
THE UNITED STATES ATTORNEY'S OFFICE
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Department of Justice
U.S. Attorney's Office
Southern District of New York

FOR IMMEDIATE RELEASE

Tuesday, June 26, 2018

Three Men Arrested And Charged With Trading On Inside Information Misappropriated From A Credit Rating Agency

Geoffrey S. Berman, the United States Attorney for the Southern District of New York, and William F. Sweeney Jr., the Assistant Director-in-Charge of the New York Field Office of the Federal Bureau of Investigation ("FBI"), announced today the arrests of SEBASTIAN PINTO-THOMAZ, ABELL OUJADDOU, and JEREMY MILLUL for their participation in a scheme to trade on material, nonpublic information (the "Inside Information") misappropriated by PINTO-THOMAZ from his employer, a credit rating agency based in New York (the "Firm"). The scheme yielded almost \$300,000 in illegal profits.

PINTO-THOMAZ, OUJADDOU, and MILLUL were arrested this morning in New York, New York, and will be presented today before United States Magistrate Judge Nathaniel Kevin Fox. In a separate action, the Securities and Exchange Commission ("SEC") filed civil charges against PINTO-THOMAZ, OUJADDOU and MILLUL.

U.S. Attorney Geoffrey Berman said: "As alleged, Sebastian Pinto-Thomaz used his position with a credit rating agency, where he was privy to business acquisition plans before they were publicly announced, to provide inside information to two friends who traded on the information and reaped thousands in profits. Then, when asked about this illicit trading, Pinto-Thomaz painted himself into a corner, falsely denying any relationship with his two co-conspirators. Our Office has always been – and remains – committed to ensuring that the nation's securities markets remain fair for everyone, not just those who have friends in the know."

FBI Assistant Director-in-Charge William F. Sweeney Jr. said: "Aiming to fill their pockets, the defendants allegedly conspired to use Inside Information to advance their greedy agendas. This alleged fraud triangle produced nearly \$300,000 in profit among the three defendants. As alleged, Pinto-Thomaz abandoned his duties of loyalty and confidentiality by passing material nonpublic information to his co-conspirators who then made illegal trades. We hope that today's arrests will show all like-minded schemers that this alleged behavior ultimately does get you to the inside – of a federal prison."

According to the allegations contained in the Complaint unsealed today in Manhattan federal court[1]:

Rating Evaluation Services and the Insider

When a company announces an acquisition, the acquiring company's credit rating agency often evaluates, and ultimately issues a press release relating to, the impact that the acquisition could have on the acquiring company's credit rating. Therefore, companies often contact rating agencies before an acquisition is publicly announced in order to secure the rating agency's views on how a possible acquisition could affect a company's credit rating. All the major rating agencies offer a product – sometimes known as a Rating Evaluation Service (“RES”) – that provides the company with a rating committee decision with respect to a proposed acquisition.

In March 2016, a credit rating agency in Manhattan (the “Firm”) assigned PINTO-THOMAZ, a credit ratings analyst, to work on an RES for the Sherwin-Williams Company (“Sherwin-Williams”) in advance of its contemplated but unannounced acquisition of the Valspar Corporation (“Valspar”). In connection with this assignment, PINTO-THOMAZ had access to Inside Information about Sherwin-Williams's acquisition of Valspar prior to the public announcement of the acquisition. The Firm's written policies prohibited the unauthorized disclosure of confidential information, which included the Inside Information. During his tenure at the Firm, PINTO-THOMAZ reviewed and certified his duties of loyalty and confidentiality to the Firm and its clients.

The Insider Trading Scheme

In March 2016, PINTO-THOMAZ misappropriated the Inside Information about the Sherwin-Williams acquisition of Valspar and passed it to OUJADDOU and MILLUL so they could use it to make profitable trades. On March 21, 2016, the first trading day after the public announcement of the acquisition, the price of Valspar stock increased approximately 23 percent over the prior day's close.

OUJADDOU is a Manhattan hairstylist and salon owner who has a close relationship with PINTO-THOMAZ, as well as with a member of PINTO-THOMAZ's immediate family (the “Relative”). PINTO-THOMAZ repeatedly provided OUJADDOU with Inside Information about the Valspar acquisition, oftentimes shortly after PINTO-THOMAZ became aware of the Inside Information through his work at the Firm. From March 10, 2016, through March 18, 2016, OUJADDOU, who had never previously purchased Valspar or Sherwin-Williams securities, used the Inside Information he had received from PINTO-THOMAZ to purchase 8,630 shares of Valspar stock. After the acquisition was publicly announced, OUJADDOU sold his Valspar shares for approximately \$192,080 in profits.

MILLUL is a Manhattan jeweler who has a close personal friendship with PINTO-THOMAZ and the Relative. PINTO-THOMAZ also provided MILLUL with Inside Information about the Valspar acquisition. Although MILLUL had never owned a brokerage account in the United States and had never traded in U.S. securities prior to March 2016, he opened a brokerage account on March 13, 2016, and shortly thereafter purchased 480 shares of Valspar common stock. On March 18, 2016, the last trading day before the acquisition was publicly announced, MILLUL also purchased 75 Valspar out-of-the-money call options. After the acquisition was publicly announced, MILLUL sold his Valspar stock and options for approximately \$106,806 in profits. In December 2016, MILLUL gave PINTO-THOMAZ \$3,500 in cash.

PINTO-THOMAZ Makes False Statements About

OUJADDOU and MILLUL in Connection with a FINRA Inquiry

In June 2016, the Financial Industry Regulatory Authority (“FINRA”) sent the Firm a list of individuals and entities who had traded in Valspar in advance of the public announcement of the acquisition (the

“List”). The Firm forwarded the List to its employees who had worked on the Sherwin-Williams RES, including PINTO-THOMAZ, asking the employees to respond by stating whether they had a past or present relationship with any individual or entity on the List. Although both OUJADDOU and MILLUL were on the List, PINTO-THOMAZ denied having a relationship with anyone on the List.

* * *

PINTO-THOMAZ, 32, ABELL OUJADDOU, 55, and JEREMY MILLUL, 31, all of New York, New York, are each charged with one count of conspiracy to commit securities fraud, which carries a maximum sentence of five years in prison and a maximum fine of \$250,000, or twice the gross gain or loss from the offense, and one count of securities fraud, which carries a maximum sentence of 20 years in prison and a maximum fine of \$5 million, or twice the gross gain or loss from the offense. The maximum potential sentences in this case are prescribed by Congress and are provided here for informational purposes only, as any sentencing of the defendants would be determined by the Court.

In addition, the Government, pursuant to Court authorized seizure warrants, has seized \$100,000 from a bank account belonging to MILLUL, and over 25,000 shares of BlackBerry stock from brokerage accounts belonging to OUJADDOU, as these assets constitute, or are traceable to, proceeds of the illegal conduct alleged in the Complaint.

Mr. Berman praised the work of the FBI, and thanked the SEC for its assistance.

This case is being handled by the Office’s Securities and Commodities Fraud Task Force. Assistant U.S. Attorney Christine I. Magdo is in charge of the prosecution.

The allegations contained in the Complaint are merely accusations, and the defendant is presumed innocent unless and until proven guilty.

[1] As the introductory phrase signifies, the entirety of the text of the Complaint, and the description of the Complaint set forth herein, constitute only allegations, and every fact described therein should be treated as an allegation.

Attachment(s):

[Download u.s. v. pinto and thomas valspar arrest complaint.pdf](#)

Component(s):

[USAO - New York, Southern](#)

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