

Insider Trading Cases Continue to Mount Against Hedge Funds

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Insider trading is increasingly becoming a top compliance concern for hedge fund managers and their firms. In total, the SEC brought 58 insider trading actions in FY 2012 against 131 individuals and entities. According to the [agency](#), it also filed more insider trading actions (168 total) than in any three-year period in the agency's history.

The government also has an impressive track record. Since 2009, federal prosecutors have racked up 71 insider-trading convictions. Galleon Group hedge fund founder Raj Rajaratnam is currently serving an 11-year prison sentence following his 2011 insider trading conviction.

Hedge fund managers have also been prosecuted in several other high profile insider-trading cases. Most recently, prosecutors charged hedge fund manager Mathew Martoma in connection with a \$276 million insider-trading scheme, which could be the largest case to date. The case has made headlines because CR Intrinsic Investors LLC, the hedge fund advisory firm where Martoma worked, is a subsidiary of SAC Capital Advisors, one of the world's largest hedge fund firms.

These cases highlight that the government will be closely scrutinizing the industry going forward. While the large majority of hedge fund advisers comply with insider trading rules, firm executives should make sure that they have policies and procedures in place to monitor compliance. Securities laws allow the SEC to also pursue a "controlling person" who knowingly or recklessly fails "to establish, maintain, or enforce any policy or procedure" against insider trading.

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