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12-8-05

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**In The United States District Court
For The District Of New Jersey**

U.S. Commodity Futures Trading Commission,

Plaintiff,

vs.

FX Trading, LLC,

Defendant.

Civil Action No:

05-5722

(JLW)

Complaint For Injunctive And Other
Equitable Relief And Civil Monetary
Penalties Under The Commodity
Exchange Act

The U.S. Commodity Futures Trading Commission (“Commission”), by and through its attorneys, hereby alleges as follows:

I.

THE PARTIES

1. (a) **Plaintiff U.S. Commodity Futures Trading Commission** is an independent federal regulatory agency that is charged with responsibility for administering and enforcing the provisions of the Commodity Exchange Act, 7 U.S.C. §§ 1 *et seq.* (2002) (the “Act”), and the Regulations promulgated thereunder, 17 C.F.R. §§ 1 *et seq.* (2005). Its headquarters are located at Three Lafayette Centre, 1155 21st Street, NW, Washington DC 20581, although this action is being prosecuted by Plaintiff’s Eastern Regional Office located at 140 Broadway, New York, NY 10005.

(b) **Defendant FX Trading, LLC** is a Delaware limited liability company that maintains its principal place of business at 33 Wood Ave S., Suite 600, Iselin, New Jersey, 08830. Since October 14, 2004, FX Trading, LLC has been registered with the Commission as a futures commission merchant (“FCM”).

II.

SUMMARY

2. Since at least October 31, 2005 to the present, Defendant FX Trading, LLC (“FX Trading” or “defendant”) is and has been operating as a FCM while in a financial condition below the adjusted net capital requirements it must meet to continue doing business as a FCM registered with the Commission. In thus failing to satisfy minimum net capital requirements, FX

Trading is violating and has violated Section 4f(b) of the Act, 7 U.S.C. § 6f(b) (2002), and Commission Regulation (“Regulation”) 1.17(a), 17 C.F.R. § 1.17(a) (2005).

III.

JURISDICTION AND VENUE

3. This Court has jurisdiction over this action pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2002), which authorizes the Commission to seek injunctive relief against any person whenever it shall appear that such person has engaged, is engaging, or is about to engage in any act or practice constituting a violation of any provision of the Act or any rule, regulation or order thereunder.

4. Venue properly lies with this Court pursuant to Section 6c(e) of the Act, 7 U.S.C. § 13a-1(e) (2002), in that defendant is found in, inhabits, or transacts business in this district, and the acts and practices in violation of the Act have occurred, are occurring, or are about to occur within this district, among other places.

IV.

FACTS

5. Pursuant to Section 4f(b) of the Act and Commission Regulation 1.17(a)(1), FX Trading, as a registered FCM, is required at all times to meet certain minimum financial requirements as prescribed by Commission regulation. Pursuant to Regulation 1.17(a)(1)(i)(A), FX Trading is required to maintain adjusted net capital equal to or in excess of \$250,000. As defined by Commission Regulation 1.17(c)(5), “adjusted net capital” means the amount by which a FCM’s current assets exceed its liabilities, less the deductions, or capital haircuts, that are specified in Regulation 1.17(c)(5) and (8).

6. On approximately November 7, 2005, the National Futures Association (“NFA”), a self-regulatory organization for the futures industry, commenced an inquiry into FX Trading’s financial condition as a result of FX Trading’s failure to submit certain required weekly financial reports. In the course of that inquiry, the NFA determined that FX Trading was undercapitalized, i.e., did not maintain net capital in excess of \$250,000.

7. In addition, Form 1-FR-FCM, filed with the Commission or the NFA for the month ending October 31, 2005 confirms that FXT was undercapitalized by \$239,033 as of October 31, 2005, and other financial records provided by FXT confirm that FXT was undercapitalized by \$406,738 as of November 7, 2005.

8. FX Trading has failed to infuse sufficient capital to bring its adjusted net capital up to the minimal requirement, and it has continued to operate as a FCM while remaining undercapitalized through the present date.

