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FILED
 JAN 26 2012
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 CLERK, U.S. DISTRICT COURT
 NORTHERN DISTRICT OF CALIFORNIA

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15 UNITED STATES DISTRICT COURT
 16 NORTHERN DISTRICT OF CALIFORNIA

17 SAN FRANCISCO DIVISION

EDL

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18 SECURITIES AND EXCHANGE COMMISSION,
 19 Plaintiff,
 20 v.
 21 IGORS NAGAICEVS,
 22 Defendant.

Case No. _____

COMPLAINT

24 Plaintiff Securities and Exchange Commission (the "Commission") alleges:

25 **SUMMARY OF THE ACTION**

26 1. This action involves a brazen stock price manipulation scheme by defendant Igors
 27 Nagaicevs ("Nagaicevs") of Latvia. Nagaicevs hijacked the online accounts of innocent
 28 customers at large broker-dealer firms in the United States and made unauthorized purchases and

1 sales of securities that were listed on major stock exchanges, including the New York Stock
2 Exchange (“NYSE”). Nagaicevs conducted those unauthorized trades to manipulate the prices of
3 stocks in which he already held a position through one of at least eight unregistered trading firms
4 where Nagaicevs was an authorized trader. The scheme enabled Nagaicevs to consistently derive
5 quick trading profits, even if he manipulated the price of the security by only a small amount.

6 2. From June 2009 through August 2010, Nagaicevs conducted unauthorized trading
7 in hijacked online customer accounts on at least 159 occasions. On each of the 159 occasions,
8 Nagaicevs followed the same pattern of stock price manipulation. First, he established a long or
9 short position in a security by placing a buy or sell order through one of the trading firms.
10 Nagaicevs then gained access to an online brokerage account and made large unauthorized trades
11 in the same security to manipulate the stock price in his favor, often using cash held in the
12 hijacked account or making other unauthorized sales in the account to generate equity for his
13 manipulative purchases. Finally, during or shortly after the manipulative trading in the intruded
14 account, Nagaicevs closed out his position through one of the trading firms at the artificial
15 market price to generate a profit. These transactions created the false appearance of legitimate
16 trading activity and artificially affected the market prices of 104 NYSE and Nasdaq securities.

17 3. Nagaicevs generated more than \$850,000 in illegal profits from this scheme. His
18 unauthorized trading in the hijacked accounts also caused losses in excess of \$2 million which
19 were reimbursed by the broker-dealer firms that carried the victimized customer accounts.
20 Attached to this Complaint, and incorporated herein by reference, is an Appendix showing the
21 date, security, trading account and profit involved in each of Nagaicevs’s account intrusions and
22 stock price manipulations.

23 4. Nagaicevs’s unauthorized trading and deceptive stock transactions violated
24 Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”), as well as Rule 10b5-1
25 thereunder, because they involved deceptive conduct and a fraudulent scheme in connection with
26 the purchase or sale of securities. His unauthorized trading and deceptive transactions also
27 violated Section 17(a) of the Securities Act of 1933 (“Securities Act”) because they involved
28 deceptive conduct and a fraudulent scheme in the offer or sale of a security.

1 12. **KM Capital Management, LLC** (“KM”) is a Pennsylvania limited liability
2 company with its principal place of business in Philadelphia, Pennsylvania. During the relevant
3 period, approximately 10 individuals traded as many as two million shares per month on U.S.
4 exchanges in omnibus accounts held in KM’s name at registered broker-dealers.

5 13. **Zanshin Enterprises, LLC** (“Zanshin”) is a Texas limited liability company that
6 had its principal place of business in Boise, Idaho until it ceased operations in February 2010.
7 During the relevant period, until Zanshin ceased operations, approximately 125 individuals traded
8 as many as four million shares per month on U.S. exchanges in an omnibus account held in
9 Zanshin’s name at a registered broker-dealer.

10 14. **Mercury Capital** (“Mercury”) is a Nevada corporation that had its principal place
11 of business in La Jolla, California until it ceased operations in November 2010. During the relevant
12 period, approximately 600 individuals traded as many as 800 million shares per month on U.S.
13 exchanges in an omnibus account held in Mercury’s name at a registered broker-dealer.

14 15. **Firm E** is a Cayman Islands corporation that has its principal place of business in
15 Montreal, Quebec. During the relevant period, Firm E provided trading access to individuals,
16 including Nagaicevs, through an omnibus account held in its name at a registered broker-dealer.

