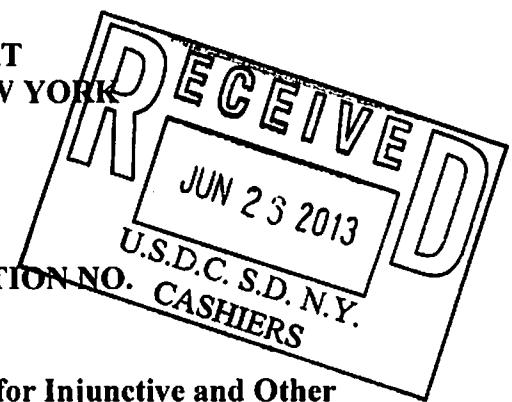


JUDGE McMAHON

13 CIV 4436

UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

U.S. COMMODITY FUTURES TRADING)
COMMISSION,)
Plaintiff,) CIVIL ACTION NO. U.S.D.C. S.D. N.Y.
v.) JUN 23 2013 CASHIERS
PARAMOUNT MANAGMENT, LLC and)
ALEX VLADIMIR EKDESHMAN,)
Defendants.) Complaint for Injunctive and Other
) Equitable Relief and Civil Monetary
) Penalties Under the Commodity
) Exchange Act



Plaintiff, U.S. Commodity Futures Trading Commission (“Commission” or “CFTC”), by its attorneys, alleges as follows:

I. SUMMARY

1. From at least July 16, 2011 through the present (“Relevant Period”), Alex Vladimir Ekdeszman (“Ekdeszman”), individually and as the agent of Paramount Management, LLC (“Paramount”) (collectively, “Defendants”), fraudulently solicited at least \$1,337,172, from approximately one hundred and ten customers in connection with agreements, contracts or transactions in foreign currency (“forex”). The forex transactions were purportedly offered to or entered into on a leveraged or margined basis with unregistered off-shore counterparties.

Defendants solicited its customers via the website www.paramountmanagement.org (the “website”), and the use of telephone solicitations (“telemarketing”) by agents of the Defendants.

2. Customers wired and/or mailed their funds directly to U.S. bank accounts held in the name of Paramount. Customers were advised by Ekdeszman and other agents of Paramount that the Defendants had opened a forex trading account in the customer’s name with said funds,

and that the Defendants would trade the account on behalf of customers. The Defendants subsequently sent customers account statements that purported to show the trading activity in each customer's account.

3. Unknown to customers, of the at least \$1,337,172 the Defendants accepted for forex trading during the Relevant Period, at least \$1,136,728.98 was misappropriated directly by the Defendants through March 31, 2013 to pay for personal and business expenses. Defendant Ekdeshman asserts that customer funds were sent to two off-shore companies purportedly trading forex.

4. Ekdeshman, individually, and as the agent of Paramount, together with Paramount's other agents, knowingly, willfully, or with reckless disregard for the truth, thereof, failed to disclose material facts to actual and prospective customers that: (1) Defendants misappropriated the majority of customers' funds to pay for personal and business expenses; and (2) the account statements sent to customers were false.

5. During the Relevant Period, Ekdeshman exercised day-to-day control over the business operations of Paramount, hired employees, leased office space on behalf of Paramount, opened bank accounts in Paramount's name, was the sole signatory on said bank accounts, and was responsible for the creation of Paramount's website. Accordingly, Ekdeshman knew of, and personally controlled Paramount's activities giving rise to the above-described fraudulent acts.

6. By dint of this conduct and the conduct further described herein, Defendants have engaged, are engaging, or are about to engage in acts and practices in violation of provisions of the Commodity Exchange Act (the "Act"), 7 U.S.C. §§ 1 et seq. (2006 & Supp. V 2011). Ekdeshman and the other agents of Paramount committed the acts and omissions alleged herein within the course and scope of their respective employment, agency or office with Paramount.

Therefore, Paramount is liable under Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2006 & Supp. V 2011), and Regulation 1.2, 17 C.F.R. § 1.2 (2012), as principal for the actions and omissions of Ekdeshtman and its other agents in violation of the Act.

