

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

SECURITIES AND EXCHANGE COMMISSION	:	
	:	
Plaintiff,	:	
	:	
v.	:	Civil Action No.
	:	
BOSTON TRADING AND RESEARCH, LLC,	:	
AHMET DEVRIM AKYIL, and	:	JURY TRIAL
CRAIG KARLIS	:	DEMANDED
	:	
Defendants	:	
	:	

COMPLAINT

Plaintiff Securities and Exchange Commission (the "Commission") alleges the following against defendants, Boston Trading and Research, LLC ("BTR"), Ahmet Devrim Akyil ("Akyil"), and Craig Karlis ("Karlis"), and hereby demands a jury trial.

PRELIMINARY STATEMENT

1. Defendant BTR, which was founded by Akyil and Karlis in or around January 2007 and registered as a limited liability company in Massachusetts in or around August 2007, offered investors the opportunity to invest money for purposes of trading in foreign currency ("FOREX"). For a minimum investment of \$10,000, investors could deposit money with the BTR program; the investors provided Akyil with a limited power of attorney that granted him the right to direct the trading of their funds in the FOREX market. From at least July 2007 to September 2008, Akyil and Karlis, either directly or indirectly through BTR, raised

approximately \$40 million from approximately 750 investors in the purported foreign currency trading venture.

2. BTR's representations to investors, made in writing and/or orally, included the following: investors could track the use of their funds through daily and monthly account statements and would have access to a real-time trading platform showing trades as they happened; BTR's trading system was set up with a stop-loss program, so investors could lose no more than an agreed-upon percentage of their initial investment; and BTR's earnings would come from profits generated by trading. In addition, BTR's investors signed draw-down forms which purported to cap losses at a specified percentage, typically 30%. None of these representations were true.

3. The defendants diverted investor money for their own personal purposes, including funding BTR's operations, personal expenses, and expenses for other companies with which they were associated. BTR, through Akyil and with Karlis's knowledge or reckless disregard, traded investor money without full disclosure to investors, and in ways inconsistent with their representations to investors. In or around September 2008, Akyil lost significant investor assets, far beyond what was authorized by the draw-down forms. Even when futures commission merchants doing business with BTR requested additional funds to meet losses, Akyil used additional investor funds for trading. As a result, BTR collapsed in September 2008 due to significant trading losses. The remaining funds were distributed to investors.

4. Through the activities alleged in this complaint, the defendants engaged in: (1) fraud in the offer or sale of securities, in violation of Section 17(a) of the Securities Act of 1933 ("Securities Act"); (2) fraudulent or deceptive conduct in connection with the purchase or sale of securities, in violation of Section 10(b) of the Exchange Act of 1934 ("Exchange Act") and Rule

10b-5 thereunder; (3) the sale of securities without being registered as brokers or dealers, in violation of Section 15(a) of the Exchange Act; and (4) the offer and sale of unregistered securities, in violation of Sections 5(a) and (c) of the Securities Act.

5. Accordingly, the Commission seeks: (i) entry of a permanent injunction prohibiting the defendants from further violations of the relevant provisions of the federal securities laws; (ii) disgorgement of Akyil's and Karlis's ill-gotten gains, plus pre-judgment interest; (iii) the imposition of a civil monetary penalty against Akyil and Karlis; and (iv) such other equitable relief as the Court deems just and proper.

JURISDICTION

6. The court has jurisdiction over this action pursuant to Sections 20(d) and 22(a) of the Securities Act [15 U.S.C. §§ 77t(d), 77v(a)] and Sections 21(d), 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), 78aa]. Venue is proper in this District because the Company was headquartered in Massachusetts and Karlis lives in Massachusetts. Akyil, who now resides outside of the United States, lived in Massachusetts during the relevant period.

7. The Commission seeks a permanent injunction and disgorgement pursuant to Section 20(b) of the Securities Act [15 U.S.C. §77t(b)] and Section 21(d)(1) of the Exchange Act [15 U.S.C. §78u(d)(1)]. The Commission seeks the imposition of a civil monetary penalty pursuant to Section 20(d) of the Securities Act [15 U.S.C. §77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. §78u(d)(3)].

8. In connection with the conduct alleged, the Defendants, either directly or indirectly, made use of the means or instrumentalities of interstate commerce, of the mails, the facilities of national securities exchanges, and/or of the means or instruments of transportation or communication in interstate commerce.

