



# 2022 Annual Conference

May 16 –18 | Washington, DC | Hybrid Event

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## **Insider Trading, Fraud and Market Abuse**

**Monday, May 16, 2022**

**3:00 p.m. – 4:00 p.m.**

This session focuses on recent or noteworthy insider trading, fraud and market abuse cases. Panelists highlight emerging trends, provide tips to identify potential “red flags”, and discuss who to contact if a fraudulent scheme is suspected.

**Moderator:** Sam Draddy  
Senior Vice President, Market Investigations Team  
FINRA Member Supervision

**Panelists:** Karen Braine  
Senior Director, Insider Trading  
FINRA Member Supervision

Jason Foye  
Senior Director, Special Investigations Unit  
FINRA Member Supervision

Jackie Perrell  
Vice President, Market Fraud Investigations  
FINRA Member Supervision

## Insider Trading, Fraud and Market Abuse Panelists Bios:

Moderator:



**Samuel Draddy** is Senior Vice President in FINRA's National Cause and Financial Crimes Detection Program and head of FINRA's Insider Trading, Fraud and PIPEs Surveillance Units. Mr. Draddy joined FINRA in 2007 after more than seven years in the Division of Enforcement at the SEC. At the SEC, he was a Senior Counsel in the Division of Enforcement from 1999 through 2004, and then a Branch Chief in SEC Enforcement from 2005 through 2007. Prior to his tenure at the SEC, Mr. Draddy was a criminal prosecutor in the State's Attorney's Office for Baltimore County, MD, from 1994 through 1999. Mr. Draddy was also a Series 7 licensed registered representative at Paine Webber in 1993. Mr. Draddy received his bachelor's degree from Brown University in 1987 and law degree from New York Law School in 1993.

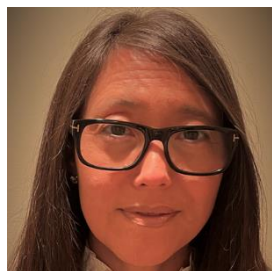
Panelists:



**Karen Braine** leads the FINRA Insider Trading Investigations Team which conducts surveillance and investigations for the entire U.S. marketplace. Ms. Braine started her career in financial services in 1993 and joined FINRA in 2007 as an Investigator. Ms. Braine received her undergraduate degree from Western Kentucky University, and holds the CRCP®, CFE and ACAMS designations.



**Jason Foye** is Director of FINRA's AML Investigative Unit, a specialized team that conducts complex Anti-Money Laundering examinations, provides guidance to FINRA's examination and Enforcement staff in connection with AML-related matters, and provides education and training to FINRA staff and industry personnel throughout the country. Mr. Foye serves as an AML Regulatory Specialist within FINRA and is Certified Anti-Money Laundering Specialist and a Certified Fraud Examiner. Mr. Foye graduated from Florida State University with a Bachelor's degrees in Finance and Risk Management. Mr. Foye works from FINRA's Florida District Office, and has been with FINRA for 11 years.



**Jackie Perrell** is Vice President in the NCFC Market Investigations Team and the head of Market Fraud Investigations. Ms. Perrell previously served as a Vice President and Senior Advisor within Member Supervision's Office of the Chief of Staff, leading a team responsible for supporting a variety of operational, administrative support, and financial management functions across Member Supervision, as well as serving as an advisor on a wide range of operational, policy and regulatory issues. Since joining FINRA in 2011, Ms. Perrell has held a variety of positions within the organization, beginning as an attorney in the Department of Enforcement where she conducted investigations involving potential violations of FINRA rules and the federal securities laws and rules thereunder. She then worked in the Office of the Whistleblower where she managed investigations of complaints and regulatory tips alleging potential fraud and other regulatory misconduct, and then transitioned to serving as a Deputy Director in the Office of Fraud Detection and Market Intelligence (OFDMI) where she served as a key member of the OFDMI senior management team. Prior to joining FINRA, Ms. Perrell worked in private practice representing broker-dealers in connection with SEC and FINRA investigations and in FINRA's arbitration forum, served as an Administrative Law Judge for the State of Maryland presiding over contested administrative law hearings, and worked as a staff attorney in the SEC's Office of Compliance Inspections and Examinations conducting examinations of broker-dealers and self-regulatory organizations.

