Press Release

SEC Charges Investor Relations Firm Executive With Insider Trading Ahead of News Announcements By Clients

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Washington D.C., Aug. 26, 2014— The Securities and Exchange Commission today charged a director of market intelligence at a Manhattan-based investor relations firm with insider trading ahead of impending news announcements by more than a dozen clients. The charges were filed against Michael Anthony Dupre Lucarelli, who garnered nearly $1 million in illicit profits.

An SEC investigation and ongoing forensic analysis of Lucarelli's work computers uncovered that he repeatedly accessed clients' draft press releases stored on his firm's computer network prior to public announcements. The SEC alleges that Lucarelli, who had no legitimate work-related reason to access the draft press releases, routinely purchased stock or call options in advance of favorable news and sold short or bought put options ahead of unfavorable news.

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

"Employees of investor relations firms have access to sensitive information about their clients, and exploiting that information for personal gain is not an option," said Andrew M. Calamari, director of the SEC's New York Regional Office.

According to the SEC's complaint filed in federal court in Manhattan, Lucarelli traded in securities belonging to companies that his firm was advising in advance of announcing their earnings or other significant events such as a merger or clinical drug trial result. Lucarelli began taking a position in a client's securities in the days immediately preceding the announcement, although in a few instances he began making his purchases weeks in advance. Lucarelli started divesting himself of his position immediately after the announcement in order to reap instant profits.

The SEC further alleges that Lucarelli attempted to hide his illicit behavior by lying to brokerage firms where he set up his trading accounts. Lucarelli purposely omitted listing his investor relations firm employment on account-opening applications and instead falsely stated that he was self-employed or retired.

"Lucarelli knew full well that he was prohibited from trading on information contained in draft press releases that had not yet been made public, but he brazenly gave himself a head start on the rest of the investors by trading based on the nonpublic details and exiting his holdings after the news came out," said Sanjay Wadhwa, senior associate director of the SEC's New York Regional Office.

The SEC's complaint charges Lucarelli, who lives in Manhattan, with violating Section 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5, and Section 14(e) of the Exchange Act and Rule 14e-3.

The SEC's investigation, which is continuing, has been conducted by Jorge Tenreiro, Neil Hendelman, and Lara Shalov Mehraban. The case has been supervised by Mr. Wadhwa. 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