

Former Galleon employee in talks on testifying

INVESTMENT COMPANIES

By Kara Scannell
in New York

A former Galleon Group employee is in talks with prosecutors to testify at the insider trading trial of hedge fund billionaire Raj Rajaratnam, the former employee's lawyer said.

The former employee, who had not been charged in the case, was prepared to testify about statements made by Mr Rajaratnam and his younger brother Ragakanthan, known as RK, said the employee's lawyer Stuart Meissner.

The former employee has, through his attorney, also provided federal prosecutors with information that could implicate other individuals who have not been charged in the case, according to Mr Meissner, who described the information as being "significant".

A spokesman for Mr Rajaratnam, who is scheduled to go to trial on March 8, declined to comment.

The former employee's testimony was first reported by the New York Post.

Mr Meissner said he had submitted an anonymous whistleblower complaint with the Securities and Exchange Commission in November under the Dodd-Frank law, which rewards insiders with big pay-outs who provide substantial assistance in a case. He said his client would reveal his identity and testify at the trial if a deal was struck with federal prosecutors to ensure he was immune from any prosecution.

Mr Meissner said his client had not done anything wrong, but he did not want to expose his client.

The tip submitted under the new law is the first known occurrence of valuable information being brought to the attention of authorities since the bill was signed into law in July.

Mr Meissner said he had been in talks with the SEC almost immediately after filing the complaint in November and met recently with federal prosecutors, who expressed an interest in his client's information.

Prosecutors have turned up the heat on Mr Rajaratnam in the weeks before his trial by announcing guilty pleas by several of his associates, including two Galleon money managers.

The traders, Adam Smith and Michael Cardillo, pleaded guilty to securities fraud and agreed to cooperate with the government.

According to court documents, Mr Smith received earnings information from employees at Nvidia and Intersil and passed it to Mr Rajaratnam and others who profited from the trades. Danielle Chiesi, a former Bear Stearns hedge fund manager, also pleaded guilty to tipping others with inside information.

Both Rajaratnam brothers deny any wrongdoing.