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**UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA**

COMMODITY FUTURES TRADING	)	
COMMISSION,	)	
	)	Case No. 02-01417 DT (Mcx)
	)	
Plaintiff,	)	
	)	COMPLAINT FOR INJUNCTIVE AND
vs.	)	OTHER EQUITABLE RELIEF AND
	)	FOR CIVIL PENALTIES UNDER THE
REGO GAINER FINANCIAL, INC., a	)	COMMODITY EXCHANGE ACT, AS
California corporation; REGO	)	AMENDED, 7 U.S.C. §§ 1-25
GAINER, INC., a California	)	
corporation; and KWOK LUN LAM,	)	
an individual;	)	
	)	
	)	
Defendants.	)	
	)	
	)	
	)	

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**I.**

**JURISDICTION AND VENUE**

1. Section 2(c)(2)(B)(i) and (ii) of the Commodity Exchange Act, 7 U.S.C. § 2 (2001) ("Act") grants plaintiff, the Commodity Futures Trading Commission ("Commission"), jurisdiction over certain transactions in foreign currency that are contracts for the sale of a commodity for future delivery, including the transactions alleged in this Complaint. This Court has jurisdiction over this action pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2001), 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.

1 2. Venue properly lies with this Court pursuant to Section  
2 6c(e) of the Act, 7 U.S.C. § 13a-1(e) (2001), in that Defendants  
3 are found in, inhabit, or transact business in this District, and  
4 the acts and practices in violation of the Act have occurred, are  
5 occurring, or are about to occur, within this District, among  
6 other places.

7 **II.**

8 **SUMMARY**

9 3. From December 21, 2000 to the present, Defendants Rego  
10 Gainer Financial, Inc., Rego Gainer, Inc. (collectively "Rego  
11 Gainer") and Kwok Lun Lam ("Lam") have solicited and accepted  
12 funds from unsophisticated retail investors to engage in  
13 speculative trading of foreign currency futures contracts.  
14 Because these transactions are not consummated on or subject to  
15 the rules of a contract market designated by the Commission or  
16 consummated on a market registered as a derivatives transaction  
17 execution facility, Defendants have violated Section 4(a) of the  
18 Act, 7 U.S.C. § 6(a) (2001).

19 4. Accordingly, pursuant to Section 6c of the Act, 7  
20 U.S.C. § 13a-1 (2001), Plaintiff Commission brings this action to  
21 enjoin the unlawful acts and practices of Defendants. In  
22 addition, Plaintiff seeks civil monetary penalties in the amount  
23 of not more than the higher of \$120,000 for each violation or  
24 triple the monetary gain to Defendants for each violation of the  
25 Commodity Exchange Act, disgorgement of Defendants' ill-gotten  
26 gains, restitution to customers, prejudgment interest and such  
27 other relief as this Court may deem necessary or appropriate.

28 5. Unless enjoined by this Court, Defendants are likely to

1 continue to engage in the acts and practices alleged in this  
2 Complaint, as more fully described below.

3 **III.**

4 **THE PARTIES**

5 6. Plaintiff Commission is an independent federal  
6 regulatory agency that is charged with responsibility for  
7 administering and enforcing the provisions of the Commodity  
8 Exchange Act, 7 U.S.C. §§ 1 et seq. (2001).

9 7. Defendant Rego Gainer Financial, Inc. was incorporated  
10 in California on January 4, 2000. Rego Gainer Financial, Inc.  
11 maintains its principal place of business at 3435 Wilshire  
12 Boulevard, Suite 2880, Los Angeles, California 90010. It is  
13 engaged in the business of trading foreign currency futures  
14 contracts with the retail public. It has never been registered  
15 with the Commission in any capacity.

16 8. Defendant Rego Gainer, Inc. was incorporated in  
17 California on December 18, 1997. Rego Gainer, Inc. maintains its  
18 principal place of business at 3435 Wilshire Boulevard, Suite  
19 2880, Los Angeles, California 90010. Rego Gainer, Inc. and Rego  
20 Gainer Financial, Inc. share the same address, telephone number  
21 and business premises. The only business conducted at these  
22 premises is the business of trading foreign currency futures  
23 contracts with the retail public. It has never been registered  
24 with the Commission in any capacity.

