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**IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF NEW JERSEY**

**SECURITIES AND EXCHANGE COMMISSION,**

**Plaintiff,**

**v.**

**ANTHONY G. BLUMBERG,**

**Defendant.**

Case No. \_\_\_\_\_

**COMPLAINT**

**(Jury Trial Demanded)**

Plaintiff, the United States Securities and Exchange Commission (“Commission”), 100 F Street, N.E., Washington, D.C. 20549, alleges as follows against Anthony G. Blumberg, whose last known address is 34 Delbarton Drive, Short Hills, NJ 07078:

**SUMMARY OF ALLEGATIONS**

1. This securities fraud action arises out of a fraudulent scheme to conceal from customers a practice of charging hidden mark-ups and mark-downs on securities trades placed with certain brokerage firm subsidiaries of ConvergEx Group, LLC (“ConvergEx”), a global investment services and technology firm headquartered in New York, New York. The hidden charges were referred to in the scheme as “trading profits,” or more commonly, as “TP,” and were in addition to disclosed commissions paid by customers.

2. From at least October 2006 through October 2011, Anthony G. Blumberg was the CEO of ConvergEx Global Markets (“CGM”), which was comprised of a business unit of G-Trade

Services LLC (“G-Trade”), an offshore broker-dealer called ConvergeX Global Markets Limited (“CGM Limited”), and traders in various international locations.

3. Blumberg knowingly or recklessly participated in the fraudulent scheme by engaging in, and directing, encouraging, and authorizing employees under his management to engage in, repeated deceptive acts designed to prevent customers from discovering that they were being charged TP in addition to the commissions they paid to buy and sell securities.

4. The deceptive acts directed, encouraged, and authorized by Blumberg included:

- suspending the practice of taking TP when customers were monitoring execution prices,
- falsifying trading data provided to customers who inquired about the details of their securities transactions,
- using technological tools to prevent customers from discovering that TP had been taken on their trades in transparent markets,
- making materially misleading statements to customers with respect to real-time reporting of trade data, and
- opportunistically taking TP to lower the risk of detection by customers.

5. In addition, Blumberg made materially false and misleading statements to prevent a customer from discovering the truth about CGM’s hidden charges.

6. By knowingly or recklessly engaging in deceptive conduct and by virtue of his control over CGM Limited and that entity’s violations, Blumberg violated and aided and abetted violations of the antifraud provisions of the federal securities laws.

### **JURISDICTION AND VENUE**

7. This Court has jurisdiction over this action pursuant to Sections 20(b) and (d) [15 U.S.C. § 77t (b) and (d)] and 22(a) of the Securities Act of 1933 (the “Securities Act”) [15

U.S.C. § 77v(a)] and Sections 21(d), 21(e), and 27 of the Securities Exchange Act of 1934 (the “Exchange Act”) [15 U.S.C. §§ 78u(d), 78u(e), and 78aa].

8. Venue is proper in this Court pursuant to Section 22(a) of the Securities Act [15 U.S.C. §77v(a)] and Section 27 of the Exchange Act [15 U.S.C. § 78aa] because acts constituting violations of the law alleged in this Complaint occurred in this District and the defendant can be found, is an inhabitant of, or transacts business in this District.

9. Blumberg directly or indirectly made use of the means or instrumentalities of interstate commerce, of the mails, or the facilities of a national securities exchange in connection with the transactions, acts, practices, and courses of business alleged herein.

#### **DEFENDANT**

10. **Anthony G. Blumberg**, age 49, was the CEO of ConvergEx Global Markets and ConvergEx Global Markets Limited from October 2006 until his discharge in October 2011. Blumberg is a resident of New Jersey.

11. Blumberg held a Series 7 securities license since 2002. A Series 7 license is the general securities registered representative license and entitles the holder to sell all securities products except commodities and futures.

