

UNITED STATES DISTRICT COURT  
DISTRICT OF MASSACHUSETTS

_____	)	
SECURITIES AND EXCHANGE	)	
COMMISSION,	)	
	)	
Plaintiff,	)	
	)	
v.	)	Civil Action No. _____
	)	
EAGLEEYE ASSET MANAGEMENT,	)	
LLC, and JEFFREY A. LISKOV,	)	
	)	
Defendants.	)	JURY TRIAL DEMANDED
	)	
_____	)	

**COMPLAINT**

Plaintiff Securities and Exchange Commission (“Plaintiff” or “Commission”) alleges the following against EagleEye Asset Management, LLC (“EagleEye”) and Jeffrey A. Liskov (“Liskov”) (collectively, “Defendants”):

**PRELIMINARY STATEMENT**

1. This case involves material misrepresentations to advisory clients to induce them to make foreign currency exchange (“forex”) investments, and unauthorized liquidations of client securities investments and subsequent transfers of client assets into forex investments, by EagleEye Asset Management, LLC (“EagleEye”), a registered investment adviser, and its sole principal, Jeffrey Liskov (“Liskov”). With respect to at least two EagleEye clients, Liskov misrepresented the nature of the forex investments he made on their behalf and, in some instances without their knowledge, sold their securities and transferred the proceeds into forex investment accounts in which he conducted erratic trading and sustained steep losses. As to at least three other EagleEye clients who knowingly made investments in forex that EagleEye

managed, Liskov misled the clients concerning his experience and track record in forex trading. In all, Liskov lost approximately \$4 million in client funds in forex trading, yet, in many cases, EagleEye first collected performance fees (on temporary gains) collectively totaling over \$300,000.

2. Through the activities alleged in this Complaint, EagleEye and Liskov engaged in: (i) fraudulent or deceptive conduct in connection with the purchase or sale of securities, in violation of Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 10b-5 thereunder; and (ii) fraudulent or deceptive conduct with respect to investment advisory clients, in violation of Sections 206(1) and (2) of the Investment Advisers Act of 1940 (“Advisers Act”). In addition, EagleEye violated numerous record-keeping provisions contained in Sections 204 of the Advisers Act and Rules 204-2(a)(1)-(6) & (8) thereunder, and Liskov aided and abetted EagleEye’s violations of those provisions.

3. As a result of the foregoing, the Commission seeks the following relief: (a) entry of a permanent injunction prohibiting EagleEye and Liskov from violations of the relevant provisions of the federal securities laws; (b) disgorgement of EagleEye and Liskov’s ill-gotten gains, plus pre-judgment interest thereon; and (c) the imposition of a civil monetary penalty due to the egregious nature of EagleEye and Liskov’s violations.

#### **JURISDICTION AND VENUE**

4. The Commission brings this action pursuant to the enforcement authority conferred upon it by Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)] and Section 209(d) of the Advisers Act [15 U.S.C. § 80b-9(d)].

5. This Court has jurisdiction over this action pursuant to 28 U.S.C. § 1331 and Sections 21(d) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d) & 78aa] and Sections 209(d) and 214 of the Advisers Act [15 U.S.C. §§ 80b-9(d) & 80b-14].

6. The Commission seeks a permanent injunction and disgorgement pursuant to Section 21(d)(1) of the Exchange Act [15 U.S.C. § 78u(d)(1)] and Section 209(d) of the Advisers Act [15 U.S.C. § 80b-9(d)].

7. The Commission seeks the imposition of a civil monetary penalty pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)] and Section 209(e) of the Advisers Act [15 U.S.C. § 80b-9(e)].

8. Venue is proper in this district pursuant to 28 U.S.C. § 1391(b) because a substantial part of the events giving rise to the claims occurred in this district and because EagleEye is located, and Liskov resides, in this district.

9. In connection with the conduct alleged in this Complaint, Defendants directly or indirectly made use of the means or instruments of transportation or communication in interstate commerce, the facilities of a national securities exchange, or the mails.

10. Defendants' conduct involved fraud, deceit, or deliberate or reckless disregard of regulatory requirements, and resulted in substantial loss, or significant risk of substantial loss, to other persons.

11. Unless enjoined, Defendants will continue to engage in the securities law violations alleged herein, or in similar conduct that would violate the federal securities laws.

#### **DEFENDANTS**

12. **EagleEye** is a Massachusetts limited liability company headquartered in Plymouth, Massachusetts. EagleEye became registered with the Commission as an investment

adviser on April 9, 2008. According to its most recent Form ADV annual amendment filed on March 31, 2010, EagleEye had between 26 and 100 clients and over \$53 million in assets under management. EagleEye did not have custody of any client assets.

13. **Liskov**, age 40, resides in Plymouth, Massachusetts. From August 1993 through December 2007, Liskov was a registered representative of a Commission-registered broker-dealer. Since 2008, Liskov has been EagleEye's sole officer, manager, and employee. Liskov operated EagleEye's offices out of his home.