9. Upon FX Trading’s failure to infuse sufficient additional capital to satisfy minimum capital requirements, the NFA on November 21, 2005 issued to FX Trading a Notice of a Member Responsibility Action under NFA Compliance Rule 3-15 (“Membership Responsibility Action” or “MRA”). Pursuant to the MRA, FX Trading was suspended from NFA membership, prohibited from trading for customers, except for liquidation purposes, and prohibited from distributing, disbursing or transferring any funds without the prior approval of the NFA. A copy of the notice of Membership Responsibility Action is attached hereto as Exhibit A and incorporated by reference.

10. Despite the issuance of the MRA, FXT has continued to operate as a FCM, including trading with customers, in violation of the MRA.

COUNT I

**VIOLATION OF SECTION 4f(b) OF THE ACT
AND COMMISSION REGULATION 1.17(a)**

11. Paragraphs 1 through 10 are re-alleged and incorporated herein.
12. Since at least October 31, 2005, FX Trading has continued to operate as a FCM while failing to maintain the prescribed minimum financial requirements for a FCM registered with the Commission, in violation of Section 4f(b) of the Act and Commission Regulation 1.17(a)(1).

VI.

RELIEF REQUESTED

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

1. orders of preliminary and permanent injunction prohibiting defendant and any other person or entity associated with it, including any successor thereof, from engaging in conduct violative of Sections 4f(b) of the Act and Commission Regulation 1.17(a);
2. an *ex parte* statutory restraining order and an order of preliminary injunction restraining and enjoining defendant and all persons insofar as they are acting in the capacity of its agents, servants, successors, assigns, and attorneys, and all persons insofar as they are acting in active concert or participation with it who receive actual notice of such order by personal service or otherwise, from directly or indirectly:

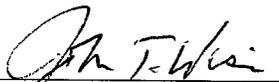
- a. destroying, mutilating, concealing, altering or disposing of any books and records, documents, correspondence, brochures, manuals, electronically stored data, tape records or other property of defendant, wherever located, including all such records concerning defendant's business operations;
 - b. refusing to permit authorized representatives of the Commission to inspect, when and as requested, any books and records, documents, correspondence, brochures, manuals, electronically stored data, tape records or other property of defendant, wherever located, including all such records concerning defendant's business operations; and
 - c. withdrawing, transferring, removing, dissipating, concealing or disposing of, in any manner, any funds, assets, or other property, wherever situated, including but not limited to, all funds, personal property, money or securities held in safes, safety deposit boxes and all funds on deposit in any financial institution, bank or savings and loan account held by, under the control, or in the name of the defendant;
3. an order directing defendant to provide plaintiff immediate and continuing access to its books and records, make an accounting to the Court of all of its assets and liabilities, together with all funds they received from and paid to its owners, principals, customers, and other persons;

4. an order directing defendant to pay a civil penalty in the amount of not more than the higher of \$ 130,000 for each violation or triple the monetary gain to defendant for each violation of the Act or Regulations;
5. an order requiring defendant to pay costs and fees as permitted by 28 U.S.C. §§ 1920 and 2412(a)(2); and
6. such other and further remedial ancillary relief as the Court may deem appropriate.

Dated: New York, New York
December 7, 2005

U.S. COMMODITY FUTURES TRADING
COMMISSION
Stephen J. Obie
Regional Counsel/Associate Director

Respectfully submitted,

By: 

John T. Wise
Senior Trial Attorney
David Acevedo
Chief Trial Attorney
Division of Enforcement
U.S. Commodity Futures Trading Commission
140 Broadway, 19th floor
New York, New York 10005
(646) 746-9733
(646) 746-9940 (facsimile)

EXHIBIT A

**BEFORE THE
NATIONAL FUTURES ASSOCIATION**

In the Matter of:)

FX TRADING, LLC)
(NFA ID #348153),)

and)

SHAHERYAR KHAN)
(NFA ID #322123))

