

## [Securities Regulation Daily Wrap Up, TOP STORY—N.D. Cal.: \\$30 million just wasn't enough for former Silicon Valley CEO, \(Sept. 20, 2017\)](#)

Securities Regulation Daily Wrap Up

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The SEC has charged the former CEO of Silicon Valley-based Alliance Fiber Optic Products, Inc. (AFOP) with insider trading in company stock, which ultimately allegedly generated more than \$2 million in illicit profits and losses avoided by trading on non-public information ([SEC v. Chang](#), September 20, 2017).

**Insider trading.** The complaint alleges that the former CEO, "by virtue of his leadership position at AFOP, acquired material nonpublic information about AFOP's earnings results and financial performance, as well as the intended acquisition of AFOP by Corning, Inc."

That information was then used by the former CEO as he secretly traded AFOP shares in two nominee accounts—one held in his wife's name and the other in his brother's name—in advance of the announcement of the acquisition and two earnings announcements. The former CEO also tipped his brother in Taiwan and the brother subsequently traded AFOP shares in his own account.

In spite of the fact that the former CEO stood to gain over \$30 million through the Corning acquisition, he still engaged in the scheme that generated more than \$2 million in illicit profits and losses avoided, with at least \$1.5 million going to the former CEO's nominee accounts, and more than \$600,000 going to his brother's account.

Jina L. Choi, director of the SEC's San Francisco Regional Office [said](#) that the former CEO "betrayed his company and its shareholders for his personal gain by trading in clandestine accounts right after learning extremely confidential information in board meetings."

**Relief sought.** The complaint seeks to permanently restrain the former CEO from directly or indirectly violating the Exchange Act, disgorgement of all ill-gotten gains and pre-judgment interest, in addition to a prohibition from acting as an officer or director and civil penalties.

In a separate action by the U.S. Attorney's Office for the Northern District of California, criminal charges were unsealed against the former CEO.

The case is [No. 5:17-cv-05438](#).

Companies: Alliance Fiber Optic Products, Inc.; Corning, Inc.

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