### **FACTUAL ALLEGATIONS**

#### **Advisory Business and Clients**

14. In 2008, Liskov began operating his own investment advisory firm, EagleEye. According to filings with the Commission, EagleEye provided financial planning and portfolio management services to high net worth and other individuals.

15. Several of Liskov's former, longtime brokerage customers became advisory clients of EagleEye in 2008 and 2009. As of mid-2010, EagleEye was listed as the investment adviser on 88 customer accounts custodied at the brokerage firm where Liskov previously worked. Among the former Liskov brokerage customers who became advisory clients of EagleEye were several individuals who were at or near retirement age, all with generally conservative investment goals, including a 68-year-old woman with a net worth of over \$10 million ("Client A"), a married couple in their seventies ("Clients B"), and a 62-year-old retired man ("Client C"), as well as others (referred to herein as "Client D," "Client E," and "Client F").

#### **Forex Trading and Losses**

16. Beginning in or about August 2004, Liskov opened a personal foreign currency exchange ("forex") trading account at Forex Capital Markets, LLC ("FXCM"), an online retail

currency exchange dealer. As of November 2008, Liskov had invested nearly \$270,000 in his personal FXCM account and had sustained trading losses of over \$215,000 in that account, with most of these losses occurring in 2008. Liskov opened and conducted trading in four additional personal accounts at FXCM (in January and April 2008, and in January and May 2009) and also sustained losses in these accounts. Liskov invested a total of nearly \$350,000 in his later-four FXCM accounts and sustained trading losses totaling over \$200,000. By May 2009, Liskov continued actively trading in only two of his personal FXCM accounts. In one account, between May 2009 and August 2010, Liskov invested over \$275,000 and lost over \$187,000 in trading.

17. Despite having lost his own money in forex trading, and without disclosing this to EagleEye's clients, beginning in 2008 and continuing through 2010, Liskov advised several EagleEye clients to open forex trading accounts at FXCM for him to manage on their behalf and to liquidate existing investments in securities and instead invest these assets in forex trading. During this period, Liskov managed forex trading in a total of thirteen FXCM accounts belonging to nine clients, six of whom had been brokerage customers of Liskov's. Eight of these nine clients had one FXCM account in which Liskov managed the forex trading. One client (Client A) had five actively-traded accounts in her name at FXCM in which Liskov traded.

18. For each of the FXCM accounts of EagleEye's clients, a Limited Power of Attorney ("LPOA") authorized EagleEye (and thus Liskov) to conduct trading in the account. Each LPOA contained a "performance fee" provision, which specified that EagleEye could earn performance fees on any net profits in the account for a specified time period. The LPOAs for EagleEye's clients' FXCM accounts purportedly reflected a performance fee rate of 10-20% that EagleEye could earn on any profits generated in the account on a monthly basis.

19. With respect to the LPOA pertaining to the FXCM accounts of at least one EagleEye client (Client A), the performance fee percentage was blank when the client signed the LPOA, and, on information and belief, Liskov only later filled in a 20% performance fee rate. The client did not know or learn what the performance fee rate was until at least August 2010.

20. According to the terms of FXCM's standard form of LPOA, an authorized trader could earn performance fees even if trading in an account occurred only for a short period of time. For example, if an account began trading with only a few days remaining in a calendar month, a performance fee could be earned for any profits generated during those few days. Thus, traders potentially could earn a performance fee without establishing a longer track record of success. These terms could create an incentive for traders to generate quick temporary gains in a client's account and collect a performance fee at the end of the first calendar month of trading. Also, FXCM's procedures did not take into account the performance in a customer's prior account(s) before allowing a trader to collect a performance fee on gains in a new account in the name of the same customer. These procedures could create an incentive for a trader who was seeking to earn a performance fee, but who had sustained prior losses in a customer's account, to start trading customer funds in a new account instead of first recouping losses in existing accounts. Liskov, on information and belief, knew all of the foregoing but did not disclose these facts to EagleEye's clients whose FXCM accounts he managed.

21. Liskov's forex trading strategy for EagleEye's clients involved continuous purchases and sales of foreign currencies over the course of any given day. Trading occurred in client accounts even during overnight hours. Liskov's forex trading on behalf of EagleEye's clients was assisted or controlled automatically by computer software. Liskov did not disclose the foregoing facts to clients.

22. EagleEye's clients suffered significant losses in their forex investments that Liskov managed, while EagleEye (and ultimately Liskov) in many instances earned substantial performance fees on these investments. In general, the performance fees that EagleEye (and ultimately Liskov) earned were disproportionately high, particularly given that the fees were earned on extremely short-term gains, the clients suffered such steep losses over such short periods, and the clients previously were invested in longer-term securities investments with more fixed and predictable fee structures. Specific client investment amounts, loss amounts, and performance fees generated are further detailed below.

