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# Brother of a Fallen Hedge Fund King Pleads Not Guilty

By **Peter Lattman** March 25, 2013 3:50 pm

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Rengan Rajaratnam pleaded not guilty on Monday to insider trading charges, nearly two years after the conviction of his older brother, the hedge fund titan Raj Rajaratnam.

Appearing in Federal District Court in Manhattan, Rengan denied accusations that he conspired with his brother Raj to illegally trade technology stocks while he worked for his brother's firm, the now-defunct Galleon Group. Prosecutors say that Rengan Rajaratnam made about \$1.2 million on the trades.

During Raj Rajaratnam's trial, prosecutors played several wiretapped conversations between the two brothers. Among the stocks that the Securities and Exchange Commission said Rengan and Raj swapped confidential information about were Hilton Hotels, Polycom and Akamai Technologies.

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The United States attorney's office revealed charges against Rengan, 42, last week, but federal authorities were unable to arrest him because he was in Brazil. Over the weekend, he flew back to the United States voluntarily and was taken into

custody by F.B.I. agents when he landed on Sunday at John F. Kennedy International Airport.

“After reading about his indictment, Mr. Rajaratnam immediately volunteered to return from Brazil, where he had been living and working for the past year, in order to defend himself,” his lawyers, David C. Tobin and Vinoo P. Varghese, said in a statement. “Mr. Rajaratnam denies the charges and looks forward to clearing his name.”

Judge Naomi Reice Buchwald released Rengan, a United States citizen born in Sri Lanka, on \$1 million bail and had him surrender his passport. His next court appearance was set for June 4.

Rengan is one of about 30 people charged in the investigation of Galleon. He faces as much as 25 years in prison, but is likely to receive a sentence well below that if convicted. Raj, who orchestrated the vast insider trading conspiracy, is serving an 11-year sentence at a federal prison in Ayer, Mass., though he is appealing his conviction.

“Rengan Rajaratnam and his brother shared more than DNA,” Preet Bharara, the United States attorney in Manhattan, said last week. “Along with his brother Raj, Rengan Rajaratnam was allegedly at the heart of an insider trading scheme that swept up an unprecedented number of people.”

Rengan, a graduate of the University of Pennsylvania and Stanford University’s business school, worked at a number of Wall Street firms, including Morgan Stanley and SAC Capital Advisors, before joining Galleon.

Though the government allegations portray Rengan as a bit player in his brother’s insider trading ring, he played an important role in the government’s multiyear investigation of illegal conduct at hedge funds.

During the nascent stages of the inquiry, which has led to criminal charges against more than 75 people, federal securities regulators began investigating Sedna Capital, a small hedge fund run by Rengan from 2003 to 2004. E-mails and instant

messages between the two brothers suggested the possible exchange of secret corporate information.

During Raj's trial, the jury heard several secretly recorded calls between Rengan and Raj, including one from August 2008 during which Rengan told his brother about his efforts to press a friend, a consultant at McKinsey & Company, for illicit tips. Rengan called the consultant "a little dirty" and boasted that he "finally spilled his beans" by sharing corporate secrets.

A third brother, Ragakanthan, who goes by R. K., also worked for Galleon. He has not been charged with any wrongdoing.

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