17 16. **Firm F** is a Florida limited liability company that has its principal place of
18 business in New York, New York. During the relevant period, Firm F provided trading access to
19 individuals, including Nagaicevs, through an omnibus account held in its name at a registered
20 broker-dealer.

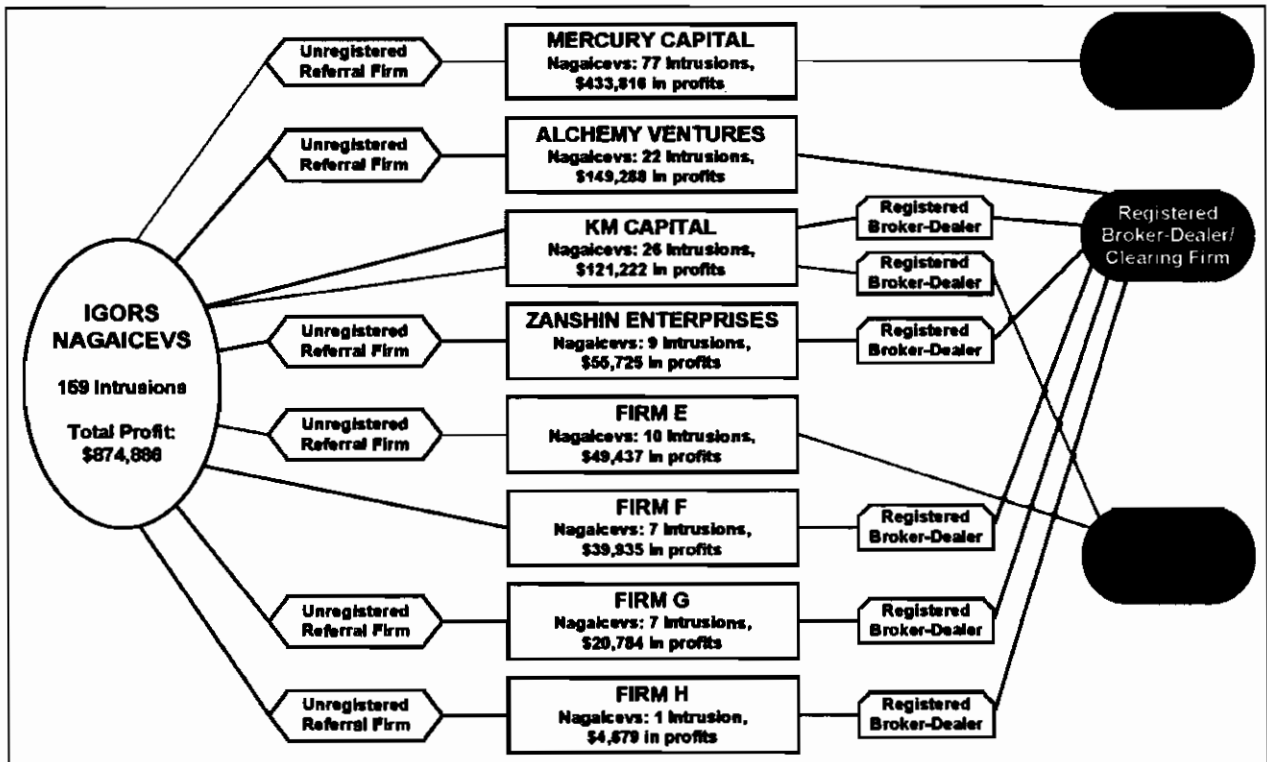
21 17. **Firm G** is a New York limited liability company that had its principal place of
22 business in New York, New York until it ceased operations in January 2010. During the relevant
23 period, Firm G provided trading access to individuals, including Nagaicevs, through an omnibus
24 account held in its name at a registered broker-dealer.

25 18. **Firm H** is a Delaware corporation that has its principal place of business in New
26 York, New York. During the relevant period, Firm H provided trading access to individuals,
27 including Nagaicevs, through an omnibus account held in its name at a registered broker-dealer.
28

FACTUAL ALLEGATIONS

A. The Market Access Provided To Nagaicevs

19. The following chart illustrates the relationships through which the unregistered trading firms received market access from registered broker-dealers and extended the market access to Nagaicevs.



