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

20 SECURITIES AND EXCHANGE
21 COMMISSION,

22 Plaintiff,

23 vs.

24 KAI CHRISTIAN PETERSEN; GIL
25 BESERGLIK; and RAZ BESERGLIK,

26 Defendants,

27 SHRAGA HOLDINGS, LTD. and
28 LEMBEX GLOBAL INVESTMENTS,
LTD.,

Relief Defendants

19-cv-08334
Case No.

**COMPLAINT FOR INJUNCTION
RELIEF AND OTHER REMEDIES**

JURY TRIAL REQUESTED

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

SUMMARY OF THE ACTION

1. This case involves the fraudulent and illegal offering and sale of more than \$100 million of securities called “binary options” from at least October 2014 through August 2017 (the “Relevant Period”).

1 2. Kai Christian Petersen, Gil Beserglik and Raz Beserglik (collectively,
2 the “Defendants”) fraudulently offered and sold unregistered binary options through
3 their operation and control of three Internet-based brokers acting under the names: (a)
4 Bloombex Options (www.bloombex-options.com); (b) Morton Finance
5 (www.mortonfinance.com); and (c) Starling Capital (www.starlingcapital.com)
6 (collectively, the “Bloombex Brokers”). The Bloombex Brokers functioned through
7 a combination of websites and marketing which mislead investors to invest in binary
8 options, overseas call centers which applied boiler room tactics to manipulate
9 investors into depositing substantial sums of money toward the purchase of binary
10 options, and international companies which collected investor funds into overseas
11 bank accounts and misappropriated investor funds. Neither the websites, the brokers,
12 the call centers, nor the companies ever registered with the SEC as a broker or dealer
13 or were ever associated with a SEC-registered broker or dealer.

14 3. The Defendants, through their various operations, used a series of
15 deceptive devices and false and misleading statements in offering and selling binary
16 options securities. The Bloombex Brokers operated professionally-designed
17 websites, complete with convincing trading platforms, to create the false impression
18 that investors were entrusting their money to legitimate financial firms. The websites
19 falsely stated that professional brokers and financial experts would enable investors
20 to earn large profits by trading in binary options. After investors opened an account,
21 the call centers then made materially false statements and engaged in other deceptive
22 acts to complete the ruse. Call centers employees, for example, falsely held
23 themselves out as experienced brokers and advisors who would help investors to
24 trade profitably. They told investors that their clients typically made large sums by
25 trading binary options, and told investors that they could withdraw their money (and
26 profits) at any time. The call centers then encouraged investors to make large
27 deposits, oftentimes from credit cards and retirement and savings accounts. They
28 also falsely told investors that they only made money when investors made money.

1 4. Unbeknownst to investors, Defendants only earned money if investors
2 made large deposits and then *lost* their trades. Defendants thus had but one goal in
3 mind for investors who opened accounts at their broker firms: to convince those
4 investors to continue depositing more and more cash into their accounts and cause
5 them to lose their money by trading binary options. The Bloombex Brokers in fact
6 typically refused to permit investors to withdraw their money. Despite the assurances
7 on the websites and the promises made by the call centers, investors depositing
8 money for trading typically lost all of their money. And Defendants, the Bloombex
9 Brokers, and the call center employees all knew this would be the result.

10 5. Defendants also misappropriated millions of dollars of investor deposits
11 by, among other things, sending investor money to Shraga Holdings, Ltd. and
12 Lembex Global Investments, Ltd. (collectively the “Relief Defendants”), entities
13 owned and controlled by Gil Beserglik. Gil Beserglik sent millions of these dollars to
14 his son, Raz Beserglik. Defendants sent millions of dollars of investor money to
15 companies owned and controlled by Defendant Petersen as well.

16 6. As a result of this conduct, Defendants were able to procure millions of
17 dollars in investor deposits by fraud. Defendants’ entities solicited tens of thousands
18 of investors in the United States, in particular; and thousands of investors in the
19 United States opened binary options trading accounts and deposited millions into
20 accounts controlled by Defendants. Many U.S. investors lost hundreds of thousands
21 of dollars, and many lost their entire retirement and life’s savings.

22 7. As a result of this conduct, Defendants violated the antifraud provisions
23 of Sections 17(a) of the Securities Act of 1933 (“Securities Act”) and Section 10(b)
24 of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 77q(a) and 15
25 U.S.C. §§ 78j(b)], and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]. Defendants
26 are liable directly for these violations and as control persons under Section 20(a) of
27 the Exchange Act [15 U.S.C. § 78t(a)]. Defendants’ offerings of binary options also
28 violated the registration provisions of Sections 5(a) and 5(c) of the Securities Act [15

1 U.S.C. §§ 77e(a) and 77e(c)]. Defendants are also liable under Section 20(e) of the
2 Exchange Act [15 U.S.C. § 78t(e)] for aiding and abetting violations of Section 10(b)
3 of the Exchange Act (and Rule 10b-5) and Section 17(a) of the Securities Act.

4 8. To deter additional fraudulent activity, and recover fraudulently obtained
5 funds, the SEC seeks civil monetary penalties as well as remedial ancillary relief,
6 including Defendants' disgorgement of ill-gotten gains, prejudgment interest on ill-
7 gotten gains, a civil injunctive order against further violations of the federal securities
8 laws, and other appropriate relief. Unless restrained and enjoined by this Court,
9 Defendants are likely to continue to engage in the acts and practices alleged herein.

10 **JURISDICTION AND VENUE**

11 9. The SEC brings this action pursuant to Sections 20(b), 20(d)(1) and
12 22(a) of the Securities Act [15 U.S.C. §§ 77t(b), 77t(d)(1) & 77v(a)] and Sections
13 21(d)(1), 21(d)(3)(A), 21(e) and 27(a) of the Exchange Act [15 U.S.C. §§ 78u(d)(1),
14 78u(d)(3)(A), 78u(e) & 78aa(a)]. Defendants, directly or indirectly, have made use of
15 the means or instrumentalities of interstate commerce, of the mails, or of the facilities
16 of a national securities exchange in connection with the transactions, acts, practices
17 and courses of business alleged in this Complaint, including by making use of the
18 Internet to offer securities and sending or receiving interstate email and participating
19 in interstate voice or video calls. This Court has subject matter jurisdiction under
20 Section 22 of the Securities Act [15 U.S.C. § 77v], Sections 21(d) and 27 of the
21 Exchange Act [15 U.S.C. §§ 78u(d) and 78aa], and 28 U.S.C. § 1331.

22 10. Venue is proper in this district under Section 22(a) of the Securities Act
23 [15 U.S.C. § 77v(a)] and Section 27(a) of the Exchange Act [15 U.S.C. § 78aa(a)]
24 because certain of the transactions, acts, practices and courses of conduct constituting
25 violations of the federal securities laws occurred within this district. Venue is also
26 proper in this district under 28 U.S.C. § 1391(c)(3), as each of the defendants resides
27 outside of the United States and therefore venue is proper in any district court.
28

1 **DEFENDANTS**

2 11. **Kai Christian Petersen**, age 52, resides in Germany. Along with Raz
3 and Gil Beserglik, Petersen owned and operated the Bloombex Brokers. Petersen
4 also directly or indirectly owned and operated the three telephone call centers that
5 solicited investors to open binary options trading accounts.

6 12. **Raz Beserglik**, age 33, is a citizen of Israel. Along with Petersen and
7 Gil Beserglik, Raz Beserglik owned and operated the Bloombex Brokers. He also
8 was the Chief Executive Officer of the Bloombex Brokers' main call center in Israel.

9 13. Defendant **Gil Beserglik**, age 63, is a citizen of Israel who resides in
10 Germany. Along with Petersen and Raz Beserglik, Gil Beserglik owned and operated
11 the Bloombex Brokers. Gil Beserglik is Raz Beserglik's father.

12 **RELIEF DEFENDANTS**

13 14. **Shraga Holdings, Ltd. ("Shraga")** is a company domiciled in the
14 British Virgin Islands and beneficially owned by Gil Beserglik.

