

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION**

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

AMRIT J. S. CHAHAL,

Defendant.

Case No. _____

Jury Trial Demanded

COMPLAINT

Plaintiff Securities and Exchange Commission (the “Commission”) alleges as follows:

SUMMARY

1. This matter involves a fraudulent investment scheme orchestrated by Amrit J. S. Chahal (“Chahal”) through his unregistered, Fairfax, Virginia-based company, Kane Capital Investment Group, LLC (“Kane Capital”).

2. From at least February 2015 through February 2018, Chahal fraudulently solicited approximately \$1.4 million from about 50 individuals by falsely claiming to be an experienced and successful trader who could generate above-market returns for clients through a low-risk trading strategy. In reality, Chahal had substantially no experience working in the financial or securities industry or trading securities on behalf of clients.

3. Chahal initially invested client funds in a variety of investments, and suffered significant trading losses. Instead of disclosing the losses to his clients, however, Chahal lied about their investment returns. Chahal created and sent clients false and fictitious account

statements exhibiting inflated returns, which prompted some clients to invest even more money in his fraudulent investment scheme.

4. Additionally, Chahal used money that he should have been investing on behalf of his clients for his own personal benefit, including to pay for his luxury car, rent, travel, dining, and other living expenses. Chahal also used new investment money to make payments to prior clients in the nature of a Ponzi scheme.

5. As a result of the conduct described in this complaint, Chahal violated Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder, Section 17(a) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. § 77q(a)], and Sections 206(1) and 206(2) of the Investment Advisers Act of 1940 (“Advisers Act”) [15 U.S.C. §§ 80b-6(1), 80b-6(2)].

JURISDICTION AND VENUE

6. The Commission brings this action pursuant to Sections 21(d) and 21(e) of the Exchange Act [15 U.S.C. §§ 78u(d) and 78u(e)], Sections 20(b) and 20(d) of the Securities Act [15 U.S.C. §§ 77t(b) and 77t(d)], and Sections 209(d) and 209(e) of the Advisers Act [15 U.S.C. §§ 80b-9(d) and 80b-9(e)] to enjoin such acts, transactions, practices, and courses of business and to obtain disgorgement, prejudgment interest, civil money penalties, and such other and further relief as the Court may deem just and appropriate.

7. The Court has jurisdiction over this action pursuant to Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78aa], Sections 20(b), 20(d), and 22(a) of the Securities Act [15 U.S.C. §§ 77t(b), 77t(d), and 77v(a)], and Sections 209(d), 209(e), and 214 of the Advisers Act [15 U.S.C. §§ 80b-9(d), 80b-9(e), and 80b-14].

8. Venue in this district is proper pursuant to Section 27 of the Exchange Act [15 U.S.C. § 78aa], Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)], and Section 214 of the Advisers Act [15 U.S.C. § 80b-14]. Among other things, certain of the acts, practices, and courses of business constituting the violations of the federal securities laws alleged herein occurred within the Eastern District of Virginia.

DEFENDANT

9. **Amrit J. S. Chahal**, age 30, resides in Fairfax, Virginia. Chahal is the President, Chief Executive Officer, and sole employee of Kane Capital. Chahal has never held any securities licenses, nor has he ever been associated with a registered broker-dealer or investment adviser other than Kane Capital.

RELATED ENTITY

10. **Kane Capital Investment Group, LLC** is a Virginia limited liability company formed by Chahal in December 2014 located in Fairfax, Virginia. Kane Capital has never been registered with the Commission or any state securities regulatory authority in any capacity.

FACTS

The Fraudulent Investment Scheme

11. In December 2014, Chahal formed Kane Capital with substantially no experience working in the financial or securities industry or trading securities on behalf of clients.

12. By February 2015, Chahal began asking friends and family members to give him money to trade in, among other things, securities on their behalf.

13. In exchange for his investment advisory services, Chahal said that he would charge two fees: (1) an annual fee of 2.5%; and (2) a performance-based fee equal to 10% of an investor's returns that exceeded an annual return of 30 percent.

14. Chahal's clients provided him with money for the purpose of purchasing and selling options, futures, and commodities, thereby putting such investments at risk.

15. Chahal pooled client funds in multiple brokerage accounts, and used such funds to trade in options, futures, and commodities as well as, as described below, to fund his personal lifestyle and to make Ponzi-like payments to other investors. Chahal's profits also were derived from his clients' investment returns.