7. Ekdeshtman controlled Paramount throughout the Relevant Period and knowingly induced Paramount's violations of the Act. Therefore, Ekdeshtman is liable for Paramount's violations pursuant to Section 13(b) of the Act, 7 U.S.C. § 13c(b) (2006).

8. Accordingly, pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2006 & Supp. V 2011), the CFTC brings this action to enjoin the Defendants' unlawful acts and practices and to compel their compliance with the Act and to further enjoin them from engaging in any commodity-related activity.

9. In addition, the CFTC seeks civil monetary penalties and remedial ancillary relief, including, but not limited to, trading and registration bans, restitution, disgorgement, rescission, pre- and post-judgment interest, and such other relief as the Court may deem necessary and appropriate.

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

II. JURISDICTION AND VENUE

11. The Court has jurisdiction over this action pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2006 & Supp. V 2011), which authorizes the CFTC to seek injunctive and other relief against any person whenever it shall appear to the CFTC 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.

12. Venue properly lies with this Court pursuant to Section 6c(e) of the Act, 7 U.S.C. § 13a-1(e) (2006 & Supp. V 2011), because Defendants transact business in this District and certain transactions, acts, practices, and courses of business alleged in this Complaint occurred, are occurring, or are about to occur within this District.

III. PARTIES

13. Plaintiff **U.S. Commodity Futures Trading Commission** is an independent federal regulatory agency charged by Congress with the administration and enforcement of the Act, as amended, 7 U.S.C. §§ 1 *et seq.* (2006 & Supp. V 2011), and the Regulations promulgated thereunder, 17 C.F.R. §§ 1.1 *et seq.* (2012).

14. Defendant **Paramount Management, LLC** is an Oregon limited liability company with a business address of 30 Broad Street, 14th Floor, New York, N.Y. 10004. Ekdeshman is the managing member of Paramount. Paramount has never been registered with the Commission in any capacity.

15. Defendant Alex Vladimir **Ekdeshman** is an individual residing in Holmdel, New Jersey. Ekdeshman is listed in Oregon state records as a manager of Paramount and has identified himself as the “CEO” of Paramount. At all times, and with respect to all conduct described in this Complaint, he was the managing member and exercised control over Paramount. Ekdeshman has never been registered with the Commission in any capacity.

IV. STATUTORY BACKGROUND

16. On October 18, 2010, the Commission enacted new regulations implementing certain provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“Dodd-Frank Act”), Pub. L. No. 111-203, Title VII (“the Wall Street Transparency and

Accountability Act of 2010”), §§ 701-774, 124 Stat. 1376 (enacted July 21, 2010), with respect to off-exchange forex transactions.

17. Sections 2(c)(2)(C)(i) and (iii) of the Act, 7 U.S.C. §§ 2(c)(2)(C)(i) and (iii) (2006 & Supp. V 2011), provide that the Commission has jurisdiction over forex transactions in pertinent part, if the transactions are offered to or entered into with a person that is not an Eligible Contract Participants (“ECP”) on a leveraged or margined basis; the transactions do not result in actual delivery within two days or otherwise create an enforceable obligation to make/take delivery in connection with the parties’ line of business; and neither the counterparty to the transactions nor the Defendant are one of certain enumerated persons.

18. In order to qualify as an ECP a customer must be an individual who has amounts invested on a discretionary basis the aggregate of which is in excess of (i) \$10 million, or (ii) \$5 million and who enters the transaction “to manage the risk associated with an asset owned or liability incurred, or reasonably likely to be owned or incurred, by the individual.” Section 1a(12)(A)(xi) of the Act, 7 U.S.C. § 1a(12)(A)(xi) (2006).

V. FACTS

A. Summary

19. The Defendants’ fraudulent scheme occurred in three phases. In all phases the Defendants instructed customers to wire and/or mail their funds directly to bank accounts held in the name of Paramount at TD Bank. Customers were advised by Ekdeshman and other agents of Paramount that the Defendants had opened a forex trading account in the customer’s name with the funds, and that the Defendants would trade the account on behalf of the customer. The Defendants issued customers account statements purportedly showing trading activity in the customer’s account.

