

UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION

Plaintiff,

vs.

ONE OR MORE UNKNOWN TRADERS IN THE  
COMMON STOCK OF CERTAIN ISSUERS (a/k/a  
AWE TRADING, INC. and ANDREW ANDERSEN),

Defendants,

and

INTERACTIVE BROKERS, LLC,

Relief Defendant.

COMPLAINT

Plaintiff Securities and Exchange Commission alleges:

SUMMARY

1. This matter arises from a fraudulent securities trading scheme involving sophisticated Internet brokerage account intrusions and identity theft. During March and April 2007, one or more unknown individuals claiming to be AWE Trading, Inc. ("AWE") and Andrew Andersen (collectively, the "Unknown Traders") contemporaneously traded securities in brokerage accounts they either used or created through identity theft. The Unknown Traders realized profits of more than \$66,000 from this scheme.

2. The Unknown Traders initiated the scheme in February 2007 by posting an offer on the popular classifieds website, [www.craigslist.org](http://www.craigslist.org), for a job with AWE, a

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fictitious Latvian brokerage firm. Andersen, who identified himself as AWE's "U.S. Department Manager," requested interested applicants' dates of birth, social security numbers, and other personal information. The Unknown Traders then used this personal information from four individuals to open brokerage accounts in each of their names (the "Profiting Accounts") at Interactive Brokers LLC ("Interactive").

3. After establishing the Profiting Accounts, the Unknown Traders gained unauthorized Internet access into other online brokerage accounts owned by innocent third parties (the "Victim Accounts"). They then conducted a well-timed and orchestrated series of trades in 18 stocks that caused the Victim Accounts to lose money and the Profiting Accounts to make it.

4. The scheme ended in April 2007 when Interactive became suspicious of the trading in the Profiting Accounts and suspended all activity in them. As of March 26, 2008, the Profiting Accounts held cash and securities with an aggregate value of approximately \$99,000.

5. Through this scheme, the Unknown Traders 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 thereunder [17 C.F.R. § 240.10b-5].

#### **JURISDICTION AND VENUE**

6. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Sections 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 77u(e) and 78aa].

7. This Court has personal jurisdiction over the defendants and venue is proper in the Eastern District of New York 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 in this Complaint occurred within the district, including, among other things, the misappropriation of personal identification information from individuals residing in the district and the transfer of funds to and from bank accounts maintained in the district.

8. 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 course of business alleged in this Complaint.

#### **DEFENDANTS**

9. The Unknown Traders are one or more individuals who, starting in February 2007, posted advertisements for a job with AWE on the [www.craigslist.org](http://www.craigslist.org) website.

10. The Unknown Traders communicated with individuals who responded to the AWE job offer only through email and facsimile sent from and received by Andersen, who identified himself as AWE's U.S. Department Manager.

11. The Unknown Traders appear to be residents of Russia, as funds involved in the scheme were wired to and from financial institutions in Russia in the names of two individuals. However, the Commission has been unable to verify the identity of these two individuals, and the Unknown Traders may have misappropriated or fabricated their identities. Thus, we have not at this time named them as defendants.

## **RELIEF DEFENDANT**

12. Interactive is a broker-dealer registered with the Commission. It is a subsidiary of Interactive Brokers Group, Inc. and its principal executive offices are located at One Pickwick Plaza, Greenwich, CT 06030. Interactive is the custodian of the Profiting Accounts.

13. Interactive detected suspicious trading in the Profiting Accounts in April 2007 and requested that the Unknown Traders contact the firm by some means other than the Internet. When the Unknown Traders did not respond, Interactive suspended all activity in the accounts and froze all funds in them.

## **FACTS**

### **A. The Unknown Traders Steal Identities to Open Four Profiting Accounts**

14. Starting in February 2007, the Unknown Traders posted job advertisements for AWE on [www.craigslist.org](http://www.craigslist.org). AWE sent at least four individuals who responded to the advertisement an e-mail purporting to be from Andersen, informing them a “trader’s assistant” position was available. Andersen told job applicants the trader assistants helped AWE maintain its brokerage accounts in the U.S., and AWE paid them approximately \$400 a week.

15. Andersen’s emails told the applicants trader assistants had to accept and remit funds in their personal bank accounts on AWE’s behalf. Because AWE would purportedly be entrusting these individuals with its money, Andersen requested detailed personal information, such as dates of birth and social security numbers, from each applicant so AWE could perform a background check.

