



## Ex-Goldman director charged in US

**Security regulator says Rajat Gupta, a former McKinsey global head, leaked investment details to a hedge fund manager.**

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**Gupta, 62, is one of the highest ranking corporate executives to be implicated in the SEC's insider-trading inquiry [EPA]**

Rajat Gupta, a former Goldman Sachs director, has been charged by US securities regulator for insider trading.

The charges filed on Tuesday claimed that Gupta leaked secret details of Goldman Sachs to Raj Rajaratnam, a hedge fund manager at Galleon Group, about Warren Buffett's plan to invest \$5bn in the Wall Street bank, at the height of the financial crisis.

The charges mark the first time that activity said to have occurred at Goldman was directly implicated in the investigation.

The US Securities and Exchange Commission (SEC) said Gupta tipped Rajaratnam by phone just minutes before the public learned of the investment by Buffett's Berkshire Hathaway Inc, which helped ensure Goldman's stability.

The SEC said Gupta had at least two phone calls with Rajaratnam shortly before Goldman announced Berkshire's investment on September 23, 2008.

It said one call came just before the market closed that day, immediately after Gupta had disconnected from a phone link to the board meeting where Goldman approved the investment.

### **'Betrayed trust'**

Goldman announced the Berkshire stake after markets closed.

Rajaratnam's trades in Goldman based on these tips resulted in more than \$900,000 of profit, the SEC said.

Gupta, 62, is one of the highest-ranking corporate executives implicated in the US government's wide-ranging insider trading probe, which has resulted in criminal or civil charges against dozens of individuals.

The SEC said Rajaratnam, who faces a March 8 criminal insider trading trial, used the tips to trade at his firm, Galleon Group, reaping more than \$18m of illegal gains.

It also said that Gupta invested in at least some Galleon hedge funds.

"Gupta was honored with the highest trust of leading public companies, and he betrayed that trust by disclosing their most sensitive and valuable secrets," Robert Khuzami, SEC enforcement chief, said in a statement.

"Directors who violate the sanctity of board room confidences for private gain will be held to account for their illegal actions."

The SEC began administrative and cease-and-desist proceedings against Gupta.

### **'Totally baseless'**

Gary Naftalis, a lawyer for Gupta, dismissed the SEC allegations as "totally baseless," and said his client had lost his entire \$10m investment in a Galleon fund that Rajaratnam managed, known as GB Voyager.

"Mr. Gupta has done nothing wrong," Naftalis said in a statement. "There is no allegation that Mr. Gupta traded in any of these securities or shared in any profits as part of any quid pro quo."

Gupta sat on Goldman's board from November 2006 until last May and served on its corporate governance committee.

The Westport, Connecticut, resident had also served on Procter & Gamble's board since 2007 before resigning on Tuesday.

Gupta was previously worldwide managing director at McKinsey, where he worked for more than three decades.

"He's stepping down in the interest of the company, to prevent any distraction to the P&G board or our business," Paul Fox, a company spokesman, said.

Ed Canaday, Goldman's spokesman, and Jim McCarthy, Rajaratnam's spokesman, declined to comment. And Berkshire did not return a request for comment.

Source: Agencies