

Rise and fall of Raj and Rajat

By [Frank Islam](#) | [International Business Times](#) November 2, 2011

WASHINGTON, DC: A high-profile insider trading case, which has already resulted in the fall of one of the richest South Asian Americans, is threatening to bring down an iconic figure within the community.



Rajat Gupta, who was arrested last Wednesday for providing insider information to his billionaire friend Raj Rajaratnam, is now fighting to not just save his reputation, but also to stay out of jail. Rajaratnam was sentenced to a 11-year prison term after he was found guilty by a New York jury this past summer.

Separately and taken together, the tales of Gupta and Rajaratnam are gripping, with all the ingredients of a Shakespearean drama. The two protagonists are brilliantly endowed with gifts that brought them great success in their adopted land. Gupta reached the pinnacle of his profession, while Rajaratnam amassed untold riches through hard work and by seizing the opportunity this country provided. But they both seem to have flaws, grave enough to cause their downfall from stratospheric heights.

Also at the center of the Gupta-Rajaratnam story are such enduring human characteristics as greed, friendship, loyalty and betrayal, subjects up on which epics are based.

Gupta, son of a journalist and graduate of the elite Indian Institute of Technology and Harvard Business School, was a trailblazer in many ways. By the time he was 46, the Indian American was heading McKinsey and Co., the first executive born outside the United States to become the managing director of the global consulting giant. Over the years, he was associated with some of the best-known corporate brands and nonprofit groups, such as Goldman Sachs and Procter and Gamble and Gates Foundation.

Wharton alum Rajaratnam founded and headed a hedge fund company that, at its peak, was managing more than \$7 billion. The Sri Lankan American was considered an investment superstar until he got mired in the insider trading controversy. He was once the 236th richest man on the planet, according to Forbes.

Then they both would become the targets of the most expansive investigation the US government has ever launched. Last month, Rajaratnam was sentenced to 11 years in prison. And within two weeks, Gupta, who had successfully fought off a civil case last summer, would be charged criminally for insider trading.

The facts of the Gupta case are simple.

The prosecution alleges that Gupta provided inside information about two companies on whose boards he served — Goldman Sachs and Procter and Gamble — to Rajaratnam, who traded on the tips and made millions.

Gupta disputes that the communication between the two amounted to sharing inside information. He also claims that he did not materially benefit from any of the so-called tips he provided to Rajaratnam. On the other hand, his defense points out that Gupta has suffered huge financial losses in his dealings with Rajaratnam.

Those who know Gupta vouch for his personal integrity and decency. However, there is no denying the fact that the prosecution has a somewhat strong case against the former McKinsey chief. Insider information cases almost always result in convictions or plea bargains. The prosecution doesn't usually bring charges unless it is quite certain that it has a strong case.

And in this case, the circumstantial evidence appears to be strong. The indictment says Gupta telephoned Rajaratnam, with whom he had a business relationship, immediately after a Goldman board meeting that approved a \$5 billion investment by Warren Buffet. Immediately after the call, Rajaratnam purchased Goldman stocks, which he sold the next day cashing in close to \$900,000.

The fact that it has already secured a conviction against Rajaratnam is going to make the Gupta defense team's task very difficult. Although it is hard to speculate the precise nature of the evidence that will be presented if the case goes to trial, it is clear from the indictment that some of the materials the government used against Rajaratnam will be used against Gupta as well.

As intriguing as the facts of the case are some of the elements surrounding it. That both Rajaratnam and Gupta are South Asian American elites and that several of their associates who have been convicted are also from the community have not gone unnoticed in the media, though it is not particularly relevant from a legal standpoint.

Their friendship, which the prosecution is certain to play up during the trial, is another absorbing aspect of the case. So far each man has refused to cooperate with the government against the other even though each could have strengthened his own legal standing by doing so.

Back in March, when Gupta was charged in a civil case by the Securities and Exchange Commission, he had a chance to settle the case. That would have amounted to him giving evidence against Rajaratnam in the latter's trial.

In a recent Newsweek story, Rajaratnam indicated that he had refused to help the FBI gather evidence against Gupta, whom he referred to as a "first-class guy."

But loyalty, or greed — which is what insider trading is all about — is not what defines the case, in the world of Rajaratnam.

In the same Newsweek story, by well-known writer Suketu Mehta, Rajaratnam attributes his downfall to the seduction and betrayal by “people from India.” Among the many government witnesses who testified against him were his former Indian American colleagues.

Such reasoning, no doubt, masks his own culpability. Rajaratnam was undone by his greed and penchant for not adhering to the rules — he had “knack for gaming the system,” as Forbes described in a profile. In the case of Gupta, it maybe his carelessness — at best — or greed and refusal to play by the rules, at worst. (Global India Newswire)

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