23. A total of \$3.9 million of Client A's money was invested across a total of five FXCM accounts between November 2008 and June 2010. The total trading losses in Client A's five FXCM accounts during this period exceeded \$3.1 million. The performance fees EagleEye collected on Client A's five accounts during this period totaled nearly \$300,000.

24. A total of \$270,000 of Clients B's money was invested in their FXCM account between November 2008 and March 2010. The trading losses in their account through July 2010 exceeded \$250,000. Most of Liskov's trading on behalf of Clients B was not profitable, and EagleEye earned performance fees of less than \$800 on Clients B's account.

25. In July 2009, Client C agreed to invest \$100,000 in an FXCM account managed by EagleEye in which Liskov conducted the trading. Client C was able to recoup approximately half of this investment, while EagleEye earned performance fees totaling nearly \$6,000.

26. As one of the first clients whom Liskov recruited for a forex investment in November 2008, Client D agreed to invest \$26,000 in an FXCM account managed by EagleEye. Client D lost all but \$500 of this investment by the end of December 2008. EagleEye nonetheless earned a performance fee of nearly \$700 on temporary profits in November 2008.

27. Beginning in May 2009, Client E invested a total of \$130,000 in an FXCM account managed by EagleEye. The trading losses in Client E's account exceeded \$125,000 by December 2009. Client E recouped less than \$1,000 of his original investment, while EagleEye earned performance fees of over \$600 on early profits in the account.

28. In the fall of 2009, Client F invested a total of \$285,000 in an FXCM account managed by EagleEye. Liskov lost nearly all of this investment in trading within a few weeks, and EagleEye did not earn a performance fee from Client F's account.

### **Material Misrepresentations to Induce Clients to Make Forex Investments**

29. Liskov provided different degrees of disclosure to EagleEye's clients about forex trading in general and about their accounts at FXCM in particular. Liskov provided some clients (specifically, Clients C, E, and F) with selective or otherwise misleading information concerning the nature of the investment, the risks, and Liskov's own expertise in forex trading, while other clients (specifically, Clients A and B) had virtually no understanding of the nature of these investments or the extent to which Liskov liquidated their securities investments and instead invested their assets in forex trading in FXCM accounts.

30. For example, Liskov never mentioned forex trading at all to Client A, and she did not know that FXCM was a forex firm. Instead, Liskov referred to an "FX account," but Client A did not have a clear understanding of what types of investments were involved. Also, based on what Liskov told her, Client A understood that the FX account would be held alongside her other accounts at the brokerage firm where Liskov used to work. Client A never authorized Liskov to invest any of her money in any accounts outside of that brokerage firm or to liquidate any of her securities investments at the brokerage firm and use the proceeds for non-securities investments outside the firm.



31. Similarly, Liskov never discussed forex trading with Clients B and never told them about FXCM. Clients B did not know about the existence of their FXCM account and did not know what FXCM was. Liskov repeatedly told Clients B that all of their investments would remain in an account at the brokerage firm where he used to work. Clients B never agreed that Liskov could move any of their investments to any account outside of the brokerage firm and never authorized any liquidation of the securities investments in their brokerage account or the transfer of the proceeds to FXCM.

32. Liskov first suggested forex trading to Client C, a former brokerage customer of Liskov's, in July 2009. At a meeting at Client C's home to discuss his investments, Liskov told Client C about an opportunity to invest in something that Liskov termed "FX," which Liskov described as involving a little more risk than Client C's existing investments, which consisted of a mix of equity securities and money market funds. Because Liskov had been extremely conservative with Client C's investments in the past, Client C trusted Liskov not to invest in anything too risky. Liskov never explained to Client C that "FX" was forex trading, and Client C only learned that later. Liskov also told Client C that Liskov would be making all the trades and trading decisions in Client C's "FX" account, but Client C later learned that an automated computer system controlled the trading. Based on Liskov's representations in July 2009, Client C agreed to invest \$100,000 in the "FX" market.

33. Liskov first raised the prospect of investing a portion of Client E's portfolio in forex trading in the spring of 2009. Although Liskov mentioned to Client E that forex investments were risky, Liskov also told Client E that forex trading would act as a hedge against risk in other investments. Liskov alluded to his capabilities in forex trading and told Client E that he was a "pretty good" forex trader. Liskov did not disclose the performance of any of his

personal or other client accounts at FXCM to Client E. Based on Liskov's representations about his expertise and their long-time adviser-client relationship, Client E decided to open an FXCM account in which he initially invested \$100,000 in late May 2009. In August 2009, Liskov persuaded Client E to invest \$30,000 more in his FXCM account, but by December 2009 all of these funds were lost in trading, and Client E then abandoned forex trading.