15 15. **Lembex Global Investments, Ltd. ("Lembex")** is a company domiciled
16 in the British Virgin Islands and beneficially owned by Gil Beserglik.

17 **FACTS**

18 **I. BINARY OPTIONS GENERALLY**

19 16. Binary options are financial instruments with a value tied to the price of
20 other financial assets, including securities or securities indices. An investor chooses
21 whether the underlying asset's price will be above or below a certain price at a
22 particular time (*e.g.*, will Apple stock be above \$100 per share at 1 p.m. on a
23 particular day). The options are considered "binary" because they carry only two
24 possibilities: the investor whose prediction is correct makes money (typically
25 receiving back 170 to 180 percent of the amount invested); the investor whose
26 prediction is incorrect loses all or nearly all the investment.

27 17. Given this all-or-nothing payout structure, binary option contracts are
28 also sometimes referred to as "all-or-nothing options" or "fixed-return options."

1 Unlike other types of options, a binary option does not give the holder the right to
2 purchase or sell the underlying asset —instead, it is “cash settled.”

3 18. Binary options referencing a security or securities within the meaning of
4 Section 2(a)(1) of the Exchange Act [15 U.S.C. § 77b(a)(1)] and Section 3(a)(10) of
5 the Exchange Act [15 U.S.C. § 78c(a)(10)] are themselves “securities” within the
6 meaning of those provisions.

7 19. Binary option brokers like those operated by the Defendants derive their
8 revenue and profit from being the counterparty to losing customer trades and
9 retaining the customers’ losses. In other words, binary option brokers have a keen
10 interest in having their customers make large deposits and then to lose that money
11 trading binary options. Given the payout structure outlined above (e.g., 70 percent
12 return if correct and 100 percent loss if incorrect) and assuming a 50 percent win rate,
13 investors trading over a long enough period of time will lose all of their investment.

14 20. To survive long-term, binary option brokers like those owned and
15 operated by Defendants require three things: (i) that customers make deposits and
16 actively trade; (ii) that the trading is unsuccessful (i.e., customers lose money to the
17 broker); and (iii) a constant stream of new deposits from existing and new investors.

18 **II. DEFENDANTS’ BINARY OPTION SCHEME**

19 21. During the Relevant Period, Defendants owned and operated three
20 binary options brokers—(a) Bloombex Options, (b) Starling Capital, and (c) Morton
21 Finance—that offered and sold security-based binary options over the internet to
22 customers in the United States and around the world.

23 22. The Bloombex Brokers offered and sold binary options referencing
24 securities, including those of Amazon, Google, Nike, Coca Cola, Citi Group, Apple,
25 IBM, Microsoft and numerous other domestic and international companies. They
26 also offered and sold binary options referencing domestic and international securities
27 indices, including the Nasdaq Composite and Dow Jones Industrial Average.
28

1 23. The Bloombex Brokers operated from the following Internet domains,
2 which were accessible from the United States during the Relevant Period:

- 3 a) Bloombex Options (www.bloombex-options.com);
- 4 b) Morton Finance (www.mortonfinance.com); and
- 5 c) Starling Capital (www.starlingcapital.com).

6 24. The Bloombex Brokers functioned through a web of international
7 corporations controlled by the Defendants. The Bloombex Brokers' day-to-day
8 activities took place through three telephone call centers owned directly or indirectly
9 by Petersen: (a) TS Trading Services, GmbH (a German corporation); (b) MI6,
10 GmbH (a German corporation); and (c) Five Stones Monopoly Marketing, Ltd.
11 ("Five Stones" and an Israeli corporation) (collectively the "Call Centers"). Petersen
12 managed the two German call centers, and Raz Beserglik managed the Israeli call
13 center, the largest of the three. The Call Centers solicited investors to open and fund
14 binary options trading accounts, and encouraged investors to use those funds to trade
15 binary options, including binary options referencing securities.

16 25. Corporations owned and controlled by Gil Beserglik, through nominees,
17 opened bank accounts to receive and hold investor deposits, to make payments
18 associated with running the scam, and to transfer profits derived from the scheme to
19 Defendants. These corporations—which are identified as the operators of the
20 Bloombex Brokers' on iterations of the brokers' websites—also technically acted as
21 the counterparty to investors' binary option trades. In other words, these companies
22 profited when investors lost money, owed investors' money when the investors
23 placed winning trades, and were responsible for paying investors the amounts
24 reflected in the account balances shown on the Bloombex Brokers' websites.

25 26. The Bloombex Brokers, and Raz Beserglik in particular, found many
26 investors through affiliate marketers that they knew used false and misleading
27 advertising materials—including spam emails, infomercial-like videos, and
28 websites—to lure investors to the brokers' websites. The Bloombex Brokers paid the

1 affiliate marketers a commission for every customer who opened and funded a binary
2 options trading account after viewing the affiliate marketer's fraudulent
3 advertising. Once the affiliate marketers fraudulently drew investors to the
4 Bloombex Brokers' websites, the Bloombex Brokers used additional deceptive and
5 misleading tactics to obtain as much of the investors' money as possible.

6 **A. Deceptive Websites**

7 27. Opening and trading in an account at the Bloombex Brokers occurred
8 through their websites. The trading engine embedded on the websites created the
9 appearance of actual market-oriented options trading that looked similar to what an
10 investor would see on a legitimate broker's website. The trading engine allowed
11 investors to place "trades," see "live" market quotations, make deposits, and track
12 their trades and balances. The trading engine referred to binary options positions as
13 "assets" or "investments" and, in the case of securities-based options, showed the
14 corporate logos of the companies the positions referenced.

15 28. But investors were not purchasing real financial assets from any real
16 market and were not trading with other investors. Instead, investors were actually
17 trading against the Bloombex Brokers, who profited when the investors lost their
18 trades. The so-called trades and investments reflected on the investors on-line
19 account statements were simply book entries reflecting positions facing the
20 Bloombex Brokers. Bloombex Brokers offered, recommended, and sold binary
21 options to investors without disclosing that the brokers profited when investors lost
22 money trading the binary options they offered, recommended, and sold.

23 29. Additionally, information on certain pages within the websites that
24 showed an investor his or her account balances falsely stated that investor funds were
25 held in segregated accounts. The Bloombex-Options website further stated:

26 "Client's funds are held in a segregated account. Funds are used only for
27 trading options through our website upon client's instructions and are never
28 used for any other cause. Our liabilities and exposures are professionally
handled and we guarantee payouts of your profits based on our terms"

1 In reality, investors' deposits were comingled and used to pay the Bloombex Brokers'
2 expenses, and Bloombex Brokers seldom allowed "payouts."

3 30. The investors' purported account balances did not reflect segregated
4 accounts that could be withdrawn. Instead, and unbeknownst to investors, these
5 balances reflected underfunded financial obligations of the Bloombex Brokers. The
6 Bloombex Brokers did not have the funds necessary to cover the liabilities they owed
7 to investors because, contrary to the disclosure above, the Bloombex Brokers used
8 investor money to cover their expenses. These expenses included referral fees paid to
9 affiliate marketers, fees to the Bloombex Brokers platform providers, commissions
10 for Call Center employees, website hosting and maintenance, and credit card
11 processing fees. The undisclosed disparity between the liabilities the Bloombex
12 Brokers owed to investors and their actual bank account balances revealed that the
13 Bloombex Brokers were unable to return funds to all of their customers.

14 31. The Bloombex Brokers' websites also falsely stated that trading binary
15 options would be profitable, that the Bloombex Brokers were there to help, and that
16 they wanted investors to succeed in making money. For example, at various times
17 the websites made the following misrepresentations:

18 Bloombex Options offers access to one of the world's most profitable
19 trading solutions, accompanied by a dedicated team of financial experts
20 ready to assist you at every step on your way to success.

21 * * *

22 Trading at Starling Capital is as simple as it can be, thanks to one of the
23 most intuitive platforms on the market and a team of Account Managers
24 eager and available to guide you through the best strategies and the most
25 profitable techniques to get your share of the Financial Markets.