20. From at least June to September 2009, Nagaicevs traded in the United States securities markets as an authorized trader through an omnibus account held in the name of Firm E. Although Nagaicevs was not identified in connection with Firm E on any trading records maintained by a registered broker-dealer or exchange, Firm E ultimately identified Nagaicevs as the trader responsible for all of Firm E's trading activity described in the Appendix to this Complaint. That trading involved ten intrusions into online customer accounts at broker-dealer firms for the purpose of placing unauthorized buy or sell orders and generated \$49,437 in illicit profits for Nagaicevs.

21. From at least July to August 2009, Nagaicevs traded in the United States securities markets as an authorized trader through an omnibus account held in the name of Firm

1 F. Although Nagaicevs was not identified in connection with Firm F on any trading records
2 maintained by a registered broker-dealer or exchange, Firm F ultimately identified Nagaicevs as
3 the trader responsible for all of Firm F's trading activity described in the Appendix to this
4 Complaint. That trading involved seven intrusions into online customer accounts at broker-
5 dealer firms for the purpose of placing unauthorized buy or sell orders and generated \$39,935 in
6 illicit profits for Nagaicevs.

7 22. From at least August to September 2009, Nagaicevs traded in the United States
8 securities markets as an authorized trader through an omnibus account held in the name of Firm

9 G. Although Nagaicevs was not identified in connection with Firm G on any trading records
10 maintained by a registered broker-dealer or exchange, Firm G ultimately identified Nagaicevs as
11 the trader responsible for all of Firm G's trading activity described in the Appendix to this
12 Complaint. That trading involved seven intrusions into online customer accounts at broker-
13 dealer firms for the purpose of placing unauthorized buy or sell orders and generated \$20,784 in
14 illicit profits for Nagaicevs.

15 23. From at least September to December 2009, Nagaicevs traded in the United States
16 securities markets as an authorized trader through an omnibus account held in Alchemy's name.

17 Although Nagaicevs was not identified in connection with Alchemy on any trading records
18 maintained by a registered broker-dealer or exchange, Alchemy ultimately identified Nagaicevs
19 as the trader responsible for all of Alchemy's trading activity described in the Appendix to this
20 Complaint. That trading involved twenty-two intrusions into online customer accounts at
21 broker-dealer firms for the purpose of placing unauthorized buy or sell orders and generated
22 \$149,288 in illicit profits for Nagaicevs.

23 24. From at least October to December 2009, Nagaicevs traded in the United States
24 securities markets as an authorized trader through an omnibus account held in Zanshin's name.

25 Although Nagaicevs was not identified in connection with Zanshin on any trading records
26 maintained by a registered broker-dealer or exchange, Zanshin ultimately identified Nagaicevs as
27 the trader responsible for all of Zanshin's trading activity described in the Appendix to this
28 Complaint. That trading involved nine intrusions into online customer accounts at broker-dealer

1 firms for the purpose of placing unauthorized buy or sell orders and generated \$55,725 in illicit
2 profits for Nagaicevs.

3 25. In at least December 2009, Nagaicevs traded in the United States securities
4 markets as an authorized trader through an omnibus account held in the name of Firm H.
5 Although Nagaicevs was not identified in connection with Firm H on any trading records
6 maintained by a registered broker-dealer or exchange, Firm H ultimately identified Nagaicevs as
7 the trader responsible for all of Firm H's trading activity described in the Appendix to this
8 Complaint. That trading involved one intrusion into an online customer account at a broker-
9 dealer firm for the purpose of placing unauthorized buy or sell orders and generated \$4,679 in
10 illicit profits for Nagaicevs.

11 26. From at least January to August 2010, Nagaicevs traded in the United States
12 securities markets as an authorized trader through an omnibus account held in KM's name.
13 Although Nagaicevs was not identified in connection with KM on any trading records
14 maintained by a registered broker-dealer or exchange, KM ultimately identified Nagaicevs as the
15 trader responsible for all of KM's trading activity described in the Appendix to this Complaint.
16 That trading involved twenty-six intrusions into online customer accounts at broker-dealer firms
17 for the purpose of placing unauthorized buy or sell orders and generated \$121,222 in illicit
18 profits for Nagaicevs.