# Insider Trading, Fraud and Market Abuse

# Panelists

## ○ Moderator

- Sam Draddy, Senior Vice President, Market Investigations Team, FINRA Member Supervision

## ○ Panelists

- Karen Braine, Senior Director, Insider Trading, FINRA Member Supervision
- Jason Foye, Senior Director, Special Investigations Unit, FINRA Member Supervision
- Jackie Perrell, Vice President, Market Fraud Investigations, FINRA Member Supervision

# Russian Trading Scheme



## Press Release

### SEC Charges Five Russians in \$80 Million Hacking and Trading Scheme

**FOR IMMEDIATE RELEASE**  
**2021-265**

*Washington D.C., Dec. 20, 2021* — The Securities and Exchange Commission today announced fraud charges against five Russian nationals for engaging in a multi-year scheme to profit from stolen corporate earnings announcements obtained by hacking into the systems of two U.S.-based filing agent companies before the announcements were made public. The filing agents assist publicly traded companies with the preparation and filing of periodic reports with the SEC, including quarterly reports containing earnings information.

The SEC's [complaint](#), filed in federal district court in Massachusetts, alleges that defendant Ivan Yermakov used deceptive hacking techniques to access the filing agents' systems and directly or indirectly provided not-yet-public corporate earnings announcements stolen from those systems to his co-defendants Vladislav Kliushin, Nikolai Rumiantcev, Mikhail Irzak, and Igor Sladkov. According to the complaint, from 2018 through 2020, the traders used 20 different brokerage accounts located in Denmark, the United Kingdom, Cyprus and Portugal to generate profits of at least \$82 million using the stolen information to make trades before over 500 corporate earnings announcements. The defendants allegedly shared a portion of their enormous profits by funneling them through a Russian information technology company founded by Kliushin and for which Yermakov and Rumiantcev serve as directors.

"With this action, the SEC, using its powerful analytical tools, has exposed a highly sophisticated and deceptive scheme to steal and monetize non-public corporate information," said Gurbir S. Grewal, Director of the SEC's Division of Enforcement. "While we remain steadfast in our commitment to protect the integrity of our securities markets against bad actors no matter where they are located or what sophisticated tactics they use, we strongly encourage companies to shore up their safeguards against, and remain vigilant for cyber breaches that compromise their non-public information."

The U.S. Attorney's Office for the District of Massachusetts today announced criminal charges against the five defendants named in the SEC's action and that defendant Vladislav Kliushin was extradited from Switzerland.

# Google Fail:



How to get away with...



Insider trading with international account

How SEC detect unusual trade

Detection and enforcement insider trading

SEC insider trading enforcement actions with international dimensions

Want to commit insider trading? Here's how to do it.

*Report inappropriate predictions*

Zenosense, Inc. (OTC: ZENO)

# FINRA's *Dirty Laundry List*



# Lord Global Corporation (OTC: LRDG)



# New Account Fraud and Account Takeover Fraud

Resource	Description
<a href="#">RN 20-13</a>	FINRA Reminds Firms to Beware of Fraud During the COVID-19 Pandemic
<a href="#">RN 20-32</a>	FINRA Reminds Firms to Be Aware of Fraudulent Options Trading in Connection With Potential Account Takeovers and New Account Fraud
<a href="#">RN 21-14</a>	FINRA Alerts Firms to Recent Increase in ACH “Instant Funds” Abuse
<a href="#">RN 21-18</a>	FINRA Shares Practices Firms Use to Protect Customers From Online Account Takeover Attempts
<a href="#">FIN-2011-A016</a>	FinCEN Advisory on Account Takeover Activity
<a href="#">FIN-2016-A005</a>	FinCEN Advisory to Financial Institutions on Cyber-Events and Cyber-Enabled Crime
<a href="#">FIN-2020-A005</a>	FinCEN Advisory on Cybercrime and Cyber-Enabled Crime Exploiting the COVID-19 Pandemic
<a href="#">FIN-2021-A002</a>	FinCEN Advisory on Financial Crimes Targeting COVID-19 Economic Impact Payments