20. The three phases differ, however, in regard to the purported counterparty to the transactions and how customer funds were transferred to the counterparty.

B. Defendants Fraudulent Operations

21. During the Relevant Period, Ekdeshman, individually and as the agent of Paramount, as well as other agents of Paramount, solicited actual and prospective customers through the Defendants' website and telemarketing techniques. In these solicitations, Defendants solicited the retail public to open leveraged forex trading accounts which the Defendants would then purportedly trade on behalf of customers.

22. Defendants hired telemarketing sales people (hereinafter "telemarketers") as agents of Paramount through, among other methods, internet advertising on Craigslist. Defendants supplied the telemarketers with sales scripts and other marketing tools used to solicit members of the public to invest in Paramount managed forex accounts.

23. Defendants' telemarketers had legitimate sounding titles such as "Risk Manager," "Senior Risk Manager," and "Senior Risk Manager Strategist," which the telemarketers used when soliciting actual customers and prospective customers to open managed accounts.

24. Through the telemarketing sales force and a one-page "Performance Report" linked to the Defendants' website, Defendants touted Paramount's successful trading record which they represented had yielded an average monthly return of 4.6 percent over a 20-month period, based on the purported performance of Paramount's proprietary trading software system.

25. Paramount customers sought to open accounts with Paramount using U.S. dollars in order to profit from forex speculative trading on a leveraged basis. However, Paramount customers neither made actual purchases of any foreign currency nor received delivery of foreign currency.

26. During the Relevant Period, Ekdesman and Paramount's other agents instructed customers to send their funds directly to U.S. bank accounts in Paramount's name, and controlled by Ekdesman, or Paramount's offices. These instructions are mirrored on Paramount's website. Customers were further instructed that Defendants, in turn, would open individual accounts in each customer's name after the Defendants purportedly transmitted the customers' funds to the counterparty to the forex transactions. Defendants would purportedly manage the forex trading in the individual customer accounts. Once customers opened an account with Paramount, the firm provided customers with account statements which listed various purported trades.

27. Account opening documents directed customers to send their funds to the Paramount office or to a Paramount bank account. Customers providing checks were instructed to make the checks payable to "Paramount Management, LLC" and to send the checks to Paramount's address at 30 Broad Street, 14th Floor, New York, N.Y. Customers wiring funds to Paramount were directed to account number xxxxxx2040 at a TD Bank branch, located at 2 Wall St., New York, N.Y., which Ekdesman opened in Paramount's name with Ekdesman as the sole signatory on the account. Ekdesman opened a second account in Paramount's name, number xxxxxx 9800, at the same TD Bank branch into which customer and other funds were deposited and/or transferred. Once again, Ekdesman is the sole signatory on this second account. Accordingly, Ekdesman controlled all deposits of customer funds into the two accounts, all withdrawals of customer funds from the accounts, and all transfers of customer funds between the accounts.

28. Contrary to the claims made during the solicitations, Defendants did not manage or trade any customer account. Instead, Defendants misappropriated the vast majority of

customer funds. Only a fraction of the funds *appear* to have been transmitted to forex counterparties and, even then, the funds would have been traded as Defendants' proprietary accounts rather than individual customer accounts. Defendants failed to disclose to actual or prospective customers that they were misappropriating customer funds.

29. Approximately one hundred and ten customers provided Paramount with wires and checks in various amounts each ranging between \$640 and \$70,000 to open or to further fund their managed accounts with Paramount. Defendants received and accepted approximately \$1,337,172, in forex funds sent by customers and deposited into and/or transferred between the two Paramount TD Bank accounts.

30. Out of the total \$1,337,172 received from Paramount customers for forex trading purposes, only \$191,145.00 was returned to customers. The total amount of forex customer loss that is eligible for restitution is \$1,146,027.00.

31. Of the approximately \$1,337,172 received from Paramount customers for forex trading purposes during the Relevant Period, Defendants misappropriated approximately \$1,136,728.98 which they used to pay for personal and business expenses.

