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## TRADER TRIAL: Rajaratnam Verdict Watch

Interviewer: Scott Cohn, CNBC Anchor

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SCOTT COHN, CNBC ANCHOR: Joining us is Richard Roth, founder of the Roth Law Firm, and Peter Flaherty, president of the National Legal and Policy Center. Excuse me for that. Gentlemen, it's good to talk to you. Mr. Roth, the cynic in me says regardless of what happens to Mr. Rajaratnam, Wall Street isn't going to change, right?

**RICHARD ROTH:** They have twenty convictions of twenty-six people they've indicted. I think Raj is going down, but Wall Street will not change its ways. It hasn't changed its ways since Ivan Boesky and Michael Milkin. I could go through a littany of people. Wall Street is Wall Street. People may do it a little differently, they may be more secure about it, but the bottom line is that Wall Street will not change Wall Street. Raj will not change Wall Street, unfortunately.

COHN: That's the point here. People may be a little bit more discreet. Perhaps you have face-to-face meetings rather than actually, you

know, having these phone conversations that can be so easily taped by the government.

FLAHERTY: Well, perhaps. Don't leave me out of the cynics party. I'm pretty cynical too about what happens on Wall Street, but I do believe that a conviction in this case will be an important step forward. You may argue that it's a small step, but look at who we're dealing with here. We're talking about the highest levels of finance. Rajaratnam was a billionaire and still is. He headed a big hedge fund. He was getting tips from somebody on the board of Goldman Sachs. I think that if billionaires have to worry about eating prison food, I think it will have a huge impact. But surely this is indemmnic. surely –

COHN: I wouldn't say this is the norm, rather than the exception, but I would say that there's a lot of people out doing this kind of thing, right, Richard? Even if he is convicted, do you think, honestly, that people are going to say, oh, I better be more careful, or they'll just keep on going?

**ROTH:** Actually, it's not going to make a difference at all. Rajad Gupta, who is on the board of directors of Goldman Sachs who actually fed the information to Raj is not even indicted, nor convicted. He is an unindicted co-conspirator. There are people out there who are alleged tippers who are not even targets -- the government -- how strong of a message is it when someone like Mr. Gupta gets a free pass.

**FLAHERTY:** They don't have the goods yet on Gupta. If they did, they would pursue this.

**COHN:** Let me ask you, Richard, if there was no conviction in this case? Won't it open up the floodgates to all kinds of insider trading and winking and conversations over the phone?

**ROTH:** I strongly hope that there's a conviction. For one thing, it will make people more aware of what they say on the phone.

**COHN:** Will it change policies or rules and regulations? Not that we need more of those, but, nonetheless, do you think it's going to lead to increased calls for a change in the system, Richard?

**ROTH:** It's not going to change policies or have an impact. Whoever is doing it is either a thief or a fool, and they're not going to change their ways. Everyone is going to say, you know, Raj was stupid because there were forty tape-recorded conversations. I'm going to do it differently. I'm telling you, for years this is an age-old discussion. This is not going to change anything. It's an age-old discussion.

**COHN:** There are economists like the late Milton Friedman who said insider trading should be legal. For the time being it's not, and whether, Richard, you think it has much of an impact or not, I think the justice department and the S.E.C. has to pursue these cases.

They've had these nickel and dime cases with where people make \$100,000. They go to prison. This is fraud at the highest levels of finance. It's critically important that these prosecutions take place. You know, with the 2008 financial meltdown, they couldn't prove any criminal conduct. Look at the whole Madoff affair. Just because something is so obvious, it doesn't mean that either the government nor the S.E.C. are going to be able to catch it, so, Richard, just assuming that because there were messages that were so explicit and seemingly so damning to Mr. Rajaratnam doesn't mean anything if the government can't (A) catch it, and (B) prosecute it.

**ROTH:** Maybe it does have an impact. If nothing else, it is a shot in the arm. Let's be clear. There's no question and I do agree with you that the government should go after these people and should indict and should try to convict. Twenty out of twenty-six is not bad, but my point going back to your first question is I don't think it's going to make a difference.

**COHN:** What should we do, Richard? Abolish the capitalist system? Abolish the stock market? What's your solution?

**ROTH:** Not at all. The government can keep doing what it's doing because the people who are indicted will be convicted, and if you know there's a chance of that, I think people will go about doing it in a different way.

**FLATTERY:** What makes you think it would make a difference? Should insider trading be made legal? I don't think so, but it's a moot moot point. At the time being it's illegal, and it should not only apply to the printers at businessweek that were trading ahead of the magazine coming out. It also should apply to billionaires like Rajaratnam.

**COHN:** Same question to you then, Richard.

Oh -- should insider trading be made legal?

**ROTH:** No, we agree on that. It should stay the way it is. They should keep convicting. I think the government is doing a great job. I think it's fantastic. The problem is, will it impact Wall Street? I think, unfortunately, people will do what they do notwithstanding what the government does in this case. I'll continue to get calls.

COHN: What does the jury come back with?

**ROTH:** I think he gets convicted. I think he gets convicted for insider trading. There's forty tape-recorded conversations.

FLAHERTY: I think he does get convicted. He was paying somebody \$1 million a year into an off shore account in cash for his inside tips.

COHN: All right. We should see. Gentlemen, Thank you. Thank you very much.

**Footage of the actual interview can be found at:**  
<http://video.cnbc.com/gallery/?video=3000018337>

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