25 9. Defendant Lam is the president of Rego Gainer  
26 Financial, Inc. and Rego Gainer, Inc. Lam lives in Los Angeles,  
27 California. Lam is in charge of the day-to-day operations for  
28 both corporations. He has never been registered with the

1 Commission in any capacity.

2 **IV.**

3 **FACTUAL BACKGROUND**

4 10. From December 21, 2000 to the present, the Defendants  
5 have conducted business out of Defendants' Los Angeles,  
6 California office for the purpose of selling foreign currency  
7 futures contracts to the retail public.

8 11. Defendants obtain customers by placing ads in the  
9 "Employment/Job Opportunity" classified section of *The Korea*  
10 *Daily* newspaper in Los Angeles. The ads in *The Korea Daily* offer  
11 employment/job opportunities to persons interested in profiting  
12 in the international currency market as "Financial Traders."

13 12. Defendants also obtain customers by posting job  
14 positions for "Foreign Currency Brokers or Traders" on the  
15 Internet at [www.hotjobs.com](http://www.hotjobs.com).

16 13. Persons who respond to the ads are invited to  
17 Defendants' office, where Defendants provide training on how to  
18 trade foreign currency. Upon completion of the training,  
19 Defendants solicit the "trainees" to open personal accounts at  
20 Rego Gainer Financial in order to speculate in foreign currency  
21 with their own money. Defendants seek initial investments of  
22 \$10,000 in these personal accounts. Customers sign Rego Gainer  
23 Financial's "Client's Agreement" and other account opening  
24 documents.

25 14. Since December 21, 2000, Defendants have falsely and  
26 misleadingly described the profit opportunities available from  
27 trading through their business, have misrepresented that they  
28 were placing trades through a third party dealer, and have

1 misrepresented that their business was registered with the CFTC.

2 15. Customers commence their trading by placing orders with  
3 Rego Gainer Financial, Inc., who conducts the trading activities.  
4 Rego Gainer Financial, Inc. receives the orders and quotes  
5 prices. If the customer accepts the price, Rego Gainer  
6 Financial, Inc. completes a transaction ticket to confirm the  
7 sale and time stamps it.

8 16. The foreign currency contracts that Defendants market  
9 concern the purchase or sale of commodities for future delivery  
10 at prices or using pricing formulas that are established at the  
11 time the contracts are initiated, and may be fulfilled through  
12 offset, cancellation, cash settlement or other means to avoid  
13 delivery.

14 17. The Defendants market these contracts to the general  
15 public. The customers who purchase these futures contracts have  
16 no commercial need for the foreign currency. Instead, customers  
17 enter into these transactions to speculate and profit from  
18 anticipated price fluctuations in the markets for these  
19 currencies.

20 18. Customers do not anticipate taking -- and do not take -  
21 - delivery of the foreign currencies they purchase as a  
22 consequence of these investments. If the market moves in a  
23 favorable direction, a customer expects to liquidate his or her  
24 investment by authorizing the sale of the contract and taking the  
25 profits.

26 19. Customers do not negotiate individual purchase  
27 agreements with Rego Gainer Financial. The rules for margin  
28 calls, and other terms and conditions of Defendant's contracts,

1 as set by Defendants, are standardized.

2 20. Defendants do not conduct their foreign currency  
3 futures transactions on or subject to the rules of a board of  
4 trade that has been designated by the Commission as a contract  
5 market, nor are any of these transactions executed or consummated  
6 by or through a member of such a contract market. Defendants do  
7 not conduct their transactions on a facility registered as a  
8 derivatives transaction execution facility.

9 21. Section 2(c)(2)(B)(i) and (ii) of the Act, 7 U.S.C. § 2  
10 (2001), provides that the Commission shall have jurisdiction over  
11 an agreement, contract or transaction in foreign currency that is  
12 a sale of a commodity for future delivery, so long as the  
13 contract is "offered to, or entered into with, a person that is  
14 not an eligible contract participant" unless the counter-party,  
15 or the person offering to be the counter-party, is a regulated  
16 entity, as defined in the Commodity Futures Modernization Act.