34. Client F began discussing the possibility of forex trading with Liskov in the spring or summer of 2009. Liskov, whom Client F had known from his brokerage firm days, made various representations that ultimately influenced Client F's decision to choose Liskov manage his forex investment. For example, Liskov told Client F that Liskov had had prior success for other clients in forex trading, causing Client F to believe that Liskov had expertise and a successful track record in this arena. In reality, by the time Client F invested in forex in September 2009, several EagleEye clients had experienced losses in forex investments that Liskov managed. Client F was not aware that Liskov's clients had suffered such losses or that Liskov had personally invested in forex trading and lost money doing so, and Client F would not have made any such investment with Liskov if he had known about the prior losses. Like Client C, Client F also understood that Liskov would conduct the trades in his FXCM account manually and only later learned that Liskov instead used an automated computer trading system.

#### **Unauthorized Liquidations and Transfers in Accounts of Client A**

35. With respect to at least two EagleEye clients—Clients A and B—at least some of the transfers of their assets from securities investments in their brokerage accounts to FXCM occurred either without their full understanding or altogether without their knowledge or authorization. Liskov accomplished the foregoing by doctoring FXCM account opening documentation (in the case of Client A) as well as written requests to transfer funds from client

brokerage accounts—funds that had been invested in securities—to FXCM (in the case of Clients A and B).

36. Client A always intended to cap her “FX” investment at \$600,000, and Liskov knew this. Moreover, Client A only knew about and authorized Liskov to trade in one FXCM account. However, as noted above, Liskov managed trading in five FXCM accounts in Client A’s name between November 2008 and June 2010, and a total of \$3.9 million was invested in these five accounts.

37. After the opening of Client A’s initial FXCM account in November 2008, additional FXCM accounts were opened in October 2009, February 2010, May 2010, and June 2010. Client A was not aware of the opening of the later accounts. The original FXCM account opening documents, kept in Liskov’s files at EagleEye’s offices, contain “white out” correction fluid over certain fields. Liskov thus altered the FXCM account opening documentation for the later accounts in various respects by applying “white out” correction fluid over certain information. Specifically, to open the later accounts, Liskov used old account opening documentation that Client A had signed but whited-out the date and inserted a new date.

38. Although Client A received emails from FXCM confirming the opening and initial funding of each new FXCM account, neither FXCM nor Liskov notified Client A of subsequent deposits into her FXCM accounts. On at least one occasion, Liskov affirmatively misled Client A concerning an email she received from FXCM pertaining to the opening of one of her later FXCM accounts. On February 15, 2010, Liskov sent an email to Client A indicating that an FXCM email confirming the opening of Client A’s third FXCM account in February 2010 instead related to a prior account. The email stated: “This is a confirmation email from my support group at fxcn for the paperwork we completed together *back in October*. We will cover

the strategies I have implemented for these accounts in person in May when you are back from FL...” (Emphasis added.)

39. Client A’s first FXCM account was opened in November 2008 with an initial deposit of \$100,000. The initial deposit into Client A’s first FXCM account came from a withdrawal in the same amount from a money market fund in her brokerage account. At that time, the holdings in that brokerage account consisted of approximately 75% mutual funds and lesser percentages of stocks, bonds, and a money market fund.

40. Liskov’s trading in Client A’s first FXCM account in November 2008 generated a profit of approximately \$1,300, and FXCM withdrew a 20% performance fee, or \$266.61, from Client A’s account and credited this amount to EagleEye’s account at FXCM. By January 15, 2009, approximately 45 days after the opening of Client A’s first FXCM account and after active trading, account statements reflect that the account had lost nearly all of its value and that a balance of less than \$1,000 remained of the original \$100,000 investment. Liskov did not inform Client A of these losses at the time, and she was not aware of the losses. In February and July 2009, two additional deposits, totaling \$500,000, were made into Client A’s first FXCM account, for a total investment in the first account of \$600,000.

41. Coinciding with the date of the opening of Client A’s second FXCM account in October 2009, a new account at the brokerage firm where Liskov previously worked also was opened in Client A’s name, although she already had several existing accounts there. The account opening documentation reflects that, unlike Client A’s other accounts at the brokerage firm, EagleEye had full discretion over the new account, meaning that Liskov could not only conduct transactions in the new account but also had the authority to transfer assets out of the account. Client A never knowingly provided Liskov with full authority over any of her accounts.

42. All of the funds that ultimately were transferred into Client A's second, third, fourth, and fifth FXCM accounts originated from the new brokerage firm account opened in October 2009. Between October 2009 and June 2010, there were seven transfers totaling \$3.3 million from Client A's new brokerage account to one of the four later-opened FXCM accounts. Within days before each such transfer to FXCM, there was a transfer in the same amount from one of Client A's pre-existing brokerage accounts into the brokerage account opened in October 2009. In every instance, the funds from Client A's pre-existing accounts were withdrawn from investments in money market funds.

