

Informant led FBI to 20 insider trading cases

Kevin McCoy, USA TODAY

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(Photo: Sam Ward, USA TODAY)

STORY HIGHLIGHTS

- Former junior analyst Wesley Wang led investigators to 20 suspects
- Wang turned informant against financial mentor and betrayed neighbor
- Defense lawyer says Wang wanted to 'rectify' his mistakes

Wesley Wang was unemployed and at home in Berkeley, Calif., about four years after being fired as a junior analyst for an affiliate of hedge fund giant SAC Capital when he got a surprise visit from the FBI.

The Taiwan native listened as an agent told him he was the subject of an insider-trading investigation, outlined what investigators knew about his activities and offered a chance to cooperate with prosecutors. Wang said he understood, and asked for time to check with a lawyer.

Within weeks of that January 2009 visit, Wang, now 39, was secretly helping federal prosecutors gather evidence against other suspects targeted in a three-year crackdown on Wall Street insider trading that has so far produced more than 70 arrests, convictions or guilty pleas.

The biggest targets convicted so far in the continuing probe were hedge fund billionaire Raj

Rajaratnam, founder of the Galleon Group, and Rajat Gupta, a former board member of two publicly traded global giants, Goldman Sachs and Procter & Gamble.

Wang is no Rajaratnam or Gupta. He never rose above the rank of junior analyst during his short-lived financial career. But he proved to be adept in bringing down suspected lawbreakers from the Wall Street world where he once worked.

At the Jan. 9 court proceeding, where Wang was sentenced to two years' probation for his crimes, prosecutors endorsed the lenient outcome in a sentencing memorandum that said he had helped lead investigators to approximately 20 others suspected in insider trading schemes — as well as additional informants.

"Even today, the fruits of Wang's cooperation are being realized," wrote Assistant U.S. Attorneys Christopher LaVigne and Jillian Berman in the memorandum filed as investigators focus on one of the informant's former employers: SAC Capital, the estimated \$14 billion hedge fund headed by Steven Cohen.

Despite his success as an informant, Wang's story, drawn from court records, comments by his defense lawyer and government and college officials, is also a cautionary tale marked by his decision to turn against a financial mentor and betray a neighborhood friend.

"I accept all the consequences for my actions," he said at sentencing, adding that he had "left my former life behind," *The Wall Street Journal* reported. Defense lawyer Michael Celio wrote in a sentencing memorandum that four years of cooperation with investigators had left Wang "in a state of suspended animation."

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ABOUT THE AUTHOR



KEVIN MCCOY

Kevin McCoy has covered everything from the 1993 World Trade Center bombing to the 9/11 attacks and Hurricane Katrina, plus investigations of prosecutorial misconduct and prescription drug safety



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"He has not been able to find steady employment. He has turned his back on Wall Street completely and will never work there again. His savings are exhausted, his employment prospects are non-existent and his neighbor is now a sworn enemy," Celio wrote.

YEARS OF COLLEGE, BUT NO DEGREE

That was hardly the outcome Wang envisioned when he immigrated to the U.S. with his family at age 10. His mother worked as a schoolteacher while his father continued working in construction overseas because he spoke limited English. The family ultimately settled in Palo Alto, Calif., where Wang became a U.S. citizen while in high school.

In 1991, he entered the University of California-Berkeley. He attended classes intermittently until May 2000, majoring in Development Studies, a field that focuses on social transformation of emerging nations. Wang testified last July that he left the university eight credits short of an undergraduate degree.

While still in college, he landed a 1998 internship at Deutsche Bank Alex. Brown, part of the German banking giant's private wealth management division. There, Wang worked with Karl Motey, an equity research analyst for the semiconductor industry.

Wang subsequently landed a new internship at Whitman Capital, a Menlo Park-based hedge fund where founder Doug Whitman ultimately hired him as a full-time analyst.

Enjoying the work, as well as combined pay and bonuses that in some years totaled \$1 million, Wang opted to make the financial world his career. He kept in regular contact with Whitman, whom he counted as a mentor and friend, after leaving the firm in 2002 to join Sigma Capital, a hedge fund affiliate of SAC Capital. There he conducted research on the semiconductor industry.

IN OVER HIS HEAD

Fired by Sigma Capital in 2005, he landed a consultant job at hedge fund Trellus Management. Wang worked there until August or September 2008, when he lost that job, too. On the surface, his fluency in Mandarin and skill in computers and electrical engineering had made Wang appear to be an ideal hire. But he didn't rise far enough to be entrusted with a stock-trading portfolio.

