# The man at the centre of Galleon hedge fund trial

**By John Mervin** New York Business Editor, BBC News http://www.bbc.co.uk/news/12674712

Until now, outside the rarefied atmosphere of Wall Street hedge funds, Raj Rajaratnam has been relatively unknown. The boss of the Galleon hedge fund was a big name in high finance, but not in the wider world. That is about to change.

With the start of his trial in Manhattan, Mr Rajaratnam finds himself cast, by prosecutors at least, as the latest poster boy for Wall Street skulduggery.

When they announced his arrest in October 2009, prosecution lawyers described the case against Rajaratnam as the biggest case yet of hedge fund insider trading.

His prosecution, they said, should serve as a "wake up call" to Wall Street. Mr Rajaratnam could, if convicted on the most serious securities fraud charges against him, face a 20-year jail sentence.

## Detailed picture

During the last year and a half, Mr Rajaratnam has been free on a $100m (£62m) bail, but has kept a determinedly low profile.

Save for his appearances at legal meetings in the run up to the trial, he has stayed out of sight and nothing has been heard from him publicly, except for his lawyers' assertions of his innocence. "He's a good man," one of his lawyers, John Dowd, said this week.

But the trial promises to reveal a detailed picture of Mr Rajaratnam at work as well as a close look at the seamier side of hedge fund trading.

If the allegations levelled against him are any indicator, the court will hear at great length about illegal tip offs, illicit phone calls and the rush to make huge trades, some of which realised millions of dollars of profit.

It will also hear how close the relationship between hedge fund traders and the companies whose shares they trade sometimes is.

## Rampant insider trading

The Galleon fund was renowned for its investment in high tech companies, and many of its biggest investors were themselves executives in the technology sector.

So it is not just the hedge fund high-rollers who are about to have the harsh light of judicial scrutiny cast on their business.

Mr Rajaratnam is accused of receiving and illegally trading on information from executives at a list of prestigious companies that includes Intel, IBM, and McKinsey.

"In some ways it sounds like a classic insider trading case," says Sam Buell, law professor at Duke University, who is not involved in the case.

"But we can expect some kind of twist here in the nature of defence arguments about this is a different realm of trading and information sharing."

## Fame, or infamy

Prosecution lawyers say insider trading is rampant in the US markets. This trial will be their highest profile attempt yet to show how networks exist among big players on Wall Street where information is passed on illegally and an unfair advantage is gained at the expense of everyone else in the market.

Just last week, some of the most colourful details about Rajaratnam's alleged network came to light with the civil charges filed against another Wall Street operator, Rajat Gupta.

Mr Gupta, the former head of McKinsey, and former director at Goldman Sachs, is accused of passing secrets about Goldman's business to the Galleon boss, charges his lawyers describe as "totally baseless".

So it is that no less a figure than the chief executive of Goldman Sachs, Lloyd Blankfein, is being touted as a potential witness for the prosecution.

And with Mr Rajaratnam reportedly determined to testify in his own defence, the activities of hedge funds and hedge fund managers are about to be subjected to an unprecedented degree of scrutiny.

Fame, or at least infamy, beckons.