NFA Case No. 05-MRA-002

**NOTICE OF MEMBER AND ASSOCIATE RESPONSIBILITY ACTIONS
UNDER NFA COMPLIANCE RULE 3-15**

National Futures Association ("NFA") hereby gives notice to FX Trading, LLC ("FXT"), a futures commission merchant ("FCM") Forex Dealer Member of NFA and Shaheryar Kahn ("Kahn"), a principal and associated person ("AP") of FXT, that pursuant to NFA Compliance Rule 3-15, the President of NFA, with the concurrence of NFA's Executive Committee, has taken a Member Responsibility Action ("MRA") against FXT and an Associate Responsibility Action ("ARA") against Kahn, whereby:

1. FXT is suspended from NFA membership and Kahn is suspended from NFA Associate membership until further notice;
2. FXT and Kahn are prohibited from soliciting or accepting any customer accounts or customer funds;
3. FXT and Kahn are prohibited from accepting or placing trades for accounts, except for the liquidation of existing positions. In executing liquidation orders, FXT and Kahn must act in the best interest of its customers;
4. FXT and Kahn are prohibited from distributing, disbursing or transferring any funds, including without limitation distributions, disbursements transfers to existing or former customers, without the prior approval of NFA; and
5. FXT and Kahn are required to provide copies of this MRA and ARA via overnight courier to all customers having accounts with FXT.

EXHIBIT A

These actions are effective immediately and are deemed necessary to protect the commodity futures markets, customers and other NFA Members because FXT has failed to demonstrate that it meets the requirements of NFA Financial Requirements Section 11 or that it is in compliance with all other NFA Financial Requirements. In addition, FXT and Kahn: failed to cooperate promptly and fully with NFA in an NFA investigation, inquiry, audit or examination; provided false and misleading information to NFA; and failed to prepare and maintain required financial records. Thus, FXT and Kahn have failed to demonstrate that they are in compliance with NFA Requirements.

In support of these actions, NFA attaches the affidavit of Shameeka Quallo ("Quallo"), who is a Team Manager in NFA's Compliance Department, and based thereon alleges as follows:

1. FXT is an FCM Member of NFA located in Iselin, New Jersey. FXT has been registered as an FCM Member since October 14, 2004.
2. Kahn is a principal of FXT and is also the only AP and NFA Associate of the firm.
3. On November 7, 2005, Quallo and NFA staff member Joseph Picone ("Picone") visited FXT's offices in Iselin, New Jersey. NFA's visit to FXT was prompted by several things. Among other matters, NFA wanted to inquire about FXT's failure to submit weekly forex reports in a timely manner and the fact that several of the reports had not been submitted at all.
4. Upon NFA's arrival, the floor receptionist called FXT's offices to announce their visit; however, no one was there. In fact, the receptionist told NFA that that she was under the impression that the firm had moved or was in the process of moving. Quallo and Picone then called FXT's main telephone number and were informed by an employee named "Mohammad" that no one was in the offices that day. Mohammad told them that he was uncertain when Kahn would be returning.
5. Quallo left an urgent message for Kahn requesting him to call her. When Kahn subsequently returned the call, he informed her that he was in Pakistan, and that he would remain there until either mid-November or early December. Quallo and Picone also had a phone conversation with an individual named Irfan Amanat, who handles FXT's financial records, on November 7, 2005. He told them that FXT's last

several weekly forex reports had not been filed because he and Kahn were traveling and had been very busy.

6. Based on Irfan Amanat's comments and the firm's history of late or non-existent filings, it appeared that there might be material inadequacies in FXT's accounting system and internal controls. Therefore, NFA sent a letter to Kahn on November 8, 2005 requiring him and FXT to, among other things, provide NFA with a pro-forma net capital computation as of November 7, 2005.
7. FXT provided NFA with a balance sheet and a pro-forma financial in a Form 1-FR-FCM format dated November 7, 2005. The 1-FR-FCM form reflected that FXT had excess net capital of \$327,712.
8. FXT reported current assets as including, among other things, \$400,000 in an account at an entity named Refco ACM ("ACM") and a balance of approximately \$250,000 held at RefcoF/X Associates LLC.
9. Irfan Amanat told Quallo and Picone that he opened the account at ACM for FXT on October 28, 2005 with a \$400,000 wire transfer. However, FXT failed to confirm the existence of the account to NFA. In response to a request for FXT to produce an account statement confirming the balance, FXT provided a document on ACM letterhead, dated November 15, 2005, that stated:

We hereby certify that Irfan Amanat was conducting business with AC-M, Advanced Currency Markets. At the end of October the funds were requested and therefore credited to the clients account. Kind regards, Ramzi Chamat, General Director.
10. Since NFA was unable to determine if FXT currently maintained an account at ACM from this letter, or, if there is an account, what the current balance is, NFA ultimately made direct contact with ACM on November 17th and ACM informed NFA that it did not have any customer accounts in the names of either Irfan Amanat or FXT.
11. NFA confronted FXT personnel on November 17th with the information that ACM did not have any accounts for FXT. That afternoon, Irfan Amanat provided NFA with a document

from his bank reflecting a wire transfer and represented that it supported FXT's assertion that there was an account at ACM. NFA reviewed the document, and noted that it showed that \$350,000 was transferred on Nov 2nd from Amanat's bank account at the Bank of Dubai to ACM's bank account at HSBC bank. However, the wire does not indicate the name of any account that the \$350,000 was deposited into.

12. On November 17 and 18, 2005, Quallo spoke with FXT representative Afzal Amanat and informed him that NFA was unable to confirm the purported account at ACM as an asset of FXT and that the resulting adjustment to the firm's balance sheet rendered the firm substantially under its required adjusted net capital. Afzal Amanat acknowledged that FXT did not have an account at ACM and informed Quallo on November 17th that he would deposit an additional \$500,000 into FXT's Bank of the West account by the next day.
13. Quallo contacted Afzal Amanat early in the afternoon of November 18, 2005 and inquired whether the \$500,000 deposit that he had committed to had, in fact, been made. He told Quallo that he was still working on it and that it would definitely be completed that afternoon. Quallo required him to provide confirmation of the deposit to NFA immediately upon its completion.
14. As of November 21, 2005, neither Afzal Amanat nor anyone else acting on behalf of FXT has provided NFA with any confirmation that additional funds have been deposited on behalf of FXT so as to bring the firm in compliance with its adjusted net capital requirement under NFA Financial Requirements Section 11. In fact, on November 21, 2005, Afzal Amanat confirmed that no deposit had yet been made.
15. NFA's review of FXT's books and records revealed that it had securities accounts valued at approximately \$1,500,000 and that it had not reflected safety factor charges for the account in calculating its adjusted net capital. Although NFA has not been provided with all documentation required to make a complete calculation of the required safety factor charge, NFA's analysis of the documents that have been provided show that the safety factor charge is at least \$88,000.

16. NFA adjusted FXT's reported excess net capital by subtracting the \$400,000 attributed to the ACM account, the existence of which FXT was unable to confirm, and by subtracting a minimum safety factor charge of \$88,000 that had not been reflected in the net capital computation that FXT had provided to NFA on its November 7, 2005 Form 1-FR-FCM. The net result of these adjustments is that FXT is at least \$161,000 under the adjusted net capital required under NFA Financial Requirements Section 11.
17. In addition the \$250,000 that FXT has on deposit at RefcoF/X Associates LLC is doubtful for collection because of RefcoF/X Associates LLC's bankruptcy. When this amount is deducted from current assets, FXT's capital deficiency is more than \$400,000.
18. Based on the foregoing, it is apparent that FXT and Kahn are not in compliance with NFA Requirements.

The MRA and ARA will remain in effect until such time as FXT and Kahn demonstrate to the satisfaction of NFA that they are in complete compliance with all NFA Requirements, including but not limited to NFA Financial Requirements Section 11.

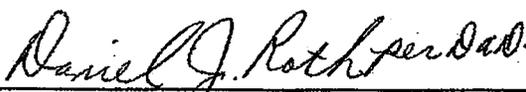
NFA Members receiving notice of this MRA and ARA by service or otherwise who carry accounts in the name of, or controlled by, FXT and Kahn, or either of them, are prohibited from disbursing or transferring funds to FXT or Kahn or any entity controlled by them for any reason without prior approval of NFA.

FXT and Kahn are entitled to a prompt hearing on this matter before NFA's Hearing Committee if they so request. The request for hearing shall be made in writing to: National Futures Association, 200 West Madison Street, Suite 1600, Chicago, Illinois 60606-3447, Attention: Legal Docketing Department.