"He lacked training and experience in the financial industry, and he also lacked a college degree," Celio wrote in the sentencing memorandum. "To be blunt, this lack of experience was a major handicap and limited Mr. Wang's ultimate utility as an analyst."

The defense lawyer also indicated that Wang's desire for advancement also led him to violate laws against insider trading, transactions based on a company's non-public financial information. "He was a relatively low-level analyst who got in a little over his head because he wanted to impress people who were a little older, more successful and wealthier," Celio said in a recent phone interview.

Nonetheless, Wang proved extremely valuable to investigators. Federal prosecutors charged that his criminal activity began in 2002 after he began working at Sigma. He allegedly obtained non-public information from insiders at firms, such as Taiwan Semiconductor Manufacturing, Cisco, Broadcom and eBay, and passed the information to Dipak Patel, who made trading decisions for a Sigma portfolio.

"I traded material and non-public information with Dipak Patel," Wang testified during the July 2012 court hearing where he pleaded guilty. Asked by federal Magistrate Judge Gabriel Gorenstein whether he expected Patel to use the information to trade

securities, Wang answered, simply, "Yes."

Neither Patel nor the hedge fund has been charged with wrongdoing, and SAC Capital and Sigma have denied any involvement in insider trading. But prosecutors have arrested and charged others with SAC Capital links, most prominently including Mathew Martoma, a portfolio manager at the giant hedge fund. He pleaded not guilty to securities fraud conspiracy and other charges at a Jan. 3 arraignment.

Prosecutors charged that Wang illegally continued receiving and forwarding inside information while working at Trellus Management as part of an effort to boost his chances for pay hikes and bonuses.

BETRAYED HIS NEIGHBOR

He "spent a great deal of time trying to make himself sound like a wealthier and better-connected analyst than he actually was," Celio wrote in the defense sentencing memorandum.

While he obtained much of the inside information while at work, he also gathered some closer to home. Lionel Chocron, a Berkeley neighbor and executive at Cisco Systems' connected energy networks, chatted with Wang in confidence about pending Cisco financial results after Wang assured him he would not trade on the information.

But Wang did not tell Chocron he was passing the information on to others for potential use in prohibited trades.

When Chocron learned about the betrayal last year, he came to Wang's door and "angrily confronted him," leaving him shaken, Celio wrote in the defense sentencing memorandum. The two men "have not spoken since, nor will they soon, if ever," Celio added.

"Cisco was not a party to this case nor was any Cisco employee. Cisco has very strict policies and procedures in place around the confidentiality of its financial results," the company said in response to questions about Wang's admissions.

FBI investigators learned about Wang's alleged insider-trading involvement from an unnamed cooperating source in 2008. They secretly recorded phone calls in which Wang discussed the activity with others before confronting him in Berkeley.

DEALING WITH HIS MISTAKES

Federal authorities didn't immediately offer Wang a cooperation deal or promise to seek leniency. But he nonetheless agreed to cooperate.

"Sometimes people recognize when they're confronted with mistakes that they have to rectify them," Celio said.

Wang's atonement included betraying Whitman. He told investigators about inside information he'd illegally passed to his former boss, and testified at Whitman's three-week trial in 2012.

Whitman was convicted in August on two counts of conspiracy to commit insider trading and two counts of insider trading for transactions involving stock in Google, Polycom and Marvell Technology Group. Prosecutors have recommended imprisonment for up to 63 months for his scheduled sentencing Thursday. Whitman's lawyer has recommended up to six months.

As part of his cooperation with federal authorities, Wang also secretly recorded Motey discussing illegal insider trading deals. Like Wang, Motey began cooperating — and

recording more than 400 conversations and meetings for investigators — soon after the FBI approached him in April 2009.

The government sentencing memorandum for Wang stated that Motey's cooperation helped lead to at least 10 successful prosecutions of suspects in cases that involved expert-network firms that charge large fees for matching hedge fund executives with consultants who provide specialized industry information. Motey's scheduled sentencing date is Jan. 28.

Stating that Wang also identified others who have not yet been confronted or charged, LaVigne and Berman wrote in the prosecution sentencing memorandum that the full extent of his cooperation "remains to be realized. Even taking into account what has been developed to date, it is exceptional."

Wang's immediate future is less certain. According to Celio, he's deeply in debt and has had to borrow money from his mother to pay daily expenses. Theoretically, Wang could face a civil lawsuit by the Securities and Exchange Commission.

"Hopefully, the future will hold better things for him," said Celio.

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