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

UNITED STATES OF AMERICA : Hon. Steven C. Mannion
:
v. : Mag. No. 16-6191
:
NARIS CHAMROONRAT : CRIMINAL COMPLAINT
:
:

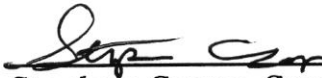
I, Stephen Csapo, being duly sworn, state the following is true and correct to the best of my knowledge and belief:

SEE ATTACHMENT A

I further state that I am a Special Agent of the Federal Bureau of Investigation, and that this Complaint is based on the following facts:

SEE ATTACHMENT B

continued on the attached pages and made a part hereof.




Stephen Csapo, Special Agent
Federal Bureau of Investigation

Sworn to before me, and
subscribed in my presence

December 15, 2016 at
Newark, New Jersey

HONORABLE STEVEN C. MANNION
UNITED STATES MAGISTRATE JUDGE



Signature of Judicial Officer

ATTACHMENT A

Count One (Conspiracy to Commit Securities Fraud)

From at least as early as in or about December 2013 through in or about June 2015, in the District of New Jersey and elsewhere, defendant

NARIS CHAMROONRAT

knowingly and intentionally conspired and agreed with others to commit an offense against the United States, namely, securities fraud, in that he and others willfully and knowingly, directly and indirectly, by the use of means and instrumentalities of interstate commerce, and of the mails, and of facilities of national securities exchanges, would and did use and employ, in connection with the purchase and sale of securities, manipulative and deceptive devices and contrivances by: (a) employing devices, schemes and artifices to defraud; (b) making untrue statements of material fact and omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (c) engaging in acts, practices and courses of business which operated and would operate as a fraud and deceit upon persons, all contrary to Title 15, United States Code, Sections 78j(b) and 78ff, and Title 17, Code of Federal Regulations, Section 240.10b-5.

Overt Acts

In furtherance of the conspiracy and to effect its unlawful object, the following overt acts, among others, were committed in the District of New Jersey and elsewhere:

- a. On or about January 16, 2014, CHAMROONRAT sent a co-conspirator an electronic communication attaching a document entitled "TRZ GUIDELINE," which provided guidance on carrying out the securities fraud scheme described herein.
- b. On or about May 2, 2014, one of CHAMROONRAT's co-conspirators sent an email to an individual located in New Jersey containing wire instructions for submitting payment to purportedly fund a securities trading account.
- c. On or about May 13, 2014, a bank account in Belize controlled by CHAMROONRAT received a wire transfer in the amount of \$2,500 from a bank account located in New Jersey.

In violation of Title 18, United States Code, Section 371.

Count Two

(Wire Fraud)

On or about May 13, 2014, in the District of New Jersey and elsewhere,
defendant

NARIS CHAMROONRAT

knowingly and intentionally devised a scheme and artifice to defraud, and to obtain money and property by means of materially false and fraudulent pretenses, representations, and promises, and, for the purpose of executing and attempting to execute such scheme and artifice, did transmit and cause to be transmitted by means of wire, radio, and television communication in interstate and foreign commerce, certain writings, signs, signals, pictures, and sounds, specifically, a wire of approximately \$2,500 from a bank account in New Jersey to an account in Belize controlled by CHAMROONRAT.

In violation of Title 18, United States Code, Section 1343 and Section 2.

ATTACHMENT B

I, Stephen Csapo, a Special Agent with the Federal Bureau of Investigation, having conducted an investigation and discussed this matter with other law enforcement officers who have participated in this investigation, have knowledge of the following facts. Because this Complaint is being submitted for the limited purpose of establishing probable cause, I have not included each and every fact known to me concerning this investigation. Rather, I have set forth only the facts which I believe are necessary to establish probable cause. Unless specifically indicated, all conversations and statements described in this affidavit are related in substance and in part.

