October 10, 2013 /**24-7PressRelease**/ -- Illegal insider trading harms investors at all levels

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Earlier this fall, a former employee of wealth management firm, Morgan Stanley, pled guilty in federal court to illegal insider trading. According to the U.S. Attorney prosecuting the case, the man conspired to commit securities fraud by passing along non-public information to a childhood friend about a pending corporate takeover. Based on the illegal tip, the friend and another person gained over $750,000 in illegal profit.

Insider trading is not always illegal. For instance, when corporate executives buy or sell stock in their own companies, it is considered an inside trade. Additionally, trading based on publicly known information is also allowed.

However, when an outside person -- such as an investment broker or an employee of a brokerage firm -- learns of an event that can affect a company's stock price, making a trade based on that non-public information is illegal. Passing along that knowledge to others, knowing they will invest or trade based on the information, is also illegal.

Why risk it?

The Morgan Stanley financial advisor faces up to five years in prison and a fine of $250,000 for his misconduct. Receiving a payoff of just $35,000 for providing the tip to his friend, many wonder why he -- and others like him -- take the risk.

Many accused of illegal trades make the mistake of thinking their illegal acts are too small to matter. When a trader is used to handling hundreds of millions of dollars each year, a single trade of tens of thousands of dollars -- or even one or two million -- does not seem like that much money.

Martha Stewart avoided a loss of merely $45,000 after receiving an inside tip from her investment advisor in 2004. However, after she lied to investigators about the single trade and ended up in jail, stock in her company plummeted, causing millions of dollars of net losses to her empire. Just the penalties she incurred in a subsequent civil lawsuit cost her nearly $200,000.

Like Stewart's case, some of the most prominent cases brought by the Securities Exchange Commission (SEC) are against wealthy people who gain very little from their illegal activities. However, what may seem minor to a millionaire may be the lifesavings for an average investor. The SEC enforces strict rules in order to protect investors, attempting to create fairness in the market. Unfortunately, the SEC and prosecutors' efforts do not always work.

A lawyer can help

If you suffer losses due to illegal activities by a broker, consult an experienced securities litigation attorney. A lawyer knowledgeable about investment fraud, misrepresentation and wrongful or inappropriate investments may be able to help you obtain justice.