

UPDATE 2-Ex-Wells Fargo trader beats SEC insider trading charges

By Nate Raymond

A former Wells Fargo & Co trader on Monday was cleared of insider trading charges brought by the U.S. Securities and Exchange Commission after a major appellate decision limited authorities' ability to pursue such cases.

Following a trial before the regulator's in-house Administrative Law Judge, Patil dismissed the charges against Joseph Ruggieri, who the SEC said made over \$117,000 for Wells Fargo trading on tips by one of the bank's analysts.

Patil said while the SEC established that Ruggieri traded on the tips four times, it failed to prove the analyst, Gregory Bolan, received anything in exchange for the

information as required by the December appellate ruling.

Paul Ryan, Ruggieri's lawyer, said the "decision makes clear what we have said from the beginning: Joseph Ruggieri did not commit

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-Paul Ryan, Partner
Serpe Ryan LLP

to comment.

that Ruggieri, a trader at Wells

Fargo in New York, in 2010 and 2011 traded on tips about six ratings changes made by Bolan for companies that included Athenahealth Inc and Bruker Corp.

The SEC brought charges in September 2014. Bolan agreed to settle for \$75,000 while neither admitting nor denying the charges.

Ruggieri, who denied the charges, became the first defendant to face trial after a Dec. 10 ruling by the 2nd U.S. Circuit Court of Appeals in New York that authorities say narrowed what constitutes insider trading.

The 2nd Circuit, in reversing the convictions of hedge fund managers Todd Newman and Anthony Chiasson, held that authorities must prove a trader knew a tip's source received something in exchange.

The court also narrowly defined what constituted a benefit to the tipper, saying it had to be of "some consequence" and could not be just be a friendship.

In his decision on Monday, Patil cited the 2nd Circuit's ruling in

concluding that the SEC failed to prove Bolan received anything in exchange for his tips.

The SEC contended that Bolan tipped Ruggieri in exchange for positive feedback that could factor into bonus and promotion decisions and in order to maintain their friendship.

But Patil said it was "more plausible that Ruggieri's feedback was genuine" and that Bolan did not seek it as an illicit benefit. Their friendship "was not a meaningful, close, or personal one," Patil said.

The SEC can appeal. The U.S. Justice Department has asked the Supreme Court to review the 2nd Circuit's decision.