BACKGROUND

1. At all times relevant to this Complaint:
 - a. Defendant NARIS CHAMROONRAT was a citizen of the United States and Thailand. CHAMROONRAT owned and controlled Nonko Trading ("Nonko"), an online day-trading firm.
 - b. Nonko Group, LLC ("Nonko Group"), was a limited liability company formed under the laws of Nevis. CHAMROONRAT was the sole owner and officer of Nonko Group, LLC. Nonko Group maintained a bank account in Belize that CHAMROONRAT controlled (the "Belize Account").
 - c. NKO Holdings Co. Ltd. ("NKO") was a corporation based in Hong Kong, China. NKO maintained an account at a bank in Rarotonga, the Cook Islands (the "NKO Account"). CHAMROONRAT was the beneficial owner of the NKO Account. Nonko directed its customers to send money to fund securities trading accounts to the Belize Account and the NKO Account.
 - d. Co-conspirator #1 ("CC#1") was responsible for, among other things, soliciting investors for Nonko. CC#1 also operated an online securities trading training program.
 - e. Co-conspirator #2 ("CC#2") was responsible for soliciting investors for Nonko. CC#2 worked for CC#1 in connection with the securities trading training program.
 - f. Co-conspirator #3 ("CC#3") was responsible for soliciting investors for Nonko. In addition, CC#3 performed marketing work for Nonko, including web design, online advertising and social media.
 - g. Company A was a provider of electronic trading software that maintained computer servers in or around Carteret, New Jersey. From in or

around 2012 through in or around September 2014, Nonko provided its customers access to Company A's trading software.

h. Logix Software Company Limited ("Logix") was a Thailand-based provider of electronic trading software that CHAMROONRAT, CC#1 and CC#2 launched in or around September 2014. CHAMROONRAT and his co-conspirators gave Nonko's customers access to Logix after Company A terminated its relationship with Nonko in or around September 2014. Although Logix was marketed as a full-service trading platform, it did not execute live trades and only operated as a simulator.

THE SCHEME TO DEFRAUD

2. Between in or about December 2013 and in or about June 2015, CHAMROONRAT orchestrated a scheme to defraud hundreds of investors worldwide through his operation of Nonko Trading, a purported day trading firm. CHAMROONRAT and his co-conspirators solicited individual investors to open day-trading accounts with Nonko and to wire thousands of dollars to Nonko for the purpose of funding those accounts. But rather than using those deposits to fund securities brokerage accounts, CHAMROONRAT and his co-conspirators simply stole the victims' money. To cover up the theft, CHAMROONRAT provided the victims with online trading simulator, or "demo," accounts, and falsely represented to the investors that those accounts were real accounts to be used for trading securities. Through this scheme, CHAMROONRAT and his co-conspirators misappropriated at least \$1.4 million from over 260 investors residing in over 30 countries worldwide. The victims of the scheme included at least 180 investors from the United States, including several in New Jersey.

A. Nonko's Solicitation of Traders and The "TRZ Program."

3. The following information regarding Nonko's business practices and the manner in which it solicited customers is based on witness interviews and the review of documents collected in the investigation, including email and other electronic communications.

4. During the time period of the scheme, Nonko operated as a purported proprietary trading firm for investors interested in day-trading securities in the United States. To attract day-traders, Nonko offered terms that were not available at other registered broker-dealers, including low minimum deposits and generous leverage (or margin) ratios of 20:1 (that is, purporting to give traders the ability to trade \$20 of total capital for each dollar deposited). Nonko also offered low commission rates. In addition to online marketing tactics that promoted those terms, Nonko relied on various third party "affiliates," or sub-contractors, to refer traders to open accounts with Nonko. Those affiliates received a percentage of the profits generated by the

traders they referred. Although Nonko held itself out as a "proprietary trading firm," in substance, it operated as a broker, processing securities transactions for customer accounts.

5. Pursuant a contract with Company A signed in or around May 2012, Nonko provided its customers with access to live trading accounts set up on an electronic securities trading platform provided by Company A (the "Company A Platform"). The Company A Platform included a training feature that allowed users to test the platform in a simulated environment. This training account feature was not programmed to send the users' "orders" to any market centers for execution, but simply generated records of potential, or simulated, "executions" of the orders, based on then-current market prices for the securities in question. The Company A Platform assigned all training accounts the prefix "TRZ" and Company A's user manual stated that accounts beginning with "TR" are training accounts.

