United States v. S.A.C. Capital Advisors LP, et al.
Prepared Remarks for U.S. Attorney Preet Bharara
November 4, 2013

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

This past July, we filed a criminal indictment against four SAC Capital-related companies for engaging in insider trading that was substantial, pervasive and on a scale without known precedent in the history of hedge funds. Three months later, we are here to announce a resolution that is matching in its magnitude. All of the charged SAC companies have agreed to plead guilty; all have agreed to wind down and close their outside investment business; and all have agreed, collectively, to pay total fines and penalties in the record amount of $1.8 billion.

Today's agreements, if approved, would resolve the two cases brought by the Government against SAC in July – the criminal indictment against the SAC companies, and a separate civil forfeiture and money laundering action. Both agreements were sent this morning to the two district court judges presiding over those cases for their review and approval.

The plea agreement announced today, moreover, is solely between this Office and the SAC companies, and involves no individuals. It does not include pleas of guilt by any individuals, nor does it provide any criminal protection or immunity for any individuals going forward.
Let me also stress that individual defendants who have been charged and are awaiting trial are presumed to be innocent, and the plea agreement announced today does not affect that presumption in any way.

Before I discuss the agreement in more detail, let me introduce our partners in this investigation and prosecution.

I am joined by our partner in this and so many other cases, the FBI, led by George Venizelos, the Assistant Direct-in-Charge of the New York Field Office and April Brooks, the Special Agent-in-Charge of the Criminal Division. I want to thank both George and April and their dedicated teams – FBI Special Agents: Matthew Callahan, B.J. Kang, David Makol, James Hinkle, and Matthew Thoreson – for their incredibly hard work and assistance.

I also want to thank the many staff attorneys at the Enforcement Division of the SEC with whom we've worked closely on so many aspects of this investigation.

I especially want to acknowledge the career prosecutors from my office. They are Arlo Devlin-Brown, Antonia Apps, and John Zach, the AUSAs handling the prosecution, and their chiefs

Marc Berger and Anjan Sahni; also, Christine Magdo and Micah Smith for their work on the forfeiture aspects of the case, as well as Asset Forfeiture Chief Sharon Cohen Levin.

So let me now take a moment to talk about the particulars of today's agreement with the SAC companies.

Let me first make clear that what we are announcing today is that the Government and the defendants have reached an agreement with one another. It is now for the Courts to independently consider the agreements, and the agreements between the parties have no effect unless and until the Courts grant approval.

The main features of the agreements are straightforward.

First, the indictment charges each of the four SAC companies with both wire fraud and securities fraud in connection with the insider trading scheme. And each of the four SAC companies will plead guilty to wire fraud and securities fraud – put another way each defendant will plead guilty to every count with which it was charged.

Second, the agreement provides that the SAC companies will face a total financial penalty for the charged insider trading of $1.8 billion. The SAC companies would, under the agreement pay a fine of $900 million in the criminal case and, in the civil forfeiture and money laundering action, forfeit an additional $900 million to the United States treasury – bringing the total amount to $1.8 billion.

Now prior to today's resolution the SAC companies had agreed to pay money to resolve civil insider trading charges brought by the Securities and Exchange Commission targeting some of the same conduct we've alleged in our Indictment. We are permitting a credit of this amount that SAC has already promised to pay the SEC – $616 million – and so after applying that credit to the $1.8 billion we are requiring today, the SAC. companies will be paying an additional approximately $1.2 billion in criminal fines and forfeiture to resolve these actions.

Third, the SAC companies and affiliates will end their investment advisory businesses and will agree to no longer take third-party investments. What does that mean? It means, the SAC companies and their affiliates will no longer be able to manage outside money – from any investors. In essence it means the end of the SAC Hedge Fund in the way it has operated since its inception.

Fourth, the SAC companies will be sentenced, again if the agreements are approved by the Court, to the maximum term of probation- five years. And as the SAC companies start their terms of probation, their insider trading compliance policies will be given a hard look by an

independent expert who will identify any remaining problems and then advise the Government on whether SAC is fixing them. What that ensures is that even as the SAC companies wind down their investment advisory business, there will be extra safeguards in place to prevent future incidents of insider trading.

There is another key point worth noting about this financial penalty. Its burden will not fall on third-party investors. The SAC companies have made clear that no outside investor money will be used to pay this $1.8 billion penalty. The settlement terms, moreover, provide for an orderly wind-down and payment schedule of this record penalty to minimize any market disruption.

I should also stress that neither SAC nor any person paying any portion of the $1.8 billion penalty will be permitted to claim any tax deduction or tax benefit in connection with this payment.

So that's what's in the agreement. Often, as is the case here, in addition to describing what is in the agreement it is just as important to note what is not in the agreement. Here, there is no immunity from criminal prosecution for any person. In fact, as I said, this agreement does not have any binding effect on any individuals at all – either charged or uncharged. And so while the agreement today may end the Government's prosecution of the SAC companies, with respect to individuals – either at this hedge fund or the countless other financial institutions that buy and sell securities – we will continue to pursue insider trading investigations and follow the facts, wherever they lead. And the investigation remains ongoing.

As I said four years ago, at the time of our first major insider trading arrests, greed sometimes is not good. And there are at least 75 convicted insider trading defendants who, today, would likely agree. But individual guilt is not the whole of our mission. Sometimes, blameworthy institutions need to be held accountable too. No institution should rest easy in the belief that it is too big to jail. That is a moral hazard that a just society can ill afford.

Law enforcement should not shy away from holding institutions responsible when it is justified and necessary for both deterrence and accountability – whether the misbehaving corporation is a hedge fund or a commercial bank or a manufacturer of a popular product – because sometimes institutional punishment is essential to serve justice and deter misconduct.

Today, one of the world's largest and most powerful hedge funds agreed to plead guilty, shut down its outside investment business, and pay the largest fine in history for insider trading offenses. That is the just and appropriate price for the pervasive and unprecedented institutional misconduct that occurred here.