



November 2002. In November 2002, Geek Securities transferred all of its customer accounts that were engaged in mutual fund market timing and late trading to Geek Advisors, where the illegal conduct continued through at least November 2003.

2. Sharma is the president of both Geek Securities and Geek Advisors and Wadhwa was a registered representative at Geek Securities and was also associated with Geek Advisors. Both Sharma and Wadhwa defrauded mutual funds and their shareholders by engaging in a series of activities designed to circumvent the restrictions on market timing imposed by those mutual funds and by systematically engaging in a late trading scheme in those mutual fund shares.

3. Through the activities alleged in this Complaint, each of the Defendants violated Section 17(a) of the Securities Act of 1933 (“Securities Act”), Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 10b-5 thereunder. In addition, Geek Securities violated Section 15(c)(1) of the Exchange Act and Sharma and Wadhwa aided and abetted Geek Securities’ violations of Section 15(c)(1) of the Exchange Act.

4. Accordingly, the Commission seeks: (i) the entry of a permanent injunction prohibiting the Defendants from further violations of the relevant provisions of the Securities Act, the Exchange Act, and the rules thereunder; (ii) disgorgement of ill-gotten gains, plus prejudgment interest; and (iii) the imposition of civil money penalties against each Defendant due to the egregious nature of their violations.

## **II. DEFENDANTS**

5. Defendant Geek Securities is a Delaware corporation with its principal office in Boca Raton, Florida. Geek Securities has been registered with the Commission as a broker-dealer since 1984. During the relevant period, Geek Securities was owned by Sharma.

6. Defendant Geek Advisors is a Delaware corporation with its principal office in Boca

Raton, Florida. Geek Advisors has been registered as an investment adviser with the Commission since 2002 and is an affiliate of Geek Securities. During the relevant period, Geek Advisors was also owned by Sharma.

7. Defendant Sharma, age 39, is a resident of Delray Beach, Florida. During the relevant period, Sharma was the president and owner of Geek Securities and Geek Advisors.

8. Defendant Wadhwa, age 27, is a resident of Ft. Lauderdale, Florida. During the relevant period, Wadhwa was a registered representative at Geek Securities and was associated with Geek Advisors.

### **III. JURISDICTION AND VENUE**

9. This Court has jurisdiction over this action pursuant to Sections 20(b), 20(d) and 22(a) of the Securities Act [15 U.S.C. §§77t(b), 77t(d) and 77v(a)] and Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§78u(d), 78u(e) and 78aa].

10. Venue is proper in the Southern District of Florida because many of the Defendants' acts and transactions constituting violations of the Securities Act and the Exchange Act occurred in the Southern District of Florida. In addition, the principal offices of Defendants Geek Securities and Geek Advisors are located in the Southern District of Florida and Defendants Sharma and Wadhwa reside in the Southern District of Florida.

11. 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.

### **IV. THE FRAUDULENT SCHEME**

#### **A. Overview**

12. During the relevant period, Geek Securities and Geek Advisors had at least nine

customers or clients, the majority of which were institutional investors, and several of which were hedge funds, for which it facilitated trades of third party mutual funds. Geek Securities' and Geek Advisors' primary purpose with respect to those clients was to provide market timing and/or late trading services.

13. Geek Securities and Geek Advisors maintained brokerage and investment advisory relationships, respectively, with each of its customers and clients. For its services, Geek Securities received transaction-based commissions. When the market timing and late trading business was transferred to Geek Advisors in November 2002, Geek Advisors received a "wrap fee" of between one and two percent of the money it managed for the clients.

14. At the direction and with full knowledge, approval and assistance of Sharma and Wadhwa, Geek Securities and Geek Advisors customers and clients consummated thousands of market timing and late trades in over one hundred mutual funds.

**B. Market Timing Activity**

15. "Market timing" includes (a) frequent buying and selling of shares of the same mutual fund or (b) buying or selling mutual fund shares in order to exploit inefficiencies in mutual fund pricing. Market timing, while not illegal per se, can harm other mutual fund shareholders because it can dilute the value of their shares, if the market timer is exploiting pricing inefficiencies, or disrupt the management of the mutual funds' investment portfolio and can cause the targeted mutual fund to incur costs borne by other shareholders to accommodate frequent buying and selling of shares by the market timer. Most of the mutual funds purchased by the Defendants, on behalf of their customers and clients, tried to prevent market timing by prohibiting additional trades in their funds' shares after a customer had placed a certain number of trades.

