

**14 MAG 0420 ORIGINAL**

Approved: *[Signature]*  
ROBERT L. ROONE  
JOHN J. O'DONNELL  
Assistant United States Attorneys

Before: THE HONORABLE JAMES L. COTT  
United States Magistrate Judge  
Southern District of New York

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UNITED STATES OF AMERICA           :
                                     : SEALED COMPLAINT
                                     :
      - v. -                         :
                                     : Violation of
                                     : 18 U.S.C. § 1343
FAN WANG,                           :
  a/k/a "Alex Wang,"                :
                                     : COUNTY OF OFFENSE:
                                     : MANHATTAN
                                     :
      Defendant.                     :
                                     :
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CHRISTOPHER S. DELZOTTO, being duly sworn, deposes and says that he is a Special Agent with the Federal Bureau of Investigation ("FBI"), and charges as follows:

COUNT ONE  
(Wire Fraud)

1. From in or about October 2011 through on or about November 18, 2011, in the Southern District of New York and elsewhere, FAN WANG, a/k/a "Alex Wang," the defendant, willfully and knowingly, having devised and intending to devise a scheme and artifice to defraud and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises, did transmit and cause to be transmitted by means of wire communication in interstate and foreign commerce writings, signs, signals, pictures and sounds, for the purpose of executing such scheme and artifice, to wit, WANG accumulated and then concealed an unauthorized position in light crude oil futures in a trading account for which he was responsible, which resulted in significant losses to his employer ("Company-1"), in order to increase the profitability of this trading account for the purpose of increasing his performance-based compensation.

(Title 18, United States Code, Sections 1343 and 2.)

The bases for my knowledge and for the foregoing charge are, in part, as follows:

2. I am a Special Agent with the Federal Bureau of Investigation and I have been personally involved in the investigation of this matter. I have been a Special Agent with the Federal Bureau of Investigation for approximately 4½ years. I am currently assigned to a squad responsible for investigating violations of the federal securities laws and related offenses. I have participated in numerous investigations of these offenses, and I have made and participated in making arrests of numerous individuals for participating in such offenses.

3. This affidavit is based upon my personal knowledge, as well as information obtained during this investigation, directly or indirectly, from other sources and agents, including: (a) e-mails and other materials obtained from various sources; (b) communications with representatives of certain companies; (c) publicly available information; (d) a review of trading records; and (e) interviews of various persons conducted by myself and other law enforcement agents. Because this affidavit is being submitted for the limited purpose of establishing probable cause, it does not include all the facts that I have learned during the course of my investigation. Where the contents of documents and the actions, statements, and conversations of others are reported herein, they are reported in substance and in part, except where otherwise indicated.

#### Relevant Entity and Individuals

4. "Company-1" is a privately-owned financial services firm engaged in, among other things, proprietary trading of futures,<sup>1</sup> options,<sup>2</sup> and other securities. Company-1's headquarters are located in New York, New York, and it also has offices in Chicago, London and Hong Kong.

5. At all relevant times, FAN WANG, a/k/a "Alex

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<sup>1</sup> A futures contract is an agreement traded on an organized exchange to buy or sell assets, such as commodities, at a fixed price but to be delivered and paid for later.

<sup>2</sup> An option is a contract in which the seller promises that the option buyer has the right, but not the obligation, to buy or sell a certain security at a certain price on or before a certain expiration date, or exercise date.

Wang," the defendant, worked as a trading assistant at the New York, New York, office of Company-1. As a trading assistant, WANG provided support to a trader at Company-1 (the "Trader"), who specialized in proprietary trading in futures and other financial instruments involving crude oil, heating oil, and unleaded gas. WANG's responsibilities included, among other things, the general accounting of the profits and losses on the trades in the Trader's account ("Account-1"), the reconciliation of the account statements from Company-1's outside broker-dealer reflecting the Trader's trades with Company-1's computerized trading records and, at times, executing trades in Account-1. Based upon my conversations with the Trader, I know that WANG was not authorized to execute trades in Account-1 without the Trader's knowledge and prior approval. The Trader relied upon Wang to provide complete and accurate information about the activity in Account-1.

