

UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF FLORIDA

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Case Number:

HELEN MADDOX
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S.D. OF FLA - MIA

05-60342

CIV - COOKE

McALLEN

COMMODITY FUTURES TRADING
COMMISSION,

Plaintiff,

v.

SONOMA TRADING CORPORATION,
WILLIAM DAVID SEIGLER, Jr.

Defendants.

COMPLAINT FOR PERMANENT INJUNCTION
OTHER EQUITABLE RELIEF
AND CIVIL MONETARY PENALTIES

I.

SUMMARY

1. Since December 2002 and continuing through the present (the "relevant time"), defendants Sonoma Trading Corporation ("Sonoma") and William David Seigler, Jr. ("Seigler") have solicited and are soliciting members of the retail public to engage in the speculative trading of illegal foreign currency options contracts through Sonoma.

2. From at least December 2002, the defendants have operated a website in the name of "Sonoma Trading Corporation" (www.sonomatrading.com) that solicits the public to speculate on the price movements of foreign currencies by purchasing foreign currency options with Sonoma as their broker.

3. In soliciting the public through its website, Sonoma claims to be “The Premier Foreign Exchange Options Dealer in the Americas [and] an industry leader with established market experience.”

4. If a prospect is interested in investing with Sonoma, the website provides “New Account Documents” wherein Sonoma is appointed the “Foreign Currency Broker” for the client.

5. The client is then instructed to wire transfer funds to a U.S.-based bank that acts as a conduit for the immediate routing of those funds to an account denominated “Customer Segregated Funds” held by Sonoma at a bank located in San Jose, Costa Rica.

6. Neither Sonoma nor Seigler are registered in any capacity with, or designated as, a contract market or derivatives transaction execution facility by the Commodity Futures Trading Commission (“Commission”).

7. By virtue of their conduct, the defendants have engaged, are engaging, or are about to engage in acts and practices which violate Section 4c(b) of the Commodity Exchange Act (“Act”), 7 U.S.C. § 6c(b) (2002), and Commission Regulations (“Regulations”) 30.4(a) and 32.11(a), 17 C.F.R. §§ 30.4(a) and 32.11(a) (2004).

8. Accordingly, pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1, the Commission brings this action to enjoin Sonoma and Seigler from soliciting new customers and customer funds and to enjoin the defendants from any other unlawful acts and practices, and to compel their compliance with the Act. In addition, the Commission seeks civil monetary penalties, an accounting, disgorgement of defendants’ ill-gotten gains and such other relief as this Court may deem necessary or appropriate.

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

II.

JURISDICTION AND VENUE

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

11. Venue properly lies with this Court pursuant to Section 6c(e) of the Act, 7 U.S.C. § 13a-1(e), because the defendants are found in, inhabit, or transact business, among other places, in this District, or the acts, practices and omissions in violation of the Act have occurred, are occurring, or are about to occur, within this District, among other places.

III.

THE PARTIES

THE PLAINTIFF

12. The Commodity Futures Trading Commission is an independent federal regulatory agency that is charged with the responsibility for administering and enforcing the provisions of the Act, as amended, 7 U.S.C. §§ 1 *et seq.*, and the regulations promulgated thereunder, 17 C.F.R. §§ 1 *et seq.*

THE DEFENDANTS

13. **Sonoma Trading Corporation**, a purported corporation, lists on its website an address at Torre Mercedes, 9th Floor, Suite 103, Paseo Colon, San Jose, Costa Rica.

14. **William David Seigler, Jr.**, age 44, resides at 221 5th Avenue SW, Largo, FL 33770. Seigler is a former NFA registrant, who was employed at a number of firms sanctioned by the Commission and/or the National Futures Association (“NFA”). The NFA took a Disciplinary Action directly against Financial Media Distribution, Inc. (“FMD”) and Seigler on August 28, 2001 for deceptive and misleading sales solicitations and supervision and found, after hearing, violations against both respondents and imposed the following sanctions: (a) FMD was permanently barred from NFA membership; (b) Seigler was permanently barred from acting as a supervisory principal of any NFA member; (c) a joint and several fine of \$25,000 was imposed; and (d) Seigler was barred from registration as an Associated Person for two years and is required to be taped by any firms employing him after the two year bar. This NFA Decision has been in effect since July 12, 2002.

