

**UNITED STATES DISTRICT COURT  
DISTRICT OF NEW JERSEY**

	)	
<b>SECURITIES AND EXCHANGE</b>	)	
<b>COMMISSION,</b>	)	
<b>Plaintiff,</b>	)	<b>Civil Action No.</b>
	)	
<b>v.</b>	)	<b>Complaint for Violations of the</b>
	)	<b>Federal Securities Laws</b>
	)	
<b>SWAPNIL J. REGE, and SWAPSTAR</b>	)	
<b>CAPITAL, LLC</b>	)	<b>Jury Trial Demanded</b>
	)	
<b>Defendants,</b>	)	
<b>and</b>	)	
	)	
<b>REEMA REGE,</b>	)	
	)	
<b>Relief Defendant.</b>	)	
	)	

**COMPLAINT**

Plaintiff Securities and Exchange Commission (“the Commission”), 33 Arch Street, 24<sup>th</sup> Floor, Boston, Massachusetts 02110, alleges as follows against the following Defendants and Relief Defendant, whose names and last known addresses are set forth below:

- a. Swapnil J. Rege (Defendant)  
6 Forest Ct N  
Monmouth Junction, NJ 08852-3124
  
- b. SwapStar Capital, LLC (Defendant)  
197 State Route 18S, Suite 3000

East Brunswick, NJ 08816

- c. Reema Rege (Relief Defendant)  
6 Forest Ct N  
Monmouth Junction, NJ 08852-3124

### **PRELIMINARY STATEMENT**

1. This case involves an investment advisory fraud by an investment adviser, Swapnil J. Rege ("Rege"), whom the Commission investigated and ultimately barred in 2019 from being an investment adviser. Beginning no later than 2017 and continuing while Rege was being investigated by the Commission and after he was barred from being an investment adviser, Rege and/or his company SwapStar Capital, LLC ("SwapStar") solicited over \$10 million from advisory clients. For most of these clients, Rege and SwapStar promised to invest their money and provide guaranteed annual returns of 40%-60%. However, instead of investing his clients' funds, Rege took the vast majority of these funds to pay back other clients and for personal use, including two payments to legal counsel (\$100,000 and \$150,000) relating to the Commission's 2019 investigation and a \$195,000 payment to an attorney that coincides with a purchase of real property by Rege. Within the last several weeks, as regulators and his clients confronted Rege about his investment advisory activities that violated the bar issued by the Commission and questioned him about the use of client proceeds, Rege returned money to some clients while leaving others with nothing.

2. By virtue of this fraudulent conduct, which is detailed further herein, Defendants Rege and SwapStar have engaged and are still engaged in: fraudulent or deceptive conduct upon an advisory client in violation of Sections 206(1) and 206(2) of the Investment Advisers Act of 1940 (“Advisers Act”).

3. In addition, by associating with an investment adviser (both himself and SwapStar) after his July 2019 investment adviser bar went into effect, Rege has violated Section 203(f) of the Advisers Act.

4. To halt Defendants’ ongoing unlawful conduct, maintain the status quo, and preserve any remaining assets for defrauded clients before entry of a final judgment, the Commission seeks a preliminary injunction to: (a) prohibit Defendants from continuing to violate the specific provisions of the Advisers Act listed in paragraphs 2 and 3, above; (b) freeze the Defendants’ and Relief Defendant’s assets; (c) require Defendants to provide an accounting of client and fund assets; (d) prohibit Defendants from accepting any monies obtained from actual or prospective clients or investors pending the resolution of this action; (e) restrain Defendants from destroying, concealing or disposing of property or documents related to the misconduct in the complaint; and (f) authorizing the Commission to commence discovery immediately.

5. The Commission also seeks: (a) a permanent injunction prohibiting the Defendants from further violations of the Advisers Act; (b) disgorgement of the

Defendants' and Relief Defendant's ill-gotten gains, plus prejudgment interest; and (c) civil penalties against the Respondents' due to the egregious nature of the Defendants' violations. All three types of relief pertain to both the fraudulent conduct by Rege and SwapStar alleged herein as well as Rege's violation of Section 203(f) of the Advisers Act for violation of a cease-and-desist order and collateral bar issued against him by the Commission in July 2019.

### **JURISDICTION**

6. The Commission seeks a permanent injunction and disgorgement pursuant to Section 209(d) of the Advisers Act [15 U.S.C. §80b-9(d)]. The Commission seeks the imposition of civil penalties pursuant to Section 209(e) of the Advisers Act [15 U.S.C. §80b-9(e)].