#### **RELEVANT ENTITIES AND INDIVIDUALS**

12. **G-Trade Services LLC (“G-Trade”)** is a registered broker-dealer and wholly-owned subsidiary of ConvergEx Group, LLC (“ConvergEx”). G-Trade is headquartered in New York and has been registered as a broker-dealer with the Commission since October 2006. In December 2013, G-Trade settled the Commission’s claims against it for its role in the scheme described in this Complaint. *See* SEC Rel. No. 34-71128 (Dec. 18, 2013).

13. **ConvergEx Global Markets (“CGM”)**, formerly known as G-Port, was comprised of a business unit of G-Trade located in New York, New York, ConvergEx Global

Markets Limited (“CGM Limited”), and traders in international locations such as Hong Kong and London.

14. **ConvergEx Global Markets Limited (“CGM Limited”)** was a Bermuda broker-dealer and a wholly-owned subsidiary of ConvergEx. CGM Limited was regulated by the Bermuda Monetary Authority until 2012 when it voluntarily relinquished its securities license. In January 2012, it ceased executing trades in equities. In December 2013, CGM Limited settled the Commission’s claims against it for its role in the scheme described in this Complaint and entered a guilty plea to one count of conspiracy to commit wire and securities fraud and one count of wire fraud. *See* SEC Rel. No. 34-71128 (Dec. 18, 2013).

15. **Jonathan Daspin** was the global head of trading of CGM Limited in Bermuda from October 2006 until his discharge in 2011. In December 2013, Daspin settled the Commission’s claims against him for his role in the scheme described in this Complaint and entered a guilty plea to one count of conspiracy to commit wire and securities fraud. *See* SEC Rel. 34-71126 (Dec. 18, 2013).

16. **Thomas Lekargerren** was a sales trader for CGM, the business unit of G-Trade, from April 2008 until his discharge in 2011. In December 2013, Lekargerren settled the Commission’s claims against him for his role in the scheme described in this Complaint and entered a guilty plea to one count of conspiracy to commit wire and securities fraud. *See* SEC Rel. 34-71127 (Dec. 18, 2013).

## **FACTUAL ALLEGATIONS**

### **The CGM Business Model**

17. From at least October 2006 through August 2011 (“the Relevant Period”), CGM handled large, non-electronic orders to trade either single stocks or baskets of stocks in markets

around the world, including the United States. CGM's customers included funds managed on behalf of retirement plans, universities, charities, religious organizations, and governments.

18. CGM marketed itself as a "conflict free," agency-only broker offering global execution services. CGM Limited was a separate broker-dealer registered with the Bermuda Monetary Authority that existed primarily for the purpose of enabling CGM to take undisclosed TP on trades. To the extent that CGM revealed the existence of CGM Limited to customers and potential customers, it described CGM Limited as its "24-hour trading desk in Bermuda."

19. As a practical matter, CGM, the business division of G-Trade in New York, and CGM Limited, its affiliated broker-dealer in Bermuda, operated as one business with Blumberg in charge of its operations.

20. As part of the CGM business model, customers were assigned to a "client-facing," affiliated ConvergEx broker. Sales traders at the affiliated broker received customer orders and entered those orders into CGM's order management system, which automatically routed orders to CGM Limited in Bermuda.

21. Once it received a customer's order, CGM Limited in Bermuda acted in a riskless principal capacity and bought or sold the security for its own account through a local broker in the relevant market. In general, a "riskless principal" trade occurs when a broker-dealer, after receiving a customer order to buy (or sell) a security, buys (or sells) the security for its own account from (or to) another person in a contemporaneous offsetting transaction and then allocates the shares to the customer order. If CGM Limited employees believed that they could

add a mark-up or mark-down without detection by the customer, they added one to the price received from the local broker and kept the difference for CGM as TP.<sup>1</sup>

22. CGM Limited then delivered the execution back to the affiliated broker, which charged the customer a disclosed commission and also confirmed the trade to the customer at a price that included the undisclosed TP amount.

23. As a result, when CGM Limited took TP on a customer's trade, the price received by the customer was worse than the price that CGM Limited had received from the local broker.