IV.

FACTS

A. SOLICITATION OF FOREIGN CURRENCY OPTIONS TRANSACTIONS THROUGH THE SONOMA WEBSITE

15. On or about December 30, 2002, the defendants caused the website domain name www.SonomaTrading.com to be registered in the name of “Sonoma Trading Corporation.”

16. Through the Sonoma website, the defendants solicit the public in Florida and throughout the United States to speculate in “the up and down price movements within the global currency markets” by purchasing foreign currency options through the defendants.

17. If a prospect becomes interested in investing with Sonoma, they are provided with New Account Documents wherein Sonoma is appointed the “Foreign Currency Broker” to trade for the client.

18. The client is then instructed to wire transfer funds to a U.S. based bank that acts as a conduit for the immediate routing of those funds to an account denominated “Customer Segregated Funds” held by Sonoma at a bank located in San Jose, Costa Rica.

19. According to the New Account Documents, Sonoma charges a commission of \$125.00 per option; and a clearing fee of \$25.00 is charged by a purported “International Clearing Firm.”

20. Sonoma states in its New Account Documents that “Neither the company or its officers, managers or agents are licensed with any state or federal agency.”

21. From at least December 2002, neither Sonoma nor Seigler has been registered with the Commission in any capacity or designated by the Commission as a contract market or derivatives transactions execution facility.

22. The transactions defendants solicit customers for, or purport to offer customers, were not conducted on a contract market or a foreign board of trade.

23. Alternatively, the transactions defendants solicit customers for, or purport to offer customers offer, were traded on a foreign board of trade.

24. The defendants solicited or accepted orders for foreign options, which are transactions or agreements which are or are held out to be of the character of, or are commonly

known to the trade as, an option made or to be made on or subject to the rules of any foreign board of trade.

25. Sonoma customers were foreign options customers, namely, persons located in the United States, its territories or possessions who trade in foreign options.

26. The two counts of this complaint are alleged in the alternative.

B. SEIGLER IS THE CONTROLLING PERSON OF SONOMA

27. At all relevant times, Seigler controlled Sonoma. At the outset, he directed that an associate of his located in Florida register the Sonoma website domain name in December 2002.

28. That associate did register the Sonoma domain name at the request of Seigler who was known to that person as the owner/operator of Sonoma.

29. In addition to the New Account Documents, the Sonoma website provides a Sonoma client with what purports to be market information through what is called "Trading Basics." At the top of a number of Trading Basics entries, and other entries throughout the website, it is stated that the entry was: "Posted by David on [date and time]." Seigler uses David as his first name.

C. THE TRANSACTIONS OFFERED BY SONOMA ARE NOT EXEMPT UNDER THE ACT

30. Section 2(c)(2)(B)(i)-(ii) of the Act provides that the CFTC shall have jurisdiction over an agreement, contract or transaction in foreign currency that is a sale of a commodity for future delivery, or an option on such futures contract or an option on foreign currency, and is "offered to, or entered into with, a person that is *not* an eligible contract participant, unless the counterparty, or the person offering to be the counterparty, of the person is" a regulated entity, as defined therein (emphasis supplied). 7 U.S.C. § 2(c)(2)(B)(i)-(ii) (2002).

31. Section 1a(12)(A)(xi) of the Act defines an “eligible contract participant” as, *inter alia*, an individual who has total assets exceeding: (a) \$10 million; or (b) \$5 million and who enters into the agreement, contract, or transaction in order to manage the risk associated with an asset owned or liability incurred, or reasonably likely to be owned or incurred by the individual. 7 U.S.C. § 1a(12)(A)(xi) (2002).

32. Sonoma is not a regulated entity under the Act and is not an appropriate counterparty under the Act for the transactions alleged herein.

33. On information and belief, most, if not all, of the customers solicited by Sonoma are not eligible contract participants pursuant to Section 1a(12)(A)(xi) of the Act.

V.