26 * * *

27 Over the years Morton Finance has enriched the life of thousands of
28 investors, empowering them to achieve their financial goals. We don't
just serve customers – we create power traders. Interested?

1 32. These statements were false and misleading because investors depositing
2 funds with the Bloombex Brokers generally lost their money, the call center
3 employees generally had no financial training or background, and the Bloombex
4 Brokers actually wanted investors to lose their binary options trades.

5 **B. Fraudulent Call Center Operations**

6 33. Shortly after registering their binary options trading accounts on one of
7 the Bloombex Brokers' websites, customers typically heard from the Call Centers,
8 which operated as boiler rooms where sales persons used high-pressure sales tactics
9 to offer and sell speculative and fraudulent binary options securities to investors. Call
10 Center employees were incentivized to fraudulently induce investors to deposit
11 additional funds to trade binary options and to prevent withdrawals because their
12 commissions were based on the amount of net deposits they obtained from investors.

13 34. The Call Centers—which at their height collectively employed as many
14 as 200 people—and their employees were tasked with convincing investors to deposit
15 as much money as possible into their trading accounts, getting investors to trade, and
16 eventually helping investors lose those funds. Employees received training on how to
17 deceive investors from written scripts riddled with false and misleading statements,
18 verbal instructions, and examples of recorded calls with in which salespersons made
19 false and misleading statements to persuade investors to open trading accounts.
20 These materials were intended to help salespersons build rapport with clients, learn
21 about the size and location of their assets, and convince them to move those assets—
22 including retirement accounts—into their accounts with the Bloombex Brokers.

23 35. Call Center managers who reported to Petersen or Raz Beserglik closely
24 monitored the salesforce's efforts. Some managers wore headsets to monitor calls
25 and advised salespersons in real-time how to overcome investors' resistance to
26 depositing money. In some cases the managers instructed salespersons to hang up
27 when an investor was being difficult. Managers held meetings before shifts to
28 discuss recent tactics that successfully resulted in new deposits. The managers also

1 set and monitored weekly deposit targets and required some salespersons to stay at
2 work until meeting those targets.

3 36. Investors typically deposited money into their Bloombex Brokers
4 accounts by credit card and bank wire. Credit card payments were forwarded to bank
5 accounts held by companies created by Gil Beserglik named Bloombex, Ltd.
6 (incorporated in Dominica, “Bloombex Dominica”) and Chromex Capital, Ltd.
7 (“Chromex”). The Call Centers typically instructed investors to send bank wires to
8 the Bloombex Dominica and Chromex accounts. Typically, the Bloombex Dominica
9 account received deposits for Bloombex Options and the Chromex account received
10 deposits for Starling Capital and Morton Finance.

11 **i. The Conversion Desk**

12 37. The first calls to investors typically came from the Call Centers’
13 “conversion desk” (“Conversion”), the group of employees responsible for
14 convincing new customers to make an initial deposit. Conversion employees
15 routinely initiated up to 200 calls per day, reaching 30-60 customers, and generally
16 resulting in three to eight funded accounts daily.

17 38. From the outset, these sales calls were replete with false and misleading
18 statements. As directed or endorsed by Petersen and Raz Beserglik, the salesforce
19 used aliases instead of their real names. Indeed, many employees in the Call Centers
20 did not even know the real names of their coworkers.

21 39. Call Center employees were also directed to fabricate their titles,
22 choosing ones normally associated with legitimate trading and the provision of
23 financial advice. For example, even though they typically had little or no relevant
24 experience, salespersons called themselves “Senior Brokers,” “Head Brokers,”
25 “Analysts,” “Senior Trading Advisors” or “Senior Financial Advisors.”

26 40. Salespersons falsely told customers that they had years of trading
27 experience. Additionally, with Petersen and Raz Beserglik’s knowledge and at their
28 direction, salespersons lied about their locations, claiming, for example, they were

1 calling from Stockholm or London, instead of their actual locations in Germany or
2 Israel. The Call Centers used voice-over-Internet-protocol (VOIP) phones and
3 telephone numbers local to the United Kingdom to convey the impression that the
4 salesforce was located in that country.

5 41. In initial calls to customers, Conversion also claimed that to generate
6 meaningful profits investors needed to deposit more than the minimum amount of
7 \$250-\$500. Conversion often pushed investors to make initial deposits of \$2,000 or
8 more with statements like “the more you invest the more profits you can make.”

9 **ii. The Retention Desk**

10 42. Once investors made their initial deposit, the Call Centers’ “retention
11 desk” salespersons (“Retention”) assumed the relationship. Retention—which also
12 used fabricated titles like “Broker” and “Financial Adviser”—continued the practice
13 of lying about their real names, relevant business experience, and location.

14 43. The Conversion and Retention salesforce also employed a “bait and
15 switch” tactic with investors who opened their accounts after watching fraudulent
16 affiliate marketing videos and expected to profitably trade using computer software.
17 The software the campaigns advertised did not exist. Instead, affiliate marketers used
18 the promise of this nonexistent software as a lure to trick investors into visiting the
19 Bloombex Brokers’ websites and registering a binary options trading account.

20 44. As described below, Raz Beserglik worked directly with affiliate
21 marketers using these types of fraudulent materials “make money funnels” to lure
22 investors to Bloombex Brokers’ websites. Raz Bererglik knew or recklessly failed to
23 know that these marketing materials were false and misleading. Once investors
24 registered, training materials authored by Kai Petersen instructed salespersons to urge
25 investors not to rely on the advertised software, but to instead let the Call Centers’
26 supposed “Brokers” and “Financial Advisers” guide their binary options trading.

27 45. The salespersons often claimed the software did not work that well (or at
28 all) and that investors had a greater chance of trading successfully working with the

1 Bloombex Brokers’ traders. For example, one script authored, edited or approved by
2 Petersen advised salespersons to “Immediately move [investors] away from the bot.,”
3 Another instructed them to make the following false and misleading statements:

4 “Software: Do you have any experience using this particular software? The
5 reason I ask is because in my opinion, there is no such thing as a successful
6 algorithm-based software for the financial market... And there will never be
one. Understand _____?”

7 Listen _____, it’s not my job to talk bad about third party software, but they
8 haven’t worked in well over a year unless you have experience in the market
9 and you know exactly when to turn it on and off. Does that make sense _____?

10 This is why I’m here; to help my clients become successful. Trading Binary
11 Options requires strategic timing, knowing when to trade and when not to
12 trade. I mean if you’re a surfer and there are no waves, you won’t go surfing,
right?

13 The problem with the software is that it doesn’t know when something is going
14 on (ex: Brexit, NFP, elections) so it just keeps on placing trades all day and
15 that’s what we would call unnecessary risk, wouldn’t you agree?”

16 46. On-going personal interaction gave Retention—who were also
17 compensated based on investor deposits and penalized for investor withdrawals—
18 repeated opportunities to earn the investors’ trust and solicit additional deposits.

19 47. Retention also used additional manipulative and deceptive practices and
20 additional false and misleading statements to elicit further deposits.

21 (a) **False and Misleading Statements to Customers**

22 48. **Alignment of Interest.** Retention told investors, in substance, “We only
23 make money when you make money.” One script authored, edited, or approved by
24 Petersen instructed salespersons to falsely state:

25 Senior Account Managers at Morton Finance/ Starling Capital work on
26 something called ROI. Are you familiar with the term? No? ROI means
27 Return On Investment. What this means is that I can see profits in my
28 paycheck ONLY when you withdraw profits to your personal bank
account or your credit card [. . .] Do you understand? Can you see
why this is good for you? Because what this means is that I need to

1 support you making profits for me to get paid at the end of the month.
2 Both our interests are fully aligned and we work as a team.

3 49. In reality, Retention employees profited from investor *losses*, not profits.
4 In addition, their commissions were based on customers' net deposits, which
5 encouraged salespersons to use deceptive tactics to obtain the largest deposits
6 possible and discourage or prevent customers from making withdrawals. This
7 statement also conflicts with the Call Centers' policy to provide investors bonuses
8 (described below) to lock up their funds to prevent withdrawals.