16. Clients of Kane Capital expected profits through Chahal's investment efforts on their behalf.

17. In seeking investments, Chahal told prospective clients that Kane Capital would open brokerage accounts in their name, and trade in a mix of options, futures, and/or commodities as part of a low-risk, high-frequency trading strategy. Chahal, however, rarely opened separate brokerage accounts on behalf of each of his clients as promised. Instead, he commingled client funds in multiple brokerage accounts held in his own name or in the name of Kane Capital.

18. Chahal also directed prospective clients to Kane Capital's website, which included multiple statements about Kane Capital's investment strategy. Through Kane Capital's website, Chahal falsely claimed, among other things, that the company "uses the latest software to achieve the highest possible profit from each investment, often times within nano seconds," and "specializes in selecting low-risk/high-yield investment opportunities."

19. In reality, Chahal personally traded risky options on margin and purchased and sold futures and commodities, as opposed to purchasing and selling low-risk/high-yield investments with the aid of high-frequency trading software.

20. Chahal also guaranteed prospective investors the return of their principle, and claimed that “each of [Kane Capital’s] investments are carefully reviewed by industry experts.” No industry experts ever approved Kane Capital’s investments.

21. Based upon these misrepresentations and those described below, friends, family members, and others gave Chahal their money to invest in the fraudulent scheme. Chahal and Kane Capital ultimately lost a significant portion of their clients’ investment funds.

Chahal Misrepresented Kane Capital’s Investment Returns

22. Chahal touted both his personal trading successes and Kane Capital’s historical trading performance to Kane Capital clients and prospective clients.

23. Chahal represented to one of his investors that Kane Capital averaged “between like 28 percent to 30, 34 percent return per year.” Chahal further stated that Kane Capital managed over \$5 million of investor funds. Both of these statements were false.

24. By the end of 2015, Chahal had raised at least \$430,000 from investors. Of that amount, Chahal transferred approximately \$207,000 into a brokerage account in the name of Kane Capital, traded those investment funds, and suffered trading losses of approximately \$178,000, or 86% of his clients’ investments. Rather than ceasing his investment scheme, Chahal continued to raise about \$1 million more in investments.

25. In order to do so, instead of disclosing these losses, Chahal repeatedly misrepresented Kane Capital’s returns to solicit new funds from prospective clients and to lull current clients, many of whom invested additional funds.

26. Through Kane Capital’s website, Chahal granted clients access to a secure portal through which they could obtain information about their accounts. Chahal falsified the account balances and quarterly statements that clients were able to access through the portal.

27. In one of the few instances in which he opened a brokerage account in the name of a client, for example, Chahal fabricated the brokerage statement for that account to reflect a balance of \$206,043.63 when, in reality, the account held only \$1,043.63.

28. To deceive some of his other clients, Chahal created a fraudulent brokerage statement for a nonexistent account showing a balance of \$71,077.63.

**Chahal Misappropriated Client Funds and
Made Ponzi-like Payments to Other Investors**

29. Chahal also used a significant portion of new client funds for his personal benefit, and to pay earlier investors in the nature of a Ponzi scheme.

30. Chahal used client funds to pay for, among other things, his luxury car, rent, travel, dining, and other living expenses.

31. In the days following a deposit of investor funds into Kane Capital's checking account, Chahal routinely made payments to earlier investors.

32. For example, on November 15, 2016, Chahal deposited \$35,000 of client investments into Kane Capital's primary bank account, which, at the time, held approximately \$1,700. Over the next few days, Chahal issued checks totaling \$20,000 to two investors referencing "partial withdraw" and "account closure."

CHAHAL VIOLATED THE FEDERAL SECURITIES LAWS

33. During the relevant period, Chahal owned, operated, and controlled Kane Capital.

34. Chahal made purchases, offers, and sales of securities on behalf of clients of Kane Capital.

35. Chahal exercised control over what purchases and sales were made with client funds, and acted as an investment adviser.

36. In connection with his purchases, offers, and sales, Chahal made use of the means and instruments of transportation or communication in interstate commerce or of the mails, including the use of the internet and interstate phone calls.