COUNT ONE

VIOLATIONS OF SECTION 4c(b) OF THE ACT, 7 U.S.C. § 6c(b) AND REGULATION 32.11(a), 17 C.F.R. §32.11(a): OFFER AND SALE OF COMMODITY OPTIONS NOT CONDUCTED OR EXECUTED ON OR SUBJECT TO THE RULES OF A CONTRACT MARKET, OR A FOREIGN BOARD OF TRADE

34. Paragraphs 1 through 22, and 26 through 33, are hereby re-alleged as if fully set forth herein.

35. Since approximately December 2002, Sonoma and Seigler have solicited and/or accepted orders for, and/or accepted money, securities or property in connection with, the purchase and sale of commodity options when: (a) such transactions have not been conducted or executed on or subject to the rules of a contract market, or a foreign board of trade in violation of Section 4c(b) of the Act, 7 U.S.C. § 6c(b), and Regulation 32.11(a), 17 C.F.R. § 32.11(a).

36. Each foreign exchange commodity option transaction solicited and/or executed since December 2002, including but not limited to those specifically alleged herein, is alleged as

a separate and distinct violation of Section 4c(b) of the Act, 7 U.S.C. § 6c(b), and Regulation 32.11(a), 17 C.F.R. § 32.11(a).

37. Sonoma and Seigler are directly liable for violations of Section 4c(b) of the Act and Regulation 32.11(a) alleged in this Complaint.

38. Seigler directly or indirectly controlled Sonoma and did not act in good faith or knowingly induced, directly or indirectly, the acts constituting Sonoma's violations of Section 4c(b) of the Act and Regulation 32.11(a). Seigler is therefore liable for each of Sonoma's violations of Section 4c(b) of the Act and Regulation 32.11(a) pursuant to Section 13(b) of the Act, 7 U.S.C. § 13c(b).

COUNT TWO

VIOLATIONS OF SECTION 4c(b) OF THE ACT, 7 U.S.C. § 6c(b) AND REGULATION 30.4(a), 17 C.F.R. § 30.4(a): FAILURE TO REGISTER AS A FUTURES COMMISSION MERCHANT

39. Paragraphs 1 through 21, and 23 through 33, are hereby re-alleged as if fully set forth herein

40. Neither Seigler nor Sonoma has ever been registered as a futures commission merchant.

41. Since approximately December 2002, Sonoma and Seigler, with respect to foreign options customers, have solicited and/or accepted orders for, and/or accepted money, securities or property in connection with, the purchase and sale of foreign options without being registered, under the Act, with the Commission as a futures commission merchant.

42. Sonoma and Seigler are directly liable for violations of Section 4c(b) of the Act and Regulation 30.4(a) alleged in this Complaint.

43. Seigler directly or indirectly controlled Sonoma and did not act in good faith or knowingly induced, directly or indirectly, the acts constituting Sonoma's violations of Section 4c(b) of the Act and Regulation 30.4(a). Seigler is therefore liable for each of Sonoma's violations of Section 4c(b) of the Act and Regulation 30.4(a) pursuant to Section 13(b) of the Act, 7 U.S.C. § 13c(b).

VI.

RELIEF REQUESTED

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

- a. a preliminary and a permanent injunction prohibiting the defendants and any other person or entity associated with them, or any successor thereof, from engaging in conduct violative of the provisions of the Act as alleged in this Complaint, and from engaging in any activity relating to commodity options, including but not limited to, soliciting, accepting or receiving funds, revenue or other property from any person, giving advice for compensation, or soliciting prospective customers, related to the purchase and sale of any commodity options;
- b. an order directing the defendants and any successors thereof, to disgorge, pursuant to such procedure as the Court may order, all benefits received from the acts or practices which constituted violations of the Act, as described herein, and interest thereon from the date of such violations;
- c. an order directing the defendants to make full restitution to every customer

whose funds were received by them as a result of acts and practices which constituted violations of the Act, as described herein, and interest thereon from the date of such violations;

d. an order directing the defendants to pay a civil monetary penalty in the amount of not more than the higher of \$120,000 or triple the monetary gain to each defendant for each violation of the Act or Regulations; and

e. such other and further remedial ancillary relief as the Court may deem appropriate.

Dated: March 9, 2005

Respectfully submitted,

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