16. Instead of using the information to conduct background checks, however, the Unknown Traders used it to open four Profiting Accounts at Interactive in each of the four individuals' names (hereinafter "Profiting Accounts #1 through #4"). These individuals did not authorize anyone to open these accounts and did not even know the Unknown Traders opened the accounts.

17. AWE purported to hire the four individuals, then used them as financial intermediaries to fund the Profiting Accounts (hereinafter we refer to them as the "intermediaries"). The Unknown Traders wired approximately \$10,000 under the name of one of the two Russian individuals from two banks in Russia into the personal bank accounts of two of the intermediaries. They wired a third intermediary approximately \$5,000 from the Russian individual via a Western Union money order, which the intermediary deposited into his personal bank account.

18. The Unknown Traders, through Andersen's emails, then directed the intermediaries to wire transfer these funds from their personal bank accounts to specific account numbers at Interactive. Unbeknownst to the intermediaries, those account numbers corresponded to the Profiting Accounts opened in their names.

**B. The Unknown Traders Intrude Into Third-Party Brokerage Accounts**

19. Between March 8 and April 24, 2007, the Unknown Traders bought and sold 25 thinly-traded securities listed on the New York Stock Exchange ("NYSE") and NASDAQ in the Profiting Accounts. The Unknown Traders conducted all of their trading in the Profiting Accounts over the Internet and used a single computer to place most of their trades.

20. At the same time, the Unknown Traders bought and sold 18 of the 25 securities (the “Targeted Securities”) in the Victim Accounts. The Unknown Traders gained unauthorized access to the Victim Accounts by misappropriating the account holders’ usernames and passwords.

21. Typically, the Unknown Traders sold the Targeted Securities in the Profiting Accounts at or about the same time they bought the securities in the Victim Accounts. The unauthorized purchases the Unknown Traders made in the Victim Accounts increased the trading volume and affected the market prices of the Targeted Securities to benefit the Profiting Accounts. As a result, the Profiting Accounts generated more than \$66,000 in profits, while the Victim Accounts lost money.

22. The Unknown Traders sold the Targeted Securities in the Profiting Accounts both long and short. A long sale is the sale of a security the seller owns at the time of sale. A short sale is the sale of a security the seller does not own at the time of sale. The seller, however, agrees to later buy the security in order to “cover” the earlier sale. Thus, a trader typically sells short when the trader believes the stock price will decrease.

23. In a typical long-sale scenario, the Unknown Traders bought Targeted Securities in a Profiting Account, then intruded into Victim Accounts and bought the same stock at increasingly higher prices. Having driven up the price of the stock through their Victim Account purchases, the Unknown Traders sold the Profiting Account stock at the higher price, frequently just minutes after they had bought it.

24. In a typical short-sale scenario, the Unknown Traders first intruded into the Victim Accounts and bought a Targeted Security at increasingly higher prices. They

then immediately sold the Targeted Security short in the Profiting Account. To cover those short sales, the Unknown Traders would stop their Victim Account buying, which caused the share price to decrease (because no one else was purchasing it at the inflated prices). They then would buy the Targeted Security at the decreased price in the Profiting Account, allowing them to profit from their short sales.

25. The Unknown Traders concealed the computer or computers from which they accessed the Profiting Accounts and the Victim Accounts by forging Internet Protocol ("IP") addresses assigned to computers belonging to innocent third parties. However, in connection with their trading in at least 17 of the Targeted Securities, the Unknown Traders accessed the Profiting Accounts and Victim Accounts from the same IP addresses. On the one occasion the Unknown Traders did not access the accounts from the same IP address, they accessed the Victim Account from an IP address they had previously used to access the Profiting Accounts.

26. On March 29 and April 18, 2007, the Unknown Traders withdrew approximately \$9,930 and \$8,000 from the Profiting Accounts, respectively, by accessing the accounts over the Internet and using Interactive's automated brokerage systems to wire the funds into bank accounts that belonged to two of the intermediaries.

27. Pursuant to e-mail instructions the Unknown Traders sent through Andersen, the intermediaries wired the funds from their personal bank accounts to various financial institutions in Russia in the names of the two Russian individuals.