# Guidance and Resources

## ○ Treasury/FinCEN Resources

- [Updates on AML Act of 2020](#)
- [National Money Laundering Risk Assessment \(2022\)](#)
- [FinCEN Examines Identity Theft-Related Suspicious Activity Reports \(2011\)](#)
- [FinCEN Study examines Rise in Identity Theft SARs \(2010\)](#)

## ○ Federal Reserve Resources

- [Synthetic Identity Fraud Mitigation Toolkit](#)

## ○ Securities and Exchange Commission (SEC) Resources

- [2022 Exam Priorities](#)
- [Identity Theft Red Flags Rule \(Regulation S-ID\)](#)

## ○ FINRA Resources

- [2022 Report on FINRA's Examination and Risk Monitoring Program](#)
- [FINRA Unscripted Podcast \(Overlapping Risks: AML and Cybersecurity\)](#)
- [FINRA Unscripted Podcast \(At, by or through: Fraud in the Broker-Dealer Industry\)](#)
- [Identity Theft Red Flags Rule \(Regulation S-ID\) Template](#)

# Sharing Intelligence with FINRA

- Contact risk monitoring
- File a regulatory tip with FINRA:
  - [www.finra.org/contact-finra/file-tip](https://www.finra.org/contact-finra/file-tip)
  - Tips can be filed anonymously
- Send FINRA BSA IDs with actionable intelligence to [BSA@finra.org](mailto:BSA@finra.org).





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### Resources:

- FINRA *Regulatory Notice 21-14, FINRA Alerts Firms to Recent Increase in ACH “Instant Funds” Abuse* (March 2021)  
[www.finra.org/rules-guidance/notices/21-14](http://www.finra.org/rules-guidance/notices/21-14)
- FINRA *Regulatory Notice 21-18, FINRA Shares Practices Firms Use to Protect Customers From Online Account Takeover Attempts* (May 2021)  
[www.finra.org/rules-guidance/notices/21-18](http://www.finra.org/rules-guidance/notices/21-18)
- FINRA *Regulatory Notice 20-13, FINRA Reminds Firms to Beware of Fraud During the Coronavirus (COVID-19) Pandemic* (May 2020)  
[www.finra.org/rules-guidance/notices/20-13](http://www.finra.org/rules-guidance/notices/20-13)
- FINRA *Regulatory Notice 20-32, FINRA Reminds Firms to Be Aware of Fraudulent Options Trading in Connection With Potential Account Takeovers and New Account Fraud* (September 2020)  
[www.finra.org/rules-guidance/notices/20-32](http://www.finra.org/rules-guidance/notices/20-32)
- 2022 Report on FINRA’s Examination and Risk Monitoring Program (February 2022)  
[www.finra.org/rules-guidance/guidance/reports/2022-finras-examination-and-risk-monitoring-program](http://www.finra.org/rules-guidance/guidance/reports/2022-finras-examination-and-risk-monitoring-program)
- FINRA *Unscripted: Overlapping Risks, Part 1: Anti-Money Laundering and Cybersecurity* (October 2020)  
[www.finra.org/media-center/finra-unscripted/aml-cybersecurity](http://www.finra.org/media-center/finra-unscripted/aml-cybersecurity)
- FINRA *Unscripted: At, By or Through: Fraud in the Broker-Dealer Industry* (April 2021)  
[www.finra.org/media-center/finra-unscripted/fraud-broker-dealer-industry](http://www.finra.org/media-center/finra-unscripted/fraud-broker-dealer-industry)
- SEC Identity Theft Red Flags Rule (Regulation S-ID) Template  
[www.finra.org/rules-guidance/key-topics/customer-information-protection/ftc-red-flags-rule](http://www.finra.org/rules-guidance/key-topics/customer-information-protection/ftc-red-flags-rule)
- 2022 SEC Examination Priorities: Division of Examinations Report  
[www.sec.gov/files/2022-exam-priorities.pdf](http://www.sec.gov/files/2022-exam-priorities.pdf)