9 50. **Withdrawals**. Retention falsely told investors that they could withdraw
10 funds any time from their accounts. The Bloombex Brokers' websites also described
11 the ease of withdrawing funds. For example, the Bloombex-Options website stated:
12 "Your withdrawals can be received just as efficiently. You can transfer the funds into
13 your account in the currency that you choose, and in the secured method which is
14 most convenient for you. Your funds will be received in a short time period." The
15 Morton Finance website stated "Withdrawals can be made fast and easy."

16 51. In fact, the Call Centers rarely allowed investors to withdraw funds.
17 Employees used numerous tricks—including recommending that customers enter into
18 long-term trades and accept bonuses (described below)—to lock up investor funds
19 and prevent withdrawals. In other instances, Call Center employees simply ignored
20 withdrawal requests or lied about why withdrawals were not received as promised.
21 Only Raz Beserglik and Kai Petersen could approve withdrawal requests.

22 52. **Promises of profitable trades**. Retention typically urged investors to
23 liquidate their other financial accounts, including retirement accounts, because they
24 could achieve greater returns trading binary options. In one script, sales persons were
25 advised to state: "Most of my clients are withdrawing profits of anywhere between
26 \$5,000 and \$9,000 every month." Another script told sales persons to say "Don't
27 worry _____, 75% of my clients had no trading experience when they started and
28 now they are ALL trading successfully." Such statements lacked any basis, as

1 salespersons knew that investors usually lost money trading and typically could not
2 withdraw funds from their accounts.

3 53. **Elevation to “VIP” status.** Retention routinely told investors that if they
4 increased their total deposits—usually to the five- and six-figure range—they would
5 achieve “VIP,” “gold,” “platinum,” or some similarly-named elevated status that
6 provided access to more experienced brokers, larger bonuses and payouts, and access
7 to special VIP-only opportunities. The Bloombex Brokers’ websites also described
8 these tiers and so-called benefits. In a recorded call, a salesman used this tactic and
9 told one investor that increased deposits would qualify him to join a select group of
10 traders making \$8,000-\$10,000 per month. In reality, there were no real benefits to
11 the so-called “VIP” status and it was merely a trick to lure more and larger deposits.

12 **(b) Deceptive tactics and manipulative devices designed to**
13 **obtain additional investor deposits**

14 54. In addition to making false and misleading statements, Retention used
15 deceptive tactics that tricked customers into depositing additional funds.

16 55. **Confidence Trades and Withdrawals.** The Bloomberg Brokers
17 increased the odds of customers winning initial small-dollar trades to boost their
18 confidence (including through manipulation of risk settings, as described below) and
19 convince them to deposit more money to make larger trades. The Bloombex Brokers
20 also permitted some investors to make relatively small withdrawals to boost their
21 confidence that they could later withdraw larger dollar amounts. If investors asked
22 for sizable withdrawals or said they had no more money to deposit, the Bloombex
23 Brokers typically refused further withdrawal requests.

24 56. **Contrived Urgency.** To create a sense of urgency and encourage
25 investors to make additional deposits, salespersons routinely told investors of
26 supposed imminent market events that would result in profitable trading but only if
27 they acted immediately. Bloombex Brokers’ training materials stated “you need to
28 create urgency at the beginning of the call” and defined “urgency” as “giving the

1 client a reason to proceed today and not tomorrow.” Consistent with this training,
2 salespersons cited upcoming earnings announcements by well-known public
3 companies such as Apple or Amazon or expected public disclosures of economic
4 news, such as the jobless rate. But the salesforce knew nothing about how such
5 events would impact stock prices. Instead, citing such events was simply a high-
6 pressure sales tactic to trick customers to make the additional deposits necessary to
7 take advantage of a contrived trading opportunity.

8 57. **Bonuses.** To encourage large deposits, salespersons frequently
9 promised investors a matching “bonus” for every dollar deposited, *e.g.*, investors who
10 accepted a “bonus” and deposited \$50,000 would see an additional \$50,000 “bonus”
11 deposited in their accounts. Indeed, the “VIP” programs described above often touted
12 such bonuses (and other schemes akin to bonuses like “Risk Free Trades”). Investors
13 were often not told, however, that bonuses came with attached conditions that made it
14 all but impossible to withdraw any of their funds, including non-bonus money.

15 58. The Bloombex Brokers required investors receiving a bonus to conduct
16 trades equivalent to many multiples of the bonus amount—*e.g.*, 27 times. Under this
17 multiple, an investor who deposited \$50,000 and received a \$50,000 bonus would
18 need to conduct trades valued at \$1,350,000 before he or she could withdraw any
19 funds, including funds previously deposited that did not have any bonus attached.
20 The bonuses locked up investors’ funds, forcing them to trade large amounts to make
21 their account liquid. Given the payouts on winning and losing binary options trades,
22 trading profitably at such volumes was extremely difficult.

23 59. Scripts discussing bonuses omitted any discussion of these withdrawal
24 restrictions. For example, one script authored or edited by Petersen stated as follows:

25 Great, _____; that’s why I want to set you up with a program we
26 have for beginners such as yourself. It’s called the Protected Capital
27 Program. Do you know what it means? No? but the name kind of gives it
28 away, doesn’t it?

1 Let me ask you this _____: when you have money in your bank
2 account, what kind of interest are you receiving? Yeah, it's pretty sad,
3 isn't it? Your money is sitting in the bank collecting DUST for you,
4 while your bank makes DOUBLE-DIGIT PROFITS off YOUR
5 MONEY!!! The difference between your bank and Morton Finance/
6 Starling Capital is that, as a Private Investment Institute (never use the
7 word bank) you can enjoy what we call "Beginner's Benefits". The
8 immediate interest/ bonus we give you is 100% (... Pause...) That's a
9 dollar-for-dollar match!!! Just so you understand me perfectly, when you
10 start with \$10,000, Morton Finance/ Starling Capital will
11 IMMEDIATELY add \$10,000 to your account as interest/ bonus.

12 Now, in the protected capital program that we're talking about, for the
13 first 30 days, trades will only be placed using the interest/ bonus money
14 to show you what kind of results we can obtain together. Basically,
15 we're putting you in a WIN-WIN situation because the trading will
16 happen with OUR money, showing you some amazing result, all the
17 while leaving YOUR money completely unexposed!

18 You might be asking yourself "why" Morton Finance/ Starling Capital
19 would do such a thing as give you an additional 10K. It's not because we
20 are nice... It's just good business sense. We understand that in this
21 business, the most important thing is TRUST. And we need to build your
22 trust. We are SO comfortable in our ability to provide profitable trades
23 that we are willing to put you in this WIN_WIN situation for the first 30
24 days. Like this, you can see with your own eyes how good we are, and
25 how much profit we can generate together.

26 Once you see the results, and the profits we generate here, that's when we will
27 have gained your trust and you will become one of the happy, profitable long-
28 term customers of our tight-knit family.

60. The Bloombex Brokers had the bonus conditions on their website; but,
these disclosures were typically deeply embedded and only available if investors
clicked the correct link and read long boilerplate disclosures. The Bloombex Brokers
also sometimes disclosed these bonus-withdrawal rules in written bonus agreements
provided to investors. But concealing the bonus-withdrawal rules from investors was
a deliberate tactic discussed in daily strategy sessions with management. Retention
often failed to highlight or otherwise mention these rules to customers. Consistent
with the tone of the scripts above, other investors were told by Call Center employees

1 — *e.g.*, the customers’ so-called Brokers or Financial Advisers — not to worry about
2 the turnover requirement because it would be easy to meet. Email and banner
3 advertisements touting the bonuses also did not disclose these conditions. And as
4 discussed above, far from explaining these bonus withdrawal rules, salespersons often
5 told investors that they could withdraw funds at *any* time.

