Press Release

SEC Uncovers Wide-Reaching Insider Trading Scheme

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Washington D.C., Aug. 16, 2017— The Securities and Exchange Commission today announced insider trading charges against seven individuals who generated millions in profits by trading on confidential information about dozens of impending mergers and acquisitions. Data analysis allowed the SEC's enforcement staff to uncover the illicit trading despite the traders' alleged use of shell companies, code words, and an encrypted, self-destructing messaging application to evade detection.

In a parallel action, the U.S. Attorney's Office for the Southern District of New York today unsealed criminal charges against the same seven individuals.

According to the SEC's complaint, Daniel Rivas, a former IT employee of a large bank, was at the center of the alleged scheme, misusing his access to a bank computer system to tip four individuals who traded on the information. He allegedly tipped others who also traded and passed along the tips. According to the complaint, the traders profited on market-moving news related to 30 impending corporate deals from October 2014 to April 2017.

The SEC's complaint alleges that Rivas frequently tipped his girlfriend's father, James Moodhe, who traded on the information and used coded conversations and in-person meetings to relay the tips to his friend, Michael Siva, a financial advisor at a brokerage firm. Siva allegedly used the confidential information to make profitable trades for his brokerage firm clients, earning commissions for himself in the process, and he passed numerous tips along to a client who traded on them. The complaint alleges that Siva also traded on behalf of himself and his wife based on two of the tips he got from Moodhe, a former financial services company treasurer.

A separate trading ring allegedly involved two of Rivas's friends in Florida, Roberto Rodriguez and Rodolfo Sablon, who discussed tips on an encrypted, self-destructing smartphone messaging application and used shell companies to carry out their insider trading. Although Rodriguez and Sablon were inexperienced traders, in just over a year they turned less than $100,000 into more than $2 million in profits by making aggressive options trades based on the confidential information. Rodriguez also is alleged to have passed several tips to one of his friends who also traded.

According to the SEC's complaint, a third trading ring involved Jhonatan Zoquier, another inexperienced trader who profited by trading on inside information communicated through the encrypted messaging application. The complaint further alleges that New Jersey-based Zoquier repeatedly passed the confidential information along to Jeffrey Rogiers of Oakland, California, who placed several illegal trades for himself and tipped others to trade.

The case stems from the SEC Market Abuse Unit's Analysis and Detection Center, which uses data analysis tools to detect suspicious patterns such as improbably successful trading across different securities over time. Enhanced detection capabilities enabled SEC enforcement staff to spot the unusual trading activities.

"The tippers and traders in this case are alleged to have used various methods to try to cover their tracks, but their efforts failed," said Steven Peikin, Co-Director of the SEC Enforcement Division. "These charges reflect our

continued use of sophisticated tools to detect and root out secretive and wide-reaching insider trading schemes."

"We allege that this case involves repeated insider trading based on tips about dozens of confidential mergers and acquisitions stolen by an IT employee at a bank," said Jina L. Choi, Director of the SEC's San Francisco Regional Office. "IT employees are often entrusted with broad access to incredibly valuable, nonpublic information and have a duty to safeguard that information."

The SEC's complaint, which was filed in the Southern District of New York, charges Rivas, Moodhe, Rodriguez, Sablon, Zoquier, Siva, and Rogiers with fraud and seeks permanent injunctions along with the return of allegedly ill-gotten gains plus interest and penalties.

The SEC's investigation, which is continuing, has been conducted by Walker Newell and David Makol with assistance from John Rymas. The case has been supervised by Joseph G. Sansone, Erin E. Schneider, Steven Buchholz, and Jennifer J. Lee. The SEC's litigation will be led by Susan F. LaMarca and Mr. Newell.
The investigation has been conducted jointly by the San Francisco office and the Market Abuse Unit. The SEC appreciates the assistance of the U.S. Attorney's Office for the Southern District of New York, the Federal Bureau of Investigation, the Financial Industry Regulatory Authority, and the Options Regulatory Surveillance Authority.

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Related Materials

- SEC Complaint
- Chart of the Tipping & Trading in This Case