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UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF NEW YORK

WEXLER, J.  
MILINSON, M.J.

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

NOOR MOHAMMED,

Defendant.

CV 10 - 5058

COMPLAINT

Plaintiff Securities and Exchange Commission ("Commission") for its Complaint against Noor Mohammed ("Mohammed" or "Defendant"), alleges as follows:

**SUMMARY OF ALLEGATIONS**

1. This action concerns an illegal trading scheme orchestrated by Mohammed that caused over \$636,000 in losses to at least two broker-dealers, E\*Trade Securities LLC ("E\*Trade") and Banc of America Investment Services, Inc. (collectively, the "broker-dealers"), while providing Mohammed, alone or with others, over \$223,000 of illicit profits. From approximately April through October 2007, Mohammed, acting alone or in conjunction with others, conducted a "free-riding" scheme, trading risk-free at the expense of the broker-dealers, wherein he: (i) used false information to establish brokerage accounts at the broker-dealers; (ii)

funded those accounts with checks that Mohammed knew were not backed by sufficient funds; (iii) executed over 100 trades in the accounts; and (iv) either profited from the winning trades or abandoned the accounts without paying for the losing trades.

2. To conduct the "free-riding" scheme, Mohammed, alone or with others, used the names and identities of several Bangladeshi immigrants to establish at least eight different brokerage accounts in which the illegal trading occurred. Mohammed fabricated and submitted false information to the broker-dealers on new account applications and gained approval from the broker-dealers to trade options on margin. Mohammed, directly or indirectly, presented checks to the broker-dealers that he knew were not backed by sufficient funds, purportedly to fund the brokerage accounts he had established and/or controlled. Mohammed solicited and obtained some of these checks from the Bangladeshi immigrants. In total, Mohammed, alone or with others, fraudulently presented to the broker-dealers checks with a total face value of approximately \$1.05 million.

3. Mohammed, acting alone or with others, purchased and sold hundreds of short term options in the brokerage accounts in the brief period between the time the broker-dealers accepted the bad checks and the date the corresponding banks refused payment because of insufficient funds. When the options trades resulted in losses, which occurred on all but one occasion, Mohammed abandoned the securities accounts leaving the broker-dealers holding the loss. On the one occasion when the trades generated a net profit, Mohammed directed the funding of the securities account with a second check, this time backed by sufficient funds in order to reap the profits from successful trades. Mohammed's misconduct caused the broker-dealers to lose \$636,556 from unpaid trades, and netted Mohammed, alone or with others, \$223,106 from profitable trades.

## VIOLATIONS

4. By conducting the fraudulent trading scheme alleged in this Complaint, Defendant Mohammed, directly or indirectly, singly or in concert with others, has engaged in acts, practices, and courses of business that constitute violations of Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)], 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].

5. Unless permanently restrained and enjoined, the Defendant will again engage in the acts, practices, transactions and courses of business alleged in this Complaint and in acts, practices, transactions and courses of business of similar type and object.

## JURISDICTION AND VENUE

6. The Commission brings this action pursuant to the authority conferred upon it by Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)] and Section 21(d)(1) of the Exchange Act [15 U.S.C. § 78u(d)(1)], seeking a final judgment: (i) restraining and permanently enjoining Mohammed from engaging in the acts, practices, transactions and courses of business alleged herein; (ii) requiring Mohammed to disgorge the ill-gotten gains he obtained as a result of his violations and to pay prejudgment interest thereon; and (iii) imposing civil monetary penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)].

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

8. Venue is proper in the Eastern District of New York pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Section 27 of the Exchange Act [15 U.S.C. § 78aa]. Certain of the transactions, acts, practices and courses of business alleged in this Complaint occurred in the Eastern District of New York. Specifically, Mohammed conducted the fraudulent scheme while residing in Deer Park, New York, and he executed at least one of the transactions alleged in this Complaint at an E\*Trade office in Garden City, Long Island.

9. In connection with the transactions, acts, practices and courses of business alleged in this Complaint, Defendant has made use of the means and instrumentalities of interstate commerce, or of the mails, or of the facilities of a national securities exchange.

