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Connecticut's U.S. Attorney Announces Initiative against Financial Crimes

Federal prosecutors have a long history of focusing on financial crime in Connecticut. A new initiative by Connecticut's top federal prosecutor promises to put the state's financial industry under intense criminal scrutiny. Now, Connecticut's financial companies and professionals will also face pressure from federal prosecutors in their home state.

U.S. ATTORNEY PROMISES FINANCIAL PROSECUTIONS IN CONNECTICUT

Connecticut U.S. Attorney David Fein announced on January 12 that his office is actively conducting a number of insider trading investigations in the state. He promised that charges are on the horizon and the cases will be widely publicized. This means that Connecticut companies and individuals affiliated with the financial sector will likely be contacted not only as targets of investigations, but also as potential witnesses. Importantly, Mr. Fein noted that federal authorities are reaching out to Connecticut's hedge funds and encouraging them to be "good corporate citizens."

FOCUS ON FAIRFIELD COUNTY HEDGE FUNDS

The initiative is likely to have a serious impact in Connecticut, home to a high concentration of hedge funds. Mr. Fein's comments come as the SEC and the U.S. Attorney's Office for the Southern District of New York announced civil and criminal charges against a number of hedge fund traders accused of insider trading with nonpublic information about Dell Corporation and Nvidia Corporation. *See, e.g., SEC v. Adondakis* (S.D.N.Y. filed Jan. 18, 2012); *U.S. v. Newman* (S.D.N.Y. filed Jan. 18, 2012). In these cases, made public on January 18, prosecutors charged seven financial professionals, more than half of whom worked for Connecticut hedge funds. The defendants include a hedge fund cofounder, an analyst, and a number of other employees.

INVESTIGATIONS WILL COVER LARGE AND SMALL SCALE FRAUD

Connecticut's federal authorities intend to focus on large and small financial frauds. Mr. Fein's office already successfully prosecuted the manager of a Stamford hedge fund for alleged fraud related to a supposed \$500 million pyramid scheme. At the same time, the office is investigating the acts of unregistered investment advisors. As Mr. Fein stated to the Associated Press, the money at issue "may not be [used for] luxury cruises and diamonds. In a lot of these cases we're seeing it be used [by the accused] for their kids' tuition, at stores, [or] to pay their rent."

PRACTICAL PREPARATION

Companies and individuals with ties to finance can take a number of practical steps **before** being contacted by federal authorities. Robinson & Cole's lawyers have extensive experience in preparing clients to respond to Government inquiries. If you are, or have been, contacted by the U.S. Attorney's Office or other governmental agency, seeking advice from your attorney before responding is a step to help protect your best interests.

CONTACT US

The lawyers of Robinson & Cole LLP's White-Collar Defense and Government Investigations Group have broad experience representing institutions and individuals in financial fraud investigations and prosecutions. Our group's members have handled investigations involving, the United States Department of Justice, the Internal Revenue Service, the Federal Energy Regulatory Commission, the Commodity Futures Trading Commission, the Environmental Protection Agency, and other government entities.

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