

# Charged in kpmg insider trading case

Business



Scott London, 50, who was fired by KEMP as the latest federal insider-trading scandal escalated this week, was charged with conspiracy to commit criminal securities fraud for allegedly feeding illegal tips to close friend Bryan Shaw, 52, over a period of several years. London's lawyer, Harlan Braun, told a judge that London would plead guilty at a hearing set for May 17, according to Bloomberg News. U.

S. Magistrate Judge Charles Kick ordered London to post bail of \$150,000, Bloomberg says.

Shaw allegedly made more than \$1.27 million by illegally trading on the stocks ahead of earnings or merger announcements, the Securities and Exchange Commission charged in a separate civil lawsuit filed against the two men Thursday. London allegedly tipped friend Shaw with non-public information about five KEMP clients starting in October 2010.

The criminal complaint charges that from late 2010 through last month London gave Shaw financial information about Checkers and Decker's Outdoor and Herbalist, all KEMP clients.

London, who personally handled audits for Herbalist and Checkers, sometimes called Shaw two to three days before the information became public and discussed how to structure stock purchases to prevent discovery, the criminal complaint charged. In return, Shaw allegedly gave London tens of thousands of dollars in cash, typically giving the money in bags of \$100 bills during clandestine meetings on a side street near Shaw's business, the complaint charged. Shaw also gave London a Rolex watch worth about \$12,

000, along Ninth Jewelry and tickets the two shared to concerts by Bruce Springiness and other artists.

Shaw, confronted by investigators, agreed to cooperate with federal authorities and secretly record conversations with London.

In one recorded call, London mentioned rumors about Herbalist going private, and told Shaw if such an event occurred “[t]hat is going to be where you make a ton of money,” the criminal complaint charged. “ What we ought do is, when I know that it’s goanna start happening, what you do is you start just buying in small blocks, right, so it doesn’t raw attention and then, you know, then it doesn’t look unusual at all,” the complaint accused London of advising.

At the direction of FBI agents, Shaw met with London on street corner in Engine, Cilia. , and delivered a bag with \$5, 000 cash as payment for non-public information about Herbalist’s February 2012 earnings announcement, the complaint charged. At a later meeting at a Woodland Hills, Cilia. , parking lot, London allegedly accepted a second bag containing in cash as payment tort confidential information about Decker’s’ February earnings announcement.

FBI agents secretly took a surveillance photo of London accepting one of the payments.

The SEC complaint said London and Shaw initially met at a country club years ago and became good friends who routinely golfed together. London gave Shaw the Information to help him get through a difficult time

economically as Shah's Jewelry business struggled, the SEC complaint alleged. READ: The SEC complaint against London and Shaw London had been a partner at KEMP for nearly 30 years. News of the scandal emerged Monday after KEMP announced it would resign as the auditor for Herbalist and footwear maker Checkers.

The SEC and federal prosecutors also charged that London got confidential information about former KEMP clients RISC Holdings and Pacific Capital.

Shaw generated nearly \$192, 000 in profit by buying RISC stock the day before a merger announcement. He made \$365, 000 buying shares of Pacific Capital ahead of a merger, the SEC complaint alleged. In a statement through his lawyer Neediness night, Shaw apologized for his actions. London, meanwhile, was scheduled to make his initial appearance in Los Angeles U.

S.

District Court on rushed. If convicted, he could face a maximum penalty of five years in prison, and a fine of \$250, 000 or twice the gross gain or loss from the alleged insider-trading scheme. "The public has every right to fully expect a level playing field in our financial markets," said U. S. Attorney Andre Biretta Jar.

"As alleged in the complaint, Mr.. London chose to betray the trust placed in him as a financial auditor and to tip the trading scales for the benefit of insiders like himself. Kevin McCoy reported from New York Summary: A financial auditor Scott London was fired by KEMP as London was involved in a latest federal insider-trading scandal and was charged with conspiracy to

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commit criminal securities fraud for allegedly feeding illegal tips to close friend Bryant Shaw over a period of several years. Shaw allegedly made more than \$1.

27 million by illegally trading on the stocks ahead of earnings or merger announcements from Loon's tip off. London gave Shaw financial information about Checkers and Deicers Outdoor and Herbalist, all KEMP clients.

Shaw in return gave London tens of thousands of dollars in cash and also a Role watch worth about \$12000. (103 words) Accounting Theory: rhea efficient-market hypothesis asserts that financial markets are "informational efficient". In consequence of this, one cannot consistently achieve returns in excess of average market returns on a risk-adjusted basis, given the information available at the time the investment is made. There are three forms of market efficiency: "weak", "semi-strong", and "strong".

The weak-form MME claims that prices on traded assets (e. G. , stocks, bonds, or property) already reflect all past publicly available information. rhea semi-strong-form MME claims both that prices reflect all publicly available information and that prices instantly change to reflect new public information. The throng-form MME additionally claims that prices instantly reflect even hidden or "insider" information.

(108 words) Analysis: Semi-strong market theory states that the current security prices fully reflect all Intimation publicly available.

When new intimation becomes available, prices should respond quickly to an adjusted new level. By doing so, any person attempting to utilize the

released information will fail to earn any excess profits because the market will have already adjusted. This model can further be used to determine what 'alee particular information actually has. If a price of a security does not change hen new information is released, it can be argued that it is irrelevant and has no effect.

Strong-form efficient market theory tells us that prices must completely and instantly reflect all information available, be it public or not. This, by far, is the most difficult theory to prove because obtaining information on trading behavior could lead to prosecution of the trader being studied, under ASIA rules. Here in this news article, London and Shaw are charged with conspiracy to commit criminal securities fraud in order to gain excess profits through the use of non-public information.

As Shaw succeeded in acquiring unfair advantage over the public who are not exposed to the information he possessed. A conclusion can be drawn that America's financial market is of strong-form efficient market hypothesis. Conclusion: rhea study has shown that the United State of America is a strong-form efficient market through the use of an example of London and Shaw.

They would have failed to earn any excess profits if America is of semi-strong form market as prices should respond quickly to an adjusted new level when all information becomes publicly available.