6 61. **Risk Settings.** The Bloombex Brokers could manipulate the odds that
7 particular trades would be profitable. They put certain customers on a lower risk
8 setting (which made winning trade more likely) to induce them to make additional
9 deposits. Once an investor stopped making deposits or won large amounts in trading,
10 the brokers put the investor on a higher risk setting, making it more difficult to profit.

11 62. For example, in one email from July 2015, a Bloombex Options Call
12 Center representative emailed SpotOption, its platform provider, saying: “Client won
13 last 10 trades in a row in the 60 seconds platform. Please put this client on a high
14 risk.” In another instance, a representative wrote: “Please put trader on high risk,
15 started winning big ladder trades.” In some instances, Raz Beserglik (using his alias
16 “Jack Besser”) personally requested SpotOption to change investors’ risk setting.

17 63. The use of risk settings is especially manipulative when investors’ funds
18 are locked up as a result of bonuses or a failure to honor withdrawals. For example,
19 investors could accept the bonus under favorable risk settings and, after their funds
20 were locked up, could then be unknowingly forced to trade under higher risk settings
21 that made profitable trading all but impossible.

22 64. **KYC:** Under the guise of “know-your-customer” diligence, salespersons
23 were trained to ask investors about their financial goals. They asked questions like:
24 Did the investor seek to earn enough money from trading binary options to cover a
25 mortgage payment, or pay off credit card debt or other loans or help pay down a
26 deposit for a new home? Such questions—seemingly for the customers’ benefit—
27 were actually designed to have the customer reveal their financial condition and the
28 dollar amount and location of additional funds that salespersons then targeted. The

1 Bloombex Brokers also used KYC rules to justify requiring customers to submit
2 photos of their credit cards, drivers' licenses, and a utility bill. In truth, they actually
3 sought these documents to dispute credit-card chargebacks and fraud allegations.

4 65. **Credit Loop**: Salespersons also employed a so-called "credit card loop"
5 scheme, where they encouraged investors to borrow the maximum amount on their
6 credit cards for short-term binary options trading. Under the "loop," investors were
7 supposed to withdraw their profits and pay off the credit card debt before the next
8 billing cycle. Salespersons pitched the "loop" as essentially an interest-free loan to
9 fund binary options trading. When the time to repay the credit cards arose, however,
10 the Bloombex Brokers typically refused to permit the investor to withdraw funds.

11 **(c) The "Recovery" Department**

12 66. Once investors lost the money they deposited with the Conversion and
13 Retention desks, they were turned over to the "Recovery" department, whose goal
14 was to convince investors to make additional deposits.

15 67. Training materials instructed Recovery agents to give investors hope
16 they could recover their losses by working with new people at the Bloombex Brokers.
17 The materials directed Recovery agents to call investors and say things like "I am
18 calling today because I have a chance to recover your account." They were told to
19 introduce themselves as a "higher authority," such as a manager or head of
20 department. The training materials further instructed Recovery agents to express
21 disappointment with the investor's prior results or account condition, adding: "The
22 key is to always explain how this time will be different."

23 68. Statements made by Recovery agents were false and misleading, as
24 Recovery made no genuine effort to recover lost investor funds — indeed it was not
25 in their interest to do so. Instead, the Recovery pitch was merely another deceptive
26 device aimed at stealing whatever money investors had left.

27 69. The false and misleading statements and deceptive acts employed by the
28 salesforce in Conversion, Retention and Recovery occurred with the full knowledge

1 of, and at the direction of, Petersen and Raz Beserglik. Several scripts provided to
2 Bloombex Brokers' Call Center employees-in-training—including scripts authored,
3 edited or approved by Petersen and/or Raz Beserglik—contained statements similar
4 to those described above. The salesforce made misrepresentations that closely
5 followed the scripts and training materials.

6 70. Petersen and Raz Beserglik each supervised the Call Center locations,
7 interviewed and hired employees, and were responsible for seeing that employees
8 were paid (in their actual names). Petersen regularly reviewed and edited documents
9 reflecting employees' names and aliases. Raz Beserglik regularly received email
10 messages reflecting the use of fictitious names and titles. Raz Beserglik himself used
11 a fake name when conducting the business of the Bloombex Brokers.

12 C. A Case Study: A U.S. Retiree

13 71. The Bloombex Brokers used recorded telephone calls to train Call
14 Center employees how to successfully solicit funds from investors. Recorded calls
15 between a particular retiree in the United States ("Investor A") and a Bloombex
16 Options salesman ("Employee A") illustrate the nature of the Call Centers' egregious
17 misconduct and the type of calls that were used to train Call Center employees.

18 72. Investor A had already deposited \$2,000 in her binary options account
19 when Employee A contacted her in about August 2015. In a series of phone calls
20 over the next approximately six months, through at least February 2016, Employee A
21 persistently used fraudulent statements and deceptive devices, consistent with the
22 Bloombex Brokers' training materials, to solicit additional deposits from Investor A.

23 73. He falsely told Investor A that he worked in Bloombex Options'
24 London office and was a "financial adviser" for more than 12 years. He falsely said
25 he only trades on "major" economic events, and described the next week's scheduled
26 announcement of "core retail sales" as "one of the largest events in the U.S.
27 economy." He falsely told Investor A that their interests were aligned, saying "I need
28 my traders to be successful for me to make my money." Employee A falsely told

1 Investor A that people at Bloombex Options were making “50 percent a month,” but
2 that he opted to be more conservative and instead offered Investor A a 15-20 percent
3 profit per month.

4 74. Employee A recommended the “credit card loop” scheme, in which
5 Investor A would borrow money on her credit card accounts to conduct short-term
6 binary options trading. Employee A also stated that Investor A would receive a
7 dollar-for-dollar bonus for new deposits without disclosing the attached conditions.

8 75. Employee A also schemed to learn about Investor A’s assets, asking if
9 she had a “magic number target” for trading or “any major debts that we need to clear
10 off the bat?” Investor A eventually disclosed that she had no debt and approximately
11 \$600,000-\$700,000 in savings. Investor A emphasized that she did not want to invest
12 all of her savings and that she was seeking to generate about \$300,000 in profits to
13 cover the cost of building a new home.

14 76. Employee A repeatedly told Investor A she needed to deposit more
15 funds to reach “VIP level,” falsely saying that such status would provide “class A
16 signals on the top-tier trades.” Employee A relentlessly pushed Investor A to deposit
17 money, saying she was “close” to attaining VIP status and that she could generate
18 more profits from trading binary options than she was earning in other accounts.

19 77. At one point, Employee A sternly directed Investor A to liquidate an
20 insurance fund and transfer those funds to her binary options account. When Investor
21 A said she needed to withdraw \$100,000 from her account to cover medical expenses,
22 Employee A turned the tables and instead convinced Investor A to deposit still
23 additional money that would generate “a guaranteed return of 62 percent,” which
24 Investor A could then use to pay those expenses.

25 78. At Employee A’s urging, Investor A deposited more than \$600,000 with
26 Bloombex Options. She lost most or all of these funds.

1 **D. The Defendants Owned and Controlled the Bloombex Brokers**

2 79. Defendants are longtime business associates who shared ownership and
3 control of the Bloombex Brokers. Call Center employees understood that Petersen,
4 Gil and Raz Beserglik owned the Bloombex Brokers. The employees' impression is
5 consistent with the brokers' actual operation and control.

6 80. Each Defendant took an active role in operating the Bloombex Brokers.
7 For example, Petersen and the Besergliks led regular in-person or telephonic
8 meetings to discuss the operation of the Bloombex Brokers. Among other things,
9 they discussed the operation of the Call Centers, the creation of new brokers/brands,
10 opening bank accounts with apparent nominees, contracting with platform providers,
11 sales and marketing activities, and finances. Petersen and Gil Beserglik also each
12 loaned money to one or more of the Bloombex Brokers.

