Press Release

SEC Charges Stockbroker and Law Firm Managing Clerk in $5.6 Million Insider Trading Scheme

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Washington D.C., March 19, 2014— The Securities and Exchange Commission today charged a stockbroker and

View Chart of Trading Profits *(pdf, 123 kb)*

a managing clerk at a law firm with insider trading around more than a dozen mergers or other corporate transactions for illicit profits of $5.6 million during a four-year period.

The SEC alleges that Vladimir Eydelman and Steven Metro were linked through a mutual friend who acted as a middleman in the illegal trading scheme. Metro, who works at Simpson Thacher & Bartlett in New York, obtained material nonpublic information about corporate clients involved in pending deals by accessing confidential documents in the law firm’s computer system. Metro typically tipped the middleman during in-person meetings at a New York City coffee shop, and the middleman later met Eydelman, who was his stockbroker, near the clock and information booth in Grand Central Terminal. The middleman tipped Eydelman, who was a registered representative at Oppenheimer and is now at Morgan Stanley, by showing him a post-it note or napkin with the relevant ticker symbol. After the middleman chewed up and sometimes even ate the note or napkin, Eydelman went on to use the illicit tip to illegally trade on his own behalf as well as for family members, the middleman, and other customers. The middleman allocated a portion of his profits for eventual payment back to Metro in exchange for the inside information. Metro also personally traded in advance of at least two deals.

In a parallel action, the U.S. Attorney’s Office for the District of New Jersey today announced criminal charges against Metro, who lives in Katonah, N.Y., and Eydelman, who lives in Colts Neck, N.J.

“Law firms are sanctuaries for the confidential treatment of client information, and this scheme victimized not only a law firm but also its corporate clients and ultimately the investors in those companies,” said Daniel M. Hawke, chief of the SEC Enforcement Division’s Market Abuse Unit. “We are continuing to combat serial insider trading schemes, particularly by law firm employees and other professionals who are entrusted with extremely sensitive market-moving information.”

According to the SEC's complaint filed in U.S. District Court for the District of New Jersey, the insider trading scheme began in early February 2009 at a bar in New York City when Metro met the middleman and other friends for drinks. When Metro and the middleman separated from the rest of their friends and began discussing stocks, the middleman expressed concern about his holdings in Sirius XM Radio and his fear that the company may go bankrupt. Metro divulged that Liberty Media Corp. planned to invest more than $500 million in Sirius, and said he obtained this information by viewing documents at the law firm where he worked. As a result, the middleman later called Eydelman and told him to buy additional shares of Sirius. Eydelman expressed similar concern about Sirius' struggling stock, but the middleman assured him that his reliable source was a friend who worked at a law firm. Following the public announcement of the deal, whose news coverage noted that Simpson Thacher acted as legal counsel to Sirius, Eydelman acknowledged to the middleman, "Nice trade." The middleman told Metro following the announcement that he had set aside approximately $7,000 for Metro as a "thank you" for the information. Instead of taking the money, Metro told the middleman to leave it in his brokerage account and invest it on Metro's behalf based on confidential information that he planned to pass him in the future.

According to the SEC's complaint, Metro tipped and Eydelman traded on inside information about 12 more companies as they settled into a routine to cloak their illegal activities. Metro shared confidential nonpublic information with the middleman by typing on his cell phone screen the names or ticker symbols of the two companies involved in the transaction. Metro pointed to the names or ticker symbols to indicate which company was the acquirer and which was being acquired. Metro also conveyed the approximate price of the transaction and the approximate announcement date. The middleman then communicated to Eydelman that they should meet. Once at Grand Central Station, the middleman walked up to Eydelman and showed him the post-it note or napkin containing the ticker symbol of the company whose stock price was likely to increase as a result of the corporate transaction. Eydelman watched the middleman chew or eat the tip to destroy the evidence. Eydelman also learned from the middleman an approximate price of the transaction and an approximate announcement date.

The SEC alleges that Eydelman then returned to his office and typically gathered research about the target company. He eventually e-mailed the research to the middleman along with his purported thoughts about why buying the stock made sense. The contrived e-mails were intended to create what Eydelman and the middleman believed to be a sufficient paper trail with plausible justification for engaging in the transaction.

"People often try to cover their insider trading tracks by using middlemen, destroying evidence, and creating phony documents. They should learn that sham cover stories simply don't work and won't deter us from finding their schemes," said Robert A. Cohen, co-deputy chief of the SEC Enforcement Division's Market Abuse Unit.

According to the SEC's complaint, Eydelman also traded on inside information in the accounts of more than 50 of his brokerage customers. Eydelman earned substantial commissions as a result of this trading, and received bonuses from his employers based on his performance driven in large part by the profits garnered through the insider trading scheme. The middleman's agreement with Metro resulted in more than $168,000 being apportioned to Metro as his share of profits from the insider trading scheme in addition to his profits from personally trading in advance of at least two transactions.

The SEC's complaint charges Metro and Eydelman with violating Sections 10(b) and 14(e) of the Securities Exchange Act of 1934 and Rules 10b-5 and 14e-3 as well as Section 17(a) of the Securities Act of 1933. The complaint seeks a final judgment ordering Metro and Eydelman to pay disgorgement of their ill-gotten gains plus prejudgment interest and penalties, and permanent injunctions from future violations of these provisions of the federal securities laws.

The SEC's investigation, which is continuing, has been conducted by Jason Burt and Carolyn Welshhans in the Market Abuse Unit. John Rymas, Mathew Wong, Daniel Koster, and Leigh Barrett assisted with the investigation. The case was supervised by Mr. Hawke 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

- SEC complaint

Modified: Nov. 4, 2014