

Raj Rajaratnam

Raj Rajaratnam (**Tamil:** ராஜ் ராஜரத்தினம்; born June 15, 1957) is a [Sri Lankan American](#) former hedge fund manager and billionaire founder of the [Galleon Group](#), a New York-based [hedge fund](#) management firm.^{[3][4]} On October 16, 2009, he was arrested by the [FBI](#) on allegations of [insider trading](#), which also caused the Galleon Group to close.^[5] He stood trial in *U.S. v Rajaratnam* (09 Cr. 01184) in the [United States District Court for the Southern District of New York](#), and on May 11, 2011 was found guilty on all 14 counts of conspiracy and securities fraud.^{[6][7]} On October 13, 2011, Rajaratnam was sentenced to 11 years in prison^[8] and fined a criminal and civil penalty of over \$150 million combined.^[9]

As of January 14, 2013 Rajaratnam is incarcerated at [Federal Medical Center, Devens](#) in [Ayer, Massachusetts](#), an administrative facility housing male offenders requiring specialized or long-term medical or mental health care. Rajaratnam's release date is July 4, 2021.

Background and career

Rajaratnam is an ethnic [Sri Lankan Tamil](#) born in [Colombo](#) in the [Dominion of Ceylon](#), present-day Sri Lanka. His father was the head of the [Singer Sewing Machine Co.](#) in South Asia.^[10] According to the newspaper *The Island*, he attended [S. Thomas' College, Mount Lavinia](#), though other sources say he attended [S. Thomas' Preparatory School, Kollupitiya](#).^{[11][12]} Rajaratnam's family emigrated to England in 1971, "sensing that the [post-independence Sri Lankan ethnic] situation would get more violent".^[13] Rajaratnam attended [Dulwich College](#) in London^[14] and later studied engineering at the [University of Sussex](#), and then earned an [M.B.A.](#) from the [Wharton School of the University of Pennsylvania](#) in 1983.^[10] He is married with three children and maintains residences in [Connecticut](#), New York, [Georgetown \(DC\)](#) and Florida.

According to [Forbes](#) magazine, Rajaratnam is a self-made billionaire hedge fund manager. He was the 236th richest American in 2009, with an estimated net worth of \$1.8 billion.^[14] He was the

Raj Rajaratnam	
Born	June 15, 1957 (age 57) ^[1] Colombo , Dominion of Ceylon (now Sri Lanka)
Ethnicity	Sri Lankan American
Citizenship	American
Alma mater	Wharton School of Business (MBA)
Occupation	Hedge fund manager
Net worth	\$1.8 billion (2009) ^[2]
Spouse(s)	Asha Pabla
Children	3
Relatives	Rengan Rajaratnam Ragakanthan Rajaratnam

262nd richest American in 2008, with an estimated net worth of \$1.5 billion.^[15] In 2009 he was the richest Sri Lankan-born individual in the world.

Rajaratnam started his career as a lending officer at [Chase Manhattan Bank](#) where he specialized in business loans to technology companies. He joined the investment banking boutique [Needham & Co.](#) as an analyst in 1985, where he focused on the consumer electronics industry. He rapidly rose through the ranks, becoming the head of research in 1987 and the President in 1991, at the age of 34.^[16] At the company's behest, he started a hedge fund – the Needham Emerging Growth Partnership – in March 1992, which he later bought and renamed [Galleon](#).

His [hedge fund](#) was valued at \$3.7 billion in 2009, down from a peak of \$7 billion in 2008. According to a 2009 investor letter his \$1.2 billion Diversified Fund had a net annualized return of 22.3%.^[16] Rajaratnam has been featured among the elite US money managers in a book called *The New Investment Superstars*. Initially, Rajaratnam primarily invested in technology and healthcare companies. He said that his best ideas came from frequent visits with the companies in which he invested and from conversations with executives who invested in his fund.^[17]

After Rajaratnam's arrest, Galleon received requests from its investors for the withdrawal of \$1.3 billion, which caused the fund to close.^[18] In a letter dated October 21, 2009, Rajaratnam informed his employees and investors that he intended to wind down all the hedge funds of the [Galleon Group](#). Investors received the full balance of their initial investments, plus profits, in January 2010.^[19]

Contributions to charitable and political organizations

In November 2009, Rajaratnam pledged to donate \$1 million to help with the rehabilitation of the [LTTE](#) combatants.^[20] He has donated generously to clear land mines in the war-affected areas in Sri Lanka. He recalled his visits to the mine-impacted areas of [Sri Lanka](#) and underscored the humanitarian toll that mines have taken. Recalling his encounter with a young child in [Kilinochchi](#) who had lost both legs to a land mine, Rajaratnam stated that this particular image that is etched in his memory “made it an easy decision to write the check.”^[21] He helped Sri Lankans recover after the 2004 Tsunami.^[22] Mr. Rajaratnam was also a contributor to various causes that promoted development in the Indian subcontinent and programs that benefited low income South Asian youth in the New York area.

