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Mass. Man Gets Home Detention For Market Manipulation

By **Elliot Weld**

Law360 (December 2, 2022, 3:27 PM EST) -- A Weymouth, Massachusetts, man was sentenced to time served and nine months of home detention Thursday after he was accused of participating in a scheme to artificially throttle the prices of securities on multiple markets.

Jiali Wang, 44, pled guilty in August to conspiracy to commit securities fraud. Along with the home confinement, Wang was ordered by U.S. Senior District Judge William G. Young to forfeit \$7.75 million in alleged illicit proceeds.

Wang served three months in prison during the case, according to prosecutors. The time-served and home confinement sentence was agreed upon in his plea deal.

Prosecutors alleged that from 2013 to 2018, Wang and others conspired to manipulate stock prices on the New York Stock Exchange, NASDAQ, and Chinese exchanges. They allegedly used multiple brokerage accounts to repeatedly place small orders to give a false impression of a security's supply or demand and depress or inflate its price. They would then place a large order on the other side of the market to profit from the manipulation, then cancel the outstanding orders, prosecutors said.

"The defendants used at least two brokerage accounts (and often more than two) to manipulate the price of a particular publicly traded stock," an affidavit says. "The stocks they targeted were 'thinly traded,' meaning that overall trading volume was relatively low."

Wang and his co-conspirators allegedly held the accounts with different brokerage firms to conceal the trade activity between them. They opened accounts at American brokerages in his name and the names of at least a dozen others and at least one entity that Wang controlled, the affidavit says. Prosecutors say the scheme consisted of placing orders on securities approximately 3,900 times.

One example given in the affidavit was on Jan. 4, 2016, when Wang and others allegedly manipulated the price of Global X Gold Explorers ETF on the New York Stock Exchange. Over the course of the day, the accounts in question generated about \$3,500 in illicit profit, the affidavit says.

Another came on Jan. 21 of that year, when the price of CHS Inc. was manipulated on NASDAQ. Due to the activity from the co-conspirator's brokerage accounts on that day, they raked in about \$26,000 in illicit profits, the affidavit says.

Prosecutors requested forfeiture of \$8.2 million, saying the co-conspirators worked for Wang's companies in China and generated at least that much in profit over the course of the scheme. Wang was considered by prosecutors to be the ringleader of the scheme, but they acknowledged that his lack of criminal history, the fact that he was not part of an American financial institution with compliance training, and the time he has spent away from his family during the case, were mitigating factors.

Wang's attorneys argued in a memorandum that the government's calculation of loss amount was flawed because it included securities that were not "thinly veiled" and highlighted Wang's acceptance of responsibility and "admirable" life up to this point.

"This was the first securities case based on 'spoofing' that was brought as a criminal prosecution in the district. The agreed-upon sentence recognized that the case was outside the heartland of the gain/loss centric fraud guideline and was fully consistent with sentences imposed in similar cases around the nation and that Mr. Wang, a Chinese citizen with no criminal record, had already been

separated from his family for over 3 years since his October 2019 arrest," Wang's attorney, Martin G. Weinberg, wrote in an email Friday. "We greatly respect Judge Young's exercise of sentencing discretion."

The government is represented by James R. Drabick of the Massachusetts U.S. Attorney's Office.

Jiali Wang is represented by Martin G. Weinberg, William H. Connolly and Maksim Nemtsev.

The case is USA v. Wang, case number 1:22-cr-10123 in the U.S. District Court for the District of Massachusetts.

--Editing by Peter Rozovsky.