Aggrieved parties may petition the Commission for a stay of this MRA and ARA pending a hearing pursuant to and in conformity with the terms set forth in Commission Regulation 171.41.

NATIONAL FUTURES ASSOCIATION

Date: November 21, 2005



Daniel J. Roth, President

AFFIDAVIT

THE AFFIANT, SHAMEEKA QUALLO, BEING DULY SWORN AND UNDER OATH STATES THAT:

1. My name is Shameeka Quallo, and I am employed by National Futures Association ("NFA") as a Team Manager in the Compliance Department.
2. FX Trading, LLC ("FXT") is a futures commission merchant ("FCM") Member of NFA located in Iselin, New Jersey. FXT has been registered as an FCM Member since October 14, 2004.
3. Shaheryar Kahn ("Kahn") is a principal of FXT and is also the only associated person ("AP") and NFA Associate of the firm.
4. On November 7, 2005, I and NFA staff member Joseph Picone ("Picone") visited FXT's offices in Iselin, New Jersey. NFA's visit to FXT was prompted by several things. Among other matters, NFA wanted to inquire about FXT's failure to submit weekly forex reports in a timely manner and the fact that several of the reports had not been submitted at all.
5. Upon our arrival, the floor receptionist called FXT's offices to announce our visit; however, no one was there. In fact, the receptionist told us that she was under the impression that the firm had moved or was in the process of moving. We then called FXT's main telephone number and were informed by an employee named "Mohammad" that no one was in the offices that day. Mohammad told us that he was uncertain when Kahn would be returning.
6. We left an urgent message for Kahn requesting him to call us. When Kahn subsequently returned the call, he informed me that he was in Pakistan, and that he would remain there until either mid-November or early December. I and Picone also had a phone conversation with an individual named Irfan Amanat, who handles FXT's financial records, on November 7, 2005. He told us that FXT's last several weekly forex reports had not been filed because he and Kahn were traveling and had been very busy.
7. Based on Irfan Amanat's comments and the firm's history of late or non-existent filings, it appeared that there might be material inadequacies in FXT's accounting system and internal controls. Therefore, NFA sent a letter to Kahn on November 8, 2005 requiring him and FXT to, among other things, provide NFA with a pro-forma net capital computation as of November 7, 2005.

8. FXT provided NFA with a balance sheet and a pro-forma financial in a Form 1-FR-FCM format dated November 7, 2005. The 1-FR-FCM form reflected that FXT had excess net capital of \$327,712.
9. FXT reported current assets as including, among other things, \$400,000 in an account at an entity named Refco ACM ("ACM") and a balance of approximately \$250,000 held at RefcoFX.
10. Irfan Amanat told Picone and me that he opened the account at ACM for FXT on October 28, 2005 with a \$400,000 wire transfer. However, FXT failed to confirm the existence of the account to NFA. In response to a request for FXT to produce an account statement confirming the balance, FXT provided a document on ACM letterhead, dated November 15, 2005, that stated:

We hereby certify that Irfan Amanat was conducting business with AC-M, Advanced Currency Markets. At the end of October the funds were requested and therefore credited to the clients account. Kind regards, Ramzi Chamat, General Director.
11. Since NFA was unable to determine if FXT currently maintained an account at ACM from this letter, or, if there is an account, what the current balance is, I ultimately made direct contact with ACM on November 17th and ACM personnel informed me that ACM did not have any customer accounts in the names of either Irfan Amanat or FXT.
12. Picone and I confronted FXT personnel on November 17th with the information that ACM did not have any accounts for FXT or Irfan Amanat. That afternoon, Irfan Amanat provided us with a document from his bank reflecting a wire transfer and represented that it supported FXT's assertion that there was an account at AMC. We reviewed the document, and noted that it showed that \$350,000 was transferred on Nov 2nd from Amanat's bank account at the Bank of Dubai to ACM's bank account at HSBC bank. However, the wire does not indicate the name of any account that the \$350,000 was deposited into.
13. On November 17 and 18, 2005, Quallo spoke with FXT representative Afzal Amanat and informed him that NFA was unable to confirm the purported account at ACM as an asset of FXT and that the resulting adjustment to the firm's balance sheet rendered the firm substantially under its required adjusted net capital. Afzal Amanat acknowledged that FXT did not have an

account at ACM and informed Quallo on November 17th that he would deposit an additional \$500,000 into FXT's Bank of the West account by the next day.