7. This Court has jurisdiction over this action pursuant to Sections 209(d), 209(e) and 214(a) of the Advisers Act [15 U.S.C. §§80b-9(d), 80b-9(e), 80b-14(a)]. Venue is proper in this District because Defendants and Relief Defendant transacted business and maintained a principal place of business in the State of New Jersey. The Reges reside in Monmouth Junction, New Jersey, and many of Rege's and SwapStar's clients reside in New Jersey.

8. In connection with the conduct described in this Complaint, Defendants directly or indirectly made use of the mails or the means or instruments of transportation or communication in interstate commerce.

9. Defendants' conduct has involved fraud, deceit, or deliberate or reckless disregard of regulatory requirements, and has resulted in substantial loss, or significant risk of substantial loss, to other persons, specifically his investment advisory clients.

### **DEFENDANTS**

10. **Swapnil J. Rege** ("Rege"), age 46, is a resident of Monmouth Junction, New Jersey.

11. **SwapStar Capital, LLC** ("SwapStar") is a New Jersey limited liability company formed in January 2019. Rege is the sole owner of SwapStar. In April 2019, SwapStar filed an initial Form ADV, a regulatory disclosure document filed by certain investment advisers, with the State of New Jersey to register as an investment adviser. At that time, Rege was SwapStar's only employee and the Form ADV reported that SwapStar had 20 clients and \$5.1 million in assets under management. SwapStar withdrew its registration as an investment adviser with the State of New Jersey on June 20, 2019.

### **RELIEF DEFENDANT**

12. **Reema Rege** ("Mrs. Rege"), age 45, is a resident of Monmouth Junction, New Jersey and the wife of Swapnil Rege. In July and August 2021, Rege and SwapStar transferred approximately \$2.1 million of their advisory clients' assets to Mrs. Rege's brokerage account.

## **STATEMENT OF FACTS**

### **I. The 2019 Commission Order**

13. On July 18, 2019, the Commission entered an order finding that Rege, while working as a portfolio manager for a private fund investment adviser, mispriced investments resulting in artificially inflated fund profits, an overstatement of the fund's monthly net asset value, and charging of excess management fees to the fund in order to generate excess compensation to Rege in the form of a bonus of \$600,000. *In the Matter of Swapnil Rege*, Administrative Proc. File No. 3-19257 (July 18, 2019) (the "Commission Order"). The Commission Order found that, by his conduct, Rege willfully aided and abetted and caused violations of Sections 206(1), 206(2), and 206(4) of the Advisers Act and Rule 206(4)-8 thereunder. The Commission Order against Rege included a cease-and-desist order and imposed a collateral bar, an investment company prohibition, disgorgement of \$600,000, prejudgment interest of \$49,170.84, and a civil penalty of \$100,000. On the same day the Commission Order was instituted, the Commodity Futures Trading Commission (CFTC) filed a settled action against Rege alleging the same conduct and also ordered Rege to pay a penalty of \$100,000. *In the Matter of Swapnil Rege*, CFTC Docket No. 19-14 (July 18, 2019).

14. The Commission Order "barred [Rege] from association with any

investment adviser, broker, dealer and certain other securities industry roles that are not relevant to this action. This bar was a qualified bar in that Rege had “the right to apply for reentry after three (3) years to the appropriate self-regulatory organization, or if there is none, to the Commission.” The earliest date for Rege to apply for reentry is July 18, 2022.

**II. Rege Immediately Violated the Commission Order And Solicited the SwapStar Offering to Advisory Clients.**

15. In April 2017, Rege was terminated by the private fund adviser that employed him when he was conducting the valuation scheme that was the subject of the July 18, 2019 Commission Order. Rege stated in an August 2021 voluntary interview with the Commission staff ("the August interview") that his investment advisory practice did not stop with his April 2017 termination or even with the July 2019 Commission Order barring him from associating with an investment adviser.

16. In the August interview, Rege stated that he traded securities in individual clients' accounts from about 2017 to about 2020. According to Rege, these clients made an oral agreement with Rege to pay him 10% of trading profits. Initially, from about mid-2017 to mid-2018, clients provided Rege with their user name and password and he used that information to log in as the client and trade their account. Then, from about mid-2018 to mid-2020, Rege had clients provide a limited trading authorization for him to access the account for trading purposes. Rege also had certain clients change broker-dealers when the broker-dealer

terminated his limited trading authorization.

