

Russian tech tycoon convicted in \$90 million insider trading and hacking scheme

Federal jury in Boston finds Vladislav Klyushin, who had ties to the Russian government, guilty of all counts

By **Shelley Murphy** Globe Staff, Updated February 14, 2023, 8:22 p.m.



Vladislav Klyushin's Russian Ministry of Defense ID. VIA BLOOMBERG

The owner of a Russian technology company with ties to the Kremlin was convicted Tuesday of running an international scheme in which he hacked into computers in the United States, downloaded confidential earnings reports of hundreds of companies, and used that information to illegally make nearly \$90 million trading stocks.

After a two-week trial in US District Court in Boston and 10 hours of deliberations over three days, a jury found Vladislav Klyushin, a 42-year-old millionaire, guilty of conspiracy, wire fraud, unauthorized access to computers, and securities fraud.

Dressed in a dark navy suit, Klyushin looked solemn as he stood beside his lawyers, listening through headphones as a Russian interpreter translated the verdict.

US District Judge Patti B. Saris set a May 4 sentencing date for Klyushin, who has been in custody since he was arrested in Switzerland nearly two years ago at the request of US authorities, then extradited to stand trial in Boston, where at least one computer address involved in the hacking was based and where the charges were filed.

Prosecutors have said he could face more than 20 years in prison, but defense lawyers said federal guidelines weren't clear on how long his sentence might be.

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“The jury saw Mr. Klyushin for exactly what he is — a cybercriminal and a cheat,” US Attorney Rachael Rollins said in a statement. “This case demonstrates the Department of Justice’s commitment to protecting our financial markets and computer networks by aggressively pursuing those who seek to profit unfairly through intrusive cyber-attacks.”

Klyushin’s attorneys, Maksim Nemtsev and Marc Fernich, said they planned to appeal the verdict based on a number of issues, including the testimony of a government expert who told jurors that the odds were “one in a trillion” that Klyushin’s lucrative stock trades were made without insider information.

Nemtsev said the expert’s testimony was “inflammatory” and led jurors to believe that the probability of achieving Klyushin’s success rate in the stock market “would be harder than getting hit by a lightning bolt and winning the lottery at the same time.”

Klyushin’s name surfaced last year as part of a potential prisoner swap for American basketball star Brittany Griner and former US Marine Paul Whelan. Though Griner was released in December in exchange for convicted Russian arms dealer Viktor Bout, Whelan, who maintains his innocence, remains imprisoned in Russia, serving a 16-year sentence on a charge of espionage.

After the verdict was announced, Klyushin’s lawyers said they were unaware of any potential prisoner swap involving their client.

The defense had argued that Klyushin, who grew up poor in Russia and worked his way through law school and business management school, was financially successful long before he engaged in a single stock market trade. His

Moscow-based company, M-13, employs more than 300 people and provides media monitoring services and cyber security testing to private and public entities, including the Russian government.

But prosecutors alleged that between 2018 and 2020, Klyushin and two other Russian nationals who worked for his company hacked into computer networks of Donnelley Financial Solutions and Toppan Merrill, two firms that publicly traded companies use to make filings to the Securities and Exchange Commission. They are accused of downloading earnings reports of many companies — including Tesla, Snap, Kohl's, and HubSpot — before they were made public and using that information to make stock trades.

His two codefendants remain in Russia, including Ivan Ermakov, a former Russian military intelligence officer who was previously indicted in 2018 for two alleged computer hacking schemes — one involving the 2016 US presidential election and the other targeting antidoping agencies and officials.

Two other men accused of being investors in the insider trading and hacking scheme are charged in a separate indictment and also remain in Russia.

During closing arguments Friday, Assistant US Attorney Seth Kosto told jurors that Klyushin's company advertised its ability to simulate cyber attacks to help clients identify vulnerabilities in their computer systems, then used those same techniques to hack into US computer systems. Klyushin opened his first brokerage account in July 2018 and made millions of dollars by buying and selling stocks based on stolen information, prosecutors alleged.

Hacking became “the secret sauce” that helped Klyushin become “the G.O.A.T. of earnings trading, the greatest of all time,” Kosto said.

A senior financial economist with the SEC testified that 96 percent of Klyushin's stock trades involved companies that filed their reports with Donnelley Financial and Toppan, the two servicing companies that were hacked. Prosecutors allege that Klyushin stopped making money after the hackers were locked out.

The scheme netted a profit of about \$90 million on about \$9 million in investments, while Klyushin personally earned more than \$38 million, prosecutors alleged.

In his closing remarks, Nemtsev described Klyushin as "a good man" who was falsely accused and is eager to return home to his wife and five children. He argued that his client's stock market success was based on research and market analysis, and that he was targeted by the US government because his IT company provides media monitoring and cybersecurity services to the Russian government.

"They predetermined that a hack means that it must have come from Russia, regardless of whether it's true or not," Nemtsev said.

Klyushin was arrested in March 2021 at the request of US officials when he arrived in Switzerland on a chartered jet for a vacation at a nearby ski resort. Swiss authorities extradited Klyushin to the United States nine months later, rejecting the Russian government's request to send him home instead.

He has been held without bail at the Plymouth County jail since December 2021. A federal judge refused to set bail, saying he's a serious flight risk. He owns property in London and Russia and has access to private planes, helicopters, and a 77-foot yacht he purchased for nearly \$4 million.

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