#### **DEFENDANT**

10. **Mohammed**, age 47, resides in Deer Park, New York. Mohammed, a naturalized United States citizen who was born in Bangladesh, is the principal and sole shareholder of Desh Development, Inc. ("Desh") and Island Trading Enterprise, Inc. ("Island Trading"). Since February of 2010, Mohammed has operated M&T Cold Storage, a cold storage business located in Bangladesh.

#### **FACTS**

##### **A. Establishment of Fraudulent Brokerage Accounts**

11. Between April and October 2007, Mohammed conducted a fraudulent trading scheme that caused losses of over \$636,000 to two broker-dealers and provided Mohammed, alone or with others, illicit profits of over \$223,000. Mohammed conducted the fraudulent trading scheme through at least eight online margin accounts that he, acting alone or with others, established and/or controlled. Mohammed recruited several individuals from the Bangladeshi community and fraudulently established securities accounts in their names, in his own name, or

in the name of his wife or mother-in-law. Mohammed never disclosed to the broker-dealers that he, and not the named account holders, controlled these accounts.

12. Mohammed established the online margin accounts and obtained options trading privileges in them by misrepresenting to the broker-dealers information such as the account holder's occupation, financial condition, trading experience and sophistication.

13. For example, Mohammed falsely claimed on the new account application submitted in his mother-in-law's name that she worked in "real estate" for one of Mohammed's companies, had "annual income" of "\$200,000+," had a total net worth of "\$500,000-\$999,000," and had "Excellent" investment experience. In fact, Mohammed's mother-in-law was unemployed, elderly, had no significant assets, and had no investment experience.

14. Mohammed also misrepresented his own financial condition when he established the securities accounts in his own name. On one account application Mohammed claimed an annual income of \$175,000 and an approximate net worth of \$200,000, despite the fact that he was unemployed for several years and had no significant assets.

**B. Use of Fraudulent Checks Purportedly to Fund Securities Accounts**

15. Mohammed's fraudulent scheme involved funding the brokerage accounts with bad checks. Upon opening of a new account, the broker-dealers generally permitted new account holders to immediately begin trading, providing the customer had certain minimum balances in the account or promised to pay for any securities transactions by no later than settlement date which was typically three days after the trade.

16. Mohammed capitalized on this trade-before-full-payment arrangement to conduct his "free-riding" scheme. Mohammed, alone or with others, established the securities accounts and then pretended to legitimately fund the accounts using at least eleven bogus checks, some of

which Mohammed obtained from the Bangladeshi individuals he had recruited. The face value of the checks ranged from \$30,000 to \$190,000, for a total of \$1,057,500. Mohammed wrote five such checks from bank accounts that he controlled -- accounts that were in the names of his wife, his companies (Island Trading and Desh), and an account in his mother-in-law's name that Mohammed had established and controlled.

17. Mohammed knew, or was reckless in not knowing, that the checks he wrote or that he obtained from the Bangladeshi individuals to fund the brokerage accounts were written against bank accounts that had insufficient funds. For example, on or about April 25, 2007, Mohammed funded one of the brokerage accounts in his name with a check for \$30,000. He wrote that check from his company's (Island Trading) bank account. At the time Mohammed wrote the check, the Island Trading bank account had a balance of only \$14,241.70. Mohammed did not deposit any additional funds into the account to cover the check.

18. Similarly, on or about September 19, 2007, Mohammed wrote a check for \$95,000 drawn against another one of his company's (Desh) bank accounts to fund a brokerage account in his name. At the time that Mohammed wrote the check, the Desh bank account had a balance of only \$1,072.46. As with the \$30,000 check from Island Trading, described in paragraph 17 above, Mohammed never deposited any additional funds into the Desh account to cover the check.

**C. Risk-Free Trading**

19. As soon as Mohammed, directly or indirectly, deposited the bogus checks, he, alone or with others, purchased short-term options in amounts equal to or more than the purported value of the checks, purchasing hundreds of options over the course of the scheme. Mohammed day-traded stock options and generally purchased the options on the day of, or the

day before, a publicly anticipated company announcement, such as a quarterly earnings report. Mohammed, alone or with others, generally sold the options within a day of purchase and had ceased trading by the time the bad checks bounced.