24. Each customer's trade confirmation disclosed the amount of commission charged to the customer, but did not state that CGM Limited had also taken a mark-up or mark-down on the price at which the local broker executed the trade.

25. Neither CGM nor CGM Limited was a market maker, and neither generally committed its own capital to facilitate customer executions nor offered customers guaranteed prices. Thus, CGM and CGM Limited assumed little, if any, market risk when handling and executing customer orders.

26. CGM and CGM Limited often took TP on orders to buy and sell stocks traded in U.S. markets. Many of these orders were received by or routed to CGM in New York, and instead of routing those orders to ConvergEx's U.S. trading arm that was a member of U.S. exchanges and could have executed the trades, the orders were routed unnecessarily to CGM Limited in Bermuda in order to take TP. CGM Limited traders in Bermuda would then in turn execute the orders through third-party U.S. broker-dealers and add TP to the price received before delivering the execution back to the client-facing broker.

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<sup>1</sup> Some customers asked for their trades to be handled on a fiduciary basis. When customers requested fiduciary treatment, CGM and CGM Limited did not take TP on those customers' trades and those customers were typically charged higher commissions.

27. The amount of TP taken on trades often was much more than the disclosed commission amount. In fact, it was not uncommon for the amount of TP taken to be several times the amount of the commission paid by the customer.

28. For example, during the Relevant Period, a university paid approximately \$93,000 in disclosed commissions and approximately \$543,000 in undisclosed TP. Similarly, a charitable organization paid approximately \$33,000 in disclosed commissions and approximately \$283,000 in undisclosed TP. In both of these cases, the transactions involved only U.S. securities that were routed to CGM Limited in Bermuda and then back to a broker-dealer in the U.S. to execute the trades so that CGM could take TP.

### **The Scheme to Conceal TP**

29. Blumberg knew or was reckless in not knowing that customers were generally unaware of the fact that CGM took TP on their trades and would have fired them if they had learned of the practice. Consequently, throughout the Relevant Period, Blumberg knowingly or recklessly participated in a fraudulent scheme to conceal from customers the practice of taking TP. This scheme involved a number of different types of deceptive conduct designed to avoid raising questions that could lead customers to discover that TP had been taken on their trades and affirmative misrepresentations and misleading statements to customers who did ask questions. This deceptive conduct left customers with a false impression with respect to a matter of importance to a reasonable investor, namely the nature and amount of the costs they paid to have their trades executed.

### **Suspension of TP When Customers Requested Trading Data**

30. CGM Limited typically executed large orders to buy and sell securities in smaller pieces known as “child fills,” which later were aggregated for purposes of reporting a single execution price to the customer. Customers, however, sometimes asked CGM for more specific

information regarding the times, prices, and quantities at which each child fill had been executed. This information was reflected in “time and sales” reports.

31. For trades on which CGM took TP, an accurate time and sales report would reveal that TP had been taken on the trades because the individual child fill execution prices would not average to the price reported to the customer.

32. Blumberg understood that time and sales reports would expose TP and thus explicitly authorized the temporary suspension of taking TP on trades if customers, prior to trading, requested a time and sales report.

33. For example, on or about June 21, 2011, Daspin, the head trader at CGM Limited in Bermuda, consulted with Blumberg by telephone regarding whether they should consider taking TP on trades for Customer A, who had advised Blumberg and Daspin that it may request time and sales reports in the future.

34. Blumberg recommended that Daspin suspend taking TP for the first sizable trade for Customer A to test if Customer A would ask for time and sales, and if it did not request a time and sales report, to consider taking TP on Customer A’s next trade. Specifically, Blumberg told Daspin, “you could . . . let this go and don’t do anything this time and see what happens and try for the next time.”

35. Similarly, on or about January 31, 2011, Blumberg authorized and instructed traders to refrain from taking TP on trades for Customer B after it advised CGM that it had embarked on an internal transaction costs study and requested time and sales data for trades executed through CGM.