6. Based on my conversations with the Managing Partner of Company-1 (the "Managing Partner"), and the Trader, I have learned that FAN WANG also traded futures and options in a second account ("Account-2"). However, as with Account-1, WANG was required to get prior approval of the Trader before making any trades in Account-2. As compensation for his work at Company-1, WANG received both an annual salary and a year-end bonus. The amount of WANG's bonus was based in part on the profitability of Account-2.

#### The Scheme to Defraud

7. From in or about October 2011 through on or about November 18, 2011, FAN WANG, a/k/a "Alex Wang," the defendant, made several unauthorized purchases of futures contracts in Account-2, many of which declined in value after WANG purchased them. To mask some of the losses WANG suffered in Account-2 from those purchases, WANG transferred several profitable trades from Account-1 into Account-2 without authorization. In addition, in an effort to hide the transfer of profitable trades from Account-1, WANG caused the unauthorized purchase of hundreds of futures contracts in Account-1. Once Company-1 learned of WANG's actions, Company-1 sold WANG's unauthorized positions in futures contracts for a loss of approximately \$2.2 million dollars.<sup>3</sup>

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<sup>3</sup> All of the futures contracts described in this Complaint were traded on the New York Mercantile Exchange ("NYMEX"), in New York, New York.

Wang's Unauthorized and Unprofitable Trades in Account-2

8. Based on my discussion with the Trader and a clerk at Company-1 (the "Clerk"), and my review of documents from Company-1, I have learned the following, in substance and in part:

a. In or about October 2011, FAN WANG, a/k/a "Alex Wang," the defendant, made a series of trades for light crude oil futures contracts in Account-2. These trades were not authorized by the Trader.

b. The unauthorized trades in Account-2 resulted in losses. Based upon my review of brokerage records for Account-2 and publicly available price information, I have learned that as of on or about October 21, 2011, Account-2 had realized losses of approximately \$223,460 from light crude oil futures contracts, and held open light crude oil futures contracts that carried unrealized gains of approximately \$101,320. In other words, Account-2 had net losses of approximately \$122,140.

Wang's Unauthorized Transfer of Futures Positions from Account-1 to Account-2

9. Beginning in or about October 2011, FAN WANG, a/k/a "Alex Wang," the defendant, began transferring profitable futures contracts from Account-1 into Account-2 in order to cover up the losses incurred due to his unauthorized purchases of light crude oil futures contracts. For example, based upon my review of brokerage records and emails from WANG to Company-1's brokerage firm (the "Brokerage Firm"), I have learned that:

a. On or about October 24, 2011, WANG instructed the Brokerage Firm to transfer approximately 65 futures contracts for the purchase of light crude oil to be delivered in December 2011 from Account-1 to Account-2.

b. On or about October 25, 2011, WANG instructed the Brokerage Firm to transfer approximately 25 futures contracts for the purchase of light crude oil to be delivered in December 2011, from Account-1 to Account-2.

c. On or about October 25, 2011, WANG instructed the Brokerage Firm to transfer approximately 41

futures contracts for the purchase of light crude oil to be delivered in January 2012, from Account-1 to Account-2.

d. On or about November 16, 2011, WANG instructed the Brokerage Firm to transfer approximately 109 futures contracts for the purchase of light crude oil to be delivered in December 2011, from Account-1 to Account-2.

10. The transfers described above in paragraphs 9(a)-(d) resulted in Account-2 avoiding substantial losses from its current positions in excess of \$1 million dollars.

11. The Trader has advised me that she did not know about or approve the transfers described above in paragraphs 9(a)-(d).