**C. The Unknown Traders' Fraudulent Securities Trading**

***Profiting Account #1***

28. On February 15, 2007, the Unknown Traders opened Profiting Account #1. They funded it on March 8 by depositing approximately \$5,000 into the account via wire transfer from an intermediary. The Unknown Traders then profitably traded in 14 of the Targeted Securities.

29. The trading in the securities of one of the 14, Eastern American Natural Gas Trust, offers a good example of how the fraudulent scheme worked. Eastern American Natural Gas Trust is an Austin, Texas-based company that acquires and holds oil wells. Its depository units trade on the NYSE under the ticker symbol "NGT".

30. On March 21, 2007, shortly before the end of the trading day, the Unknown Traders bought 700 shares of NGT at \$27.14 and \$27.15 a share in Profiting Account #1. These purchases represented about 18 percent of the total NGT trading volume of 3,900 shares that day.

31. Early the next morning, the Unknown Traders gained unauthorized Internet access into a Victim Account maintained at another brokerage firm. Over a span of just six minutes, from 9:12 a.m. to 9:18 a.m., the Unknown Traders bought 5,050 shares of NGT in that Victim Account at \$31.21 to \$32.00 a share, representing a 15 to 18 percent increase over NGT's closing price of \$27.10 the day before.

32. At the same time the Unknown Traders bought NGT stock at these elevated prices in the Victim Account, they sold the 700 shares of NGT stock they had purchased the previous day in Profiting Account #1 at \$31.21 a share, an approximate 15 percent profit.



33. As a result of their intrusion scheme, the Unknown Traders realized a profit of approximately \$2,844 from trading in NGT.

34. The Unknown Traders employed this intrusion scheme and similar trading methods to trade an additional 13 Targeted Securities in Profiting Account #1 before Interactive suspended all trading in the account on April 5, 2007. As of March 26, 2008, Profiting Account #1 held approximately \$67,000 in cash.

***Profiting Account #2***

35. On March 30, 2007, the Unknown Traders opened Profiting Account #2. Four days later, they transferred approximately \$9,500 from Profiting Account #1 to fund this account.

36. The Unknown Traders only traded a single Targeted Security in Profiting Account #2, OI Corp., a College Station, Texas-based company that designs, manufactures, and markets analytical and monitoring systems. OI Corp.'s common stock trades on NASDAQ under the ticker symbol "OICO".

37. On April 3, 2007, OICO's stock price closed at \$11.44 a share. For the previous 30 days, its daily volume averaged only 3,063 shares. Early on April 4, the Unknown Traders bought 2,900 shares of OICO at \$11.74 and \$11.75 a share.

38. At about the same time, the Unknown Traders gained unauthorized access into a Victim Account, then bought 8,000 shares of OICO at \$13.74 and \$13.75 a share. Within minutes, they sold all 2,900 shares of OICO in the Profiting Account at the same \$13.74 a share, reflecting an incredible \$2 per share, or 17 percent profit.

39. As a result of this intrusion scheme, the Unknown Traders realized a profit of approximately \$5,757.

40. On April 5, 2007, just two days after the Unknown Traders funded the account and the day after the OICO trades, Interactive suspended all trading in the account. As of March 26, 2008, Profiting Account #2 held cash and securities with an aggregate value of approximately \$13,700.

***Profiting Account #3***

41. On April 10, 2007, the Unknown Traders opened Profiting Account #3. They funded it three days later by depositing approximately \$5,000 into the account via wire transfer from one of the four intermediaries. The Unknown Traders profitably traded two stocks in this account.

42. One of the two, Mity Enterprises, Inc., is an Orem, Utah-based company that designs, manufactures, and markets institutional furniture products. Its common stock trades on NASDAQ under the ticker symbol "MITY". The MITY trading on April 20, 2007, demonstrates how the Unknown Traders also used the Victim Accounts to sell stock at successively lower prices to help a Profiting Account profitably cover a short sale.

43. At 4:20 p.m., during after-hours trading, Profiting Account #3 sold short 400 shares of MITY for \$21.05 per share, which was \$1.55, or 8 percent, higher than the regular-hours closing price. Within a minute, the Unknown Traders gained unauthorized access into a Victim Account maintained at another brokerage firm and started buying and selling shares of MITY.