17. Besides trading in clients' accounts, during the August interview Rege stated that beginning around mid-2019 he received some cash from advisory clients, who he also described as investors, to invest on their behalf. Rege stated that he received about \$600,000-\$700,000 from about 6-7 of these clients. This occurred around the time that Rege's trading authorizations for clients' accounts were terminated by a broker-dealer where the clients held their accounts. According to Rege, clients transferred the cash to Rege's bank account so he could transfer the cash to his own brokerage accounts to trade.

18. As it turns out, Rege took in much more than \$600,000-\$700,000 to make purported investments for advisory clients, primarily through his company, SwapStar. Rege is the sole owner of SwapStar and has been since its inception.

19. Since 2019, Rege or SwapStar took in more than \$10 million from advisory clients. Rege and SwapStar raised the vast majority of these funds from April 2020 to September 2021.

20. Rege used SwapStar to enter into agreements with clients to manage their assets. Rege had established SwapStar in 2019 to be a state-registered investment adviser. In April 2019, SwapStar filed an initial Form ADV, a regulatory disclosure document filed by certain investment advisers, with the State of New Jersey to register as an investment adviser, but withdrew its registration as

an investment adviser on June 20, 2019. Nonetheless, from at least April 2020 to the present, at least 66 advisory clients provided funds to SwapStar, and those clients either had oral advisory agreements or entered into written agreements called either “investment advisory agreement” or “private loan agreement.”

21. The substance of both types of written agreements were similar in that: (1) the agreements were between SwapStar and the client; (2) the client provided money to SwapStar to invest; (3) SwapStar agreed to make interest payments at a stated rate of interest (usually about 40%-60% per year) and on a periodic basis (quarterly, semi-annually, or annually); and (4) the agreements provided that either party could terminate the agreement and both principal and any interest due would be paid within a stated number of days of termination.

22. The primary difference between the two types of written agreements was nomenclature – the advisory agreement referred to SwapStar as “manager” and the client as “client,” and, in contrast, the private loan agreements referred to SwapStar as just SwapStar and the client as “Contributor.” The advisory agreement also spelled out that SwapStar had “fiduciary obligations under ERISA and other applicable law. . .”

23. The principal investment amounts associated with the agreements between SwapStar and the 66 clients from April 2020 to the present were at least \$8.6 million. Over the same period, SwapStar received about \$500,000 from about

29 other individuals or entities.

**III. Rege Failed to Disclose His Investment Adviser Bar to His Clients and Misrepresented His Career History.**

24. When Rege managed clients' accounts or raised money from clients for SwapStar purportedly to invest for clients, Rege failed to disclose that he was subject to an order issued by the Commission that barred him from being associated with an investment adviser.

25. In the August interview, Rege stated that he understood his bar only prohibited him from working for a registered broker-dealer or registered investment adviser and did not apply to the advisory activity he admitted to conducting. Rege's purported understanding was incorrect and he knew or was reckless in not knowing that his efforts in soliciting clients to invest with SwapStar violated his bar.

26. Several of Rege's and SwapStar's clients who engaged Rege or SwapStar as an investment adviser after the July 2019 Commission Order were unaware of the Commission's prior action and Rege's bar. Rege had not disclosed that information to them. At least some of these clients would not have invested with Rege and engaged him to provide advisory services if he had disclosed that information to them.

27. Rege also misrepresented his career history to certain clients and prospective clients who inquired about his prior interaction with the Commission,

telling them that he had a dispute with a prior employer rather than that he was the subject of a Commission enforcement action and resulting Commission Order.

**IV. Rege and SwapStar Misappropriated Client Assets.**

28. When Rege and SwapStar received client funds, they did so based on oral and written representations they made to clients that they would invest and manage the money to achieve the returns the clients were promised. Clients who provided trading authorizations to Rege in their brokerage accounts, and/or later provided investment funds to Rege through SwapStar, largely consisted of Rege's social acquaintances and neighbors, and many of these clients later referred their own friends and family to Rege.