19 27. From at least April to July 2010, Nagaicevs traded in the United States securities
20 markets as an authorized trader through an omnibus account held in Mercury's name. Although
21 Nagaicevs was not identified in connection with Mercury on any trading records maintained by a
22 registered broker-dealer or exchange, Mercury ultimately identified Nagaicevs as the trader
23 responsible for all of Mercury's trading activity described in the Appendix to this Complaint.
24 That trading involved seventy-seven intrusions into online customer accounts at broker-dealer
25 firms for the purpose of placing unauthorized buy or sell orders and generated \$433,816 in illicit
26 profits for Nagaicevs.

1 **B. The Account Intrusion And Market Manipulation Scheme**

2 28. As set forth in the Appendix, on 159 occasions between June 2009 and August
3 2010, Nagaicevs made profitable trades through an omnibus account of one of the unregistered
4 trading firms contemporaneous with unauthorized trading in the same securities in hijacked
5 online customer accounts at multiple U.S. broker-dealers.

6 29. Each incident followed essentially the same pattern. First, Nagaicevs established
7 a long or short position in a security through one of the unregistered trading firms. Then
8 Nagaicevs surreptitiously gained access to an online customer account and made large
9 unauthorized trades in the same security to manipulate the stock price in his favor, often using
10 cash held in the hijacked account or making other unauthorized sales in the account to generate
11 equity for his manipulative purchases. Finally, during or shortly after the manipulative trading in
12 the intruded account, Nagaicevs closed out his initial position through one of the unregistered
13 trading firms at the artificial market price to generate a profit.

14 30. The entire pattern was always completed within the same trading day, often in
15 only 15 to 20 minutes. As shown in the Appendix, Nagaicevs often was responsible for more
16 than 50% of the subject stock's daily trading volume as a result of the manipulative scheme.

17 31. Paragraphs 32 to 36 and the chart below provide one representative example of
18 the manner in which Nagaicevs executed his market manipulation scheme, in this instance
19 involving the stock of Greenbriar Companies, Inc., an NYSE-listed security with ticker symbol
20 "GBX." Over the course of 32 minutes on October 26, 2009, Nagaicevs generated more than
21 \$14,000 in illegal profits by twice taking a position in GBX, driving up the stock price by
22 purchasing shares through another account to which he had obtained unauthorized access, and
23 then liquidating his position at a profit.

24 32. The closing price of GBX on Friday, October 23, 2009 was \$9.94 on volume of
25 89,500 shares. On Monday, October 26, 2009, the opening price of GBX was \$9.94.

26 33. At 12:02 pm on October 26, Nagaicevs purchased 20,000 GBX shares through the
27 Alchemy account for an average price of \$10.05.

28

1 34. Between 12:04 and 12:08 pm, just minutes after Nagaicevs purchased GBX
 2 shares in the Alchemy account, an online brokerage account was illegally accessed and limit
 3 orders to purchase 49,000 GBX shares at prices escalating from \$10.20 to \$10.40 were placed
 4 without the knowledge of the account holder. All 49,000 GBX shares were purchased in the
 5 intruded account between 12:04 and 12:19 pm at prices escalating from \$9.96 to \$10.40.

6 35. Between 12:07 and 12:08 pm, at the same time that unauthorized purchases were
 7 being executed in the intruded account, Nagaicevs sold all 20,000 GBX shares in the Alchemy
 8 account at prices ranging from \$10.40 to \$10.49 per share, generating a profit of \$7,066.

9 36. At 12:21 pm, Nagaicevs liquidated the GBX holdings in the intruded account,
 10 driving GBX's stock price back down to \$10.05. Between 12:29 and 12:34 pm, Nagaicevs
 11 continued the manipulation by purchasing 22,800 GBX shares at an average price of \$10.05
 12 through the Zanshin account, then making unauthorized purchases of GBX in the intruded
 13 account to raise the stock price to \$10.39, and then selling the 22,800 GBX shares in the Zanshin
 14 account at the artificially elevated price for an additional profit of \$7,076.

Account	Buy/Sell	Order Times	Order Quantity	Order Prices	Execution Times	Execution Quantity	Execution Prices	Amount	Profit/Loss
Nagaicevs -Alchemy	B	12:02 pm	20,000	\$10.16	12:02 pm	20,000	\$9.87 - \$10.16	\$(201,083)	
Victim	B	12:04 pm - 12:08 pm	49,000	\$10.20 - \$10.40	12:04 pm - 12:19 pm	49,000	\$9.96 - \$10.40		
Nagaicevs -Alchemy	S	12:07 pm	20,000	\$10.40	12:07 pm - 12:08 pm	20,000	\$10.40 - \$10.49	\$208,149	\$7,066
Nagaicevs -Zanshin	B	12:29 pm	22,800	\$10.05 - \$10.07	12:29 pm	22,800	\$10.05 - \$10.07	\$(229,250)	
Victim	B	12:32 pm - 12:34 pm	42,000	\$10.40	12:32 pm - 12:34 pm	35,300	\$10.04 - \$10.39		
Nagaicevs - Zanshin	S	12:34 pm	22,800	\$10.33 - \$10.40	12:34 pm	22,800	\$10.33 - \$10.40	\$236,326	\$7,076