9. The defendants' conduct involved fraud, deceit, or deliberate or reckless disregard of regulatory requirements, and resulted in substantial loss, or significant risk of substantial loss, to other persons.

DEFENDANTS

10. On information and belief, Akyil, age 38, currently resides in Turkey . During the relevant period, Akyil resided in Hingham, Massachusetts. During the time in question, Akyil was BTR's president, head trader, and one of its three owners.

11. Karlis, age 50, is a resident of Hopkinton, Massachusetts. During the time in question, Karlis was BTR's managing director and one of its three owners until his ownership interest was purchased by Akyil in or around August 2008.

12. BTR was a Massachusetts-based limited liability company organized under the laws of Delaware in January 2007. BTR's corporate filing, available on the Massachusetts Secretary of State's website, reflects that BTR was registered in Massachusetts as a limited liability company on August 24, 2007. BTR operated out of 100 Franklin Street, Boston, Massachusetts 02110. During at least part of the relevant period, BTR partnered with formerly registered broker-dealer Maximum Financial Investment Group, Inc. ("MFIG").

STATEMENT OF FACTS

A. BACKGROUND

13. BTR offered investors the opportunity to invest money to be managed by Akyil for purposes of trading in foreign currency. BTR required a minimum investment of \$10,000; with that, prospective investors could join BTR's trading program by signing a limited power of attorney that granted Akyil the right to trade their funds in the FOREX market.

14. Investors deposited money with BTR with an expectation that profits would be produced by the efforts of BTR and, in particular, Akyil. Investors purportedly shared in the profits and losses associated with trades placed on their behalf.

15. BTR's investors were both domestic and foreign, with many residing in Florida. Akyil and Karlis either directly or indirectly solicited investors through marketing materials, presentations, BTR's website, and salespeople. Salespeople received compensation, including a percentage of profits and rebates from per-trade commissions, for providing these services to BTR. The defendants, through these salespeople, marketing materials, and presentations, marketed BTR as an opportunity for investors to increase earnings on retirement funds.

16. Investor funds were pooled in one of a few bank accounts held in BTR's name. BTR did not open bank accounts in the name of investors or otherwise segregate individual investors' funds. Investor funds were also pooled for purposes of trading in foreign currency.

17. According to BTR's policy, investors could only withdraw funds at the end of each month.

18. At least some investors understood that their funds would be pooled with others' for purposes of trading. Moreover, BTR was advertised as a trading program in which the success depended on Akyil's trading strategy.

19. In the FOREX market, every buyer of a currency is paired with a seller that is willing to sell, and vice versa. The party that is paired with the buyer (or seller) is called a counterparty. Akyil directed trades on behalf of groups of investors with BTR serving as the counterparty. Akyil purportedly caused the trades to be recorded on an electronic trading platform maintained by BTR that generated daily investor account statements.

20. BTR's platform reflected the contractual obligations between BTR and investors. BTR opened accounts at various futures commission merchants ("FCMs") in its own name with pooled investor funds for purposes of placing FOREX trades. An FCM served as a counterparty to the BTR trades Akyil made with investor funds.

21. The FCMs extended margin, or the ability for BTR to place leveraged trades, provided that BTR met certain margin requirements as determined by the FCMs. A requirement was that BTR's accounts be sufficiently funded. The investor funds pooled by BTR on deposit at FCMs allowed BTR to meet the FCMs' margin requirements. A "margin call" is a request by an FCM to deposit additional funds to meet margin requirements.

22. Akyil's trading of multiple investors' funds together purportedly benefited the investors. For example, a BTR representative sent a July 11, 2008 email to investors explaining a purported benefit of making fewer, block trades: "increasing trading frequency increases risk exposure as no trader can be correct 100% of the time. In order to preserve the integrity of [Akyil's] risk management parameters . . . BTR began developing . . . software . . . which gives our trader the ability to trade as many accounts as needed in a much quicker and more efficient manner."

23. BTR misled investors as to the trades being made with their money. The trades shown on BTR's trading platform, which investors could see electronically, did not necessarily

match the trades placed by BTR with FCMs. The FCM trades were made with investor funds and not fully disclosed to investors.

B. MISAPPROPRIATION

24. In at least one offering document, BTR represented to investors that “**We do not profit unless you do.**” (Emphasis in original). Despite such representations to investors, BTR, with Akyil and Karlis as owners, misappropriated investor funds nearly from BTR’s operational inception.

