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NEWSLETTERS

# Feds Seek 14 Years For Russian In \$98M Hack-And-Trade Case

By [Chris Villani](#) · [Listen to article](#)

Law360 (August 3, 2023, 1:42 PM EDT) -- Federal prosecutors said that an "unrepentant" Russian national who allegedly orchestrated one of the largest hack-and-trade operations in history should spend 14 years in prison, while his lawyers argued for no more than three years and said the government was overstating his supposed role in the scheme.

The sides made their sentencing recommendations Wednesday after a Boston jury [convicted](#) Vladislav Klyushin in February of working with a group of fellow Russians to hack into two firms that prepare quarterly earnings reports for a vast array of companies, and then trading on the insider information to the tune of nearly \$100 million in profits.

Prosecutors say a stiff sentence is needed for Klyushin, both to punish him and to deter other would-be overseas cybercriminals who might "prey on our financial markets and digital lives."

"Klyushin stands convicted of the most significant hacking and trading scheme in American history, and one of the largest insider trading schemes ever prosecuted," the government said in its [sentencing memorandum](#).

"As he awaits sentencing, Klyushin remains unrepentant, flush with nearly all of the gains from his offense, and, regrettably, the only member of the conspiracy likely to be apprehended and held accountable for these crimes," prosecutors said.

The other alleged schemers are still at large in Russia, which prosecutors pointed out is a nation that "rarely, if ever" cooperates with American authorities on cybercrime investigations involving its citizens.

The government argued that Klyushin used his share of the ill-gotten gains to buy a yacht, fancy cars and pricey real estate, and take exotic vacations, one of which led to his arrest.

"Klyushin was arrested through dogged law enforcement efforts and a bit of luck, having landed in Switzerland aboard a private jet, where a helicopter waited to whisk him away to an exclusive ski vacation in the Alps," the government said.

But Klyushin's attorneys said their client is a devoted family man and a good friend who has spent much of his life helping others in need. They also said prosecutors have inflated his supposed role in the conspiracy.

"There was no evidence that Mr. Klyushin possessed or reviewed any undisclosed earnings reports or that he ordered anyone to buy or sell a particular stock based on undisclosed earnings reports," Klyushin's [memorandum](#) states, arguing that the government's calculated gain of \$98 million in profits from the conspiracy unfairly pins everything on him when some of his cohorts were making trades before and after his alleged involvement.

They said Klyushin was a leader of the scheme "in title only."

"As detailed above and argued at trial, Mr. Klyushin did not direct or devise any unauthorized intrusions — which started as early as September 2017 — a time when Mr. Klyushin did not know Mr. Ermakov and did not have a trading account," Klyushin's lawyers argued, referencing Ivan Ermakov, an alleged co-conspirator and an employee of Klyushin's Moscow-based information technology company.

"Similarly, while Mr. Klyushin provided his own funds for trading and solicited additional funds from investors, there was no evidence that he ever obtained or reviewed an undisclosed earnings report or that he directed the specific transactions at issue in this case," the defense argued.

Klyushin was charged with hacking into [Donnelley Financial Solutions](#) and Toppan Merrill LLC several times in October and November 2018 to steal unreleased earnings reports.

Prosecutors say the two firms incurred \$8.2 million in costs after discovering they had been hacked and argued that Klyushin should pay that cost along with a \$5 million fine and \$36.6 million in forfeiture. They asked that U.S. District Judge Patti B. Saris also take into account that when he is released from prison, Klyushin will go back to Russia and will have \$12.5 million in assets waiting for him.

Judge Saris is scheduled to sentence Klyushin on Sept. 7.

Both Klyushin's attorney and a government representative declined to comment when reached Thursday morning.

At trial, prosecutors said Klyushin and the others traded almost exclusively on earnings reports during the period in which the hacks took place and had astounding success that outpaced the rest of the market by an exponential margin.

Klyushin said the government focused on him because he's a convenient target due to his wealth and the fact that he owned an information technology company that provides media monitoring and cybersecurity for the Russian government.

The government is represented by Seth Kosto and Stephen E. Frank of the [U.S. Attorney's Office for the District of Massachusetts](#).

Klyushin is represented by Maksim Nemtsev of the Law Offices of Martin G. Weinberg PC, and Marc Fernich.

The case is U.S. v. Klyushin et al., case number [1:21-cr-10104](#), in the [U.S. District Court for the District of Massachusetts](#).

--Additional reporting by Brian Dowling. Editing by Alyssa Miller.

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### Case Number

[1:21-cr-10104](#)

### Court

Massachusetts

### Nature of Suit

### Judge

[Patti B. Saris](#)

### Date Filed

April 06, 2021

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- [Martin G. Weinberg Attorney at Law](#)

### Companies

- [Donnelley Financial Solutions Inc.](#)

## Government Agencies

- [U.S. Attorney's Office for the District of Massachusetts](#)
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