

US man arrested in hacker stock fraud scheme

March 21 2011



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Christopher Rad, 42, of Cedar Park, Texas, was arrested by FBI agents on a federal indictment charging him with one count of conspiracy to commit securities fraud and transmit commercial [email messages](#) with fraudulent information.

The scheme employed hackers, including at least one in Russia, to

distribute computer viruses to infect computers around the world and create so-called "botnet" computers that were used to manipulate stocks, a Justice Department statement said.

"In addition to relying on unsuspecting investors to buy into the [spam](#) promotions, the hackers also hacked into the brokerage accounts of third parties, liquidated the stocks in those accounts, and then used those accounts to purchase shares of the manipulated stocks," the statement said.

"This created trading activity in the manipulated stocks and increased the volume of shares being traded, further creating an impression that the manipulated stocks were worth purchasing."

Rad is the second person charged in the so-called "pump and dump" scheme.

James Bragg, 42, pleaded guilty on October 20 to charges linked to his role in hiring botnet operators and engaging in mass email campaigns to pump up the value of stock prior to dumping shares, the Justice Department said.

The scheme began as early as November 2007 and continued through February 2009, and allowed the perpetrators to gain control of so-called "penny stocks" which were not traded on major exchanges.

In some cases, the conspirators would trade the stock among themselves to give the impression of trading volume to increase market interest.

The conspiracy count with which Rad was charged carries a maximum potential penalty of five years in prison and a \$250,000 fine.

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Citation: US man arrested in hacker stock fraud scheme (2011, March 21) retrieved 25 April 2024 from <https://phys.org/news/2011-03-hacker-stock-fraud-scheme.html>

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