

Insider Trading

Insider trading matters often turn on whether alleged information was material and non-public, how and when the market incorporated it into a security's price, and whether challenged trades are economically consistent with the alleged information. Brattle provides the economic analysis and expert testimony needed to evaluate these issues throughout investigations, enforcement actions, and litigation.

KEY AREAS OF EXPERTISE

- **Materiality and price impact**
- **Daily and intraday event studies**
- **Abnormal price change**
- **Confounding information and the total mix of information**
- **Trading patterns and historical benchmarks**
- **Trading plans and alternative motivations**
- **Shadow trading**

Evaluating insider trading allegations requires careful analysis of communications, trading records, total mix of information, market data, and competing explanations must be evaluated.

Brattle brings extensive experience in matters involving the US Securities and Exchange Commission (SEC), the Department of Justice (DOJ), and the Financial Industry Regulatory Authority (FINRA), along with a practical understanding of how regulators and prosecutors develop and test insider trading theories.

Drawing on this experience, our experts analyze the economic questions that arise in insider trading matters, from defining the alleged material nonpublic information and its dissemination to evaluating market reactions, analyzing trading patterns, selecting appropriate event windows, and assessing alleged gains or losses avoided.

Combining these analyses with deep expertise in economics, financial markets, and securities litigation, Brattle provides focused consulting and testimony throughout regulatory investigations, enforcement proceedings, civil litigation, and criminal cases.

THE BRATTLE ADVANTAGE



Applying experience across insider trading investigations and litigation

Brattle's experience across regulatory investigations, enforcement proceedings, civil litigation, and criminal cases informs every stage of our analysis. Our experts understand how allegations are developed, how economic and market evidence is evaluated, and how analytical findings are tested throughout an investigation or litigation. This perspective helps us focus on the questions that matter most to regulators, prosecutors, counsel, and courts.



Assessing market reaction and materiality

Daily and intraday event studies help assess whether the alleged information led to a statistically and economically significant price response. Our analysis considers event windows, benchmark models, information leakage, delayed reactions, market conditions, and confounding news. This work helps determine whether an observed price movement can reasonably be linked to the alleged material nonpublic information.



Analyzing the total mix of information

Our experts analyze the information available to the market before and during the alleged trading period, including public filings, earnings materials, analyst research, news, rumors, industry developments, and macroeconomic information. We evaluate what the market already knew or expected, whether the alleged information added anything new, and whether other information better explains the market response.



Evaluating trading patterns and economic benefit

Brattle analyzes trading records, communications, order and execution data, account history, compensation and vesting information, and relevant market data. The trades at issue are evaluated in the context of prior activity, taking into consideration liquidity needs, diversification, hedging, taxes, existence of trading plans, and other possible factors affecting trading decisions. Brattle also quantifies alleged gains or losses avoided under appropriate alternative assumptions.

REPRESENTATIVE DEFENSE-SIDE EXPERIENCE

Brattle experts have been retained in a range of defense-side insider trading and related securities matters involving alleged trading on material non-public information (MNPI), including purported “shadow trading.”

Brattle experts have:

- Examined the informational environment surrounding corporate announcements and other market events. This work has included determining whether an announcement conveyed information beyond what was already reflected in prior disclosures, analyst commentary, market expectations, and other publicly available sources.
- Conducted daily and intraday event studies, analyzed stock-price and trading-volume movements, and evaluated potentially confounding information to assess whether observed market reactions could reasonably be attributed to the information alleged to constitute MNPI.
- Analyzed transaction-level trading data to evaluate the timing, direction, size, and profitability of challenged trades, comparing trading activity across traders and co-defendants, examining historical trading behavior, testing hypothetical alternative trading strategies, and assessing whether the observed patterns support the alleged theory of misconduct.
- Independently evaluated external calculations of purported ill-gotten gains or losses avoided, as well as the assumptions and methodologies underlying such calculations.

