



Ex-State Street Exec Faces New Charge Of Bilking Insurer

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Law360 (February 7, 2018, 8:53 PM EST) -- Prosecutors on Wednesday added to a charge in a case against a former executive at [State Street Corp.](#) saying he duped a U.S. insurer into paying a hidden commission on fixed income trades just as he had overseas clients.

Ross McLellan, a former executive vice president at State Street, was charged in 2016 with defrauding clients overseas by adding hidden commission when moving or liquidating large portfolios, a service known as transition management. Two U.K.-based State Street employees were later charged and pled guilty.

Prosecutors claim McLellan conspired with Edward Pennings and Richard Boomgaardt to overcharge transition management clients including pension funds in Ireland and the U.K. and a sovereign wealth fund in the Middle East. The government claims the scheme amounted to securities fraud and conspiracy.

The charge added on Wednesday is based on allegations around State Street's business handling a transition for funds advised by an unnamed U.S. insurer.

According to the superseding indictment, McLellan instructed two Boston-based traders to charge a higher percentage than the insurer had bargained for, netting the traders \$700,000 in secret commission.

The superseding indictment against McLellan adds a domestic element to a case dominated in the pretrial stage by McLellan's fight to secure evidence and witnesses that reside in other countries.

McLellan has sought to have prosecutors request evidence from Ireland and the Netherlands on his behalf. McLellan argues that the countries' Mutual Legal Assistance Treaties with the U.S. — agreements ordinarily used by prosecutors to share leads and evidence in criminal cases — can and should be used to get foreign authorities to help produce evidence.

The former State Street executive seeks evidence that would show what the Irish pension fund understood about State Street's charges, and [to depose](#) a [Clifford Chance](#) associate in the Netherlands.

McLellan's counsel Martin G. Weinberg told Law360 the new claim does not change the defense position.

“We have compelling legal and factual defenses to today's supplemental allegation. Mr. McLellan is unwavering in his assertions of innocence and his intention to go to and prevail at trial,” Weinberg said.

A spokeswoman for the U.S. attorney's office did not reply to a request for comment made after hours on Wednesday.

The government is represented by Assistant U.S. Attorneys Stephen Frank and Aisling O'Shea. McLellan is represented by Martin G. Weinberg of Martin G. Weinberg PC.