant for each violation of the Act described herein, plus post-judgment interest;
- g) Enter an order directing Defendants and any successors thereof, to rescind, pursuant to such procedures as the Court may order, all contracts and agreements, whether implied or express, entered into between them and any of the customers whose funds were received by them as a result of the acts and practices which constituted violations of the Act, as described herein;
- h) Enter an order of preliminary injunction restraining Defendants and all persons insofar as they are acting in the capacity of Defendants' agents, servants, successors, employees, assigns, and attorneys, and all persons insofar as they are acting in active concert or participation with them who receive actual notice of such order by personal service or otherwise, from directly or indirectly:
  - (aa) Destroying, mutilating, erasing, altering, concealing, or disposing of, in any manner, directly or indirectly, any documents that relate to the business practices or business finances of Defendants; and
  - (bb) Transferring, selling, alienating, liquidating, encumbering, pledging, leasing, loaning, assigning, concealing, dissipating, converting, withdrawing, or otherwise disposing of any assets, held by, under the control, or in the name of any of the Defendants wherever located including assets held outside the United States.

- i) Enter an order of preliminary injunction that Defendants shall immediately deliver over to a Temporary Receiver possession, custody and/or title of all assets owned beneficially or otherwise, wherever situated of Defendants and information identifying the accounts, employees properties, or other assets or obligations of Defendants;**
- j) Enter an order of preliminary injunction directing that Defendants and any successors and/or agents thereof, provide the Plaintiff and the Temporary Receiver immediate and continuing access to their books, records, and other documents of Defendants, agents of the Defendants, including, but not limited to, paper documents, electronically stored data, tape recordings, and computer discs, wherever they may be situated and whether they are in the possession of Defendants or others, and to copy said documents, data and records, either on or off the premises where they may be situated;**
- k) Enter an order of preliminary injunction directing that Defendants make an accounting to the Plaintiff and the Temporary Receiver of all of their funds, documents and assets exceeding \$250 in fair market value individually, both within and outside the United States which are (1) titled in the name individually or jointly of Defendants; (2) held by any person or entity, for the benefit of Defendants; or (3) under such Defendants' direct or indirect control whether jointly or singly;**
- l) Enter an order of preliminary injunction providing for expedited discovery;**

- m) Enter an order of preliminary injunction providing for the appointment of a Temporary Receiver;
- n) Enter an order of preliminary injunction restraining and enjoining investors, creditors and other third parties from commencing, prosecuting, continuing or enforcing any suit or proceeding against the Defendants relating to the subject matter of this civil action;
- o) An order requiring Defendants to pay costs and fees as permitted by 28 U.S.C. §§ 1920 and 2412(a)(2); and
- p) Such other and further relief as the Court deems proper.

Dated: 5/6/09

  
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