29. Client funds were deposited in bank accounts associated with Rege or SwapStar. The only brokerage accounts to which client funds were then transferred were two brokerage accounts held in the name of Reema Rege. Of all the money deposited by clients, only a total of \$2,275,000 was transferred to the brokerage accounts, including a \$2 million deposit from a SwapStar banking account to the Interactive Brokers account on or about August 4, 2021. Otherwise, Rege held client funds in his or SwapStar's bank accounts or used the funds a) to pay certain of Rege's personal expenses, or b) to pay some clients the guaranteed returns he had promised or repay their principal investments. Among the personal expenses paid by Rege from client funds were the following: two payments to

legal counsel (\$100,000 and \$150,000) relating to the Commission's prior investigation and a \$195,000 payment to an attorney that coincides with a purchase of real property by Rege in early 2021. Those payments were not authorized by Rege's clients and were not disclosed by Rege in any materials provided to clients by Rege. Rege's payments of supposed returns to clients were not made from actual returns on investment. Most were made from funds obtained from other clients.

30. As of September 30, 2021, the Defendants and Relief Defendant held approximately \$4.9 million of client assets in bank and brokerage accounts for SwapStar (\$1.1 million), Rege (\$1.2 million), or Mrs. Rege (\$2.6 million). In July and August 2021, Rege and SwapStar transferred approximately \$2.1 million of their advisory clients' assets to Mrs. Rege's brokerage account. Since approximately October 5, 2021, Rege has notified several SwapStar clients that he will return their principal and any unpaid interest within 45 days. The total amount that Rege has indicated he plans to pay back to some of his clients is approximately \$4.4 million. These payments will largely deplete all of the assets Rege and SwapStar held as of September 30, 2021. Rege indicated that he has not yet notified another six clients who appear to be owed approximately \$3.2 million as of September 30, 2021. In addition, other clients appear to be owed at least \$1.7 million. In total, Rege's and SwapStar's liabilities to their clients are about \$4.4

million more than what Rege, SwapStar, and Mrs. Rege held in client funds as of September 30, 2021. As a result, Rege's decision to pay some clients their principal and interest means that other clients will receive nothing.

**FIRST CLAIM FOR RELIEF**  
**Violation of Sections 206(1) and 206(2) of the Advisers Act**  
**(As To Swapnil J. Rege and SwapStar)**

31. The Commission repeats and incorporates by reference the allegations in paragraphs 1-30 of the Complaint as if set forth fully herein.

32. Rege and his company, SwapStar operated as investment advisers defined by Section 202(a)(11) of the Advisers Act [15 U.S.C. § 80b-2(a)(11), and served in that capacity with respect to their clients and investors.

33. Rege and his company, SwapStar, while acting as investment advisers, directly or indirectly, by use of the mails or means and instrumentalities of interstate commerce, knowingly, willfully or recklessly: (a) employed and are employing devices, schemes, or artifices to defraud clients or prospective clients; and (b) engaged and are engaging in transactions, practices, and courses of

businesses which operated and operate as a fraud or deceit upon clients or prospective clients.

34. By reason of the foregoing, Rege and SwapStar violated, and unless enjoined will continue to violate, Sections 206(1) and 206(2) of the Advisers Act [15 U.S.C. §§80b-6(1)–(2)].

**SECOND CLAIM FOR RELIEF**  
**Enforcement of the July 2019 Commission Order**  
**Pursuant to Section 209(d) of the Advisers Act**  
**(As To Swapnil J. Rege)**

35. The Commission repeats and incorporates by reference the allegations in paragraphs 1-30 of the Complaint as if set forth fully herein.

36. Section 209(d) of the Advisers Act, 15 U.S.C. § 80b-9(d), provides, in part:

Whenever it shall appear to the [SEC] that any person has engaged, is engaged, or is about to engage in any act or practice constituting a violation of ... any ... order hereunder, ... it may in its discretion bring an action in the proper district court of the United States, ... to enforce compliance with ... any ... order hereunder.

37. From July 18, 2019, to the present Rege associated with an investment adviser (both himself and SwapStar) after his July 2019 investment adviser bar went into effect, including soliciting over \$10 million from advisory clients and using the funds to pay back other clients and for personal use.

38. By reason of the foregoing, Rege violated, and unless enjoined, will

continue to violate the July 2019 Commission Order.

**THIRD CLAIM FOR RELIEF**  
**Violation of Section 203(f) of the Advisers Act**  
**(As To Swapnil J. Rege)**

39. The Commission repeats and incorporates by reference the allegations in paragraphs 1-30 of the Complaint as if set forth fully herein.

40. By engaging in the acts and conduct alleged herein, Rege, while subject to a Commission order barring him from association with an investment adviser, became associated with an investment adviser without the consent of the Commission.