36. As a precautionary measure to prevent Customer B from detecting TP, Blumberg consulted with Daspin and directed him and other traders to suspend taking TP on Customer B’s trades until the study was complete.

37. Blumberg was willing to authorize the suspension of TP only during the time that Customer B requested time and sales because TP on Customer B's trades was a large profit source for CGM. As a result, Blumberg was upset when he learned that he had not been immediately informed that Customer B was no longer requesting time and sales reports. In a telephone call on or about March 15, 2011, Blumberg stated to the CGM sales trader who was Customer B's point of contact:

[L]isten to me carefully. There are two accounts, one in particular that consumes my life: [Customer F] and [Customer B]. I get asked about them every [expletive] day. Okay. These are the most important two relationships we have in our little world that's yours and mine. Trust me. I will [expletive] know -- I want to know and need to know everything about this account within -- how often they do business and what they're doing. This is my life right now, and it's your life too. Okay. And if you think you told me that [Customer B may not need the time and sales reports], you didn't. I'm telling you now because I'm sitting here telling you I didn't know this. And this is [expletive] something that is crucial and critical to what I do each and every day. And I would not make that up one stinking second. So I'm asking you again, please you need to be more clear when you communicate this with me. Write it down in a [expletive] e-mail if you don't think I understand. This is really, really, really, really, really important. I can't say it enough. I'm saying it to you, and I said it to Tom [Lekargerren]. This is all we have as [expletive] three people as a team, these two accounts.

38. Once Blumberg confirmed that Customer B was no longer requesting time and sales reports, he had a telephone conversation with Daspin to discuss "taking TP on [Customer B] again."

39. Shortly thereafter, Blumberg authorized CGM Limited traders to take TP on Customer B's trades again, and Blumberg contacted Daspin to confirm that the traders understood that TP was back "in effect."

#### **Falsified Trading Data to Hide TP**

40. CGM traders generally told customers that they needed notice prior to trading to accommodate customers' requests for time and sales reports. As previously alleged, when

customers made such advance requests, the traders would not take TP. On some occasions, however, customers requested time and sales reports after TP had already been taken on their trades.

41. On those occasions, because CGM Limited had added a mark-up or mark-down to the price it received from the local broker in order to take TP, the average of the prices reflected on accurate time and sales reports would not match the price previously reported to the customer. Due to these discrepancies and the risk of the inquiring customers discovering that TP had been taken on their trades, CGM and CGM Limited traders looked to Blumberg for guidance on how to respond to customers' requests for time and sales reports under these circumstances.

42. On at least six occasions, involving at least three different customers, Blumberg authorized Daspin, Lekargeren, and other employees under his management to create and provide customers with falsified time and sales data rather than providing the customers with accurate time and sales data that would have revealed the TP taken on the trades.

43. The instances in which Blumberg authorized falsified time and sales reports to be sent to customers include:

- a. A falsified time and sales report sent to Customer C on June 25, 2007, with respect to 808,516 shares of a stock sold through CGM Limited on June 22, 2007;
- b. A falsified time and sales report sent by email to Customer D on February 6, 2008, with respect to 50,000 shares of a stock sold through CGM Limited on February 5, 2008;
- c. Falsified time and sales reports sent by email to Customer D again on January 7, 2011, with respect to the purchase of 65,000 shares of one stock and 80,000 shares of another stock purchased through CGM Limited on January 6, 2011;

- d. A falsified time and sales report sent by email to Customer E on September 2, 2008, with respect to 2,965 shares of a stock purchased through CGM Limited on August 26, 2008;
- e. Falsified time and sales reports sent by email to Customer E again on March 18, 2009, with respect to 224,000 shares of one stock and 90,700 shares of another stock purchased through CGM Limited on March 16-17, 2009; and
- f. Falsified time and sales reports sent by Lekargerren, an employee of the CGM business division of G-Trade, to Customer F on August 11, 2009, with respect to two purchase orders totaling 389,296 shares of a stock purchased through CGM Limited on August 7, 2009.