#### Wang makes Unauthorized Purchases in Account-1

12. In order to conceal the transfer of futures contracts from Account-1 to Account-2, WANG made unauthorized trades in Account-1. Based on my discussion with the Clerk and my review of documents from Company-1, I have learned that on or about November 16, 2011, FAN WANG, a/k/a "Alex Wang," the defendant, placed at least eleven unauthorized trades for approximately 587 light crude oil futures contracts in Account-1, which were purchased on margin.<sup>4</sup>

13. The Trader has advised me that she did not know about or approve the unauthorized trades described above in paragraph 12.

#### The Scheme Unravels

14. Based on my discussion with the Managing Partner, I have learned that on or about the morning of November 18, 2011, the Managing Partner learned that Company-1 had received a margin call from the Brokerage Firm for approximately \$1.2 million dollars related to Account-1.<sup>5</sup> The margin call meant

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<sup>4</sup> Margin accounts allow investors to make investments using credit extended by the broker.

<sup>5</sup> A margin call is a brokerage firm's demand that a margin-account client deposit securities or cash into their account in order to bring the account balance up to the minimum maintenance margin requirement. A margin-account client may receive a margin call from a broker if one or more of the securities bought by the client (with borrowed money) decreased in value so

that securities in Account-1 that had been purchased on margin were under-collateralized by approximately \$1.2 million. The Managing Partner stated that it was unusual for Company-1 to have a margin call of this magnitude.

15. The Managing Partner further advised me that he asked FAN WANG, a/k/a "Alex Wang," the defendant, if he knew the reason for the margin call. WANG stated, in substance, that he had recently executed trades that resulted in a loss of approximately \$100,000, and that he did not tell the Trader about the trades. WANG further stated to the Managing Partner, in substance, that he tried to cover for the loss of the trade by trading more futures, but had lost millions of dollars in the process. WANG told the Managing Partner that he currently was "long" approximately 320 oil futures contracts, which meant that the account currently held ownership positions on these contracts.

16. I have also learned that WANG made similar admissions to the Clerk. Based on my conversation with the Clerk, I have learned the following:

a. At the Managing Partner's request, on or about November 18, 2011, the Clerk met with FAN WANG, a/k/a "Alex Wang," the defendant, and reviewed the trading in Account-1 and Account-2.

b. WANG told the Clerk that on or about November 16, 2011, he had placed a series of trades for approximately 587 light crude oil futures contracts without authorization from the Trader or anyone else at Company-1.

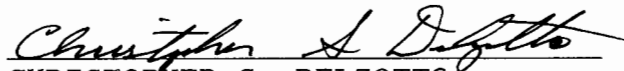
c. The Clerk's review of Company-1's records uncovered false entries that WANG had made on Company-1's computerized records. These entries concealed the unauthorized purchase on November 16, 2011, of 587 light crude oil futures contracts in Account-1. Specifically, WANG made manual entries in Company-1's records that purported to show that the 587 positions were closed (i.e., sold), when in fact they were still open. Reports reflecting these manual entries were transmitted in interstate commerce to Company-1's accounting department located in Chicago, Illinois.

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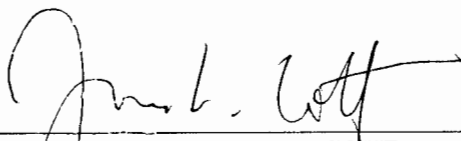
that the assets in the account fell below the maintenance margin limits fixed by the broker.

17. Based upon my review of Company-1's trading records, I have learned that Company-1 ultimately sold the approximately 587 futures contracts purchased by WANG for a loss of approximately \$2.2 million dollars.

WHEREFORE, deponent prays that a warrant be issued for the arrest of FAN WANG, a/k/a "Alex Wang," the defendant, and that he be arrested and imprisoned or bailed as the case may be.

  
CHRISTOPHER S. DELZOTTO  
Special Agent  
Federal Bureau of Investigation

Sworn to before me on the  
3<sup>rd</sup> day of March, 2014

  
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THE HONORABLE JAMES L. COTT  
United States Magistrate Judge  
Southern District of New York