32. Ekdeshman, the only individual with access to Paramount bank accounts, misappropriated customer funds for personal expenses, including but not limited to, restaurants, vacations and wine purchases. Defendants never disclosed to customers that their funds would be, or had been, used for Ekdeshman's personal pursuits.

33. Defendants also misappropriated customer funds for business expenses, including but not limited to, office rent, parking, employee payments and office supplies. Defendants never disclosed to customers that their funds would be, or had been, used for such purposes.

34. During the Relevant Period, Defendants initially falsely identified the forex clearing firm or counterparty receiving customer funds in account opening documents as a retail foreign exchange dealer located in the United Kingdom (“UK”), Alpari UK, (“Alpari”). Alpari is a London based forex trading firm. Alpari is not registered with the Commission in any capacity. Ekdeshman admitted under oath that instead of sending customer funds directly to Alpari UK, he sent such funds to a company named Executive Management, Inc., “Executive.” Executive is a Montana company with the full name of Executive Management of Montana, Inc. Executive is not registered with the Commission in any capacity. Bank records corroborate the fact that Defendants sent money to Executive, but Alpari UK has no Paramount customer accounts.

35. The second firm that the Defendants falsely claimed would act as the forex clearing firm or counterparty receiving customer funds was FXCM, Inc, (“FXCM”). FXCM is a New York company that is registered with the Commission as a forex dealer, a forex firm, a retail foreign exchange dealer, a futures commission merchant and a NFA member. Contrary to the Defendants’ claims, FXCM held no Paramount accounts and no Paramount customer money was sent to FXCM.

36. Finally, Defendants identified a forex clearing firm or counterparty receiving customer funds as ACM or ACM Gold. Upon information and belief, this ACM is in fact ACM Gold (Mauritius), (“ACM”), a retail foreign exchange dealer located in Mauritius, but is not registered with the Commission in any capacity.

37. Of the total funds received from Paramount customers during the Relevant Period, Defendants transferred approximately \$180,340 to Executive to invest in Alpari, approximately

\$114,900 to the counterparty ACM, and \$206,000 to a Belize bank account held in the name of Paramount Management LTD. No funds were sent from Paramount to FXCM.

38. During all phases of Defendants' fraudulent scheme, Defendants issued false account statements to their customers. These account statements represent profits associated with individual customer accounts. These statements were false because: (a) no individual customer accounts were ever created; and (b) no profits were ever generated. Defendants failed to disclose to their customers that these account statements were false.

39. Neither Defendants nor the counterparty to the few forex transactions that were actually entered into and/or contemplated by Defendants and their customers were United States financial institutions, registered broker dealers (or their associated persons), futures commission merchants (or their affiliated persons), financial holding companies, or retail foreign exchange dealers.

40. Upon information and belief, most of the Defendants' customers were non- ECPs. These customers, at the time they were solicited by the Defendants to engage in managed forex transactions on a leveraged or margined basis, did not have total assets in an amount in excess of:

- a. \$10,000,000, or
- b. \$5,000,000 and who entered in the agreement, contract, or transaction with the Defendants in order to manage the risk associated with an asset owned or liability incurred, or reasonably likely to be owned or incurred by the customer.

C. Paramount's Controlling Person

41. Ekdeshman was in control of all of the day-to-day business operations of

Paramount during the relevant period. Ekdesman hired Paramount employees, signed their employment contracts, and required that they report directly to him in the performance of their duties. In addition Ekdesman is the sole member/manager of Paramount.

42. Ekdesman arranged for the website to be created, and was responsible for the content of the website.

43. Ekdesman personally opened the two bank accounts at TD Bank in the name of Paramount and has sole signatory authority over the accounts. Consequently, Ekdesman controlled all deposits of customer funds into the two accounts, all withdrawals of customer funds from the accounts, including the misappropriated funds.

