

13 charged in white-collar case

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Husband and wife lawyers and 11 top Wall Street workers were charged Thursday with making more than \$15 million in illegal trading profit through an alleged federal securities fraud scheme, authorities said.

Linda Chatman Thomsen, director of the Division of Enforcement for the Securities and Exchange Commission, said in a statement that the case was "one of the most pervasive Wall Street insider trading rings since the days of Ivan Boesky and Dennis Levine" in the mid-1980s.

"What is so alarming about the conduct alleged in the SEC's case isn't just the scope of the scheme ... but, sadly, who is at the center of it," she said.

Besides the lawyers, defendants including registered representatives, compliance personnel and hedge fund portfolio managers, improperly relied on hundreds of tips during five years of illegal trading, she said.

"And this conduct didn't occur in obscure boiler rooms — but rather at what are commonly considered 'top tier' Wall Street firms," Thomsen said.

U.S. Attorney Michael Garcia said Wall Street professionals repeatedly traded on secrets revealed to them by insiders at UBS Securities LLC and Morgan Stanley and Co.

Among financial professionals charged criminally in U.S. District Court in Manhattan was Mitchel Guttenberg, an executive director and institutional client manager at UBS.

Garcia said Guttenberg, who worked in UBS's equity research department, accepted hundreds of thousands of dollars as he sold nonpublic information to two men regarding upcoming upgrades and downgrades in UBS analysts' securities recommendations.

The men, David Tavdy and Erik Franklin, used the UBS inside information to each earn more than \$4 million by executing profitable trades in various brokerage accounts they controlled, Garcia said.

The attorneys, Randi Collotta, 30, who worked for Morgan Stanley & Co. Inc. in Manhattan, and her husband, Christopher Collotta, 34, who worked in private practice, were also among those criminally charged. Civil charges against 11 individuals and three entities were brought in a complaint filed by the SEC.

In an indictment, prosecutors said Randi Collotta was an associate in Morgan Stanley's global compliance division when she passed inside stock tips to her husband, who gave it to others, resulting in illegal profits of hundreds of thousands of dollars between September 2004 and August 2005.

After others made money from the tips, they paid Christopher Collotta cash that represented a portion of their profits, the indictment said.

Guttenberg, Tavdy, Franklin and the Collottas all were charged with conspiracy to commit securities fraud and securities fraud, which carry potential penalties of up to 25 years in prison. It was not immediately clear who would represent them at an initial court appearance along with five others arrested Thursday.

The four other criminal defendants have pleaded guilty to conspiracy, securities fraud and commercial bribery charges, prosecutors said.

Mary Claire Delaney, a Morgan Stanley spokeswoman, said, "We have cooperated and are continuing to cooperate fully with authorities regarding a former employee who allegedly stole information from Morgan Stanley."

Prosecutors said two insider trading schemes and two separate bribery schemes were part of the case.

The SEC said the scheme involved unlawful trading ahead of upgrades and downgrades by UBS research analysts and corporate acquisition announcements involving Morgan Stanley's investment banking clients.

It said the ringleaders of the UBS part of the scheme went to great lengths to hide their illegal conduct with tactics including a clandestine meeting at Manhattan's famed Oyster Bar and eventually the use of disposable cell phones, secret codes and cash kickbacks before the scheme unraveled.

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