43. Although Liskov had authority to make transfers out of Client A's new brokerage account, each of the transfers from this account to one of her four later-opened FXCM accounts is evidenced by a written wire transfer request that was purportedly signed by Client A. All of the transfer requests bear Liskov's fax number at the top of the page. In the requests for the three wire transfers in each of October, November, and December 2009, Client A's signature is dated in October 2009. Similarly, in the requests for three later wire transfers, two in May 2010 and one in June 2010, Client A's signature is dated in March 2010. Several of the original transfer requests, kept in Liskov's files at EagleEye's offices, contain "white out" correction fluid over certain fields, including the transfer amount. Liskov thus doctored the transfer requests without informing the client and, because Liskov faxed the transfer requests, the whited-out information was not apparent to the brokerage firm.

44. After accomplishing (in the foregoing manner) the transfer of funds to Client A's FXCM accounts, which funds were derived from assets that had invested in securities in Client A's brokerage accounts, Liskov's trading in each of Client A's four later-opened FXCM accounts adhered to the same general pattern, as follows: First, all four accounts were opened

and funded around mid-month or later. Second, three of the four accounts generated some profits by the end of the month in which they were opened, and EagleEye collected a performance fee. Finally, after either the collection of a performance fee on early gains or the inability to generate such gains, the balance in each account plummeted, and, soon after, the next new account was opened, funded, and traded.

45. In particular:

- In the first two weeks of trading in Client A's second FXCM account, from October 18, 2009 until October 31, 2009, Liskov earned a profit of \$112,250 over the initial investment amount of \$400,000. EagleEye collected a performance fee of 20% of the profit, or \$22,454.21, on or about November 5, 2009. In November 2009, Liskov continued trading in Client A's second account, and there were vast fluctuations in the account value. There were additional deposits into the account in November and December 2009. In the following months, the account again experienced wide swings of temporary gains and eventual losses. By February 11, 2010, the account value was down to \$13,151.41. Between the opening of the second account on October 15, 2009 and February 11, 2010, Liskov lost nearly \$1.1 million of Client A's assets without notifying her.
- Within two weeks after the opening of Client A's third FXCM account on February 16, 2010, the account's value nearly doubled from an initial investment of \$600,000.00 to \$1,189,581.05, such that the month-end profits equaled \$589,581.05, and EagleEye collected a performance fee of \$117,916.21. On March 4, 2010, just before the performance fee was withdrawn, Client A's third account reached a peak value of \$1,400,416.45. By the end of the next day, the

account had sustained steep losses, leaving a balance of under \$200,000. The account balance continued to decline in March and April 2010, and, by early May 2010, there was a negative account balance.

- In the days following the opening of Client A's fourth FXCM account on May 25, 2010, with an initial deposit of \$400,000, the account lost nearly \$330,000. On or about May 30, 2010, there was an additional deposit of \$200,000 into the account. The account continued to lose value, and, by June 8, 2010, the account balance fell below \$100,000.00 and did not again exceed six figures.
- On or about June 14, 2010, Client A's fifth FXCM account was opened with an initial deposit of \$1 million. There were temporary gains in the account, and it finished the month with a value of \$1,474,349.29. These profits resulted in a performance fee of \$94,869.86, credited to EagleEye's account on July 7, 2010. By July 16, 2010, the account balance fell below \$100,000.00.

46. Liskov also did not inform Client A of the status of her FXCM accounts, the volume of trading activity and vast account value fluctuations described above, and, most importantly, the steep losses in the accounts and the serial opening and funding of new accounts.

47. In July 2010, Client A sought assurances from Liskov concerning the safety of her investments. At that time, unbeknownst to her, Client A's fifth FXCM account was on its way to losing much of its value. On July 3, 2010, Client A emailed Liskov:

I am worried about the fxcn account—originally, we were going to put 600 thousand in—then it kept going up—I have watched it go up up and a big down—I think we maybe should be less risky after we get back to 1.5—I do not want to lose my shirt—just some trepidation at this point....

Liskov responded three days later, on July 6, 2010, with the following email:

I completely understand, and can assure you that no one is going to lose their shirt on my watch – we can and will take on less volatility.... I am looking forward to the next 2 quarters as a successful end to 2010....

On the same day, the fifth account lost \$765,466.51 and never recovered these losses.

48. Shortly thereafter, on or about July 21, 2010, an account was opened in Client A's name at Deutsche Bank's forex trading platform ("dbFX"). Client A was not aware of the opening of this account. On July 23, 2010, without Client A's authorization, there was a transfer of \$800,000.00 from her brokerage account opened in October 2009 to her dbFX account. As with prior transfers to FXCM, the funds that were transferred to dbFX originated from assets held in a money market fund in one of Client A's pre-existing brokerage accounts, the faxed transfer request came from Liskov's fax number, and Liskov used an old transfer request signed by Client A but changed the date, amount, and destination bank for Client A's funds.

