NY Trader Charged With $1B Apple Scheme

AP

NEW HAVEN, Connecticut (AP) -- A trader from New York has been charged in a scheme that involved the unauthorized purchase of about $1 billion of Apple stock that wound up costing his Connecticut-based employer $5 million, federal prosecutors said Tuesday.

David Miller, while employed as an institutional sales trader for Rochdale Securities LLC in Stamford, executed a trade to buy 1.6 million shares of Apple Inc. stock in October on a day the company was scheduled to announce earnings, prosecutors said. The scheme was designed so Miller would profit if the stock price rose, but it declined, they said.

A Rochdale customer stated it had ordered only 1,625 shares of Apple, the Cupertino, California-based maker of iPods, iPhones and iPads. Miller falsely claimed that he had made a mistake in ordering many multiples of what was written in a client's order, authorities said.

In telling Rochdale that he was simply executing a customer order, Miller misrepresented that the customer was at risk of loss if the trade proved unprofitable when he knew that it was Rochdale that would bear the risk of loss, prosecutors said.

As a result of the scheme, Rochdale was left holding more than 1.6 million shares of Apple stock, authorities said. It promptly traded out of the position but suffered losses of about $5 million.

Miller was charged with wire fraud. His attorney, Kenneth C. Murphy, declined to comment Tuesday.

Authorities say Miller duped another broker-dealer into taking on a significant short position in Apple stock. Miller convinced the broker-dealer to sell 500,000 shares of Apple stock, falsely claiming that he was trading for the account of a company with which he had no relationship and for which he was not authorized to trade, prosecutors said.

Miller engaged in that part of the scheme to hedge against the large purchase of Apple stock he was executing at Rochdale, prosecutors said. He placed the broker-dealer at risk of sustaining substantial losses, they said.

Miller, 40, appeared Tuesday in U.S. District Court in Bridgeport. He didn't enter a plea and was released on a $300,000 bond. He could face up to 20 years in prison if convicted.

Source URL (retrieved on *08/20/2014 - 4:30pm*):
http://www.impomag.com/news/2012/12/ny-trader-charged-1b-apple-scheme?qt-recent_content=0&qt-digital_editions=0