6. In or around late 2013, CHAMROONRAT began defrauding Nonko traders by assigning them to use the TRZ demo accounts while representing that they were using active accounts to place real securities trades. This allowed CHAMROONRAT and his co-conspirators to steal the money the traders had given Nonko without their knowledge or consent. A review of bank records establishes that CHAMROONRAT and his co-conspirators then transferred the customers' deposit funds to accounts controlled by CHAMROONRAT and he used the money for personal expenses and other unauthorized transactions. CHAMROONRAT and his co-conspirators referred to the training account scheme in emails and other communications as their "TRZ Program."

7. To ensure the scheme would not be detected, CHAMROONRAT and his co-conspirators selected as victims only those customers who they believed would not be profitable day-traders and would be less likely to seek to withdraw funds from their accounts. Instead, as demonstrated in numerous emails and online chat messages between CHAMROONRAT and his co-conspirators, CHAMROONRAT limited the TRZ Program to inexperienced, unsophisticated "losing" traders because those customers would simply believe they lost their money trading in the open markets, rather than to CHAMROONRAT's scheme to defraud.

8. To assist in carrying out the scheme, the co-conspirators used a document entitled "TRZ GUIDELINE," which CHAMROONRAT provided to CC#3 in an email in or around January 2014. Among other things, this document provided guidance for determining whether to place a customer on a TRZ account instead of a live trading account. Specifically, the guide instructed that novice traders should be placed on TRZ accounts as well as traders who were "willing to move to a TRZ trainee account to save on fees" and would agree to use "alternative routing versus sending orders directly to an

ECN.” The TRZ Guideline further noted, “You are allowed to play with the commission and or even lower software if that's what it takes them to get over the fence. The trader has to feel that the benefits for cheaper software and fees is worth it for the ‘alternative routing.’”

9. The TRZ Guideline also provided suggested false responses to questions that CHAMROONRAT anticipated customers would ask about the TRZ accounts, including, “why does the bid/offer not change when I put out a limit order[?]” to which the guide states, “that can be explained by saying the ECN they are using is a dark pool[.]”¹ These fabricated responses were designed to deceive Nonko’s customers into believing that they were trading with live accounts. In reality, the TRZ accounts did not involve “alternative routing” or “dark pools” and were merely simulator accounts incapable of processing real trades. Indeed, market data and trading records from various brokerage firms reviewed in the investigation confirm that the trades placed on the TRZ accounts and represented to Nonko’s customers as real trades were not, in fact, real securities transactions executed on live markets.

10. Throughout the scheme, CHAMROONRAT and his co-conspirators discussed in email and online chat communications trader eligibility for the TRZ Program, including whether to transfer traders originally assigned to TRZ accounts to real trading accounts. For example, on or about February 12, 2014, CHAMROONRAT and CC#1 exchanged emails bearing the subject line, “TRZ Red Flag [sic].” The emails related to a Nonko customer who had been assigned a TRZ account and had initially placed trades that, if real, would not have been profitable. However, the customer later began placing trades that would have been profitable, causing the co-conspirators to question whether to keep that particular trader on a TRZ account. In the email, CC#1 said to CHAMROONRAT, “[Should] we close him, and move him to NRTD,” likely meaning a live account, “or we wait in patient [sic] for him to lose it all back like he did in the past[?]” Likewise, a few weeks earlier, on or about January 28, 2014, CHAMROONRAT sent a similar email to CC#1 about a different Nonko customer that stated in bold letters, “Profitable TRZ Flag alert!”

11. In an online chat communication between CHAMROONRAT and CC#3 on or about February 3, 2014, CHAMROONRAT further explained the TRZ “program” and its benefits. CHAMROONRAT stated, “We also have the trz program, where instead [of] a live account it’s a trz account and if they blow it all up, then great, firm still profits.” In response, CC#3 stated, “and thing with TRZ that freaks me out ... THE ONLY THING ... someone ... will make money ...

¹ “ECN” generally refers to an electronic system that disseminates orders entered by market makers to third parties and permits the orders to be executed against in whole or in part. “Dark pools” generally refer to private exchanges or forums for securities trading that are not accessible by the investing public.

what happens when they do make money?" CHAMROONRAT replied, "bump them off of trz, put them on a real account[,] give them more leverage in exchange for a profit split."

