

UNITED STATES DISTRICT COURT  
DISTRICT OF MASSACHUSETTS

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

v.

PETER SZATMARI

Defendant.

Case No.

**COMPLAINT**

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

**SUMMARY OF THE ACTION**

1. This complaint concerns a U.S.-based Internet marketer who fraudulently offered and sold securities called “binary options” by disseminating false and misleading advertising through electronic mail, infomercial-like online videos, and websites to millions of prospective investors in the United States and globally.

2. From at least January 2014 through December 2016 (the “Relevant Period”), Peter Szatmari (“Szatmari” or “Defendant”) and his marketing partner (“Partner”),<sup>1</sup> created and/or disseminated false and misleading Internet-based promotional materials designed to drive viewers of binary options brokers’ websites and induce them to open and fund binary option trading accounts. The brokers, in turn, paid Szatmari and Partner each time a referred visitor opened and funded an account. The brokers were not registered with the SEC, and they offered

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<sup>1</sup> The Commission today filed separately an action against Mr. Szatmari’s marketing partner, David Sechovicz. Mr. Sechovicz and the SEC have agreed, however, to immediately resolve that action and therefore the claims against Mr. Sechovicz.

and sold unregistered binary options referencing securities and securities indices to investors in the United States.

3. Szatmari and Partner worked as “affiliate marketers.” Affiliate marketing is a form of performance-based marketing where an independent advertiser promotes a third party’s goods or services, usually by driving potential customers to the third party’s website. Affiliate marketers may distribute their own self-created/original advertising materials (“Original Campaigns”) or distribute advertising materials created by others, a practice known as remarketing (“Remarketed Campaigns” and together with Original Campaigns, “Campaigns”). Under both scenarios, the affiliate marketer receives a commission each time a person visiting the third-party website takes a specified action, like clicking a link, making a purchase, or in this case, opening and funding a binary option trading account.

4. Szatmari and Partner sent or paid others to send millions of emails that directed prospective investors to videos created by them or other affiliate marketers that touted free software trading programs supposedly capable of generating large profits for investors who opened binary option trading accounts with specific “recommended” brokers. At other times, Szatmari and Partner paid third-party websites to host advertorials – advertisements stylized as news articles – that made similar claims.

5. The videos created and/or disseminated by Szatmari and Partner purported to show actual investors and real results, including people enjoying rich lifestyles supposedly achieved by trading binary options. The videos also contained purported “live” demonstrations of people opening and funding accounts in “real time” and seeing their trading balances increase automatically. The participants in the videos insisted to viewers that their stories were true.

6. Yet these videos were entirely fictional. Paid actors pretended to be the creators of software that could effortlessly generate millions of dollars trading binary options; individuals gave fake testimonials falsely claiming they made great wealth using the software; and fabricated photos showed fictional account statements reflecting large balances supposedly achieved using the software. The videos' "live" demonstrations of profitable trading were also shams.

7. In addition, the videos included misleading claims that the software only worked with a specific and "recommended broker." In reality, no software existed capable of producing the promised results, and Szatmari's marketing materials only "recommended" those brokers who agreed to pay Szatmari and Partner each time an investor opened and funded an account.

8. Szatmari and Partner received a flat commission – customarily between \$350 and \$450 – for every customer who viewed their Original Campaign materials and then opened and funded an account with the campaign's recommended broker. Typically, Szatmari and Partner split this commissions 50/50.

9. By virtue of this conduct and other conduct described in this Complaint, Defendant violated the antifraud provisions of Section 17(a) of the Securities Act of 1933 (the "Securities Act"), 15 U.S.C. § 77q(a), and Section 10(b) of the Exchange Act of 1934 (the "Exchange Act"), 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. 240.10b-5.

10. Defendant was also a necessary factor and substantial participant in an illegal offering or sale of unregistered securities and also violated the registration provisions of Section 5 of the Securities Act, 15 U.S.C. § 77e.

11. The Commission seeks civil monetary penalties and remedial ancillary relief, including, but not limited to, disgorgement of ill-gotten gains, injunctions, and such other relief

as the Court may deem necessary and appropriate. Unless restrained and enjoined by this Court, Defendant is likely to continue to engage in the acts and practices alleged herein.

