

Former Wells Fargo trader faces SEC insider trading trial in N.Y.

U.S. regulators took a former Wells Fargo & Co trader to trial on Monday on insider trading charges, days after reaching a settlement with another bank employee accused of giving him illegal tips.

A lawyer for the Securities and Exchange

Commission told an administrative judge in New York that the trader, Joseph Ruggieri, made more than \$117,000 in profits for Wells Fargo by trading healthcare company stocks ahead of ratings changes by one of the bank's analysts.

"It can't be a coincidence," said Preethi Krishnamurthy, the SEC lawyer. "It can't be good luck or instincts. Because if they were, Mr. Ruggieri was secretly an investing whiz."

"Our client will be vindicated because this case should never have been brought."

Paul Ryan, Partner

Serpe Ryan LLP

Paul Ryan, Ruggieri's lawyer, called the SEC's case circumstantial, and said the

regulator ignored instances where Ruggieri's trades went against the analyst's recommendations.

"He should be vindicated because this case should never have been brought," Ryan said.

Ruggieri, who denies the SEC's charges, appears to be the first defendant to face trial in the United States following a major federal appellate court ruling limiting the reach of insider trading laws.

Gregory Bolan, the analyst, reached a settlement on Friday. Terms have yet to be disclosed, though Sam Lieberman, his lawyer, said Bolan was "very satisfied with his result.

The SEC says Ruggieri, a healthcare stock trader at Wells Fargo in New York, in 2010 and 2011 traded on tips about six ratings changes made by Bolan, an analyst in Nashville, Tennessee, for companies including Parexel International Corp and Bruker Corp.

Ahead of trial, Ruggieri argued the case should be dismissed in light of a December ruling by the 2nd

U.S. Circuit Court of Appeals in New York. The 2nd Circuit, in reversing the convictions of hedge fund managers Todd Newman and Anthony Chiasson, ruled that authorities must prove a trader knew the source of a tip received a benefit in exchange for disclosing the inside information.

The court also narrowed what constitutes a benefit, saying it must be of "some consequence." The 2nd Circuit said it cannot be just friendship but must be a "meaningfully close relationship" suggesting a quid pro quo. Ruggieri argued the SEC's alleged benefits to Bolan, friendship and positive job feedback from Ruggieri, were insufficient.

In pre-trial rulings, Patil agreed the 2nd Circuit's ruling applied to the case but said the case should go to trial so he could fully weigh the evidence.