12. Indeed, the profitability of the scheme was contingent on customers remaining "losers" because profitable traders were ineligible for the TRZ Program. In an email from CC#1 to CHAMROONRAT on February 2, 2014, CC#1 referred to the profits from the scheme for the prior month, noting, "It was a huge month, huge month means that a lot of traders got burned.. New blood, all the time, that's what we need .. Already opened almost 10 accounts yesterday so it's good and we have some wires pending as well."

13. CHAMROONRAT and his co-conspirators also attempted conceal the scheme by modifying the TRZ account display on the Company A Trading Platform to remove the "TRZ" label and use instead a label that applied to live trading accounts. Specifically, on or about November 25, 2013, CHAMROONRAT emailed a representative of Company A and asked, "Is it possible to name a demo account with the prefix NKLT[,] a prefix used for live accounts. The Company A representative responded, "A demo account must have the prefix TR."

14. By in or around February 2014, CHAMROONRAT and CC#1 began discussing a plan to create their own trading platform, one that would not use the "TRZ" label for training accounts. In an online chat communication on February 20, 2014 between CHAMROONRAT and CC#1, CC#1 wrote, "That's where all the money is[,] and then added, "A platform that will not show a TRZ that he is a TRZ that will look like the real deal, and we will say CFD."² As explained below, CHAMROONRAT and his co-conspirators eventually did develop their own trading platform called "Logix" and used it to continue the scheme in late 2014 and 2015.

B. CHAMROONRAT Attempts to Cover Up the Scheme After Company A Terminates its Relationship with Nonko.

15. In or around late August 2014, one of the victims of the scheme made a technical inquiry to Company A's support staff, and, in the course of that discussion, Company A discovered that the trader believed that his demo account was a real one. On August 29, 2014, Company A sent out an email to

² "CFDs" or "contracts for difference," are contracts between two parties, typically described as "buyer" and "seller," stipulating that the seller will pay to the buyer the difference between the current value of an asset and its value at contract time. (If the difference is negative, then the buyer pays instead to the seller.) In effect, CFDs are financial derivatives that allow traders to take advantage of prices moving up (long positions) or prices moving down (short positions) on underlying financial instruments and are often used to speculate on those markets.

all Nonko customers alerting them that accounts starting with "TR" were training accounts. Company A then discontinued its relationship with Nonko.

16. As reflected in online chats reviewed by law enforcement, CHAMROONRAT responded to the fall-out with Company A by instructing his co-conspirators to admit nothing, to blame everything on Company A, and to tell customers that Nonko was ending its relationship with Company A because of its poor communication and repeated technical glitches with its trading platform. CHAMROONRAT also instructed his co-conspirators to move all Nonko users from Company A's platform to Logix, which, at that time, was in the testing phases of development.

C. CHAMROONRAT Continues the Scheme through Logix.

17. Shortly after Company A informed Nonko's customers in late August 2014 that the TRZ accounts were not live trading accounts, CHAMROONRAT and his co-conspirators told customers that Nonko was moving to Logix, Nonko's "proprietary trading system," because of its technological superiority, and, if questioned about Company A's allegations, claimed that those allegations resulted from a misunderstanding. Although some customers did leave Nonko at that time, most continued to use Nonko because of its low commission rates and high leverage ratios.

18. Thereafter, from in or about September 2014 through at least in or about June 2015, CHAMROONRAT and his co-conspirators continued to defraud Nonko's customers by misappropriating their account deposit funds and placing them on demo accounts without their knowledge and consent, using Logix as Nonko's purported trading platform. Trading records, bank records, and market data reveal that, during this time period, only a small number of Nonko's customers received access to real securities trading accounts and the rest were placed on simulator accounts in furtherance of the scheme.

D. CHAMROONRAT's Diversion of Customer Funds and Scheme Profits.

19. Overall, during the time period of the conspiracy, the scheme attracted over \$1.6 million in deposits from over 260 customers. Although Nonko paid back a small percentage of these customers, CHAMROONRAT and his co-conspirators misappropriated at least \$1.4 million. The majority of those funds were transferred to foreign bank accounts controlled by CHAMROONRAT and used for personal expenses or other unauthorized transactions.