### **JURISDICTION AND VENUE**

12. The Commission brings this action pursuant to Sections 20(b), 20(d)(1) and 22(a) of the Securities Act, 15 U.S.C. §§ 77t(b), 77t(d)(1) & 77v(a), and Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27(a) of the Exchange Act, 15 U.S.C. §§ 78u(d)(1), 78u(d)(3)(A), 78u(e) & 78aa(a). Defendant has, directly or indirectly, made use of the means or instruments of transportation or communication in interstate commerce or of the mails in connection with the activities alleged in this Complaint, including by making use of the Internet to offer securities and sending or receiving interstate email and participating in interstate voice or video calls.

13. Venue is proper here pursuant to Section 22(a) of the Securities Act and Section 27(a) of the Exchange Act and also pursuant to 28 U.S.C. § 1391(c)(3). During the Relevant Period, Partner lived in this district and carried on the unlawful affiliate marketing activities of Defendant and Partner from this district. Acts, practices, and transactions constituting violations of law alleged in this Complaint occurred within this district. Defendant is also no longer a resident of the United States, and therefore venue is proper in any district court.

### **DEFENDANT**

14. **Peter Szatmari**, age 43, lived and worked in Hawaii and Hungary at various times during much of the Relevant Period. He later lived in Austin, Texas until approximately May 2019, at which point he moved to Budapest, Hungary.

### **FACTS**

#### **I. AFFILIATE MARKETING IN BINARY OPTIONS SECURITIES**

15. Binary options are financial instruments with a value tied to the price of a reference asset, including securities and securities indices. An investor chooses whether the

underlying asset's price will rise above or fall below a certain price at a particular time (*e.g.*, will Apple, Inc. stock be above \$100 per share at 1 p.m. on a particular day). The options are “binary” because they have only two possible outcomes: the investor with a correct prediction makes money; the investor with an incorrect prediction loses the investment. Unlike other types of options, a binary option does not give the holder the right to purchase or sell the underlying asset. Instead, it is “cash settled.”

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

17. Affiliate marketers typically promote over the Internet a product or service provided by a third party (*e.g.*, a vendor) who pays them when they cause someone to take a specific action, like clicking a link or buying the vendor's product or service. Here, binary options brokers paid Szatmari and Partner a pre-set commission (typically \$350 to \$450) for each investor who opened and funded an account with those brokers as a result of viewing fraudulent marketing materials that Szatmari and Partner created and/or disseminated.

## **II. DEFENDANT'S FRAUDULENT OFFERS OR SALES OF BINARY OPTIONS**

18. Between 2014 and 2016, Szatmari participated in the creation and dissemination of at least six false and misleading marketing campaigns designed to persuade potential investors, predominately in the United States, to open and fund binary options trading accounts with overseas unregistered brokers operating on the Internet. These Original Campaigns' advertising materials generally consisted of (a) textual materials disseminated over the Internet; (b) a website; and (c) one or more videos embedded into the website.

19. The six binary options affiliate marketing campaigns that Szatmari helped create and disseminate during this period (*i.e.*, the Original Campaigns) consisted of campaigns going by the following names:

<b>Campaign Name</b>	<b>Year</b>
Wall Street Millionaire	2014
Automated Money Kit	2014
Click Click Money	2014
The Cash Code / Robert Allen System	2015
Guaranteed Wealth	2015
The Conservative Investor	2016

20. Szatmari's role in creating and distributing the Original Campaigns included identifying, soliciting, and/or negotiating with binary options brokers about commissions and other matters; creating false and misleading solicitations; obtaining, rebranding, and distributing automated trading software; performing accounting functions; and arranging for the bulk dissemination of solicitations, including through social media. One method of dissemination involved paying media companies to distribute advertisements to their subscribers by email or as "sponsored content", a practice known as media buying. Partner's work included monitoring the customer service email addresses associated with the campaigns and responding to investor emails; developing content and design for internet websites that supported the campaigns; registering campaign websites; and arranging for the bulk dissemination of solicitations.

21. The materials Szatmari helped create and disseminate typically contained false and misleading statements touting a free and easy way to make money using a secret software system. These written materials were designed to entice potential investors into clicking a link that would take them to the Original Campaigns' websites that falsely described the secret software system and its potential to make users rich.

22. For example, an electronic mail message disseminated in connection with the Wall Street Millionaire binary options campaign read: “I’ve been cashing in an additional \$9500 weekly income ever since I started using this amazing FREE software. Download your FREE copy here before they start selling it.” Embedded in the email – typically where it read “here” – was a hyperlink that directed readers to the campaign website.