25. For example, Akyil, who had signatory authority over two bank accounts holding BTR investor funds, and Karlis, who had signatory authority over a third bank account holding BTR investor funds, transferred money, caused investor money to be transferred, or knew or were reckless in not knowing that investor money was transferred and used for BTR’s operations. They also transferred money, caused investor money to be transferred, or knew or were reckless in not knowing that investor money was transferred to their own accounts and used for personal expenses. Investor funds were also transferred to other entities with which Akyil and Karlis were associated. Further, Akyil and Karlis used investors’ funds for entertainment and other purchases, including cars and a Florida home. Akyil and Karlis knew, or were reckless in not knowing, that investor funds were being used for BTR’s and their own personal benefit, and that investors were not aware of this.

26. In particular, Akyil and Karlis knew or were reckless in not knowing that BTR had insufficient cash to cover moneys owed to investors as reflected in their account statements and that this shortfall amounted, at various times, to millions of dollars.

27. In or around May 2008, a dispute arose among BTR's owners concerning Karlis's use of funds for personal spending. Karlis's ownership interest in BTR was eventually bought out on or about August 8, 2008.

28. By using investor money for anything other than trading in foreign currency, the defendants used investor funds in ways the investors did not know about and had not authorized.

29. To redeem one investor in whole, BTR would either need to take money from another investor or eliminate the deficit between BTR's liabilities and cash on hand by profiting through the trading of pooled investor funds.

C. MISLEADING ACCOUNT STATEMENTS

30. BTR represented to investors that their account statements generated by BTR's electronic trading platform would reflect the trading activity and balance of their investment. This representation was false.

31. BTR, through Akyil, and with Karlis's knowledge, misled investors by trading funds differently from what was disclosed in daily account statements.

32. BTR also traded in commodities, such as oil, without disclosure to investors. This trading was done with investor money.

33. The balance and equity positions BTR showed investors on their account statements did not reveal to investors that their funds had been diminished through BTR's use of those funds for undisclosed purposes.

34. In or around September 2008, Akyil traded significantly more investor funds through BTR's accounts held at FCMs than what was disclosed to investors. By failing to record the same trades on BTR's electronic trading platform, Akyil knowingly concealed this trading activity in or around September 2008 from investors.

35. On September 4, 2008, a BTR representative emailed investors and said: "Over the past few days [BTR] experienced trading losses that were more than what the Company can tolerate. . . . Customer accounts are being reconciled now." These losses were not reflected contemporaneously on investors' account statements, as they should have been pursuant to BTR's representations.

D. BREACH OF DRAW-DOWN AGREEMENTS

36. Investors, who granted Akyil limited power of attorney to access and trade their funds, signed a draw-down agreement in which they specified the maximum amount of loss they were willing to incur (usually as a percentage of investment) before trading was to cease in their accounts.

37. The language in the draw-down forms changed over time, but provided for liquidation of positions once the investment diminished by a certain percentage.

38. Further, and notwithstanding disclaimers in the draw-down provisions, investors were orally assured by Akyil, either directly or indirectly, and by other BTR representatives that BTR's system would cap losses at a certain percentage.

39. Akyil did not honor the representations BTR made in draw-down forms or oral representations about stopping losses.

40. Karlis acknowledged that he was aware of at least one instance when Akyil traded through the draw-down limits.

41. In September 2008, Akyil continued trading instead of attempting to liquidate positions despite suffering significant losses with investor funds which resulted in margin calls from FCMs. In fact, Akyil deposited, caused to be deposited, or knew or was reckless in not

knowing that additional BTR investor funds were deposited with FCMs in order to continue trading. BTR collapsed in September 2008 due to significant trading losses.

42. BTR maintained a trading account in its own name at Saxo Bank. On or about August 28, 2008, after depositing an additional \$1,000,000 from an investor-funded BTR bank account over which Akyil maintained signature authority, BTR's balance (comprised of pooled investor funds) at Saxo Bank was approximately \$6 million. However, by September 2, 2008, the account's value declined to approximately \$3.7 million. Akyil did not liquidate, or attempt to liquidate, these losing trades.

43. On the same day, Saxo Bank sent an email to BTR, on which Akyil was included, which said "[y]our margin requirement is USD \$1,302,448, while your available margin is USD \$1,007,590. Please immediately reduce your positions accordingly and/or transfer sufficient funds to support your open positions."

