

US chemist pleads guilty to insider trading

The Associated Press

A chemist with the Food and Drug Administration pleaded guilty Tuesday to using a confidential drug database to earn nearly \$3.8 million by trading the stock of companies with new drug applications.

Cheng Yi Liang, a chemist who has worked for the FDA since 1996, acknowledged using the database to find out when the FDA would make announcements regarding new drugs and what the agency's decision would be. In some cases, when an application was about to be approved, he would buy shares of the company's stock. When the stock went up after the drug's approval was announced, Liang would sell the stock at a profit.

Court documents say that between 2006 and 2011, Liang purchased and sold stock in more than 25 companies using insider information.

Liang, 57, agreed as part of his guilty plea to forfeit the money he earned in the scheme.

He declined to comment following a hearing in federal court in Greenbelt, Maryland, where he pleaded guilty to insider trading and making a false statement by failing to disclose his illicit profits on an FDA financial disclosure form. His attorney, Andrew Carter, said his client has submitted his resignation to the FDA.

Liang was originally charged in March along with his son Andrew Liang. At the time, prosecutors said the scheme involved approximately \$2.3 million and that father and son used the money to pay for travel and buy new cars. Liang's son pleaded guilty to possessing child pornography at the end of September, but prosecutors dropped the insider trading charges.

Liang faces a maximum of 20 years in prison and a \$5 million fine for insider trading. He also faces five years in prison and an additional fine for making a false statement. Federal sentencing guidelines suggest, however, that he will likely receive around five to seven years in prison when he is sentenced Jan. 9.

A separate civil lawsuit filed by the Securities and Exchange Commission against Liang also appears to be wrapping up. A lawyer for the SEC said in a court document filed in early October that Liang had reached an "agreement in principle" that if approved by the commission would resolve the lawsuit. The SEC said it expected the review of that agreement to take 45 days.

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