13 **i. Gil Beserglik**

14 81. Gil Beserglik admitted he was an owner of Bloombex Options (one of
15 the Bloombex Brokers). When Gil Beserglik opened a bank account for Shraga on or
16 about October 15, 2015, he told the bank “[h]e now invests in real estate and is the
17 owner of Bloombex Options with his son Raz Beserglik.” Under the heading “Main
18 business activity” on the account application, it reads “Gil Beserglick [sic] is a
19 partner of Bloombex options [sic].” The application's personal information form,
20 under the heading “Business activity for the owner,” identifies his business as
21 “Bloombex Options www.bloombex.options.com”; his “position/function” as “co-
22 owner with his son”; and the “Ownership structure” as “Family business with son.”
23 In the same document, Gil Beserglik also identified Raz Besrglik as the Chief
24 Executive Officer of Bloombex Options.

25 82. When the bank updated its documentation in early 2016, it continued to
26 reflect Gil Beserglik's ownership of Bloombex Options. It also listed the source of
27 funds going into the account as “From Business” – *i.e.* Bloombex Options. Around
28 this same time, as reflected on the documentation, Gil Beserglik told the bank he

1 “also owns ‘Chromex’ a sister company of Bloombex (same employees working for
2 both companies)”. Chromex referred to Chromex Capital, Ltd., (“Chromex”) a
3 company incorporated in the British Virgin Islands that operated the bank accounts
4 used by Starling Capital and Morton Finance.

5 83. When Gil Beserglik opened the Shraga account in 2015, he informed the
6 bank that he planned to fund the account with a \$2 million transfer from accounts *he*
7 controlled. At Gil Beserglik’s direction, Bloombex Dominica then sent \$2 million to
8 of Bloombex Brokers investor funds to Shraga. At other times, Beserglik directed
9 Bloombex Dominica to transfer additional investor funds to the Shraga account and
10 another account he owned in the name of Lembex.

11 84. Beginning in 2016, Beserglik also directed Chromex to send investor
12 funds to the Shraga account.

13 85. Overall, during the Relevant Period, Gil Beserglik caused the Bloombex
14 Dominica and Chromex accounts to transfer approximately \$11 million in investor
15 funds to his Shraga and Lembex accounts. This \$11 million came from investor
16 deposits for trading binary options with the Bloombex Brokers.

17 86. To hide his involvement in Bloombex Brokers, Gil Beserglik controlled
18 Bloombex Dominica and Chromex through a straw person or nominee (“Nominee
19 A”) who was a family relative. At Gil Beserglik’s direction, Nominee A appears as
20 the initial shareholder and Director of both companies. At Gil Beserglik’s direction,
21 Nominee A also opened the bank accounts in these companies’ names that accepted
22 investor deposits for Bloombex Brokers. Gil Beserglik, however, directly or
23 indirectly controlled the bank accounts opened by both companies.

24 87. In June 2018, after becoming aware of an SEC investigation and in a
25 failed attempt to hide the admissions in the bank documents completed in 2015 and
26 2016 discussed above, Gil Beserglik asked the bank to replace that documentation
27 with new and fraudulent documentation indicating that he sold Bloombex Options in
28

1 2014. In doing so, Beserglik attempted to mislead the SEC’s staff and to obstruct its
2 investigation.

3 88. Gil Beserglik formed a company in the British Virgin Islands also named
4 Bloombex, Ltd. (“Bloombex BVI”) through which he signed the contracts and
5 contract amendments with SpotOption to provide the trading platform on which
6 Bloombex Options operated. The SpotOption platform was a critical component of
7 the Bloombex Options website and necessary to its offer and sale of binary options.

8 89. Gil Beserglik also helped run the Call Centers. He is listed as
9 “Management” and with a job title “Advisor” on call center telephone lists. Payroll
10 records from TS Trading Services GmbH (one of the German call centers) show that
11 Gil Beserglik was among its highest paid employees. Further, Gil Beserglik’s 2017
12 resume says he was a “Registered Manager” for TS Trading Service since 2009.

13 90. Gil Beserglik frequently visited the German call center offices. During
14 those visits, Petersen treated him like an owner, instructing salespersons to “look
15 busy.” While in Germany, Gil Beserglik also monitored activity at Five Stones, the
16 Israel-based call center. For example, Gil Beserglik used his mobile phone to view
17 activity at Five Stones. When he saw something that he did not like, he telephoned
18 the call center to correct the behavior or discipline the offending employee(s).

19 **ii. Kai Petersen**

20 91. Petersen was also an owner of the Bloombex Options broker. In 2015,
21 he signed documents in support of an application for credit card processing on which
22 he represented that he owned the website www.bloombex-options.com and that he
23 had full control and authorization over the website content. This application said that
24 “Bloombex Options is the on-line trading site for Bloombex LTD.” The Bloombex
25 Ltd. referred to in the application was Cyprus entity owned by Petersen with the same
26 name as the other companies directly or indirectly owned by Gil Beserglik
27 (Bloombex BVI and Bloombex Dominica).

1 92. Petersen also directly or indirectly (through intermediary corporations)
2 owned each of the three Call Centers and directed or approved of their fraudulent
3 conduct in inducing customers to deposit funds to trade binary options. When
4 creating and issuing invoices to Bloombex Dominica and Chromex for services
5 performed at the German call centers, Petersen typically listed himself as “Managing
6 Director” of the relevant call center. Bloombex Dominica and Chromex each sent
7 millions of dollars of investor money to the call centers owned by Petersen.

8 93. Petersen maintained an office in the German call centers and regularly
9 met with trading floor managers. Petersen was only one of two people permitted to
10 authorize client withdrawals from the Bloombex Brokers (Raz Beserglik was the
11 other). Petersen also interviewed and hired employees for the German call centers.
12 He often sought to employ native English speakers to serve English-speaking
13 countries like the United States.

14 94. Petersen authored or edited numerous spreadsheets reflecting
15 salespersons’ real and fake names at all three Call Centers. These spreadsheets
16 confirm that Petersen knew and approved of the Call Centers’ use of false names
17 when talking to investors. Petersen also created or edited Bloombex Brokers’
18 training materials, including scripts containing false and misleading statements as
19 described above. For example, a script Petersen authored or edited instructed Call
20 Center employees to make the following false and misleading statements:

- 21 ○ My name is _____, and I’m a senior account manager here at
22 Morton Finance/ Starling Capital. My job here is to set financial
23 goals with you on your account so we can support you to achieve
24 these profits on a regular basis.
- 25 ○ Most of my clients are withdrawing profits of anywhere between
26 \$5,000 and \$9,000 every month. So, it seems that you’re looking to
27 make about what most of my clients are making. Does that sound
28 right? Perfect!
- Both our interests are fully aligned and we work as a team.

1 95. Another script Petersen authored or edited, instructed Call Center
2 employees to make the following false and misleading statements:

- 3 ○ Don't worry _____, 75% of my clients had no trading experience
4 when they started and now they are ALL trading successfully.
- 5 ○ This is why I'm here; to help my clients become successful.

6 96. Yet another script and list of "Best Practices" that Petersen authored or
7 edited, instructed employees to make the following false and misleading statements:

- 8 ○ "We make the profit out of your successful trades. When you make a
9 successful trade, you get 80 % of the profits, we get a commission of
10 20 %"with a matching bonus"
- 11 ○ "You are reserving yourself a seat and a call from one of our financial
12 advisors"
- 13 ○ "I don't recommend clients just to start with the minimum as they
14 will be making less money"
- 15 ○ "My responsibility is simply to activate your account and assign you
16 to a senior broker: The more you invest, the better senior broker I can
17 assign to you. They will help you to develop a trade [sic] plan."

18 97. These and other similar statements were false and misleading because,
19 *inter alia*, the Call Centers jobs did not involve helping investors profit; virtually no
20 clients (if any) withdrew meaningful profits from any of the Bloombex Brokers; and
21 the interests of the Bloombex Brokers and investors conflicted and were not aligned.