21 37. The fraudulent scheme described above was repeated by Nagaicevs on 159
 22 occasions over a 14-month period, artificially affecting the market prices of 104 different NYSE
 23 and Nasdaq securities. Nagaicevs generated total ill-gotten gains in excess of \$850,000 from the
 24 scheme through the omnibus accounts held in the names of the unregistered trading firms.
 25 Nagaicevs's manipulative trading in the hijacked accounts also caused losses in excess of \$2
 26 million which were reimbursed by the broker-dealer firms that carried the victimized customer
 27 accounts. It also caused losses for other investors who submitted orders during the intrusions at
 28 artificial market prices.

1 **FIRST CLAIM FOR RELIEF**

2 **Violation of Section 17(a) of the Securities Act**

3 38. The Commission realleges and incorporates by reference paragraphs 1 to 37.

4 39. Nagaicevs has, by engaging in the conduct set forth above, directly or indirectly,
5 in the offer or sale of securities, by the use of means or instruments of transportation or
6 communication in interstate commerce, or of the mails:

7 (a) with scienter, employed devices, schemes, or artifices to defraud;

8 (b) obtained money or property by means of untrue statements of material fact
9 or by omitting to state material facts necessary in order to make statements made,
10 in the light of the circumstances under which they were made, not misleading; and

11 (c) engaged in transactions, practices, or courses of business which operated
12 or would operate as a fraud or deceit upon the purchasers of such securities.

13 40. By reason of the foregoing, Nagaicevs has directly or indirectly violated Section
14 17(a) of the Securities Act [15 U.S.C. § 77q(a)] and unless enjoined will continue to violate
15 Section 17(a) of the Securities Act.

16 **SECOND CLAIM FOR RELIEF**

17 **Violation of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder**

18 41. The Commission realleges and incorporates by reference paragraphs 1 to 40.

19 42. By engaging in the conduct described above, Nagaicevs, directly or indirectly, in
20 connection with the purchase or sale of securities, by the use of means or instrumentalities of
21 interstate commerce or of the mails, with scienter:

22 (a) employed devices, schemes, or artifices to defraud;

23 (b) made untrue statements of material facts or omitted to state material facts
24 necessary in order to make the statements made, in the light of the circumstances
25 under which they were made, not misleading; and

26 (c) engaged in acts, practices, or courses of business which operated or would
27 operate as a fraud or deceit upon other persons, including purchasers and sellers
28 of securities.

1 43. By reason of the foregoing, Nagaicevs has violated and, unless restrained and
2 enjoined, will continue to violate Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and
3 Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

4 **RELIEF REQUESTED**

5 WHEREFORE, the Commission respectfully requests that the Court:

6 I.

7 Permanently enjoin Defendant Nagaicevs from directly or indirectly violating Section
8 17(a) of the Securities Act [15 U.S.C. § 77q(a)], Section 10(b) of the Exchange Act [15 U.S.C. §
9 78j(b)], and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

10 II.

11 Order Defendant Nagaicevs to disgorge his ill-gotten gains according to proof, plus
12 prejudgment interest thereon.

13 III.

14 Order Defendant Nagaicevs to pay a civil penalty pursuant to Section 20(d) of the
15 Securities Act [15 U.S.C. § 77t(d)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)].

16 IV.

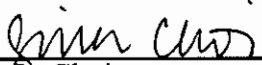
17 Retain jurisdiction of this action in accordance with the principles of equity and the
18 Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and
19 decrees that may be entered, or to entertain any suitable application or motion for additional
20 relief within the jurisdiction of this Court.

21 V.

22 Grant such other and further relief as this Court may determine to be just, equitable, and
23 necessary.

24 Dated: January 16, 2012

Respectfully submitted,

25
26 
27 Jina D. Choi

28 Attorney for Plaintiff
SECURITIES AND EXCHANGE COMMISSION