Press Release

SEC Charges IT Employee at Law Firm With Insider Trading Ahead of Merger Announcements

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Washington D.C., Sept. 16, 2014— The Securities and Exchange Commission today charged an employee in an international law firm's IT department with insider trading ahead of several mergers and acquisitions involving firm clients being advised on the deals.

The SEC alleges that Dimitry Braverman, a senior information technology professional at Wilson Sonsini Goodrich & Rosati, had access to nonpublic information in the firm's client-related databases and garnered more than $300,000 in illicit profits by trading in advance of merger announcements. Braverman began by insider trading in accounts in his own name, but shifted course when a lawyer at his firm was charged by the SEC and criminal authorities in an entirely separate insider trading scheme. After immediately liquidating the remaining securities that he had purchased on the basis of nonpublic information, Braverman waited about 18 months and then continued his insider trading in a brokerage account held in the name of a relative living in Russia. His concealment efforts failed, however, when SEC investigators were able to dissect a suspicious pattern of trades and trace them back to Braverman.

"Insider trading by employees of law firms and other professional organizations is an important enforcement focus for us," said Daniel M. Hawke, Chief of the SEC Enforcement Division's Market Abuse Unit. "We've enhanced our detection capabilities and we're refining our investigative approaches to enable us to more easily identify those who abuse their positions of trust and confidence."

In a parallel action, the U.S. Attorney's Office for the Southern District of New York today announced criminal charges against Braverman.

According to the SEC's complaint filed in federal court in Manhattan, Braverman began his scheme in 2010 by using nonpublic information to trade the stock or stock options in one of the companies involved in an upcoming merger or acquisition. He typically sold his stock or exercised his options shortly after the deals were made public. In advance of two deals, Braverman tipped his brother, who consequently made approximately $1,800 in profits.

The SEC alleges that Braverman conducted insider trading in four companies prior to the separate insider trading charges against the Wilson Sonsini lawyer in 2011, and four more companies after he opened a brokerage account in late 2012 in the name of Vitaly Pupynin, a relative who that summer had visited Braverman's home in San Mateo, Calif., during a trip to the U.S. from Russia. The e-mail address associated with the account was same one that Braverman had used twice before to open other brokerage accounts. However, Braverman later created a new e-mail address using Pupynin's first name and changed the e-mail address associated with the brokerage account to that address instead. After Pupynin left the U.S. in October 2012, Braverman used the account to continue insider trading and profiting on the basis of material nonpublic information that he obtained. Braverman continued his insider trading through 2013.

"Believing he could conceal his trades by hiding them in a relative's account, Braverman abused Wilson Sonsini's trust by repeatedly using confidential information about the law firm's clients to reap insider trading profits," said Joseph G. Sansone, Co-Deputy Chief of the SEC Enforcement Division's Market Abuse Unit. "SEC staff methodically identified the trades and traced a trail of evidence back to Braverman, who must now face the consequences of his actions."

The SEC's complaint charges Braverman with violating Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 as well as Section 14(e) of the Exchange Act and Rule 14e-3. Pupynin is named as a relief defendant in the SEC's complaint for the purposes of recovering Braverman's ill-gotten gains in the trading account held in Pupynin's name.

The SEC's investigation, which is continuing, has been conducted by Charu A. Chandrasekhar and John Rymas of the Market Abuse Unit and Jordan Baker and Thomas P. Smith Jr. of the New York Regional Office. The case has been supervised by Mr. Hawke and Mr. Sansone, and the litigation will be led by Preethi Krishnamurthy and Ms. Chandrasekhar. The SEC appreciates the assistance of the U.S. Attorney's Office for the Southern District of New York, Federal Bureau of Investigation, Financial Industry Regulatory Authority, and Options Regulatory Surveillance Authority.

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Related Materials

- SEC complaint