49. Around this time, in late July 2010, Client A again questioned Liskov about her FXCM account. On July 27, 2010, Client A emailed Liskov as follows:

...I am very concerned—I cannot access the fxcn account and have no idea how much there is in there or how much I have gained or lost—again, I thought this account would have under a million in it—but there is much too much going into it....

Several hours later, Client A again emailed Liskov with the following:

...I am more concerned than before. We never discussed a new bank and that is on the table for Monday. Please do not take any more monies from [my brokerage account]. I really want to see the transactions that have occurred as I have been asking for some time. I think it would be wise to put the \$800,000 back in [my brokerage account]. I thought we agreed that we would keep most of the money in fixed and stable accounts and the plan was to work with \$600[, ]000. Something is wrong. We need to get on this....

Liskov thereafter did not respond to Client A's emails.



**Unauthorized Liquidations and Transfers in Accounts of Clients B**

50. Like Client A, Clients B did not authorize Liskov to make any investment in forex trading on their behalf or to withdraw any assets from the money market fund in their brokerage account for transfer to or trading at FXCM.

51. Between November 2008 and March 2010, there were six withdrawals totaling \$270,000 from a money market fund in Clients B's brokerage account and corresponding deposits into their FXCM account. Three of these withdrawals, in November 2008, January 2009, and April 2009, were by checks, each in the amount of \$30,000. The other three withdrawals were by wires of \$50,000 in July 2009, \$80,000 in December 2009, and \$50,000 in March 2010.

52. The three checks were payable to "FXCM" and appeared to have been signed by Mrs. Client B, as did the written requests for the wire transfers. As to the checks, Liskov told Clients B that he needed the money for investments in Clients B's EagleEye account. As to the wires, Clients B never authorized or knew about any wire transfers from their brokerage firm account to FXCM. In fact, on the date of one of the wires in July 2009, Clients B were out of town and did not speak with Liskov at all. As indicated above, Clients B never authorized Liskov to move any of their assets outside of the brokerage firm where they kept their account.

53. Liskov faxed each of the one-page handwritten requests for each of the three wire transfers from their brokerage account to their FXCM account, apparently signed by Clients B. The transmittal information at the top of the page indicates that they came from his fax number, and his name appears on the fax cover sheet for one of the transfer requests.

54. The original transfer requests, kept in Liskov's files at EagleEye's offices, contain "white out" correction fluid in certain places. Liskov thus doctored at least one of the transfer

requests without informing the client and, because Liskov faxed the transfer requests, the whited-out information was not apparent to the brokerage firm.

55. Liskov did not inform Clients B of the status of their FXCM account, the volume of trading activity and vast account value fluctuations described above, and, most importantly, the steep losses in the accounts. Clients B did not learn about the full extent of the investments and losses in their FXCM account until Client A warned them in July 2010 that something was amiss with Liskov.

#### **Other Misrepresentations to Clients**

56. Liskov's misrepresentations to clients and mismanagement of client funds were not limited to liquidating client securities to invest and trade in forex instead but also included ill-advised investments in risky securities. For example, in May of 2008, a couple who had been brokerage customers of Liskov's ("Clients G") entered into an investment management contract for EagleEye to manage approximately \$800,000 of their retirement savings. Liskov invested a significant portion of this investment in a risky and unsuitable leveraged exchange traded fund. This investment was not in line with their conservative investment goals and resulted in a loss of approximately \$85,000.

#### **Liskov's Personal Use of Forex Performance Fees And Other Monetary Benefits to EagleEye and Liskov**

57. All performance fees earned in the FXCM accounts of EagleEye clients between November 2008 and July 2010 were deducted from the clients' accounts and deposited into an account in EagleEye's name at FXCM. From there, the vast majority of the performance fees were transferred to EagleEye's business bank account, then to Liskov's personal bank accounts at one of several banking institutions. From there, the money that originated from the performance fees was either used for Liskov's personal expenses or was eventually transferred

back to Liskov's personal trading account(s) at FXCM and, for the most part, lost in forex trading in those accounts.

58. Between at least April 2008 and July 2010, EagleEye (and thus ultimately Liskov) earned certain investment advisory and/or investment management fees from EagleEye's clients, including Clients A through G.

**Liskov's Scheme Comes to an End**

59. On July 15, 2010, FXCM notified Liskov by email that it was terminating its relationship with Liskov due to continuous client trading losses.

60. In early August 2010, the brokerage firm where Liskov previously worked removed him and EagleEye as the adviser on all EagleEye customer accounts.

61. In August 2010, Liskov informed EagleEye's clients in writing that he was ceasing EagleEye's investment advisory operations.

**EagleEye's Books and Records**

62. As of August 2010, Liskov did not maintain certain required records related to EagleEye's advisory business, including financial records, such as journals, ledgers, check books, bank statements, trial balances, and financial statements, and other documents necessary to support trading activity in managed accounts. Also, EagleEye's list of active and terminated accounts was missing certain information, such as the names of clients with FXCM accounts.