44. On at least one other occasion, on or about July 13, 2010, Daspin informed Blumberg by email that Customer E had asked for a time and sales report and explained, “[w]e needed to be creative putting something together as [we] did not have time and sales for the price given. Fyi.” In that instance, a CGM Limited trader sent Customer E a falsified time and sales report with respect to 500,000 shares of a stock purchased through CGM Limited on July 13, 2010.

45. The veracity of the data provided in time and sales reports was important to customers because it enabled them to evaluate the nature and amount of charges they incurred to have their trades executed.

**Deceptive Conduct to Hide TP From Customers in Transparent Markets**

46. Blumberg also authorized and encouraged employees under his management to engage in deceptive conduct to hide TP from customers in otherwise transparent markets.

47. For example, on at least one occasion in June 2011, Daspin was tasked with executing large trades in a transparent foreign market for Customer G. Daspin was concerned that he could not take TP on Customer G's trades without Customer G detecting it because real-time trade execution information was publicly available for trades executed in this market. As a result, Daspin consulted and strategized with Blumberg regarding ways he could "hide" his trades from Customer G.

48. In a telephone call, Daspin explained to Blumberg that his "biggest concern" was transparency and that in order to minimize the possibility of Customer G detecting TP taken on its trades Daspin might be able to route the customer's trades through G-Trade and use G-Trade's proprietary trading algorithm to execute the trades using multiple broker codes. Using multiple broker codes would make it more difficult for Customer G to identify trades executed on its behalf in the market because Customer G's trades would appear to be multiple trades executed by different brokers.

49. Blumberg then suggested other strategies so that Daspin did not "take any chances" and used the "most caution and care" in executing the trades. In response, Daspin explained to Blumberg that he needed to use G-Trade's algorithm because "some of the biggest positions are the ones that I'm going to need to hide. And if I give it all to one broker, then I can't TP those names." Blumberg then authorized Daspin to use his discretion in taking TP under those circumstances.

50. Daspin subsequently used the G-Trade algorithm to execute Customer G's trades in this otherwise transparent market, and as a result, CGM was able to take approximately \$1.6 million in TP on these trades for Customer G without its detection.

**Deceptive Conduct to Prevent a Profitable Customer from Receiving Trade Data in Real-Time in Order to Take TP**

51. The practice of taking TP was threatened when advances in market technology prompted an increased number of customers to request “real-time” trade execution data. This real-time data was provided through a live feed that would have revealed the prices that CGM Limited had received in a local market for a customer’s trades. As a result, a customer receiving real-time execution data could see the undisclosed profit (TP) that CGM was making on the trades.

52. On or about February 29, 2009, Customer F, one of CGM’s most profitable customers, made a request for real-time TP reporting of its trade execution information to Thomas Lekargeren, the sales trader for the CGM business division of G-Trade who was Customer F’s point of contact.

53. When Blumberg learned of Customer F’s request, he instructed Lekargeren to delay implementing real-time trade reporting for Customer F so that CGM could continue to take TP on its trades.

54. To accomplish this, Blumberg authorized Lekargeren to make materially misleading statements to Customer F to discourage its request for real-time. CGM ultimately successfully delayed the implementation of real-time trade reporting for Customer F for approximately a year so that it could continue to take TP on Customer F’s trades in the interim. During that time, CGM took approximately \$6.8 million in TP on Customer F’s trades.

55. Even after Customer F began receiving real-time data, Blumberg approved of regularly disabling the live data feed and instead providing Customer F with trade data in periodic “batch fills” so that TP could be taken on trades without detection.

56. Blumberg discussed and approved the deceptive practice of batch filling in the months to follow as well. For example, in spring of 2011, Daspin explained to Blumberg: “We have [business from Customer F] . . . making some teepers [i.e., TP] on that one, best we can, giving them, ah, fix updates, not real time, even though they asked for it.” Likewise, Daspin updated Blumberg on or about June 13, 2011, that for Customer F, CGM was “[d]oing batch updates, taking TP.”

