

U.S. v. Raj Rajaratnam, et al.; U.S. v. Danielle Chiesi, et al.
Hedge Fund Insider Trading Takedown

Prepared Remarks for U.S. Attorney Preet Bharara

October 16, 2009

Good afternoon. My name is Preet Bharara, and I am the United States Attorney for the Southern District of New York.

Today, we take decisive action against fraud on Wall Street. We have unsealed two complaints charging six defendants with allegedly making more than \$20 million in profits through insider trading.

Three of the defendants manage large hedge funds on Wall Street with literally billions of dollars under management – and virtually all of the alleged insider trading took place in those hedge funds. Those defendants are:

- (1) Raj Rajaratnam, portfolio manager for the Galleon Technology Funds;
- (2) Danielle Chiesi, an employee at NewCastle Partners (formerly the equity hedge fund group at Bear Stearns); and
- (3) Mark Kurland, a top executive at NewCastle.

The other three defendants were high-level corporate insiders – at Intel, at IBM, and at McKinsey and Company – who gained (and then gave away) sensitive and confidential information about Fortune 500 companies. This information allegedly included advance information about earnings, planned joint ventures, and still-secret corporate acquisitions. Those three defendants are:

- (1) Rajiv Goel, a Director at Intel Capital;
- (2) Robert Moffat, a Senior Vice President at IBM; and
- (3) Anil Kumar, a Director at McKinsey and Company.

On stock after stock – in companies like Hilton and Google and Advanced Micro Devices – these defendants allegedly conspired with each other to cheat the market and enrich themselves by trading on inside information to turn profits of more than \$20 million.

I am joined today by our two law enforcement partners in this case: Joe Demarest, the Assistant Director-in-Charge of the New York Division of the FBI, and Robert Khuzami, the Director of Enforcement for the United States Securities and Exchange Commission. I am also joined by

Ray Lohier, the Chief of this Office's Securities and Commodities Fraud Task Force, and the AUSAs handling the prosecutions – Josh Klein, Jon Streeter, and Andrew Michaelson.

Now, I want to emphasize that this is not a garden-variety insider trading case. It is unprecedented for at least two reasons. First, with alleged profits of more than \$20 million, this case represents the largest hedge fund insider trading case ever charged, criminally.

Second, we believe this case represents the first time that court-authorized wiretaps have been used to target significant insider trading on Wall Street. All the defendants charged today were ultimately caught committing their alleged crimes over phones that we were listening to.

This aggressive use of wiretaps is important: it shows that we are targeting white collar insider trading rings with the same powerful investigative tools that have worked so successfully against the mob and drug cartels.

As I said, the defendants charged today worked across the securities industry – from hedge funds to Fortune 500 companies to an international consulting company. They used their access to inside information to gain an unfair trading advantage.

Chart 1

[Selected Hedge Fund Insider Trading]

This chart here highlights some of the hedge fund insider trading we've outlined in the complaints.

As alleged in the complaints, in some cases, inside information was traded for money.

In other cases, valuable inside information was traded for other valuable inside information. The defendants, in a sense, operated in a cozy world of you scratch my back and I'll scratch yours.

Let me close by saying this:

Greed, sometimes, is not good. This case should be a wake up call for Wall Street.

It should be a wake up call for every hedge fund manager and every Wall Street trader and every corporate executive who is even thinking about engaging in insider trading.

As the defendants in this case have now learned the hard way, they may have been privy to a lot of confidential corporate information, but there was one secret they did not know: we were listening.

Today, tomorrow, next week, the week after, privileged Wall Street insiders who are considering breaking the law will have to ask themselves one important question: Is law enforcement listening?