**FIRST CLAIM FOR RELIEF**  
**(EagleEye and Liskov's Violations of Section 10(b)**  
**of the Exchange Act and Rule 10b-5 Thereunder)**

63. The Commission repeats and incorporates by reference the allegations in paragraphs 1-62 above.

64. By engaging in the conduct described above, EagleEye and Liskov, directly or indirectly, acting knowingly or recklessly, in connection with the purchase or sale of securities, by the use of means and instrumentalities of interstate commerce, or of the mails, or a facility of a national securities exchange: (a) employed or are employing devices, schemes or artifices to defraud; (b) made or are making untrue statements of material fact or has omitted or is omitting to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading; or (c) engaged or are engaging in acts, practices or courses of business which operate as a fraud or deceit upon certain persons.

65. The conduct of EagleEye and Liskov involved fraud, deceit, manipulation, or deliberate or reckless disregard of regulatory requirements and directly or indirectly resulted in substantial losses to other persons.

66. As a result, EagleEye and Liskov violated and, unless enjoined, will continue to violate Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.

**SECOND CLAIM FOR RELIEF**  
**(Liskov Aided and Abetted EagleEye's Violations of**  
**Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder)**

67. The Commission repeats and incorporates by reference the allegations in paragraphs 1-62 above.

68. By reason of the foregoing, EagleEye, directly or indirectly, acting knowing or recklessly, in connection with the purchase or sale of securities, by the use of means and instrumentalities of interstate commerce, or of the mails, or a facility of a national securities exchange: (a) employed or are employing devices, schemes or artifices to defraud; (b) made or are making untrue statements of material fact or has omitted or is omitting to state a material fact

necessary to make the statements made, in the light of the circumstances under which they were made, not misleading; or (c) engaged or are engaging in acts, practices or courses of business which operate as a fraud or deceit upon certain persons.

69. Liskov knew or recklessly disregarded that EagleEye's conduct was improper and knowingly rendered to EagleEye substantial assistance in this conduct.

70. The conduct of Liskov involved fraud, deceit, manipulation, or deliberate or reckless disregard of regulatory requirements and directly or indirectly resulted in substantial losses to other persons.

71. As a result, Liskov aided and abetted, and, unless enjoined, will continue to aid and abet, EagleEye's violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.

**THIRD CLAIM FOR RELIEF**  
**(EagleEye and Liskov's Violations of**  
**Sections 206(1) and 206(2) of the Advisers Act)**

72. The Commission repeats and incorporates by reference the allegations in paragraphs 1-62 above.

73. EagleEye was an "investment adviser" within the meaning of Section 202(a)(11) of the Advisers Act [15 U.S.C. § 80b-2(a)(11)]. Likewise, Liskov was an "investment adviser" because of his ownership and control of EagleEye.

74. EagleEye and Liskov, by use of the mails or any means or instrumentality of interstate commerce, directly or indirectly, acting intentionally, knowingly or recklessly: (a) have employed or are employing devices, schemes, or artifices to defraud; or (b) have engaged or are engaging in transactions, practices, or courses of business which operate as a fraud or deceit upon a client or prospective client.

75. The conduct of EagleEye and Liskov involved fraud, deceit, manipulation, or deliberate or reckless disregard of regulatory requirements and directly or indirectly resulted in substantial losses to other persons.

76. As a result, EagleEye and Liskov have violated and, unless enjoined, will continue to violate Sections 206(1) and (2) of the Advisers Act [15 U.S.C. §§ 80b-6(1), (2)].

**FOURTH CLAIM FOR RELIEF**  
**(Liskov Aided and Abetted EagleEye's Violations of**  
**Sections 206(1) and 206(2) of the Advisers Act)**

77. The Commission repeats and incorporates by reference the allegations in paragraphs 1-62 above.

78. EagleEye, by use of the mails or any means or instrumentality of interstate commerce, directly or indirectly, acting intentionally, knowingly or recklessly: (a) have employed or are employing devices, schemes, or artifices to defraud; or (b) have engaged or are engaging in transactions, practices, or courses of business which operate as a fraud or deceit upon a client or prospective client.

79. Liskov knew or recklessly disregarded that EagleEye's conduct was improper and knowingly rendered to EagleEye substantial assistance in this conduct.

80. The conduct of Liskov involved fraud, deceit, manipulation, or deliberate or reckless disregard of regulatory requirements and directly or indirectly resulted in substantial losses to other persons.

81. As a result, Liskov aided and abetted and, unless enjoined, will continue to aid and abet EagleEye's violations of Sections 206(1) and (2) of the Advisers Act [15 U.S.C. §§ 80b-6(1), (2)].