57. CGM took over \$2 million in TP on Customer F’s trades through the use of batch fills from in or about March 2010 until in or about August 2011.

**Deceptive Conduct to Hide CGM’s Business Model**

58. Blumberg further concealed the practice of taking TP by authorizing employees under their management to engage in deceptive conduct designed to prevent customers and prospective customers from understanding CGM’s business model. Knowledge of CGM’s business model would have been important to customers because it would have enabled them to accurately assess the nature and amounts of costs they paid for trade execution.

59. For example, in late 2007, Customer H wanted additional information about CGM’s business model and fees and sent representatives to CGM Limited’s offices in Bermuda to gather this information.

60. On or about December 10 and 11, 2007, Blumberg met personally with two representatives of Customer H in CGM Limited’s Bermuda office. During this meeting, representatives of Customer H asked Blumberg directly whether CGM marked-up trades. Blumberg, knowing that his statements were false, vehemently denied this practice and emphatically told the representatives of Customer H that CGM did not mark-up trades.

61. In addition, in advance of Customer H's visit to CGM Limited's office in Bermuda, Blumberg authorized Daspin to reconfigure his computer trading screen to conceal information from Customer H that could reveal TP.

62. Blumberg authorized similar deceptive conduct again in 2011 during a regulatory examination of CGM Limited. In that circumstance, Blumberg and Daspin discussed their concerns that regulators were asking questions about CGM Limited's riskless principal account and who CGM Limited's customers were. If regulators had unrestricted access to CGM Limited's trading system, it could have revealed that trades were routed to CGM Limited through G-Trade solely for the purpose of taking TP. As a result, Blumberg authorized Daspin to reconfigure his computer screen to conceal from the regulators information that might disclose the true nature of CGM's business model.

**Encouraging Traders to Take TP in a Manner that Decreased the Risk of Detection By Customers**

63. Blumberg encouraged CGM Limited traders to take TP in an opportunistic manner, based largely on whether the traders thought they could take TP and how much TP they thought they could take without detection by customers.

64. Traders thus assessed the "sensitivity" of their customers to determine whether a particular customer was paying attention to execution quality. The end result of this practice was that TP was taken in larger amounts from some customers and that some customers received worse execution prices than they would have received if they had been more "sensitive."

65. Blumberg understood that CGM Limited traders suspended the practice of taking TP when they thought customers were paying attention to trade executions, and traders openly discussed this conduct with Blumberg.

66. For example, on April 17, 2008, Daspin communicated to Blumberg, “[w]hen we have orders while all [the customer’s] staff is in the office, it is difficult if not impossible to take TP. That said, we were mostly US equities, which they are even more sensitive.”

67. Blumberg also encouraged the traders he supervised to engage in practices that enabled them to take TP without detection even when customers were monitoring trade execution. For example, on or about October 11, 2006, a trader in Hong Kong communicated with Blumberg by instant message, explaining that one hour after market opening, the trader was told “that the client wanted live feeds on their fills.” The trader then explained to Blumberg, “[i]n order to take TP, i manually had to calculate my prices while i was trading and was able to squeak in 112k USD on the TP side and also sent the client their exec[ution]s every 15-20 mins.” Blumberg provided encouragement to the trader by responding, “Excellent work!! Well Done!!”

68. Similarly, on or about June 5, 2008, a trader in Bermuda boasted to Blumberg in an instant message that he was able to take \$35,000 on a customer trade “despite [the customer] watching us like a hawk.” Blumberg communicated his approval by responding to the trader, “NICE! Thanks!!”

69. Blumberg also understood and authorized traders to take TP in an amount that kept the customer’s price within the high and low of the market for the day so that the customer would not detect TP.

70. For example, on or about May 5, 2011, Blumberg asked Daspin why CGM Limited “only took 14 basis points” of TP on a sale trade. Daspin explained, to Blumberg’s satisfaction, that “it all comes down to, you know, the—the trading range on the day and whatnot, being between the high and the low” and “just giving it to them at the low end.”

