



*United States Attorney
Southern District of New York*



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**MANHATTAN U.S. ATTORNEY CHARGES UBS INVESTMENT BANKER
AND ACCOMPLICE WITH INSIDER TRADING**

***Alleged Trading on Tips About Six UBS Healthcare Client
Acquisitions Netted Approximately \$870,000 In Illegal Profits***

PREET BHARARA, the United States Attorney for the Southern District of New York, and JOSEPH M. DEMAREST, JR., the Assistant Director-in-Charge of the New York Office of the Federal Bureau of Investigation ("FBI"), announced the arrests today of IGOR POTEROBA, an investment banker in the Healthcare Group of UBS Securities LLC ("UBS"), and ALEXEI P. KOVAL, a/k/a "Aleksey Koval," for their alleged participation in an insider trading scheme in which POTEROBA, in his capacity as a UBS investment banker, obtained inside information about six mergers and acquisitions that certain of UBS's clients were contemplating and passed that information on to KOVAL.

According to the four-count Complaint filed in Manhattan federal court:

From 2005 through at least February 2009, POTEROBA agreed to leak confidential information about UBS and six of its clients to KOVAL. The information related to forthcoming announcements about mergers or acquisitions involving the following six publicly traded healthcare companies: Guilford Pharmaceuticals, Inc., Molecular Devices Corporation, PharmaNet Development Group, Inc., Via Cell, Inc., Millennium Pharmaceuticals, Inc., and Indevus Pharmaceuticals, Inc. (collectively, the "Healthcare Companies").

Since approximately 2006, POTEROBA has served as an Executive Director at UBS. POTEROBA obtained material, non-public information in the course of his employment with UBS regarding certain mergers and acquisitions involving the Healthcare Companies (the "UBS Inside Information"). In violation of his duties of trust and confidence, POTEROBA then disclosed the UBS Inside Information to KOVAL, who in turn disclosed the UBS Inside Information to another co-conspirator ("CC-1").

As part of the scheme, POTEROBA typically tipped KOVAL by phone in advance of a public announcement that one of the Healthcare Companies was to be acquired. Shortly after receiving such a call, KOVAL and CC-1 purchased securities in a Healthcare Company on the basis of the UBS Inside Information. Following the public announcement of the acquisition, KOVAL and CC-1 quickly sold the securities they had purchased. KOVAL and CC-1 executed dozens of securities transactions based on UBS Inside Information provided by POTEROBA. KOVAL, CC-1, and others earned total profits of at least approximately \$870,000 from the scheme.

During the same time period that he provided the UBS Inside Information to KOVAL, POTEROBA received at least two checks totaling \$28,000 from KOVAL.

POTEROBA, KOVAL, and CC-1 studied at the University of New Haven. POTEROBA and KOVAL also went on to study at Baruch College, City University of New York.

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POTEROBA, 36, of Darien, Connecticut, was arrested this afternoon in Manhattan and is expected to be presented tomorrow before a United States Magistrate Judge in Manhattan federal court. KOVAL, 36, of Chicago, Illinois and Pasadena, California, was arrested this afternoon at Chicago O'Hare International Airport and is expected to be presented later this evening before a United States Magistrate Judge in Chicago federal court.

POTEROBA and KOVAL each are charged with one count of conspiracy to commit securities fraud and three counts of securities fraud. The conspiracy charge carries a maximum sentence of five years in prison and a maximum fine of the greater of \$250,000, or twice the gross gain or gross loss from the offense. Each securities fraud count carries a maximum sentence of 20 years in prison and a maximum fine of \$5 million.

Mr. BHARARA praised the investigative work of the FBI. Mr. BHARARA also thanked the United States Securities and Exchange Commission for its assistance in the investigation. Additionally, Mr. BHARARA expressed his gratitude to UBS for its cooperation and assistance in this matter. He added that the investigation is continuing.

United States Attorney PREET BHARARA said: "Financial professionals are part of a privileged elite who should be setting an example, not breaking the law. Once again, we have brought charges alleging significant insider trading, this time involving secrets about pending health care mergers. We are not finished with our efforts to combat unfair and illegal conduct in the financial industry. We will continue to work with our extraordinary partners at the FBI and the SEC to root out the corruption of our securities markets."

FBI Assistant Director-in-Charge JOSEPH M. DEMAREST, JR., said: "For a three-year period, Poteroba, an officer at UBS, allegedly acted like an unscrupulous blackjack dealer. It was easy for Koval to make winning bets when he was dealt only aces and face cards. The FBI's job is to keep the game honest."

This case was brought in coordination with President BARACK OBAMA's Financial Fraud Enforcement Task Force, on which Mr. BHARARA serves as a Co-Chair of the Securities and Commodities Fraud Working Group. President OBAMA established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated, and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes.

Assistant United States Attorneys ALEXANDER J. WILLSCHER, MARISSA MOLÉ, and WILLIAM J. STELLMACH are in charge of the prosecution.

The charges contained in the Complaint are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

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