37. All of the misrepresentations and omissions set forth herein, individually and in the aggregate, are material, and were made in connection with and in the purchase, offer, or sale of securities. There is a substantial likelihood that a reasonable investor would consider the misrepresented facts and omitted information—including, among other items, misrepresentations and omissions concerning Chahal’s trading experience, clients’ investment returns, and the misappropriation of and Ponzi-like payments with investor funds—important in deciding whether or not to invest with Chahal and Kane Capital, and that the accurate facts would alter the “total mix” of information available.

38. In connection with the conduct described herein, Chahal acted knowingly, recklessly, or negligently. Among other things, Chahal knew, was reckless, or should have known that he was making material misrepresentations and omitting to state material facts necessary to make certain statements not misleading under the circumstances in connection with and in the purchase, offer, or sale of securities.

39. Through his material misrepresentations and omissions, Chahal obtained money or property.

40. Through this scheme, Chahal engaged in acts, transactions or courses of business that operated as a fraud or deceit upon offerees, purchasers and prospective purchasers of securities.

FIRST CLAIM FOR RELIEF
Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder

41. The Commission realleges and incorporates by reference each and every allegation in paragraphs 1 through 40, inclusive, as if they were fully set forth herein.

42. By engaging in the conduct described above, defendant Amrit J. S. Chahal knowingly or recklessly, in connection with the purchase or sale of securities, directly or indirectly, by use of the means or instrumentalities of interstate commerce, or the mails, or the facilities of a national securities exchange:

- (a) employed devices, schemes, or artifices to defraud;
- (b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and
- (c) engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon any person in connection with the purchase or sale of any security.

43. By engaging in the foregoing conduct, defendant Amrit J. S. Chahal 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
Violations of Section 17(a) of the Securities Act

44. The Commission realleges and incorporates by reference each and every allegation in paragraphs 1 through 40, inclusive, as if they were fully set forth herein.

45. By engaging in the conduct described above, defendant Amrit J. S. Chahal, in the offer or sale of securities, by the use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly:

- (a) knowingly or recklessly employed devices, schemes, or artifices to defraud;
- (b) knowingly, recklessly, or negligently obtained money or property by means of untrue statements of material facts, or omissions to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and
- (c) knowingly, recklessly, or negligently engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon the purchaser.

46. By engaging in the foregoing conduct, defendant Amrit J. S. Chahal violated and, unless restrained and enjoined, will continue to violate Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

THIRD CLAIM FOR RELIEF
Violations of Sections 206(1) and 206(2) of the Advisers Act

47. The Commission realleges and incorporates by reference each and every allegation in paragraphs 1 through 40, inclusive, as if they were fully set forth herein.

48. By engaging in the conduct described above, defendant Amrit J. S. Chahal, directly or indirectly, by use of the mails or the means or instrumentalities of interstate commerce while acting as an investment adviser:

- (a) knowingly or recklessly employed devices, schemes, or artifices to defraud advisory clients or prospective advisory clients; and

(b) knowingly, recklessly, or negligently engaged in transactions, practices, or courses of business which operated as a fraud or deceit upon clients or prospective clients.

49. By engaging in the foregoing conduct, defendant Amrit J. S. Chahal violated and, unless restrained and enjoined, will continue to violate Sections 206(1) and 206(2) of the Advisers Act [15 U.S.C. §§ 80b-6(1), 80b-6(2)].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court enter a final judgment:

I.

Permanently restraining and enjoining defendant Amrit J. S. Chahal from, directly or indirectly, violating 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;

II.

Permanently restraining and enjoining defendant Amrit J. S. Chahal from, directly or indirectly, violating Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)];

III.

Permanently restraining and enjoining defendant Amrit J. S. Chahal from, directly or indirectly, violating Sections 206(1) and 206(2) of the Advisers Act [15 U.S.C. §§ 80b-6(1), 80b-6(2)];

IV.

Ordering defendant Amrit J. S. Chahal to disgorge any and all ill-gotten gains, together with prejudgment interest thereon, derived from the activities set forth in this Complaint;

V.

Ordering defendant Amrit J. S. Chahal to pay civil penalties pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)], Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)], and/or Section 209(e) of the Advisers Act [15 U.S.C. § 80b-9(e)]; and

VI.

Granting such other and further relief as this Court may deem just, equitable, and appropriate.

Dated: April 12, 2018

Respectfully submitted,

s/ Sarah Hall
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(Pro hac vice to be filed)