20. Once a check bounced, the broker-dealers attempted to contact the account holder to advise them of the negative balance on the accounts and seek payment. However, because Mohammed never intended to pay for any losses, the broker-dealers never received payment. Eventually, the broker-dealers closed the accounts incurring trading losses of approximately \$636,556 that Mohammed was legally responsible for but never paid. By not paying the debt, Mohammed, alone or with others, benefitted by an equal amount.

**a. Fraudulent Trading in Sandisk Corporation Options**

21. For example, on or about April 2007, Mohammed opened an online options trading account in the name of one of the Bangladeshi individuals he had recruited, falsely listing the individual's employer as Mohammed's company, Island Trading.

22. On or about April 25, 2007, Mohammed requested, and received, a check for \$49,500 from a second individual that he had recruited in connection with the fraud. Mohammed knew, or was reckless in not knowing, that there were insufficient funds in the bank account to cover the check. (At the time, the account had approximately \$1,400 versus the face amount on the check of \$49,500.) Mohammed told the check provider that he (Mohammed) would deposit sufficient funds in the account to cover the check.

23. On or about April 26, 2007, Mohammed, alone or with others, accessed the online account and purchased 400 Sandisk Corporation call option contracts, for a total cost of \$48,309.99.

24. Following this purchase, Sandisk Corporation call options declined in value, and Mohammed, alone or with others, sold these contracts at a loss on May 7, 2007, for a total of \$1,644.97.

25. Mohammed never deposited any funds into the bank account however, and as a result, on or about April 30, 2007, the check provider's bank returned the \$49,500 check for insufficient funds.

26. The broker-dealer was never made whole for the trading losses, and the trading account had a negative balance of \$47,038.51 by the end of May 2007.

**b. Fraudulent Trading in Merrill Lynch & Co. and Yahoo Inc. Options**

27. Similarly, on or about July 2007, Mohammed opened another online options trading account in the name of a Bangladeshi individual he had recruited.

28. On or about July 16, 2007, Mohammed deposited into that trading account a \$99,000 check written from the Desh bank account.

29. On or about July 17, 2007, Mohammed deposited a second \$99,000 check written from the Desh bank account into the same trading account.

30. At the time of these deposits, totaling \$198,000, the Desh bank account had a balance of less than \$1,000.

31. On or about July 17, 2007, Mohammed, alone or with others, accessed the online account and purchased a total of 1,440 Merrill Lynch & Co. call options for a total cost of \$98,054.95.

32. On or about May 24, 2007, Mohammed, alone or with others, accessed the online brokerage account and purchased a total of 1,331 Yahoo Inc. call options for a total cost of \$98,354.72.



33. On or about July 20, 2007 and July 23, 2007, the broker-dealer returned both Desh checks, totaling \$198,000, for insufficient funds.

34. The Merrill Lynch & Co. and Yahoo Inc. call options purchased in the fraudulent scheme expired worthless on or about July 24, 2007.

35. Mohammed never paid the broker-dealer for the losses resulting from the purchase of the Merrill Lynch & Co. and Yahoo Inc. options, leaving the trading account with a negative balance of \$197,956.97 at the end of July 2007.

**c. Fraudulent Trading in MasterCard Inc. Options**

36. Mohammed's trading, alone or with others, generated net profits in only one of the brokerage accounts that Mohammed controlled. Mohammed, alone or with others, realized net profits of \$223,106 in that account, before the check purportedly used to fund the account bounced. Mohammed then directed the deposit of sufficient funds into the brokerage account via a second check to cover the total cost of the trades. Over a two week period Mohammed, directly or indirectly, withdrew all of the profits from the trades in the account.

37. On or about April 2007, Mohammed, alone or with others, opened an online options trading account (the "Account") in the name of another Bangladeshi individual he had recruited (the "Nominal Account Holder"). The application for the Account falsely listed Mohammed's business (Desh) as the Nominal Account Holder's employer.

38. On or about April 30, 2007, Mohammed, alone or with others, deposited a check for \$95,000, in the Nominal Account Holder's name into the Account (the "April 30 Check"). At the time of the deposit, the bank account on which this check was drawn had a balance of approximately \$300.