41. Rege engaged in the above-referenced conduct willfully.

42. By reason of the foregoing, Rege violated, and unless enjoined, will continue to violate Section 203(f) of the Advisers Act, 15 U.S.C. § 80b-3(f).

**FOURTH CLAIM FOR RELIEF**  
**Other Equitable Relief, Including Unjust Enrichment and Constructive Trust**  
**(As To Relief Defendant Reema Rege)**

43. The Commission repeats and incorporates by reference the allegations in paragraphs 1–41 of the Complaint as if set forth fully herein.

44. Section 21(d)(5) of the Exchange Act states, “In any action or proceeding brought or instituted by the Commission under any provision of the securities laws, the Commission may seek, and any Federal court may grant, any equitable relief that may be appropriate or necessary for the benefit of investors.”

45. Relief defendant Reema Rege has received and possesses ill-gotten client funds derived from unlawful acts or practices of Rege and SwapStar dictating that, in equity and good conscience, she should not be allowed to retain such funds.

46. Reema Rege has no legitimate claim to this property.

47. As a result, Reema Rege is liable for unjust enrichment and should be required to return its ill-gotten gains, in an amount to be determined by the Court. The Court should also impose a constructive trust on the ill-gotten client funds in the possession of Reema Rege.

### **PRAYER FOR RELIEF**

WHEREFORE, the Commission requests that this Court:

A. Enter an Injunction, in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure, requiring, as provided in the July 2019 Commission Order, that Rege:

1. cease and desist from committing or causing any violations and any future violations of Sections 206(1) and 206(2) of the Advisers Act;
2. is barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; and

3. is prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person or such investment adviser, depositor, or principal underwriter.

B. Enter a temporary restraining order and preliminary injunction to: (a) prohibit Rege and SwapStar from continuing to violate the Advisers Act; (b) freeze the assets of Rege, SwapStar, and Mrs. Rese; (c) require Rege and SwapStar to provide an accounting of client assets; (d) prohibit Rege and SwapStar from accepting any monies obtained from actual or prospective clients or investors pending the resolution of this action; (e) restrain Rege and SwapStar from destroying, concealing or disposing of property or documents related to the misconduct in the complaint; and (f) authorizing the Commission to commence discovery immediately.

C. Enter a Final Judgment permanently restraining and enjoining Defendants Rege and SwapStar, as well as their agents, servants, employees, attorneys, and other persons in active concert or participation with them, from directly or indirectly engaging in the conduct described above, or in conduct of similar purport and effect, in violation of:

1. Section 203(f) of the Advisers Act [15 U.S.C. §§80b-3(f)]; and,

2. Sections 206(1) and 206(2) of the Advisers Act [15 U.S.C. §§80b-6(1)–(2)].

D. Enter a Final Judgment ordering Rege and SwapStar to disgorge their ill-gotten gains or unjust enrichment, plus prejudgment interest, to effect the remedial purposes of the federal securities law.

E. Enter a Final Judgment ordering Relief Defendant Reema Rege to disgorge all unjust enrichment and/or ill-gotten gains.

F. Enter a Final Judgment ordering Rege to pay appropriate civil penalties pursuant to Sections 209(e)(1) and 209(e)(4) of the Advisers Act, 15 U.S.C. § 80b-9(e)(1) and (4), for: (1) his willful violations of Section 203(f), and (2) his violations of a cease-and-desist order entered by the Commission pursuant to Section 203(k) of the Advisers Act all as alleged herein.

G. Enter a Final Judgment ordering Rege and SwapStar to pay appropriate civil penalties pursuant to Section 209(e) of the Advisers Act [15 U.S.C. § 80b-9(e)], for their violations of Sections 206(1) and 206(2) of the Advisers Act.

F. Retain jurisdiction over this action to implement and carry out the terms of all orders and decrees that may be entered; and

G. Award such other and further relief as the Court deems just and proper.

**DEMAND FOR JURY TRIAL**

Pursuant to Rule 38 of the Federal Rules of Civil Procedure, the Commission demands a jury trial in this action of all issues so triable under the claims in this Complaint.

By: /s Martin F. Healey

Martin F. Healey (Mass Bar No. 227550)  
Robert B. Baker (Mass Bar No. 654023)  
Naomi Sevilla (Mass Bar No. 645277)  
Michael Moran (Mass Bar No. 666885)

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SECURITIES AND EXCHANGE  
COMMISSION**

Dated: October 26, 2021