**FIFTH CLAIM FOR RELIEF**  
**(EagleEye's Violations of Section 204**  
**of the Advisers Act and Rule 204-2 Thereunder)**

82. The Commission repeats and incorporates by reference the allegations in paragraphs 1-62 above.

83. Section 204 of the Advisers Act and certain rules promulgated thereunder require a registered investment adviser to make and keep true, accurate, and current books and records.

84. Rules 204-2(a)(1), (2), (4), (5), and (6) promulgated under the Advisers Act require a registered investment adviser to keep certain financial records, such as journals, ledgers, check books, bank statements, trial balances, and financial statements. As of August 2010, Liskov maintained bank statements for EagleEye's financial records but no journals, ledgers, bills, trial balances, or other financial statements.

85. Rule 204-2(a)(3) promulgated under the Advisers Act requires registered investment advisers keep a memorandum of each order given by the investment adviser for the purchase or sale of any security, any instruction received by the investment adviser from the client concerning the purchase, sale, receipt or delivery of a particular security, and any modification or cancellation of any such order or instruction. Such memoranda must: (i) show the terms and conditions of the order, instruction, modification or cancellation; (ii) identify the person connected with the investment adviser who recommended the transaction to the client and the person who placed such order; and (iii) show the account for which entered, the date of entry, and the bank, broker or dealer by or through whom executed where appropriate. Orders entered pursuant to the exercise of discretionary authority must be so designated. Liskov kept broker confirmations as the only support for trades that EagleEye conducted on behalf of its clients.

However, the broker confirmations lacked the elements required by Rule 204-2(a)(3), including whether or not the trade was executed pursuant to discretionary authority.

86. Rule 204-2(a)(8) promulgated under the Advisers Act requires an investment adviser to keep a list or other record of all accounts for which the investment adviser has discretionary authority with respect to any funds or transactions. At least one version of EagleEye's client list as of August 2010 failed to include the FXCM accounts for clients that held accounts at both FXCM and Liskov's former brokerage firm.

87. The conduct of EagleEye involved fraud, deceit, manipulation, or deliberate or reckless disregard of regulatory requirements and directly or indirectly resulted in substantial losses to other persons.

88. As a result, EagleEye violated and, unless enjoined, will continue to violate Section 204 of the Advisers Act [15 U.S.C. §§ 80b-4] and Rules 204-2(a)(1)-(6) and 204-2(a)(8) thereunder [17 C.F.R. §§ 275.204-2(a)(1)-(6) & 204-2(a)(8)].

**SIXTH CLAIM FOR RELIEF**  
**(Liskov Aided and Abetted EagleEye's Violations of**  
**Section 204 of the Advisers Act and Rule 204-2 Thereunder)**

89. The Commission repeats and incorporates by reference the allegations in paragraphs 1-62 above.

90. By reasons of the foregoing, EagleEye failed to maintain required books and records for an investment advisor in violation of Section 204 of the Advisers Act [15 U.S.C. § 80b-4] and Rule 204-2 thereunder [17 C.F.R. § 204-2].

91. Liskov knew or recklessly disregarded that EagleEye's conduct was improper and knowingly rendered to EagleEye substantial assistance in this conduct.



92. The conduct of Liskov involved fraud, deceit, manipulation, or deliberate or reckless disregard of regulatory requirements and directly or indirectly resulted in substantial losses to other persons.

93. As a result, Liskov aided and abetted and, unless enjoined, will continue to aid and abet EagleEye's violations of Section 204 of the Advisers Act [15 U.S.C. §§ 80b-4] and Rules 204-2(a)(1)-(6) and 204-2(a)(8) thereunder [17 C.F.R. §§ 275.204-2(a)(1)-(6) & 204-2(a)(8)].

### **PRAYER FOR RELIEF**

WHEREFORE, the Commission requests that this Court:

A. Enter a permanent injunction restraining Defendants and each of their agents, servants, employees and attorneys and those persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, including facsimile transmission or overnight delivery service, from directly or indirectly engaging in the conduct described above, or in conduct of similar purport and effect, in violation of:

1. Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder;
2. Sections 206(1) and 206(2) of the Advisers Act [15 U.S.C. §§ 80b-6(1) & 80b-6(2)]; and
3. Section 204 of the Advisers Act [15 U.S.C. § 80b-4] and Rules 204-2(a)(6), 204-2(a)(8) thereunder [17 C.F.R. §§ 275.204-2(a)(1)-(6) & 204-2(a)(8)].

B. Require Defendants to disgorge their ill-gotten gains, plus pre-judgment interest;

C. Order Defendants to pay a civil monetary penalty;

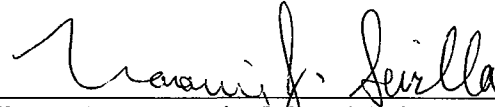
D. Retain jurisdiction over this action to implement and carry out the terms of all orders and decrees that may be entered; and

E. Award such other and further relief as the Court deems just and proper.

Respectfully submitted,

**SECURITIES AND EXCHANGE  
COMMISSION**

By its attorneys,



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