

Pastor on Trial in Massive \$20M Insider Trading Case

Nearly three years after federal prosecutors unveiled a landmark case charging nine people with trading on inside information stolen through computer hacking, a trial of two of the defendants began on Tuesday.

Jurors in Brooklyn federal court heard opening statements from prosecutors and from lawyers for Vitaly Korchevsky, 53, and Vladislav Khalupsky, 47, who stand accused of making close to \$20 million by trading stocks based on corporate press releases stolen by hackers before they were released to the public. They face charges including securities fraud and conspiracy.

The case, unsealed in August 2015, marked the first time criminal charges have been brought for a securities fraud scheme involving hacked inside information.

"This is a case about stealing and cheating," Assistant U.S. Attorney David Gopstein, one of the prosecutors, told the jurors.

Korchevsky, a Pennsylvania pastor and former Morgan Stanley vice president, and Khalupsky got information stolen by Ukraine-based hackers from financial newswires through an international network of conspirators, Gopstein said. He said their scheme continued for years.

Korchevsky was arrested at his home in 2015, Gopstein said. Khalupsky was arrested in Ukraine and extradited.

Gopstein told jurors that prosecutors would prove their case using electronic communications, trading records and testimony from witnesses who took part in the scheme themselves.

Those witnesses are expected to include Arkadiy Dubovoy and his son Igor Dubovoy, who have pleaded guilty to related charges and agreed to cooperate with prosecutors.

Lawyers for both Korchevsky and Khalupsky told jurors that their clients had been unwitting dupes of the Dubovoys. Steven Brill, representing Korchevsky, said his client made money ahead of company earnings reports based on his own research.

Brill said Korchevsky did sometimes trade at the direction of Arkadiy Dubovoy, but did not know they were based on stolen information. He said Dubovoy saw Korchevsky as “someone he could keep in the dark.”

“Arkadiy knows that Vitaly is a well-respected minister, and would never agree if he knew the source of the information,” Brill said.

LaKeytria Felder, representing Khalupsky, also attacked the Dubovoys’ credibility, saying they would lie to “protect their inner circle and to protect themselves.”

She said they Khalupsky also knew nothing of the illegal hacking.

“The Dubovoys were using him and his company as an unknowing pawn in their scheme,” she said.

Jurors are expected to begin hearing testimony from witnesses early on Wednesday. {eoa}

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