- CFTC and SEC Joint Rules and Guidelines: Identity Theft Red Flags Rules  
[www.sec.gov/rules/final/2013/34-69359.pdf](http://www.sec.gov/rules/final/2013/34-69359.pdf)
- The Federal Reserve: Synthetic Identity Fraud Mitigation Toolkit  
[www.fedpaymentsimprovement.org/synthetic-identity-fraud-mitigation-toolkit/](http://www.fedpaymentsimprovement.org/synthetic-identity-fraud-mitigation-toolkit/)
- FinCEN The Anti-Money Laundering Act of 2020  
[www.fincen.gov/anti-money-laundering-act-2020](http://www.fincen.gov/anti-money-laundering-act-2020)
- Department of the Treasury: 2022 National Money Laundering Risk Assessment (February 2022)  
[www.home.treasury.gov/system/files/136/2022-National-Money-Laundering-Risk-Assessment.pdf](http://www.home.treasury.gov/system/files/136/2022-National-Money-Laundering-Risk-Assessment.pdf)
- *FinCEN Examines Identity Theft-Related Suspicious Activity Reports Filed by Securities & Futures Firms Trends in Illicit Activity Uncovered* (September 06, 2011)  
[www.fincen.gov/news/news-releases/fincen-examines-identity-theft-related-suspicious-activity-reports-filed](http://www.fincen.gov/news/news-releases/fincen-examines-identity-theft-related-suspicious-activity-reports-filed)
- *FinCEN Study Examines Rise in Identity Theft SARs* (October 18, 2010)  
[www.fincen.gov/news/news-releases/fincen-study-examines-rise-identity-theft-sars](http://www.fincen.gov/news/news-releases/fincen-study-examines-rise-identity-theft-sars)
- *FinCEN Advisory: Financial Crimes Targeting COVID-19 Economic Impact Payments*, FIN-2021-A002, (February 24, 2021)  
[www.fincen.gov/sites/default/files/advisory/2021-02-25/Advisory%20EIP%20FINAL%20508.pdf](http://www.fincen.gov/sites/default/files/advisory/2021-02-25/Advisory%20EIP%20FINAL%20508.pdf)
- *FinCEN Advisory: Cybercrime and Cyber-Enabled Crime Exploiting the COVID-19 Pandemic*, FIN-2020-A005, (July 30, 2020)  
[www.fincen.gov/sites/default/files/advisory/2020-07-30/FinCEN%20Advisory%20Covid%20Cybercrime%20508%20FINAL.pdf](http://www.fincen.gov/sites/default/files/advisory/2020-07-30/FinCEN%20Advisory%20Covid%20Cybercrime%20508%20FINAL.pdf)
- *FinCEN Advisory: Financial Institutions on Cyber-Events and Cyber-Enabled Crime*, FIN-2016-A005, (October 25, 2016)  
[www.fincen.gov/sites/default/files/advisory/2016-10-25/Cyber%20Threats%20Advisory%20-%20FINAL%20508\\_2.pdf](http://www.fincen.gov/sites/default/files/advisory/2016-10-25/Cyber%20Threats%20Advisory%20-%20FINAL%20508_2.pdf)
- *FinCEN Advisory: Account Takeover Activity*, FIN-2011-A016, (December 19, 2011)  
[www.fincen.gov/sites/default/files/advisory/FIN-2011-A016.pdf](http://www.fincen.gov/sites/default/files/advisory/FIN-2011-A016.pdf)