17 22. Section 1a(12)(A)(xi) of the Act, 7 U.S.C. § 1 (2001),  
18 defines an eligible contract participant as an individual who has  
19 total assets in excess of: a) \$10 million; or b) \$5 million and  
20 who enters the transaction to manage the risk associated with an  
21 asset owned or a liability incurred, or reasonably likely to be  
22 owned or incurred. At least some, if not all, of the foreign  
23 currency futures transactions alleged herein were offered to or  
24 entered into with persons who were not eligible contract  
25 participants.

26 23. No Defendant is a proper counter-party for retail  
27 foreign currency transactions, and therefore the Commission has  
28 jurisdiction over the transactions in retail foreign currency

1 alleged herein.

2 **V.**

3 **VIOLATION OF SECTION 4(a) OF THE ACT, 7 U.S.C. § 6(a): OFFER AND**  
4 **SALE OF COMMODITY FUTURES CONTRACTS NOT CONDUCTED ON A BOARD OF**  
5 **TRADE WHICH HAS BEEN DESIGNATED AS A CONTRACT MARKET**

6 24. Plaintiff realleges paragraphs 1 through 23 above and  
7 incorporates these allegations herein by reference.

8 25. Since at least December 21, 2000, and continuing to the  
9 present, Defendants have offered to enter into, entered into,  
10 executed, confirmed the execution of, or conducted an office or  
11 business in the United States for the purpose of soliciting,  
12 accepting any order for, or otherwise dealing in transactions in,  
13 or in connection with, a contract for the purchase of sale of a  
14 commodity for future delivery when: (a) such transactions have  
15 not been conducted on or subject to the rules of a board of trade  
16 which has been designated by the Commission as a contract market  
17 for such commodity, and (b) such contracts have not been executed  
18 or consummated by or through a member of such contract market, in  
19 violation of Section 4(a) of the Act, 7 U.S.C. § 6(a) (2001).

20 26. Each foreign currency futures transaction not conducted  
21 on a designated contract market made during the relevant time  
22 period, including but not limited to those conducted by the  
23 Defendants as specifically alleged herein, is alleged as a  
24 separate and distinct violation of Section 4(a) of the Act, 7  
25 U.S.C. § 6(a) (2001).

26 **VI.**

27 **RELIEF REQUESTED**

28 WHEREFORE, Plaintiff Commodity Futures Trading Commission

1 respectfully requests that this Court, as authorized by Section  
2 6c of the Act, 7 U.S.C. § 13a-1(2001) and pursuant to the Court's  
3 equitable powers, enter:

- 4 1. an order of preliminary injunction and an order of  
5 permanent injunction prohibiting Defendants Rego Gainer  
6 Financial, Inc., Rego Gainer, Inc., and Kwok Lun Lam  
7 and any other person or entity associated with them,  
8 including any successor thereof, from engaging in  
9 conduct violative of Section 4(a) of the Act, 7 U.S.C.  
10 § 6(a) (2001);
- 11 2. an order directing Defendants Rego Gainer Financial,  
12 Inc., Rego Gainer, Inc., and Kwok Lun Lam and any  
13 successors thereof, to disgorge, pursuant to such  
14 procedure as the Court may order, all benefits received  
15 from the acts or practices which constituted violations  
16 of the Act, as described herein, and interest thereon  
17 from the date of such violations;
- 18 3. an order directing Defendants Rego Gainer Financial,  
19 Inc., Rego Gainer, Inc., and Kwok Lun Lam to make full  
20 restitution to every customer whose funds were received  
21 by them as a result of acts and practices which  
22 constituted violations of the Act, and interest thereon  
23 from the date of such violations;
- 24 4. an order directing Defendants Rego Gainer Financial,  
25 Inc., Rego Gainer, Inc., and Kwok Lun Lam to pay a  
26 civil penalty in the amount of not more than the higher  
27 of \$120,000 for each violation or triple the monetary  
28 gain to Defendants for each violation of the Act;



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- 5. an order requiring Defendants Rego Gainer Financial, Inc., Rego Gainer, Inc., and Kwok Lum Lam to pay costs and fees as permitted by 28 U.S.C. §§ 1920 and 2412(a)(2); and
- 6. such other and further remedial ancillary relief as the Court may deem just and proper.

Dated: February 19, 2002

\_\_\_\_\_  
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Commodity Futures Trading  
Commission

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