23. Similarly, an email sent in connection with the campaign called Cash Code contained the following language: “Imagine the size of your bank balance going from \$0 to \$135,000 in the next few months. Now imagine you did it with totally automated software. Software you can set up in 7 minutes or less . . . I’ve never seen anything like this. >>Read the shocking details and proof here<<”.

24. Investors who clicked the hyperlink in the written materials were taken to the Original Campaign websites that featured the false and misleading videos. Generally, the videos included the following types of misstatements: (1) false guarantees that the trading software would automatically generate significant profits for customers after they opened and funded accounts with a broker; (2) actors pretending to be real users, creators, or owners of the trading software; (3) fictitious depictions of customer bank and trading statements reflecting large balances or profits; (4) fictitious testimonials where actors claimed to have profited using the fake software; (5) fake “live” software demonstrations; and (6) false representations that the brokers to which the materials referred investors were actually “recommended” for reasons other than their payment to Defendant and his Partner.

25. For example, the videos contained the following falsities:

a. The Wall Street Millionaire videos told a contrived story about a person named Stanley who developed a purported system for trading binary options that

supposedly enabled him to generate \$1.54 million in a year, or an average of \$4,500 each day. In reality, “Stanley” was a paid actor who never developed any software nor profited trading binary options.

b. Click Click Money featured videos that included a fictional spokesperson, Seth Warburton, who displayed fake bank account statements reflecting nearly \$800,000 he supposedly earned in just months using the software. The actor portraying Warburton falsely claimed the software “can generate between \$523 and \$4,098 of pure profit per day . . . for even the hopeless newbie,” and can pick winning trades at least 92% of the time.

c. The Cash Code included a video that falsely stated that the corresponding software “has made more millionaires in the past 6 months than any other website on earth.” Further, the video: (1) showed several fake bank account balances in the millions that supposedly resulted from use of Cash Code; (2) showed the supposed real-time growth of an account from \$250 to hundreds of thousands of dollars in just minutes; (3) claimed the system has “100% accuracy;” and (4) stated that “All of our clients are financially independent within 60 days of using this system . . . on average – by that they require no job or any other source of income to sustain themselves from that point on.”

d. The Guaranteed Wealth videos featured “Victor Lambert,” who supposedly discovered a system that picked winning binary options trades with over 90 percent accuracy. Lambert claimed he made “over \$2.8 million in profits” over the past two years. The video displayed fake account statements to show purported winning trades and purported real-time updates showing an account balance increasing from \$250

to more than \$23,000 in a matter of days. The video includes a series of false testimonials in which purported users of the software told of their five-digit returns.

26. The videos also falsely stated that the brokers linked on the Original Campaign websites were chosen because they were trustworthy or their systems contained a glitch that could be exploited by the software to make money. In reality, Szatmari and his Partner chose the brokers only because those brokers had agreed to pay them a referral fee for each investor.

27. Defendant knew or was reckless in not knowing that the Original Campaign marketing materials he helped create and disseminate were materially false and misleading.

28. Defendant knew the stories portrayed in their videos were untrue and that the persons depicted were actors, not who they claimed to be in the videos. For example:

a. In an August 2015 email exchange with Partner looking to choose a name for the Conservative Investor's main character, Defendant wrote: "we did not come up with a name – how about using David Blaze? or News Max lol . . . but yeah, on David Blaze ;-)". Partner responded, "lol I dunno if I want to run David Blaze's name through the mud. People will start writing the 'David blaze' is a scam."

b. In other emails, Defendant discusses, among other things, selecting actors, testimonials, and scripts, and creating fake screen shots for the Original Campaigns.

29. Szatmari knew the statements about the software touted in the Original Campaign materials was untrue. In various emails, he discussed ways to appease customers who called to complain about not having received the software depicted in the campaign videos.

a. In one January 2014 email, Szatmari belittled "lazy and greedy" customers who foolishly believed that the touted software could provide winning trades. He then

considered how to respond to more wary customers – but still without offering them any actual software. Szatmari wrote in his email:

Currently we get people excited about a software and then don't give them anything and tell them it's included with their broker. The part about 'it's working seamlessly in the background' may not be enough for some or many people as you pointed out. So let's take a step back and look at what this software represents. It's the traders [sic] imaginary secret friend giving him the tips on what to trade and actually doing it. The trader does not want to think about what trades to make - he wants something else to make that decision for him. This something - as we told him - will pick the winning trades for him (and potentially even make it for them)[.] Essentially we're talking about lazy and greedy person who expects and believes that some magic push button software will make lots of money for them - without having to make a decision AND act on the decision... We certainly get plenty of people who are not bothered by the fact that there is no software -they're either curious/excited to give it a try anyways and soon forget the whole software thing or actually believe that it runs in the background - even though they're making the trades. So for those that don't 'drink the cool aid' is there something we can do to get them comfortable with the whole thing - by basically offering them what they look for in the software in another form? I think we're in general agreement that we don't want to offer the software.

b. In a related January 2014 email, Szatmari wrote: "Any way we can get our hands on some silly software that we can send these guys to if they really ask? I'm guessing all these 'gurus' are using the same shit software just branded as their own."

c. And in a December 2013 email concerning how to reply to investors who asked why they had not received the software described in the videos, Szatmari wrote, "I think one way to appease these 'smarter' customers in the future is to provide 'signals' or work with brokers that do - so it looks like they're getting some help..."

30. In February 2014, Szatmari nevertheless procured trading software from another affiliate marketer to give to investors persistent about the software. In an email, he wrote "I like the idea of rebranding the software for us as Wall Street Millionaire (it's probably a quick fix). Then we continue promoting the same way and provide the software to those that ask for it / complain they're not getting it." Defendant and Partner later rebranded this same software in connection with several other campaigns.

31. Szatmari also knew that the binary options brokers made money from investor deposits, as opposed to winning trades, *i.e.*, that the brokers' interests were not aligned with investors, and that investors were unlikely to profit by trading binary options. For example:

a. In a May 2014 email, a broker told Szatmari that it made money from "customer's losses."

b. In January 2015, Szatmari received an email from his Partner stating, "Interesting that some customers keep signing up to brokers despite being ripped off =)".

c. In February 2015, Szatmari wrote: "If [broker] gets more traffic than they can handle, his people can't turn enough of the depositors into profitable traders. For example: this week the average deposit (based on current balance) was around \$300, last week it was \$350. He pays us \$400, so they probably need to get a few hundred more dollars per trader on average to break even on our payout and then pay everyone, overhead, spotoption, processing, etc. and a profit."

d. In June 2016, Szatmari wrote to his Partner concerning the brokers: "Something Yoni [a broker] mentioned has struck me. Namely that their customers just want a friend, someone to talk to, to act like their psychiatrist. And their customers are basically 'paying' for that – with all their trading losses ..."

e. Defendant also received numerous emails from investors complaining that they had lost money after watching one of the Original Campaign's videos and signing up with a "recommended broker."

32. Szatmari also knew that his and the brokers' activities violated U.S. laws.

a. In November 2014, Szatmari wrote to a broker: "You've probably already heard. Supposedly (cannot verify independently lol) [Broker A] got a letter from the

CFTC to stop accepting US traders so they will be moving them to another brand. I assume it's what some of the others also do – get enough complaints, launch a new brand . . . .” He also wrote: “To me it seems that basically they comply with the CFTC request and quietly move everything over to another brand . . . and the whole cycle starts over again.”

b. In a May 2016 email, Szatmari admitted concern about the Federal Trade Commission (FTC) and implicitly admitted that he knew his Original Campaigns were false and misleading. After reviewing sample advertisements used for “health offers” on one of the websites used to promote binary options, he wrote: “wtf . . . cure Alzheimer’s in 90 days? cure diabetes in 3 days? and we are worried about the ftc lol?”.

c. In numerous emails, Szatmari admitted his understanding that binary options brokers violated U.S. law and engaged in fraudulent practices. In one email to a broker that owed him money, Szatmari wrote: “I will also provide them [investors] with instructions to contact the United States Commodity Futures Trading Commission and the United States Securities and Exchange Commission to alert them to the fraudulent business practices of the company and its owners as well as for operating a financial services firm without proper license in the United States.”

d. Similarly, in August 2016, Defendant complained that it was getting more difficult to promote binary options in part due to “pressure from the Man in the US.”

33. Defendant caused false and misleading materials related to the Original Campaigns to be sent to millions of potential investors. The Original Campaigns’ false and misleading websites and videos were viewed by more than 350,000 persons and caused more

than 25,000 investors to make deposits for trading binary options with one of approximately 35 unregistered brokers.

34. These unregistered brokers offered and sold binary options referencing securities over the Internet to investors in the United States. For example the table below reflects the securities and securities indices offered and sold by three brokers, representing approximately two-thirds of the referrals Defendant helped make over the relevant period.