14. I contacted Afzal Amanat early in the afternoon of November 18, 2005 and inquired whether the \$500,000 deposit that he had committed to had, in fact, been made. He told me that he was still working on it and that it would definitely be completed that afternoon. I required him to provide confirmation of the deposit to NFA immediately upon its completion.
15. As of November 21, 2005, neither Afzal Amanat nor anyone else acting on behalf of FXT has provided NFA with any confirmation that additional funds have been deposited on behalf of FXT so as to bring the firm in compliance with its adjusted net capital requirement under NFA Financial Requirements Section 11. In fact, on November 21, 2005, Afzal Amanat confirmed that no deposit had yet been made.
16. NFA's review of FXT's books and records revealed that it had securities accounts valued at approximately \$1,500,000 and that it had not reflected safety factor charges for the account in calculating its adjusted net capital. Although NFA has not been provided with all documentation required to make a complete calculation of the required safety factor charge, NFA's analysis of the documents that have been provided show that the safety factor charge is at least \$88,000.
17. NFA adjusted FXT's reported excess net capital by subtracting the \$400,000 attributed to the ACM account, the existence of which FXT was unable to confirm, and by subtracting a minimum safety factor charge of \$88,000 that had not been reflected in the net capital computation that FXT had provided to NFA on its November 7, 2005 Form 1-FR-FCM. The net result of these adjustments is that FXT is at least \$161,000 under the adjusted net capital required under NFA Financial Requirements Section 11.
18. In addition the \$250,000 that FXT has on deposit at RefcoFX Associates LLC is doubtful for collection because of RefcoFX Associates LLC's bankruptcy. When this amount is deducted from current assets, FXT's capital deficiency is more than \$400,000.
19. Based on the foregoing, it is apparent that FXT and Kahn are not in compliance with NFA Requirements.

Further Affiant sayeth naught.

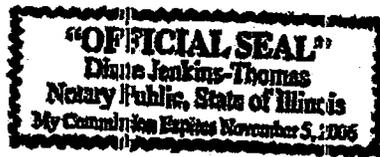
Shameeka Quallo

Shameeka Quallo

Subscribed and sworn to before
me on this 21st day of November, 2005.

Diane Jenkins Thomas

Notary Public



AFFIDAVIT OF SERVICE

I, Myra Lewis, on oath state that on November 21, 2005, I served copies of the attached Notice of Member Responsibility Action by sending such copies by facsimile and overnight mail in envelopes addressed as follows:

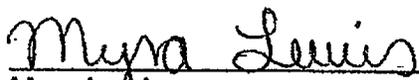
Jean Webb, Secretariat
Commodity Futures Trading Commission
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1155 21st Street, N.W.
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Lawrence B. Patent
Division of Trading & Markets
Commodity Futures Trading Commission
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Washington, D.C. 20581
Facsimile: 202/418-5521

And by e-mail and overnight mail to:

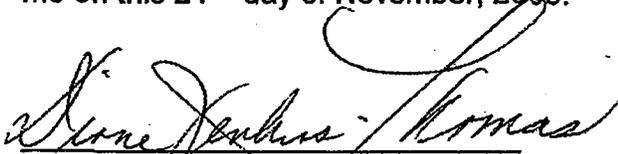
Shaheryar Khan
President
FX Trading, LLC.
33 Wood Avenue South
6th Floor
Iselin, NJ 08830
E-Mail: FXConnect@yahoo.com

Shaheryar Khan
1708 Plaza Drive
Woodbridge, NJ 07095
E-Mail: Skhan@the-Quran.org



Myra Lewis

Subscribed and sworn to before
me on this 21st day of November, 2005.



Notary Public

m:\myl\affid\FX Trading LLC MRA affd 1105.pmr

