

Written by Administrator
Tuesday, 01 March 2011 14:58 -

http://blogs-images.forbes.com/steveschaefer/files/2011/03/Rajat_Kumar_Gupta_-_WEF_Davos_20091.jpg alt="Rajat Kumar Gupta, Chairman of the Board, The ..." width="216" height="329">

Image via Wikipedia

Throughout the U.S. government's ongoing insider trading investigation, much of the outrage has centered on rich and powerful investors using improperly-obtained information to gain an edge on the mom-and-pop investor. Tuesday's SEC charges against former [Goldman Sachs](#) board member Rajat Gupta, which allege the director shared non-public information with hedge fund manager Raj Rajaratnam, just adds to the perception that the financial markets are not a level playing field.

Mark Rifkin, a partner at law firm Wolf Haldenstein Adler Freeman & Herz specializing in securities and shareholder rights litigation, said Tuesday's charges against Gupta "reinforced the suspicion that big-money guys are in better position to profit, but not because they are smarter or better investors."

The [SEC charges](#) against Gupta allege that he passed information to Rajaratnam regarding Goldman Sachs earnings and a [\\$5 billion investment](#) from [Warren Buffett](#), s Berkshire Hathaway, moments after CEO [Lloyd Blankfein](#) discussed the details with the board. Rajaratnam's Galleon Group then quickly made trades in the bank's shares to produce some \$17 million in ill-gotten gains, regulators claim. (See ["SEC Accuses Former Goldman Sachs Director Of Insider Trading."](#))

Gupta stepped down from the board at Goldman last spring, around the same time [the Wall Street Journal](#) reported the former McKinsey executive was linked to the insider trading investigation into Galleon.

Perhaps the worst part of the actions, which Gupta is denying through his lawyer, is the betrayal of trust that comes when an outside director – who is voted onto a board with the explicit mandate to protect shareholders and keep management accountable – uses his position to

Written by Administrator
Tuesday, 01 March 2011 14:58 -

profiteer, or help his friends profiteer, says Rifkin.

SEC Division of Enforcement Director Robert Khuzami said “Gupta was honored with the highest trust of leading public companies, and he betrayed that trust by disclosing their most sensitive and valuable secrets. Directors who violate the sanctity of board room confidences for private gain will be held to account for their illegal actions.”

“It’s a breakdown in the system, says Rifkin. And what happens, he wonders, the next time Blankfein has to share sensitive information with his board ahead of its public release?

“The bigger issue is whether it is one rogue director or if it represents something about the culture,” says Rifkin. “Gupta was on the governance committee! Talk about the fox in the henhouse.”

Goldman Sachs declined to comment on the charges against Gupta Wednesday. The director is also alleged to have passed Rajnaratnam pre-release earnings figures from Procter & Gamble, where he was also on the board. The consumer products maker confirmed that Gupta stepped down from its board Tuesday. American Airlines parent AMR, where Gupta is also a director, declined to comment on the matter, as did Buffett’s Berkshire Hathaway.

[Click here for the SEC’s charges against Gupta.](#)

The full statement from Gupta’s attorney:

The SEC’s allegations are totally baseless. Mr. Gupta’s 40-year record of ethical conduct, integrity, and commitment to guarding his clients’ confidences is beyond reproach. Mr. Gupta has done nothing wrong and is confident that these unfounded allegations will be rejected by any fair and impartial fact finder. 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. In fact, Mr. Gupta had lost his entire \$10 million investment in the GB Voyager Fund managed by Rajaratnam at the time of these events, negating any motive to deviate from a lifetime of honesty and integrity.

Written by Administrator
Tuesday, 01 March 2011 14:58 -

Follow me at [Exile On Wall Street](#) , or Twitter [@SchaeferStreet](#) . And for more Forbes coverage check our section pages for

[Markets](#)

,

[Stocks](#)

and

[Commodities](#)

on the

[Investing](#)

channel.

[Powered By WizardRSS](#) - [Full Text RSS Feeds](#)

Source: <http://news.google.com/news/url?sa=t&fd=R&usg=AFQjCNHg8ZNxgq0GgM7GhLXWTqBLbNtPXA&url=http://blogs.forbes.com/steveschaefer/?p=1529>