<b>Broker</b>	<b>Number Investors Referred</b>	<b>Securities Offered</b>	<b>Securities Indices Offered</b>
<b>Broker 1</b>	5377	19 (e.g., Microsoft, Apple, Coca Cola, Nike).	20 (e.g., DJIA, NASDAQ, S&P, FTSE, Hang Seng)
<b>Broker 2</b>	8822	20 (e.g., Apple, Facebook, IBM, Exxon).	8 (e.g., DJIA, NASDAQ, S&P)
<b>Broker 3</b>	3532	28 (e.g., Apple, Nike, Tesla, Netflix).	5 (e.g., DJIA, NASDAQ, S&P)

35. Defendant and Partner realized approximately \$3.8 million in profits from these six campaigns between 2014 and 2016.

36. Szatmari and Partner also disseminated false and misleading binary marketing campaigns create by other affiliate marketers (*i.e.* the Remarketed Campaigns). In such circumstances, the broker paid the creator of the materials the commission and the creator paid Defendant and Partner a sizeable cut of that commission. Defendant knew or was reckless in not knowing that the Remarketed Campaigns were false and misleading. For example in the email previously cited above, Defendant wrote: “Any way we can get our hands on some silly software that we can send these guys to if they really ask? I'm guessing all these ‘gurus’ [*i.e.* other affiliate marketers] are using the same shit software just branded as their own.” Szatmari and Partner realized approximately \$1.66 million in additional profits through remarketing.

**VIOLATIONS OF THE FEDERAL SECURITIES LAWS**

**FIRST CLAIM FOR RELIEF**

**Fraud in the Offer or Sale of Securities  
Violations of Section 17(a) of the Securities Act**

37. Paragraphs 1-36 are realleged and incorporated by reference herein.

38. Defendant, by engaging in the conduct described above, directly or indirectly, in the offer or sale of securities by the use of means or instruments of transportation or communication in interstate commerce or by use of the mails:

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

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

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

39. By reason of the foregoing, Defendant violated, and unless enjoined will again violate, Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a).

**SECOND CLAIM FOR RELIEF**

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

40. Paragraphs 1-36 are realleged and incorporated by reference herein.

41. Defendant, by engaging in the conduct described above, directly or indirectly, in connection with the purchase or sale of a security, by the use of means or instrumentalities or interstate commerce, of the mails, or of the facilities of a national securities exchange, with scienter:

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

(b) made untrue statements of a material fact or omitted 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; and/or

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

42. By reason of the foregoing, Defendant 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.

### **THIRD CLAIM FOR RELIEF**

#### **Unregistered Offer or Sale of Securities Violations of Section 5 of the Securities Act**

43. Paragraphs 1-36 are realleged and incorporated by reference herein.

44. No registration statement had been filed or was in effect for any of the security-based binary options offered or sold through the Defendant's Original Campaigns.

45. Defendant, by engaging in the conduct described above, directly or indirectly, made use of means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or to sell such securities.

46. By reason of the foregoing, Defendant violated, and unless enjoined will again violate, Section 5 of the Securities Act, 15 U.S.C. §§ 77e.

### **RELIEF REQUESTED**

WHEREFORE, the Commission respectfully requests that this Court:

- a) Find that Defendant committed the alleged violations;
- b) Order Defendant to disgorge, with prejudgment interest, all ill-gotten gains he received or derived from the activities set forth in this Complaint, and to repatriate any ill-

gotten funds or assets he caused to be sent overseas;

c) Order Defendant to pay civil penalties under 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);

d) Order Defendant prohibited from, directly or indirectly, including through any entity he owns or control, participating in the marketing, offer or sale of securities over the Internet or by email or other forms of electronic communication;

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

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

g) Grant such other and further relief as may be necessary or appropriate.

Respectfully submitted,

Dated: September 26, 2019

/s/ Kenneth W. Donnelly

Kenneth W. Donnelly (DC # 462996)  
Trial Counsel for Plaintiff  
**Securities and Exchange Commission**  
100 F Street, N.E.  
Washington, DC 20549-5949  
Tel. (202) 551-4946  
Fax (202) 772-9282  
Email: [donnellyk@sec.gov](mailto:donnellyk@sec.gov)

Of Counsel:

Jennifer A. Leete  
Jason M. Anthony  
Michael S. Fuchs