16. Sharma and Wadhwa were aware that mutual fund companies deemed market timing to be improper and unacceptable.

17. Between September 2001 and November 2003, mutual fund companies sent Geek Securities and Geek Advisors, directly and indirectly, warning letters, notices and e-mails blocking their clients' ability to trade in mutual funds due to their market timing activities. By October 2003, Geek Advisors' clients had been banned from trading in all but about four mutual funds.

18. Despite these warnings, Sharma and Wadhwa, through Geek Securities and Geek Advisors, used various deceptive activities to evade detection of ongoing market timing when a fund tried to restrict timing activities.

19. Sharma and Wadhwa kept records tracking the various funds that restricted or prohibited its customers and clients from trading because of market timing.

20. Sharma and Wadhwa, through Geek Securities and Geek Advisors also suggested that its customers or clients establish multiple accounts and use multiple clearing firms as a scheme to make it more difficult for mutual fund companies to detect market timing. For example, many of Geek Securities and Geek Advisors' institutional customers and clients had multiple accounts, each of which was under a different name but had the same beneficial owner. Some customers and clients also used a combination of clearing firms, which Geek Securities and Geek Advisors referred to as "trading platforms," to place their orders. Wadhwa executed the mutual fund trades through these clearing firms. Geek Securities and Geek Advisors did not execute any of the mutual fund trades itself in order to avoid detection by the mutual funds as the source of the market timing activities.

21. Geek Securities and Geek Advisors also "cloned accounts," moving funds from a

blocked account over to a new account, within the same fund family, where the new account was under a different name but had the same beneficial owner. This deceptive strategy allowed market timers to continue to place as many trades as possible through a fund family without detection after being banned due to market timing.

22. Geek Securities and Geek Advisors further assisted its market timing clients by informing them of the extent the different mutual funds could detect market timing. Geek Securities and Geek Advisors would recommend the maximum size of a trade that could be processed without detection as well as the possible number of round-trips a fund will allow before clients are prohibited from trading in a particular fund family.

23. Geek Securities and Geek Advisors were notified on multiple occasions that trading would be prohibited in a mutual fund due to market timing activities. For example, in approximately 91 instances, from April 2003 until October 2003, Geek Advisors was informed that all future trading in certain mutual funds would be prohibited due to market timing activities. To illustrate, in one instance a fund imposed approximately \$10,000 in redemption charges to a Geek Advisors client due to short-term trading. In a letter to the client dated October 19, 2003, Wadhwa stated, "...we hit them pretty hard over the previous few months though if that possibly helps soften the blow."

24. In assisting clients with their market timing activity, the Defendants misrepresented and concealed their identity and the identities of their clients. That information was material because it prevented the mutual funds from restricting the short term trading activity that the mutual funds were trying to prevent.

### C. Late Trading Activity

25. “Late trading” refers to the practice of placing orders to buy or sell mutual fund shares after close of the market at 4:00 p.m. EST, but at the mutual fund’s Net Asset Value (“NAV”), or price, determined at the market close. Late trading enables to trader to profit from market events that occur after 4:00 p.m. EST but that are not reflected in that day’s price.

26. Between September 2001 and November 2003, Sharma and Wadhwa, through Geek Securities and Geek Advisors, participated in a systematic scheme to late trade mutual fund shares on behalf of some of its customers and clients.

27. According to Geek Advisors’ written agreement with its clients, preliminary trade instructions would not be accepted after 3:30 p.m. EST and final trade instructions would not be accepted any later than 3:59 p.m. EST.

28. In many instances, however, Wadhwa received preliminary trading instructions from Geek Securities and Geek Advisors customers or clients prior to the 4:00 p.m. EST closing of the market and then received final instructions after the 4:00 p.m. EST closing of the market. Wadhwa, with Sharma’s knowledge and approval, would accept the final trade instructions after the 4:00 p.m. EST closing of the market and process them through a clearing firm, which accepted trades after 4:00 p.m. EST, but received the same-day NAV pricing. In some instances, the final trade instructions after the 4:00 p.m. EST closing required Wadhwa to not put through certain trades received earlier in the day.

29. With the knowledge and approval of Sharma and Wadhwa, Geek Securities and Geek Advisors concealed its late trading activity by time stamping the preliminary trading instructions but not the actual final trade instructions, accepting the final trade instructions received after the cut-off

by undocumented phone conversations, or by using a time stamp machine that, intentionally, did not reflect the accurate time.

#### **IV. CLAIMS FOR RELIEF**

##### **COUNT I**

###### **Fraud in Violation of Section 17(a)(1) of the Securities Act (As Against All Defendants)**

30. The Commission repeats and realleges paragraphs 1 through 29 of its Complaint.

31. Since a date unknown, but at least from September 2001 through November 2003, Defendants Geek Securities, Geek Advisors, Sharma and Wadhwa, directly and indirectly, by use of the means or instruments of transportation or communication in interstate commerce and by use of the mails, in the offer or sale of securities, as described in this Complaint, have knowingly or recklessly employed devices, schemes or artifices to defraud.