44. Instead of liquidating positions, on or about September 3, 2008, another \$500,000 was transferred to Saxo Bank from an investor-funded BTR bank account over which Akyil maintained signature authority. After this transfer, BTR resumed trading. By September 4, 2008, BTR's balance at Saxo Bank dropped from approximately \$4.2 million to approximately \$800,000, resulting in significant investor losses.

45. BTR suffered similar losses in the three trading accounts held in its own name at an FCM called Forex Capital Markets ("FXCM"). Approximately \$1,000,000 was transferred on or about August 29, 2008, to one FXCM account from an investor-funded BTR bank account over which Akyil maintained signature authority. Following the August 29, 2008 transfer, BTR's balance in this FXCM account, which consisted of pooled investor funds, was

approximately \$4 million. Heavy losses in the account triggered margin calls. By September 2, 2008, the balance dropped to approximately \$463,000.

46. Akyil, in knowing or reckless disregard of investor draw-down agreements, chose to continue trading with investor funds, despite knowing that investors were experiencing heavy losses. For example, a September 1, 2008 message from Akyil to a FXCM representative said: “[I] just got a margin call in 3 of my accounts can u [sic] refresh them so I can keep on trading.”

47. Moreover, approximately \$500,000 more was wired from an investor-funded BTR bank account over which Akyil maintained signature authority to the FXCM account on or about September 2, 2008, and an additional deposit was made of approximately the same amount on or about September 3, 2008, and BTR resumed trading. Despite the additional deposits, the account’s balance dipped to approximately \$182,000 as a result of losses and transfers to other FXCM accounts.

48. In a second FXCM account, BTR’s balance, which was comprised of pooled investor funds, was approximately \$1.9 million at the start of September 1, 2008. However, by September 3, 2008, the account’s value had declined to approximately \$31,000. Nonetheless, BTR, through Akyil or with Akyil’s knowledge, transferred approximately \$150,000 from another FXCM account on or about September 3, 2008, and continued trading. The account’s value declined on continued trading to approximately \$120,000 by September 4, 2008.

49. In a third FXCM account, BTR’s balance, which was comprised of pooled investor funds, was approximately \$3.5 million on September 1, 2008. The balance in this account dropped to approximately \$68,000 by September 3, 2008, and at or about that time, BTR, through Akyil or with Akyil’s knowledge, transferred approximately \$250,000 from another of

its FXCM accounts. Following the transfer, Akyil resumed trading and the balance declined to approximately \$100,000 by September 4, 2008.

50. In addition, an account in BTR's name comprised of investor funds held at FC Stone, another FCM, incurred millions in losses in early September 2008. Despite losses, additional funds were transferred to FC Stone from an investor-funded BTR bank account over which Akyil maintained signature authority. Notwithstanding draw-down agreements, Akyil continued trading in this account, using investor funds.

51. Akyil knew or was reckless in not knowing that he, either directly or indirectly through BTR, defrauded investors by continuing to deposit additional funds and trade, resulting in significant losses of investor funds, despite representations contained in draw-down agreements that investor losses would be limited, or at least BTR would attempt limit losses, to a certain percentage of their investment.

FIRST CLAIM FOR RELIEF
(All Defendants)
(Violation of Section 17(a) of the Securities Act)

52. The Commission repeats and incorporates by reference the allegations in paragraphs 1 – 51 above as set forth fully herein.

53. The defendants, either directly or indirectly, acting intentionally, knowingly or recklessly, in the offer or sale of securities by the use of the means or instruments of transportation or communication in interstate commerce or by the use of the mails: (a) have employed or are employing devices, schemes or artifices to defraud; (b) have obtained or are obtaining money or property by means of untrue statements of material fact or omissions to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or (c) have engaged or are engaging in transactions,

practices or courses of business which operate as a fraud or deceit upon purchasers of the securities.

54. As a result, the defendants have violated and, unless enjoined, will continue to violate Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

SECOND CLAIM FOR RELIEF

(All Defendants)

(Violation of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder)

55. The Commission repeats and incorporates by reference the allegations in paragraphs 1 – 51 above as set forth fully herein.

56. The Defendants, either directly or indirectly, acting intentionally, knowingly or recklessly, by the use of means or instrumentalities of interstate commerce or of the mails, in connection with the purchase or sale of securities: (a) have employed or are employing devices, schemes or artifices to defraud; (b) have made or are making untrue statements of material fact or have omitted or are omitting to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading; or (c) have engaged or are engaging in acts, practices or courses of business which operate as a fraud or deceit upon certain persons.

