Press Release

Two Former Wells Fargo Employees Charged With Insider Trading in Advance of Research Reports Containing Ratings Changes

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Washington D.C., Sept. 29, 2014— The Securities and Exchange Commission today announced insider trading charges against two former Wells Fargo employees involved in an alleged scheme to profit by buying or short selling a stock before research analyst reports were published containing a ratings change.

Research analysts typically produce reports with a recommendation or rating of a stock or other security they've reviewed. When an analyst alters a prior view on the prospects of a security, a new report is issued with a ratings change. The SEC's Enforcement Division alleges that while Gregory T. Bolan Jr. worked as a research analyst at Wells Fargo, he tipped a trader at the firm, Joseph C. Ruggieri, in advance of several market-moving ratings upgrades or downgrades that he made in certain securities. The tips enabled Ruggieri to generate more than $117,000 in profits.

"Instead of abiding by firm policies that specifically prohibited trading ahead of published research, Ruggieri used information obtained from Bolan to make profitable trades in advance of six separate research reports," said Sanjay Wadhwa, Senior Associate Director of the SEC's New York Regional Office. "The repeated nature of these violations demonstrates an utter disregard for our insider trading laws."

According to the SEC's order instituting a litigated proceeding before an administrative law judge, Bolan also tipped a close friend with nonpublic information about his upcoming ratings changes. The friend, who is now deceased, generated approximately $10,000 in profits in a personal brokerage account by trading ahead of three ratings changes.

"Bolan gave two traders a sneak preview into his upcoming ratings changes and provided them an unfair and illegal advantage on the rest of the markets," said Daniel M. Hawke, Chief of the SEC Enforcement Division's Market Abuse Unit.

The SEC's Enforcement Division alleges that after receiving Bolan's tips, Ruggieri either purchased the relevant company's stock ahead of Bolan's upgrades or sold the stock short ahead of Bolan's downgrades. Ruggieri closed his overnight positions in those securities for a profit shortly after Bolan's ratings changes were made public and the stock prices had moved. From April 2010 to March 2011, Bolan published a total of eight research reports with a ratings change or initiation of coverage with an "outperform" or "underperform" rating. Ruggieri traded profitably ahead of six of these reports in a manner that did not fit in his typical trading pattern. Aside from this trading ahead, Ruggieri had only a handful of overnight positions in securities that had been rated within the six months prior to his trading.

The SEC's Enforcement Division alleges that by engaging in the misconduct described in the SEC's order, Bolan and Ruggieri willfully violated Section 17(a) of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5. The administrative proceeding will determine what relief, if any, is in the public interest against Bolan and Ruggieri, including disgorgement of ill-gotten gains, prejudgment interest, financial penalties, and other remedial measures.

The SEC's investigation was conducted by Sandeep M. Satwalekar, Charles D. Riely, and John Marino of the SEC's Market Abuse Unit in New York, as well as Peter A. Lamore and Alexander M. Vasilescu of the New York Regional Office. The case has been supervised by Mr. Hawke and Mr. Wadhwa. The SEC's litigation will be led by Mr. Vasilescu and Mr. Satwalekar.

The SEC appreciates the assistance of the Financial Industry Regulatory Authority.

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Related Materials

- SEC order