71. Occasionally, CGM traders would receive orders to sell securities, knowing that the execution of those orders would be monitored minimally, if at all. In those instances,

Blumberg authorized and encouraged traders to take TP in amounts such that the selling price that CGM gave to customers equaled the lowest market price for that day.

72. On one such occasion, on or about July 25, 2011, Daspin advised Blumberg that he was “just going to give [the customer] the low of the day, which could . . . add up like crazy . . . to possibly . . . make a few hundred thousand dollars” for CGM. Blumberg authorized and encouraged this conduct by responding, “Wow. That would be nice.”

### **Control by Blumberg Over CGM Limited**

73. Blumberg was the CEO of CGM Limited throughout the Relevant Period. In his position as CEO, Blumberg exercised general control over CGM Limited’s operations, including all aspects of managing CGM Limited employees. Moreover, Blumberg did not allow CGM Limited traders to undertake any action that was likely to impact the practice of taking TP without his knowledge and approval.

74. As a result of the above, throughout the Relevant Period, Blumberg exercised control, directly or indirectly, over CGM Limited.

### **FIRST CLAIM FOR RELIEF**

#### **Violations of Section 10(b) and Rule 10b-5 of the Exchange Act**

75. Paragraphs 1 through 74 are realleged and incorporated herein by reference.

76. Through the conduct described above, Blumberg violated Section 10(b) of the Exchange Act [15 U.S.C § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

77. Blumberg, in connection with the purchase or sale of any security by use of the means or instrumentalities of interstate commerce, the mails, or any facility of any national securities exchange, directly or indirectly, knowingly or recklessly: (a) employed a device, scheme, or artifice to defraud; (b) made an untrue statement of material fact or omitted a material

fact necessary to make the statement not misleading; or (c) engaged in an act, practice, or course of business which operated or would operate as a fraud or deceit.

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

### **SECOND CLAIM FOR RELIEF**

#### **Section 20(e): Aiding and Abetting Violations of Section 10(b) of the Exchange Act and Rule 10b-5**

79. Paragraphs 1 through 74 are realleged and incorporated herein by reference.

80. Through the conduct described above, CGM Limited, G-Trade, Jonathan Daspin, and Thomas Lekargerren, in connection with the purchase or sale of any security by use of the means or instrumentalities of interstate commerce, the mails, or any facility of any national securities exchange, directly or indirectly, knowingly or recklessly: (a) employed a device, scheme, or artifice to defraud; (b) made an untrue statement of material fact or omitted a material fact necessary to make the statement not misleading; or (c) engaged in an act, practice, or course of business which operated or would operate as a fraud or deceit in violation of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

81. Blumberg knowingly or recklessly provided substantial assistance to CGM Limited, G-Trade, Daspin, and Lekargerren in their violations of Section 10(b) of the Exchange Act and Rule 10b-5.

82. Pursuant to Section 20(e) of the Exchange Act [15 U.S.C. § 78t(e)], Blumberg is deemed to be in violation of Section 10(b) of the Exchange Act and Rule 10b-5 to the same extent as CGM Limited, G-Trade, Daspin, and Lekargerren, and unless enjoined, will again aid and abet violations of those provisions.

**THIRD CLAIM FOR RELIEF**

**Section 20(e): Aiding and Abetting Violations of Section 15(c)(1)(A) of the Exchange Act**

83. Paragraphs 1 through 74 are realleged and incorporated herein by reference.

84. At all relevant times, G-Trade was a registered broker dealer pursuant to Section 15(b) of the Exchange Act [15 U.S.C. § 78o(b)].

85. Through the conduct alleged above, G-Trade by use of the mails or any means or instrumentality of interstate commerce effected any transaction in, or induced or attempted to induce the purchase or sale of, any security (other than commercial paper, bankers' acceptances, or commercial bills) by means of any manipulative, deceptive, or other fraudulent device or contrivance in violation of Section 15(c)(1)(A) of the Exchange Act [15 U.S.C. § 78o(c)(1)(A)].