57. As a result, the defendants have violated and, unless enjoined, will continue to violate Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

THIRD CLAIM FOR RELIEF

(All Defendants)

(Violations of Section 5(a) and 5(c) of the Securities Act)

58. The Commission repeats and incorporates by reference the allegations in paragraphs 1 – 51 above as set forth fully herein.

59. The products issued by the defendants are “securities” within the meaning of Section 2(1) of the Securities Act [15 U.S.C. §77b(a)(1)] and Section 3(a)(10) of the Exchange Act [15 U.S.C. §78c(a)(10)]. No registration statement was filed with respect to these securities, and no exemption from registration was available.

60. The defendants, either directly or indirectly: (a) have made use of the means or instruments of transportation or communication in interstate commerce or of the mails to sell, through the use or medium of a prospectus or otherwise, securities as to which no registration statement has been in effect and for which no exemption from registration has been available; and/or (b) have made use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell, through the use or medium of a prospectus or otherwise, securities as to which no registration statement has been filed and for which no exemption from registration has been available.

61. As a result, the defendants have violated and, unless enjoined, will continue to violate Sections 5(a) and (c) of the Securities Act [15 U.S.C. §§77e(a), (c)].

FOURTH CLAIM FOR RELIEF
(Akyil and Karlis)
(Violations of Section 15(a)(1))

62. The Commission repeats and incorporates by reference the allegations in paragraphs 1 – 51 above as set forth fully herein.

63. Defendants Akyil and Karlis, by engaging in the conduct described above, either directly or indirectly, made use of the mails or means or instrumentalities of interstate commerce to effect transactions in, or to induce or attempt to induce the purchase or sale of, securities, without being registered as a broker or dealer in accordance with Section 15(b) of the Exchange Act [15 U.S.C. §78o(b)].

64. As a result, defendants Akyil and Karlis violated and, unless enjoined, will continue to violate Section 15(a)(1) of the Exchange Act [15 U.S.C. §78o(a)(1)].

PRAYER FOR RELIEF

WHEREFORE, the Commission requests that this Court:

A. Enter a permanent injunction restraining the defendants and each of their agents, servants, employees and attorneys and those persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, including facsimile transmission or overnight delivery service, from directly or indirectly engaging in the conduct described above, or in conduct of similar purport and effect, in violation of:

1. Sections 5(a) and (c) of the Securities Act [15 U.S.C. §§77e(a), (c)];
2. Section 17(a) of the Securities Act [15 U.S.C. §77q(a)];
3. 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];

B. Enter a permanent injunction restraining Akyil and Karlis and each of their agents, servants, employees and attorneys and those persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, including facsimile transmission or overnight delivery service, from directly or indirectly engaging in the conduct described above, or in conduct of similar purport and effect, in violation of:

1. Section 15(a)(1) of the Exchange Act [15 U.S.C. §78o(a)(1)].

C. Require the defendants to disgorge their ill-gotten gains and losses avoided, plus pre-judgment interest, with said monies to be distributed in accordance with a plan of distribution to be ordered by the Court;

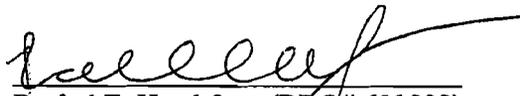
D. Order the defendants to pay an appropriate civil monetary penalty pursuant to Section 20(d) of the Securities Act [15 U.S.C. §77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. §78u(d)(3)];

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

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

JURY DEMAND

The Commission hereby demands a trial by jury on all claims so triable.



Rachel E. Hershfang (BBO# 631898)

Senior Trial Counsel

Martin Healey (BBO# 227550)

Regional Trial Counsel

Michael Foster (Illinois Bar# 6257063)

Senior Trial Counsel

Eric A. Forni (BBO# 669685)

Senior Enforcement Counsel

Kevin B. Currid (BBO# 644413)

Senior Enforcement Counsel

Attorneys for Plaintiff, **SECURITIES
AND EXCHANGE COMMISSION**

33 Arch Street, 23rd Floor

Boston, MA 02110

(617) 573-8987 (Hershfang direct)

(617) 573-4590 (fax)

hershfangr@sec.gov (Hershfang email)

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