44. In the approximately 40 minutes that followed, the Victim Account bought and sold MITY stock at successively lower prices, buying as high as \$21.05 but then immediately selling the stock at \$19.87 to \$19.00 a share. While buying and selling

MITY in the Victim Account, the Unknown Traders bought MITY stock in Profiting Account #3 as the market price steadily declined, covering their short sale at prices ranging from \$19.45 to \$19.87 a share.

45. All of this activity caused the MITY trading volume for April 23 to almost triple the average daily volume for the 30 days preceding April 20.

46. The Unknown Traders realized a profit of approximately \$593 from their trading in MITY.

47. The Unknown Traders did not use the same IP address to conduct their trading in MITY for both accounts. However, they accessed the Victim Account from the same IP address they used to conduct trading in Profiting Account #3 the day before.

48. On April 25, 2007, Interactive suspended all trading in Profiting Account #3. As of March 26, 2008, Profiting Account #3 held approximately \$3,700 in cash.

***Profiting Account #4***

49. On April 18, 2007, the Unknown Traders opened Profiting Account #4. They funded it on April 23 by depositing approximately \$4,975 into the account via wire transfer from an intermediary.

50. The Unknown Traders profitably traded two of the Targeted Securities in this account, using similar schemes and methods as described for Profiting Accounts #1, #2, and #3.

51. Interactive suspended all trading in Profiting Account #4 on April 25, 2007. As of March 26, 2008, the account held approximately \$14,433 in cash.

**CLAIMS FOR RELIEF**

**COUNT I**

**Violations of Section 17(a) of the Securities Act  
[15 U.S.C. § 77q(a)]**

52. The Commission re-alleges and incorporates by reference paragraphs 1 through 51 above.

53. The Unknown Traders, directly or indirectly, singly and in concert, knowingly or recklessly, in the offer or sale of securities, by the use of means or instruments of transportation or communication in interstate commerce or by the use of the mails:

- (a) employed devices, schemes, or artifices to defraud;
- (b) obtained money or property by means of untrue statements of material fact or omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or
- (c) engaged in transactions, practices, or courses of business which operated or would operate as fraud or deceit upon the purchasers of such securities.

54. By reason of the foregoing, the Unknown Traders, directly or indirectly, singly or in concert, violated, and unless enjoined will again violate, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

**COUNT II**

**Violations of Section 10(b) and Rule 10b-5  
[15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5]**

55. The Commission re-alleges and incorporates by reference paragraphs 1 through 51 above.

56. The Unknown Traders, directly or indirectly, singly and in concert, knowingly or recklessly, in connection with the purchase or sale of securities, by the use of means or instrumentalities of interstate commerce, or of the mails, or of a facility of a national securities exchange:

- (a) employed devices, schemes, or artifices to defraud;
- (b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or
- (c) engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon other persons.

57. By reason of the foregoing, the Unknown Traders, directly or indirectly, singly or in concert, violated, and unless enjoined will again violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b), and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

**PRAYER FOR RELIEF**

WHEREFORE, the Commission respectfully requests that the Court enter a judgment that:

**I.**

Permanently restrains and enjoins the Unknown Traders, and each of the Unknown Traders' agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from future violations of Section 17(a) of the Securities Act, Section 10(b) of the Exchange act, and Rule 10b-5 thereunder;

**II.**

Orders the Unknown Traders to repatriate any assets of the fraudulent scheme they hold outside the United States.

**III.**

Orders the Unknown Traders to disgorge their ill-gotten gains, plus prejudgment interest thereon.

**IV.**

Orders the Unknown Traders to pay civil money penalties pursuant to Section 20(d) of the Securities Act and Section 21(d) of the Exchange Act.

**V.**

Orders Interactive to disgorge all funds and securities held in or for the benefit of the Profiting Accounts that are the proceeds, or traceable to the proceeds, of the Unknown Traders' unlawful activities.

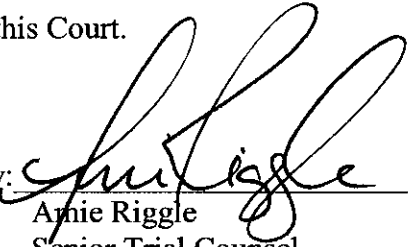
**VI.**

Orders such other relief as the Court deems just and proper.

VII.

Further, the Commission requests that the Court retain jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that may hereby be entered, or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

April 4, 2008

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