U.S. Attorney Vows Financial Crime Crackdown

By CHRISTIAN NOLAN

David Fein, Connecticut’s newly sworn in U.S. attorney, used to do white collar defense work at Wiggin and Dana in New Haven. One of his first initiatives in his new job will likely ramp up business for colleagues in that practice area.

Fein has vowed to crack down on financial crimes and promises to create a Financial Fraud Task Force consisting of investigators and prosecutors. Although details are still being ironed out, Fein said the focus will be on “insider trading, market manipulation, fraud on investors or financial institutions, and accounting fraud.”

“We have already started focusing our efforts on securities fraud in Fairfield County, the third largest home of hedge funds in the world,” said Fein, noting only New York City and London have more of the aggressive funds geared toward wealthy investors.

Fein, who takes over a staff of 50 lawyers and 60 staffers who work out of offices in Hartford, New Haven and Bridgeport, said at his swearing in last week that financial crime “has caused and continues to cause so much harm to investors, capital markets and our nation’s economy.”

No one who knew Fein as a private practice lawyer was surprised by his statements.

“When someone like David obtains a position as a prosecutor, you don’t check your knowledge and experience at the door, you bring it with you and use it to your advantage in your new position,” said Scott D. Corrigan, who co-chairs Wiggin and Dana’s white collar defense practice and practiced closely with Fein.

Former U.S. Attorney Kevin J. O’Connor, now a white collar defense lawyer at Bracewell & Giuliani in Hartford, joked at the ceremony that he would now need to open a Fairfield County office. O’Connor, a Republican, said it’s common for a U.S. attorney to set priorities when he takes the job and he praised Fein, a Democrat, for putting his “stamp” on the office. O’Connor said that the U.S. attorney’s office is well-equipped to handle financial crimes. “They’re certainly amongst the more complex investigations but well within the capabilities in Connecticut to do,” said O’Connor.

‘Need A Break’

Joseph M. Pastore III, of Stamford’s Fox Rothschild, who also does white collar defense work, said many financial crime investigations start with a tip, often from a disgruntled former hedge fund employee.
or an investor who lost money in a deal.

“Generally they’re going to need a break like that,” said Pastore, noting that Fein might follow up tips by sending someone in to do undercover work.

Pastore said Fein’s office would also likely utilize resources within the U.S. Securities and Exchange Commission. The SEC has market surveillance professionals who scrutinize every trade made by hedge funds looking for anything suspicious.

Pastore said the SEC mostly uncovers civil violations but sometimes they can turn into criminal investigations. He said hedge funds get into trouble by not returning investor money when requested, failing to disclose investments, and paying for information “that would put them at an advantage compared with an ordinary investor.”

The white collar attorneys pointed to the recent Galleon Hedge Fund scandal in New York, one of the largest insider trading scandals in decades. It’s alleged Raj Rajaratnam and his Galleon firm generated $25 million in profits on inside information uncovered by federal authorities through wiretaps.

Corrigan said between that case and Bernard Madoff’s Ponzi scheme, there’s “an anti-Wall Street atmosphere in the country” and that people are upset that wealthy investors can profit from information not available to the general public.

Pastore said Fein will have to be careful to protect the innocent when investigating investing firms for financial wrongdoing. “He’s got to remember there might be one bad actor and 20 people who had nothing to do with it and their livelihood and jobs are at stake,” said Pastore. “It’s a tough balance.”

At last week’s swearing-in, Fein announced Deirdre Daly as his deputy U.S attorney. Daly is a former assistant U.S. attorney in Manhattan, where Fein worked as a prosecutor before an eventual two-year stint as an associate counsel in the Clinton White House.