86. Blumberg knowingly or recklessly provided substantial assistance to G-Trade in its violations of Section 15(c) of the Exchange Act.

87. Pursuant to Section 20(e) of the Exchange Act [15 U.S.C. § 78t(e)], Blumberg is deemed to be in violation of Section 15(c)(1)(A) of the Exchange Act to the same extent as G-Trade, and unless enjoined, will again aid and abet violations of those provisions.

**FOURTH CLAIM FOR RELIEF**

**Sections 17(a)(1) and (3) of the Securities Act**

88. Paragraphs 1 through 74 are realleged and incorporated herein by reference.

89. Through the conduct described above, Blumberg violated Sections 17(a)(1) and (3) of the Securities Act [15 U.S.C. § 77q(a)(1) and (3)].

90. In the offer or sale of any security using the means or instruments of transportation or communication in interstate commerce or the mails, Blumberg, directly or indirectly, knowingly or recklessly employed a device, scheme, or artifice to defraud and

knowingly, recklessly, or negligently engaged in a transaction, practice, or course of business which operated or would operate as a fraud or deceit on the purchaser.

91. By reason of the foregoing, Blumberg has violated, and unless enjoined will again violate, Section 17(a)(1) and (3) of the Securities Act [15 U.S.C. §77q(a)(1) and (3)].

### **FIFTH CLAIM FOR RELIEF**

#### **20(a): Controlling Person Liability**

92. Paragraphs 1 through 74 are realleged and incorporated by reference herein.

93. Through the conduct described above, CGM Limited, in connection with the purchase or sale of any security by use of the means or instrumentalities of interstate commerce, the mails, or any facility of any national securities exchange, directly or indirectly, knowingly or recklessly: (a) employed a device, scheme, or artifice to defraud; (b) made an untrue statement of material fact or omitted a material fact necessary to make the statement not misleading; or (c) engaged in an act, practice, or course of business which operated or would operate as a fraud or deceit in violation of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

94. When CGM Limited violated Section 10(b) of the Exchange Act and Rule 10b-5, Blumberg directly or indirectly controlled CGM Limited. Blumberg was therefore a “controlling person” within the meaning of Section 20(a) of the Exchange Act [15 U.S.C. §78t(a)] with regard to CGM Limited.

95. As alleged above, Blumberg was a culpable participant in, and directly or indirectly induced the acts constituting, CGM Limited’s violations of the Exchange Act, and did not act in good faith.

96. By reason of the foregoing, Blumberg is jointly and severally liable with and to the same extent as CGM Limited for its violations of Section 10(b) of the Exchange Act and Rule 10b-5 and, unless enjoined, will again act as a “controlling person” in connection with such violations.

**PRAYER FOR RELIEF**

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

A. Finding that Blumberg violated the federal securities laws and the Commission rule alleged in this Complaint;

B. Permanently restraining and enjoining Blumberg from violating Sections 10(b) and 15(c) of the Exchange Act [15 U.S.C. §§ 78j(b) and 78o(c)] and Exchange Act Rule 10b-5 [17 C.F.R. § 240.10b-5] and Section 17(a)(1) and (3) of the Securities Act [15 U.S.C. §77q(a)(1) and (3)];

C. Ordering Blumberg to disgorge all illegal profits he obtained as a result of his fraudulent misconduct, acts, or courses of conduct described in this Complaint, and to pay prejudgment interest thereon;

D. Imposing civil monetary penalties on Blumberg pursuant to Section 20(d)(2) of the Securities Act [15 U.S.C. § 77t (d)(2)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)]; and

E. Granting such equitable relief as may be appropriate or necessary for the benefit of investors pursuant to Section 21(d)(5) of the Exchange Act [15 U.S.C. § 78u(d)(5)].

Dated: Washington, D.C.

August 7, 2014

Respectfully submitted,

s/ Cheryl L. Crumpton  
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