32. By reason of the foregoing, Defendants Geek Securities, Geek Advisors, Sharma and Wadhwa, directly and indirectly, have violated and, unless enjoined will continue to violate, Section 17(a)(1) of the Securities Act [15 U.S.C. §77q(a)(1)].

##### **COUNT II**

###### **Fraud in Violation of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder (As Against All Defendants)**

33. The Commission repeats and realleges paragraphs 1 through 29 of its Complaint.

34. Since a date unknown, but at least from September 2001 through November 2003, Defendants Geek Securities, Geek Advisors, Sharma and Wadhwa, directly or indirectly, by use of the means an instrumentality of interstate commerce, and of the mails in connection with the purchase or sale of the securities, as described in this Complaint, have knowingly or recklessly: (a) employed devices, schemes or artifices to defraud; (b) made untrue statements of material fact or

omitted to state a material fact necessary 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 as a fraud upon the purchasers of such securities.

35. By reason of the foregoing, Defendants Geek Securities, Geek Advisors, Sharma and Wadhwa, directly or indirectly, have violated and, unless enjoined with continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5 [17 C.F.R. §240.10b-5], thereunder.

### **COUNT III**

#### **Fraud in Violation of Section 17(a)(2) and 17(a)(3) of the Securities Act (As Against All Defendants)**

36. The Commission repeats and realleges paragraphs 1 through 29 of its Complaint.

37. Since a date unknown, but at least from September 2001 through November 2003, Defendants Geek Securities, Geek Advisors, Sharma and Wadhwa, directly and indirectly, by use of the means or instruments of transportation or communication in interstate commerce and by use of the mails, in the offer or sale of securities, as described in this Complaint, have: (a) obtained money or property by means of untrue statements of material facts and omissions to state material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading; and/or (b) engaged in transactions, practices and courses of business which operated as a fraud or deceit upon purchasers and prospective purchasers of such securities.

38. By reason of the foregoing, Defendants Geek Securities, Geek Advisors, Sharma and Wadhwa, directly and indirectly, have violated and, unless enjoined, will continue to violate, Sections 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §§77q(a)(2) and 77q(a)(3)].

#### **COUNT IV**

##### **Violations of Section 15(c)(1) of the Exchange Act (As Against Defendant Geek Securities)**

39. The Commission repeats and realleges paragraphs 1 through 29 of its Complaint.

40. Since a date unknown, but at least from September 2001 through November 2003, Defendant Geek Securities directly or indirectly, and by the use of the means of instrumentalities of interstate commerce or of the mails, effected transactions in, or induced or attempted to induce the purchase or sale of a security by means of a manipulative, deceptive, or other fraudulent device or contrivance.

41. By reason of the foregoing, Defendant Geek Securities has and, unless enjoined, will continue to violate Section 15(c)(1) of the Exchange Act. [15 U.S.C. §780(c)(1)].

#### **COUNT V**

##### **Aiding and Abetting Violations of Section 15(c)(1) of the Exchange Act (As Against Defendants Sharma and Wadhwa)**

42. The Commission repeats and realleges paragraphs 1 through 29 of its Complaint.

43. Since a date unknown, but at least from September 2001 through November 2003, Defendants Sharma and Wadhwa knowingly or recklessly provided substantial assistance to, and thus aided and abetted, Geek Securities' violations of Section 15(c)(1) of the Exchange Act [15 U.S.C. §780(c)(1)].

#### **V. RELIEF REQUESTED**

WHEREFORE, the Commission respectfully requests that this Court:

##### **A. Declaratory Relief**

Declare, determine and find that the Defendants committed the violations of the federal securities laws alleged in this Complaint.

**B. Injunctive Relief**

Enter a permanent injunction restraining the Defendants and their respective 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 violations of, or aiding and abetting violations of, Section 17(a) of the Securities Act [15 U.S.C. §77q(a)], Sections 10(b) and 15(c)(1) of the Exchange Act [15 U.S.C. §78j(b) and §780(c)(1)] and Rule 10b-5 thereunder [17 C.F.R. §240.10b-5].

**C. Disgorgement**

Order the Defendants to disgorge their ill-gotten gains, plus pre-judgment interest.

**D. Civil Money Penalties**

Order each Defendant 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. Further Relief**

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

**F. Retention of Jurisdiction**

Further, the Commission respectfully requests that the Court retain jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that may hereby be

entered, or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

Dated: June 4, 2004

Respectfully submitted,

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