

## Press Release

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# SEC Charges Brooklyn Man for Facilitating Insider Trading Scheme Via Post-It Notes at Grand Central Terminal

### FOR IMMEDIATE RELEASE

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*Washington D.C., Sept. 19, 2014*— The Securities and Exchange Commission today charged a Brooklyn man with facilitating a \$5.6 million insider trading scheme that typically involved the passing of illegal tips via napkins or post-it notes at Grand Central Terminal.

Earlier this year, the SEC charged a stockbroker and a law firm managing clerk with insider trading and alleged they were connected by a mutual friend who served as a “middleman” in an effort to keep the two unlinked. In a separate complaint filed today in U.S. District Court for the District of New Jersey, the SEC identifies Frank Tamayo as that middleman. The SEC alleges that Tamayo received material nonpublic information from Steven Metro about 13 impending corporate deals involving clients of the law firm where Metro worked. Tamayo then tipped his stockbroker Vladimir Eydelman, who used the confidential information to illegally trade for himself and for Tamayo and other customers. Tamayo allocated a portion of his ill-gotten profits for eventual payback to Metro for the inside information.

“As the middleman, Tamayo was the firewall between Metro and Eydelman. Metro had the information, Eydelman did the trading, and Tamayo kept them apart,” said Robert Cohen, Co-Deputy Chief of the SEC Enforcement Division’s Market Abuse Unit. “But they were wrong in believing that this would stop the SEC from detecting their scheme.”

In a parallel action, the U.S. Attorney’s Office for the District of New Jersey today announced criminal charges against Tamayo. The U.S. Attorney previously brought criminal actions against Metro and Eydelman. Those criminal cases and the SEC’s civil case against Metro and Eydelman are pending.

According to the SEC’s complaint against Tamayo, the scheme was deliberately structured to avoid detection, enabling Eydelman and Tamayo to profit without connecting the trades to an insider source and also allowing Metro to share in the trading proceeds. For a five-year period, Metro repeatedly accessed confidential information in his law firm’s computer systems and met with Tamayo at bars and coffee shops in New York City to provide tips about firm clients ready to participate in a corporate transaction. Tamayo typically would then connect with Eydelman near the clock at the information booth at Grand Central, where he would show him a post-it note or napkin on which Tamayo wrote the stock ticker symbol of the company to be acquired. Tamayo then chewed up and sometimes even ate the post-it note or napkin to destroy evidence of the tip. Tamayo also conveyed to Eydelman the approximate transaction price and timing of the deal. After Eydelman returned to his office and gathered research about the target company, he would e-mail Tamayo supposed thoughts about why buying the stock made sense. Their intent was to create a paper trail of e-mails to make it appear they were making their trading decisions based on research and analysis rather than inside information.

The SEC’s complaint charges Tamayo with violations of Sections 10(b) and 14(e) of the Securities Exchange Act of 1934 and Rule 10b-5 and 14e-3 as well as Section 17(a) of the Securities Act of 1933.

The SEC's investigation was conducted by Jason Burt and Carolyn Welshhans in the Market Abuse Unit with assistance from John Rymas, Mathew Wong, Daniel Koster, and Leigh Barrett. The case was supervised by Daniel M. Hawke, Chief of the Market Abuse Unit, and Mr. Cohen. The SEC's litigation will be led by Stephan Schlegelmilch and Bridget Fitzpatrick. The SEC appreciates the assistance of the U.S. Attorney's Office for the District of New Jersey, Federal Bureau of Investigation, Financial Industry Regulatory Authority, and Options Regulatory Surveillance Authority.

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## Related Materials

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- [SEC complaint](#)