VI. VIOLATIONS OF THE COMMODITY EXCHANGE ACT AND COMMISSION REGULATIONS

VIOLATIONS OF SECTIONS 4b(a)(2)(A)-(C) OF THE ACT, 7 U.S.C. §§ 6b(a)(2)(A)-(C): FRAUD BY MISAPPROPRIATION AND OMISSIONS

44. Paragraphs 1 through 42 are re-alleged and incorporated herein by reference.

45. Sections 4b(a)(2)(A)-(C) of the Act, 7 U.S.C. §§ 6b(a)(2)(A)-(C) (2006 & Supp. V 2011), make it unlawful for any person, in or in connection with any order to make, or the making of, any contract of sale of any commodity for future delivery, or swap, that is made, or to be made, for or on behalf of, or with, any other person, other than on or subject to the rules of a designated contract market -- (A) to cheat or defraud or attempt to cheat or defraud the other person; (B) willfully to make or cause to be made to the other person any false report or statement or willfully to enter or cause to be entered for the other person any false record; or (C) willfully to deceive or attempt to deceive the other person by any means whatsoever in regard to any order or contract or the disposition or execution of any order or contract, or in regard to any act of agency performed, with respect to any order or contract for such other person.

46. Pursuant to Section 2(c)(2)(C)(iv) of the Act, 7 U.S.C. §§ 2(c)(2)(C)(i) and (iii) (2006 & Supp. V 2011), Section 4b(a)(2) of the Act, 7 U.S.C. §§ 6b(a)(2)(A)-(C) (2006 & Supp. V 2011) applies to Defendants' foreign currency transactions "as if" they were a contract of sale of a commodity for future delivery.

47. During the Relevant Period, Defendants violated Sections 4b(a)(2)(A)-(C) of the Act, 7 U.S.C. § 6b(a)(2)(A)-(C) (2006 & Supp. V 2011), in that Defendants cheated or defrauded, or attempted to cheat or defraud, and willfully deceived, or attempted to deceive, customers by, among other things: (i) misappropriating customers' funds; and (ii) making fraudulent omissions to actual and prospective customers about using their funds to engage in forex trading, and (iii) issuing false account statements.

48. Ekdeszman engaged in the acts and practices described above willfully, knowingly or with reckless disregard for the truth.

49. The foregoing acts, omissions, and failures of Paramount occurred within the scope of Ekdeszman's employment, office, or agency with Paramount. Therefore, Paramount is liable for these acts, omissions, and failures pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2006 & Supp. V 2011), and Regulation 1.2, 17 C.F.R. § 1.2 (2012).

50. Ekdeszman controlled Paramount, directly or indirectly, and knowingly induced, directly or indirectly, Paramount's violations of Sections 4b(a)(1)(A)-(C) of the Act, 7 U.S.C. § 6b(a)(1)(A)-(C) (2006 & Supp. V 2011). Ekdeszman is therefore liable for Paramount's violations as a controlling person pursuant to Section 13(b) of the Act, 7 U.S.C. § 13c(b) (2006).

51. Each misappropriation, misrepresentation or omission of material fact, and

issuance of a false statement, including but not limited to those specifically alleged herein, is alleged as a separate and distinct violation of Sections 4b(a)(2)(A)-(C) of the Act, 7 U.S.C. § 6b(a)(2)(A)-(C) (2006 & Supp. V 2011).

VII. RELIEF REQUESTED

WHEREFORE, the CFTC respectfully requests that this Court, as authorized by Section 6c of the Act, as amended, 7 U.S.C. § 13a-1 (2006 & Supp. V 2011), and pursuant to its own equitable powers, enter:

- A. An order finding that Defendants violated Sections 4b(a)(2)(A)-(C) of the Act, 7 U.S.C. §§ 6b(a)(2)(A)-(C) (2006 & Supp. V 2011).
- B. An order of permanent injunction prohibiting Defendants and any other person or entity associated with them, from engaging in conduct in violation of Sections 4b(a)(2)(A)-(C) of the Act, 7 U.S.C. §§ 6b(a)(2)(A)-(C) (2006 & Supp. V 2011);
- C. An order of permanent injunction prohibiting Defendants, and any other person or entity associated with them, from directly or indirectly:
 1. Trading on or subject to the rules of any registered entity (as that term is defined in Section 1a(29) of the Act, 7 U.S.C. § 1a(29) (2006 & Supp. V 2011));
 2. Entering into any transactions involving commodity futures, swaps, (as that term is defined in Section 1a(47) of the Act, as amended and as will be further defined by Commission Regulation 1.3(xxx), 17 C.F.R. § 1.3(xxx)(6)(i)), options on commodity futures, commodity options (as that term is defined in Regulation 1.3(hh), 17 C.F.R. § 1.3(hh) (2012)) (“commodity options”), security futures products, and/or foreign currency