22 98. The Best Practices portion of one Petersen script gave the following
23 instructions consistent with the boiler-room-like atmosphere at the Call Centers:

- 24 ○ "Don't waste any time on the small fishes"
- 25 ○ "Immediately move away from the bot [the software systems
26 fraudulently advertised by affiliate marketing campaigns]"
- 27 ○ "Never get a 'no' → don't ask closed questions"
- 28 ○ "When a client enquires about the music, 'manager's birthday' or
'client just made 50.000 EUR'"
- "You need to create urgency at the beginning at the call"

1 The egregiousness of the instructions in these examples confirms that Petersen knew
2 (or was reckless in not knowing) and approved of the Call Centers' use of false and
3 misleading statements and deceptive devices when speaking with investors.

4 **iii. Raz Beserglik**

5 99. Raz Beserglik also owned the Bloombex Brokers and served as the Chief
6 Executive Officer of the Israeli call center, Five Stones. In this latter role, he was
7 responsible for that Call Center's day-to-day activities.

8 100. When conducting business related to binary options, he used an alias,
9 Jack Besser, to conceal his involvement. As "Jack Besser," Raz Beserglik acted as a
10 control person over the Bloombex Brokers. He used his alias when completing credit
11 card processing applications, registering the Internet domain for the Starling Capital
12 and Morton Finance websites, and contracting for platform series for Starling Capital
13 and Morton Finance.

14 101. Raz Beserglik also represented Starling Capital and Morton Finance in
15 reaching an agreement with their platform provider, and he dealt with that provider
16 and Bloombex Option's platform provider in handling day-to-day activities
17 pertaining to the brokers' operation. "Jack Besser" also negotiated the commissions
18 paid to affiliate marketers who found potential investors for the Bloombex Brokers,
19 and offered to pay higher amounts in instances when marketers directed U.S.
20 investors to the web sites. "Jack Besser" also asked SpotOption to adjust the "risk
21 settings" for certain investors who were winning their binary options trades.

22 102. Raz Beserglik also directed or approved of the Call Centers' fraudulent
23 conduct in inducing customers to deposit funds to trade binary options. He drafted or
24 edited scripts used by salespersons at the Call Centers that contained the false and
25 misleading statements, including:

- 26 ○ Trading with Bloombex is easy, simple and profitable.
- 27 ○ Bloombex is located in the UK with a local service team in Germany.

- Bloombex is an International binary trading platform that is regulated in Singapore and Cysec that works with customers from all over the world and has been working with these thousands of customers for a number of years now.

103. These and other similar statements were false and misleading because, *inter alia*, trading with Bloombex was generally not profitable; Bloombex Options had no true presence in the U.K.; and it was not a regulated entity.

E. The Bloombex Brokers' Fraud Targeted U.S. Investors

104. The Defendants purposefully solicited U.S. investors. Raz Beserglik (operating as "Jack Besser") worked directly with affiliate marketers to drive U.S. investors to Bloombex Options through false and misleading affiliate marketing campaigns. In one February 2015 email, he offered to pay an affiliate marketer \$400 for each customer in the U.S. who deposited \$500 with Bloombex Options.

105. In another February 2015 email, he wrote to the same affiliate marketer: "We definitely want USA traffic but I would appreciate as well some Canadians and Australians clients as well - can you make it 70/30?"

We have several USA campaigns already using make money funnels and it works for us so far because we have agreed with all our partners (and you can check) to have a \$500 minimum deposit for their clients."

106. Raz Beserglik knew or was reckless in not knowing that the affiliate marketers' use of "make money funnels" was false and misleading. Specifically, he knew or was reckless in not knowing such affiliate marketing materials drew investors to binary options websites with promises of making money on the Internet and trading software that would generate profits trading binary options. He also knew or was reckless in not knowing that the investors such materials recruited to binary options brokers like the Bloombex Brokers were highly unlikely to ever make any money trading binary options.

1 107. Certain scripts prepared for the salesforce show that the Bloombex
2 Brokers knowingly solicited U.S. investors. One such script authored, edited or
3 approved by Petersen, instructed salespersons to say:

4 Now, _____, **I can see that you're from the States; what part of the**
5 **States are you from?** Really? Make some remark about that part of the
6 states that you know or something to create rapport with the client. I'm
7 originally from ... _____... Have you ever been there? It's definitely
8 worth a visit.

9 108. In June 2015, Bloombex Options purportedly decided to stop accepting
10 customers from the U.S. until it finished setting up a new broker specifically intended
11 to solicit U.S. business, but then immediately reversed its decision because of the
12 high volume of U.S. investors. In an email, the head of marketing wrote, “Due to the
13 sheer volume of traders from the US, management has decided to keep accepting all
14 US traders until the second brand is fully complete, up and running.” Defendants
15 later opened Morton Finance and Starling Capital in order to target U.S. investors.

16 109. Defendants each knew that many of their customers were U.S. residents.
17 The know-your-customer records that the Bloombex Brokers collected from
18 investors—including drivers’ licenses, copies of bills, credit card images, and
19 passports — clearly identified many investors as United States residents.

20 **F. Defendants’ Conduct Resulted in Millions of Dollars of U.S.**
21 **Investor Losses**

22 110. From 2012 through 2016, Bloombex Options received about \$80 million
23 from investors worldwide, including investors in the United States. A significant
24 percentage of these deposits were from investors in the United States. Morton
25 Finance records reflect that by September 2016, more than 8,000 U.S. investors had
26 deposited more than \$14,775,000, while Starling Capital records reflect that it had
27 more than 2,700 U.S. investors who deposited nearly \$3 million. However, these two
28 brokers continued accepting investor deposits for another full year and for the

1 remainder of the Relevant Period, until at least August 2017, earning an estimated
2 \$100 million or more over the Relevant Period through sales of binary options.

3 111. Many investors made at or near the minimum required deposits,
4 generally around \$500. Dozens of investors deposited sums reaching five, six and
5 even seven figures. These latter victims included disabled persons, doctors, farmers,
6 and numerous retirees and pensioners who lost their life's savings as a result of the
7 Defendants' fraudulent statements and scheme.

8 **FIRST CLAIM FOR RELIEF**

9 **Fraud in the Offer or Sale of Securities**
10 **Violations of Section 17(a)(1), (2) and (3) of the Securities Act**
11 **(All Defendants)**

12 112. Paragraphs 1-111 are realleged and incorporated by reference herein.

13 113. Defendants, by engaging in the conduct described above, directly or
14 indirectly, in the offer or sale of securities, by the use of means or instruments of
15 transportation or communication in interstate commerce or by use of the mails:

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

17 (b) obtained money or property by means of untrue statements of a
18 material fact or by omitting to state a material fact necessary in order to make
19 the statements made, in light of the circumstances under which they were
20 made, not misleading; and

21 (c) engaged in transactions, practices, or courses of business which
22 operated or would operate as a fraud or deceit upon the purchaser of such
23 securities.

24 114. Kai Christian Petersen, Gil Beserglik and Raz Beserglik each knew, or
25 were reckless in not knowing, that he employed devices, schemes and artifices to
26 defraud. Kai Christian Petersen, Gil Beserglik and Raz Beserglik each knew, or were
27 reckless or negligent in not knowing, that he obtained money or property by means of
28 untrue statements of a material fact or by omitting to state a material fact necessary in

1 order to make the statements made, in light of the circumstances under which they
2 were made, not misleading; and engaged in transactions, practices, or courses of
3 business which operated or would operate as a fraud or deceit upon the purchaser.

4 115. By reason of the foregoing, Defendants violated, and unless enjoined
5 will again violate, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

6 **SECOND CLAIM FOR RELIEF**

7 **Fraud in Connection with the Purchase or Sale of Securities**
8 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5 (a) and (c)**
9 **Thereunder**
10 **(All Defendants)**

11 116. Paragraphs 1-111 are realleged and incorporated by reference herein.

12 117. Defendants, by engaging in the conduct described above, directly or
13 indirectly, in connection with the purchase or sale of a security, by the use of means
14 or instrumentalities or interstate commerce, of the mails, or of the facilities of a
15 national securities exchange, with scienter:

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

17 (b) engaged in acts, practices or courses of business which operated or
18 would operate as a fraud or deceit upon other persons

19 118. Kai Christian Petersen, Gil Beserglik and Raz Beserglik each knew, or
20 were reckless in not knowing, that he employed devices, schemes and artifices to
21 defraud and engaged in acts, practices or course of business which operated or would
22 operate as a fraud or deceit upon other persons.