These representative engagements have addressed issues arising at multiple stages of litigation, ranging from pre-litigation exposure analyses to sentencing.

PLAINTIFF-SIDE INSIDER TRADING LITIGATION EXPERIENCE

United States of America v. Telemaque Lavidas

Dr. Jan Jindra provided trial testimony in a 2020 federal criminal case in the Southern District of New York involving an international insider trading scheme in the securities of Ariad Pharmaceuticals, Inc.. He testified on behalf of the DOJ about fundamental trading concepts including long vs. short positions, stocks, options (calls and puts), contracts for difference (CFDs), and explained the concept investment leverage.

He also presented analyses of the coordinated trading patterns of a network of seven traders around three Ariad announcements, the materiality of the announcements, and the profits as well as the losses avoided by the traders. In addition, Dr. Jindra testified about the trading activity of a specific trader and whether that trading around the Ariad announcements was consistent with the trader’s historical trading patterns.

United States v. Donald Blakstad

Dr. Jindra provided trial testimony in a 2021 federal criminal case in the Southern District of New York that involved allegations of insider trading in the securities of Illumina, Inc. He testified on behalf of the DOJ about foundational concepts of securities trading, including the definitions of call and put options, how options derive their value from stock price movements, and the concept of hedging using options as a risk-management strategy.

He also provided evidence related to materiality of price movements around five earnings announcements by Illumina, the flow of money among various accounts used for trading of Illumina securities, and the profits realized around the five earnings announcements. Dr. Jindra explained what blue sheet data is, what information it contains, and whether it showed that the defendant’s trades were executed in New York.

SEC v. Sivannarayana Barama

Dr. Jindra submitted a post-trial declaration on behalf of the SEC in a civil case involving a network of individuals trading around quarterly earnings announcements. Specifically, he analyzed trading in securities of Palo Alto Network around four specific quarterly earnings announcements between November 2016 and August 2017. Dr. Jindra calculated the trading profits in 10 separate accounts of one of the defendants and calculated both realized and unrealized profits.

SEC v. Shaohua (Michael) Yin, Lizhao Su, Zhiqing Yin, Jun Qin, Yan Zhou, and Bei Xie

Dr. Jindra submitted a declaration on behalf of the SEC in a civil case involving a network of individuals trading around announcements of acquisitions or change-of-control transactions. Specifically, he analyzed trading activity in brokerage accounts linked to a network of five defendants. Dr. Jindra's analysis showed that the defendants engaged in coordinated purchases of securities in advance of public announcements of acquisitions or change-of-control transactions involving six public companies.

The declaration also quantified the realized and unrealized profits from the challenged trading and analyzed the defendants' aggregate trading activity and market presence.

Investigations

During his tenure at the SEC, Dr. Jindra assisted with numerous insider trading investigations and litigated matters and performed analyses related to:

- Materiality of the alleged MNPI
- Trading coordination among network of traders
- Shadow trading
- Trading patterns of individual traders
- Profits due to alleged trading on MNPI using large trade blotter datasets

Publications

- 10b5-1 plans
- Informed trading in prediction markets

CONTACT US

Please reach out to our experts below:



Jan Jindra
PRINCIPAL | SAN FRANCISCO
Jan.Jindra@brattle.com
+1.415.217.1050



Erik Johannesson
SENIOR ASSOCIATE | NEW YORK
Erik.Johannesson@brattle.com
+1.781.400.6439

ABOUT BRATTLE

The Brattle Group is a premier global consulting firm specializing in economics and finance. With more than 550 professionals across North America, Europe, and Asia-Pacific, and a distinguished network of leading academics and industry experts, we bring analytical rigor, credibility, and clarity to complex challenges. For decades, clients have trusted Brattle for independent analysis in litigation, energy and financial markets, and regulatory and strategic advisory settings.

For additional information about our experts and services, please visit brattle.com.

Defined by excellence and committed to delivering clarity in the face of complexity.

NORTH AMERICA

EUROPE

ASIA-PACIFIC