(as described in Sections 2(c)(2)(B) and 2(c)(2)(C)(i) of the Act, 7 U.S.C.

§§ 2(c)(2)(B) and 2(c)(2)(C)(i) (2006 & Supp. V 2011)) (“forex contracts”), for their own personal accounts or for any account in which they have a direct or indirect interest;

3. Having any commodity futures, swaps, options on commodity futures, commodity options, security futures products, and/or forex contracts traded on their behalf;
4. Controlling or directing the trading for or on behalf of any other person or entity, whether by power of attorney or otherwise, in any account involving commodity futures, swaps, options on commodity futures, commodity options, security futures products, and/or forex contracts;
5. Soliciting, receiving, or accepting any funds from any person for the purpose of purchasing or selling any commodity futures, swaps, options on commodity futures, commodity options, security futures products, forex contracts, and/or retail commodity transactions;
6. Applying for registration or claiming exemption from registration with the CFTC in any capacity, and engaging in any activity requiring such registration or exemption from registration with the CFTC except as provided for in Regulation 4.14(a)(9), 17 C.F.R. § 4.14(a)(9) (2012); and
7. Acting as a principal (as that term is defined in Regulation 3.1(a), 17 C.F.R. § 3.1(a) (2012)), agent, or any other officer or employee of any person registered, exempted from registration, or required to be registered

with the CFTC, except as provided for in Regulation 4.14(a)(9), 17

C.F.R. § 4.14(a)(9) (2012).

- D. An order directing Defendants, as well as any successors thereof, to disgorge, pursuant to such procedure as the Court may order, all benefits received from the acts or practices which constitute violations of the Act and the Regulations, as described herein, and pre- and post-judgment interest thereon from the date of such violations;
- E. An order directing Defendants, as well as any successors thereof, to make full restitution, pursuant to such procedure as the Court may order, to every customer whose funds they received or caused another person or entity to receive as a result of acts and practices which constitute violations of the Act and the Regulations, as described herein, and pre- and post-judgment interest from the date of such violations;
- F. An order directing Defendants, as well as any successors thereof, to rescind, pursuant to such procedures as the Court may order, all contracts and agreements, whether implied or express, entered into between them and any of the customers whose funds were received by them as a result of the acts and practices which constituted violations of the Act and the Regulations as described herein;
- G. An order directing that Defendants and any successors thereof provide the Commission immediate and continuing access to their books and records, make an accounting to the Court of all of Defendants' assets and liabilities, together with all funds they received from and paid to the Paramount customers, and other persons in connection with forex transactions or purported forex transactions,

- including the names, addresses and telephone numbers of any such persons from whom they received such funds from July 16, 2011, to the date of such accounting, and all disbursements for any purpose whatsoever of funds received from customers, including salaries, commissions, fees, loans and other disbursements of money and property of any kind, from July 16, 2011, to and including the date of such accounting;
- H. An order directing Defendants and any successors thereof to pay civil monetary penalties under the Act, to be assessed by the Court, in amounts of not more than the higher of: (1) triple the monetary gain to Defendants for each violation of the Act and/or Regulations; or (2) \$140,000 for each violation of the Act and/or Regulations committed on or after October 23, 2008, plus post-judgment interest;
- I. An order directing Defendants and any successors thereof to pay costs and fees as permitted by 28 U.S.C. §§ 1920 and 2412(a)(2) (2006); and
- J. Such other and further relief as the Court deems proper.

Date: June 26, 2013

Respectfully submitted,

U.S. Commodity Futures Trading Commission

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