23 119. By reason of the foregoing, Defendants violated, and unless enjoined
24 will again violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule
25 10b-5(a) and (c) thereunder [17 C.F.R. § 240.10b-5].
26
27
28

1 **THIRD CLAIM FOR RELIEF**

2 **Fraud in Connection with the Purchase or Sale of Securities**
3 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5(b) Thereunder**
4 **(Petersen)**

5 120. Paragraphs 1-111 are realleged and incorporated by reference herein.

6 121. Petersen, by engaging in the conduct described above, directly or
7 indirectly, in connection with the purchase or sale of a security, by the use of means
8 or instrumentalities or interstate commerce, of the mails, or of the facilities of a
9 national securities exchange, with scienter: made untrue statements of a material fact
10 or omitted to state a material fact necessary in order to make the statements made, in
11 the light of the circumstances under which they were made, not misleading.

12 122. Petersen knew, or was reckless in not knowing, that he made untrue
13 statements of a material fact or omitted to state a material fact necessary in order to
14 make the statements made, in light of the circumstances, not misleading.

15 123. By reason of the foregoing, Petersen violated, and unless enjoined will
16 again violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-
17 5(b) thereunder [17 C.F.R. § 240.10b-5].

18 **FOURTH CLAIM FOR RELIEF**

19 **Unregistered Offer or Sale of Securities**
20 **Violations of Section 5 of the Securities Act**
21 **(All Defendants)**

22 124. Paragraphs 1-111 are realleged and incorporated by reference herein.

23 125. No registration statement had been filed or was in effect with the SEC
24 for any of the security-based binary options offered or sold through the Bloombex
25 Brokers, their Call Centers and Defendants.

26 126. Defendants, by engaging in the conduct described above, directly or
27 indirectly, made use of means or instruments of transportation or communication in
28 interstate commerce or of the mails to offer to sell or to sell such securities.

1 127. By reason of the foregoing, Defendants violated, and unless enjoined
2 will again violate, Section 5 of the Securities Act [15 U.S.C. §§ 77e].

3 **FIFTH CLAIM FOR RELIEF**

4 **Control Person Liability Under Section 20(a) of the Exchange Act for the**
5 **Bloombex Brokers' and Call Centers' Violations of Section 10(b)**
6 **(All Defendants)**

7 128. Paragraphs 1-111 are realleged and incorporated by reference herein.

8 129. At all times relevant hereto, each of the Defendants was a control person
9 of the Bloombex Brokers and their Call Centers for purposes of Section 20(a) of the
10 Exchange Act [15 U.S.C. § 78t(a)], directly or indirectly controlling those operations.

11 130. The Bloombex Brokers and Call Centers, directly or indirectly, by use of
12 the means or instruments of interstate commerce, or of the mails, or the facility of a
13 national securities exchange, in connection with the purchase or sale of securities, and
14 with knowledge or recklessness: (a) employed devices, schemes, or artifices to
15 defraud; (b) made untrue statements of material fact or omitted to state material facts
16 necessary to make the statements made, in light of the circumstances under which
17 they were made, not misleading; and/or (c) engaged in acts, practices, or courses of
18 business which operated or would operate as a fraud or deceit upon any person; and
19 thereby each committed violations of Section 10(b) of the Exchange Act [15 U.S.C. §
20 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

21 131. Defendants cannot establish that they did not directly or indirectly
22 induce the acts of the Bloombex Brokers and their Call Centers that constitute
23 violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, nor that
24 they acted in good faith.

25 132. Defendants are therefore liable as controlling persons under
26 Section 20(a) of the Exchange Act to the same extent as Bloombex Brokers and the
27 Call Centers would be liable for violations of Section 10(b) of the Exchange Act and
28 Rule 10b-5 thereunder.

1 144. The Bloombex Brokers and their Call Centers, by engaging in the
2 conduct described above, in the offer or sale of securities, by the use of means or
3 instruments of transportation or communication in interstate commerce or by use of
4 the mails directly or indirectly: (a) with scienter, employed devices, schemes, or
5 artifices to defraud; (b) negligently or with scienter, obtained money or property by
6 means of untrue statements of a material fact or by omitting to state a material fact
7 necessary in order to make the statements made, in light of the circumstances under
8 which they were made, not misleading; and (c) negligently or with scienter, engaged
9 in transactions, practices, or courses of business which operated or would operate as a
10 fraud or deceit upon the purchaser of such securities.

11 145. Pursuant to Section 15(b) of the Securities Act [15 U.S.C. § 77o(b)], any
12 person that knowingly or recklessly provides substantial assistance to another person
13 in violation of Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)], shall be
14 deemed to be in violation of such provision to the same extent as the person to whom
15 such assistance is provided.

16 146. Each of the Defendants knowingly or recklessly provided substantial
17 assistance to violations of Section 17(a) of the Securities Act by Bloombex Brokers
18 and their Call Centers.

19 147. By reason of the foregoing, Defendants are liable for violations of
20 Section 17(a) of the Securities Act to the same extent as each of the Bloombex
21 Brokers and their Call Centers would be liable for their own violations of Section
22 17(a) and, unless enjoined, will again violate Section 17(a) of the Securities Act.

23 **NINTH CLAIM**

24 **Claims Against Relief Defendants As Recipient Of Investors' Funds**

25 148. Paragraphs 1-111 are realleged and incorporated by reference herein.

26 149. Exchange Act Section 21(d) provides: “[i]n any action or proceeding
27 brought or instituted by the SEC under any provision of the securities laws, the SEC
28 may seek, and any Federal Court may grant, any equitable relief that may be

1 appropriate or necessary for the benefit of investors.” 15 U.S.C. § 78u(d)(5).
2 Exchange Act Section 27 gives the federal courts jurisdiction over such equitable
3 claims for relief. [15 U.S.C. § 78aa.]

4 150. Relief Defendants received funds and property from one or more of the
5 Defendants, which are the proceeds, or are traceable to the proceeds, of the unlawful
6 activities of Defendants, as alleged in at least paragraphs 5, 14-15 and 81-90 above.

7 151. Relief Defendants obtained the funds and property alleged above as part
8 of and in furtherance of the securities violations alleged throughout this Complaint
9 and under circumstances in which it is not just, equitable or conscionable for them to
10 retain those funds and property. Relief Defendants have thus been unjustly enriched.

11 **RELIEF REQUESTED**

12 WHEREFORE, the SEC respectfully requests that this Court:

13 a) Find that Defendants committed the alleged violations;

14 b) Order Defendants to disgorge, with prejudgment interest, all ill-
15 gotten gains they received or derived from the activities set forth in this
16 Complaint, and to repatriate any ill-gotten funds or assets they caused to be sent
17 overseas. Order Relief Defendants to disgorge, with prejudgment interest;

18 c) Order Defendants to pay civil penalties under Section 20(d) of the
19 Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15
20 U.S.C. § 78u(d)(3)];

21 d) Permanently enjoin Defendants from directly or indirectly violating
22 Sections 5 and 17(a) of the Securities Act [15 U.S.C. §§ 77e & 77q(a)] and
23 Sections 10(b) and 15(a) of the Exchange Act [15 U.S.C. §§ 78j(b)] and Rule 10b-
24 5 thereunder [17 C.F.R. § 240.10b-5];

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1 e) Retain jurisdiction over this action to implement and carry out the
2 terms of all orders and decrees that it may enter, or to entertain any suitable
3 application or motion for additional relief within the jurisdiction of this Court; and

4 f) Grant such other relief as may be necessary or appropriate.
5

6 Dated: September 26, 2019

Respectfully submitted,

7
8 */s/ KENNETH W. DONNELLY*

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Kenneth W. Donnelly
11 Attorney for Plaintiff
12 Securities and Exchange Commission
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