39. On or about May 1, 2007, Mohammed, alone or with others, purchased a total of 405 MasterCard Inc. call options for a total of \$94,843.71 in the Account. Following these

purchases, MasterCard Inc. call options increased in value, and Mohammed, alone or with others, sold these contracts on May 2, 2007, for a total of \$326,631.

40. Having locked in over \$231,000 in net gains from the “free-riding” trades in MasterCard Inc. options, on or about May 2, 2007, Mohammed, alone or with others, wire-transferred \$96,000 to the bank account against which the April 30 Check was drawn.

41. On or about May 3, 2007, Mohammed, alone or with others, deposited a check for \$95,030 into the Account (the “May 3 Check”), sufficient to pay for the purchase of the MasterCard Inc. call options which Mohammed knew had already yielded net gains of over \$231,000.

42. On May 7, 2007, the bank returned the April 30 Check for insufficient funds. The May 3 Check cleared the same day.

43. From on or about May 8, 2007, to on or about May 11, 2007, Mohammed, directly or indirectly, withdrew by wire approximately \$318,000 from the Account. Of that amount, Mohammed, alone or with others, wire-transferred \$248,000 to a bank account in the name of an individual with the same residential address as Mohammed.

44. On May 16, and May 17, 2007, Mohammed, alone or with others, collected some of the proceeds of the fraudulent trading in MasterCard Inc. options by withdrawing \$150,000 of the \$248,000 that had been transferred a few days earlier to an individual at Mohammed’s residence.

45. Also on May 17, 2007, Mohammed directly collected additional proceeds of the fraudulent trading in the MasterCard Inc. options when he obtained a check for \$75,000, drawn against the bank account referenced in paragraph 44, above. The \$75,000 was proceeds of the

fraudulent trading of MasterCard Inc. options and Mohammed deposited the \$75,000 check into his company's (Desh) bank account.

46. Overall, through these and other fraudulent securities transactions Mohammed, alone or with others, obtained illicit profits of \$223,106 and the broker-dealers sustained losses of \$636,556 -- losses that Mohammed was legally responsible for and which, by virtue of Mohammed's failure to pay the debt, constituted a gain to Mohammed.

### **FIRST CLAIM FOR RELIEF**

#### **Violations of Section 17(a) of the Securities Act**

47. The Commission re-alleges and incorporates by reference each and every allegation contained in paragraphs 1 through 46.

48. Mohammed, in the offer or sale of securities, by use of the means or instruments of transportation or communication in interstate commerce, or by the use of the mails, directly or indirectly, singly or in concert with others, with scienter has:

- (a) employed or is employing devices, schemes or artifices to defraud;
- (b) obtained money or property by means of untrue statements of material fact or by 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 acts, transactions, practices and courses of business which operated or would have operated as a fraud or deceit upon purchasers of securities.

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

## SECOND CLAIM FOR RELIEF

### **Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder**

50. The Commission re-alleges and incorporates by reference each and every allegation contained in paragraphs 1 through 49.

51. Mohammed, in connection with the purchase or sale of securities, by the use of the means or instrumentalities of interstate commerce, or of the mails, or of the facilities of a national securities exchange, directly or indirectly, singly or in concert with others, with scienter, has:

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

52. The misstatements and omissions of fact detailed in this Complaint were material.

53. By reason of the foregoing, Mohammed, directly or indirectly, 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 this Court issue a Final Judgment:

**I.**

Permanently restraining and enjoining Mohammed and Mohammed's agents, servants, employees and attorneys, and all persons in active concert or participation with him, who receive actual notice of the injunction by personal service or otherwise, from violating Section 17(a) of the Securities Act [15 U.S.C. §77q(a)], 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];

**II.**

Ordering Mohammed liable for disgorgement of any and all ill-gotten gains he obtained as a result of his violations of the federal securities laws, plus prejudgment interest thereon.

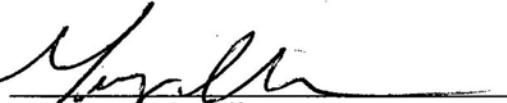
**III.**

Ordering Mohammed to pay civil money penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)]; and

IV.

Granting such other and further relief as the Court may deem just and proper.

Dated: New York, New York  
November 2, 2010

By 

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