According to the [Federal Election Commission](#), Rajaratnam has made over \$118,000 in political contributions in the past five years.^[23] He has also contributed to the [Democratic National Committee](#) and various campaigns on behalf of [Barack Obama](#), [Hillary Rodham Clinton](#), [Charles Schumer](#), and [Robert Menendez](#).^[23]

Controversy

Rajaratnam has contributed \$3.5 million to the [Tamils Rehabilitation Organisation](#) (TRO), a group whose assets were frozen by the USA due to its alleged close connections to the [Tamil Tigers \(LTTE\)](#) which are proscribed as a terrorist organization in 32 countries.^{[24][25][26]} TRO's offices were raided by the FBI in 2006 but the organization was never charged with any wrongdoing.^[27]

The [Sri Lankan government](#) has stated that Rajaratnam had contributed for several years of the [Sri Lankan Civil War](#) to the LTTE with millions of US dollars and that, as a consequence, he was under investigation in [Sri Lanka](#).^[28] However, the senior military official could not give specific details about the alleged contributions to the LTTE. Rajaratnam had recently pledged a \$1 million to rehabilitate former LTTE combatants.^[20]

Conviction and imprisonment for insider trading

On Friday October 16, 2009, Raj Rajaratnam was arrested by the [FBI](#) and accused of conspiring with others to engage in [insider trading](#) in the stock of several publicly traded companies. U.S. Attorney [Preet Bharara](#) put the total profits in the scheme at over \$60 million, telling a news conference that it was the largest hedge fund insider trading case in United States history.^{[51][29]} Jim Walden, an attorney for Mr. Rajaratnam, said his client is innocent and would fight the insider-trading charges.^[30]

Rajaratnam allegedly profited from information received from:

- [Robert Moffat](#), a senior executive of [IBM](#) considered next in line to be CEO^[31]
- [Anil Kumar](#), a senior executive of [McKinsey & Company](#) and close friend of [Rajat Gupta](#) (its former CEO) who was later also accused of passing information to Rajaratnam
- [Rajiv Goel](#), a midlevel [Intel](#) Capital executive
- Roomy Khan, previously convicted of wire fraud for providing inside information from her employer, Intel, to Rajaratnam.^[32]

It was reported that Rajaratnam, Goel and Kumar were all part of the class of 1983 from [Wharton business school](#).^[33]

The Sri Lankan stock market fell sharply after Rajaratnam was arrested on insider trading charges in October 2009.^[34] Sri Lanka's Securities and Exchange Commission is reviewing the active stock trading of Raj Rajaratnam with a view of identifying any insider trading.^[35]

It was alleged that Rajaratnam also conspired to get confidential information on the \$5 billion purchase by [Warren Buffett](#)'s [Berkshire Hathaway](#) of Goldman preferred stock prior to the September 2008 public announcement of that transaction. The Wall Street Journal reported in April that a former member of the board of directors of [Goldman Sachs](#) and former [McKinsey & Company](#) chief executive [Rajat Gupta](#) told Rajaratnam about Berkshire's investment before it became public.^[36] Gupta stood to profit as would-be chairman of Galleon International, a co-founder of [New Silk Route](#) with Rajaratnam, and as a friend of Rajaratnam. In March 2011 Gupta was charged in an administrative proceeding by the [SEC](#). [Gupta maintained](#) his innocence, countersued, and won dismissal of the administrative charge, but was then arrested on criminal charges.^[citation needed]

On May 11, 2011, Rajaratnam was found guilty on all 14 counts of conspiracy and securities fraud.^[37] On October 13, 2011, Rajaratnam was sentenced to 11 years in prison by Judge Richard Holwell.^[38] To date, this was the longest prison sentence ever handed out for insider trading.^[39] The thirteen other defendants connected to Rajaratnam's case received prison sentences averaging approximately three years each.^[39]

Just before Rajat Gupta's arrest in October 2011, Rajaratnam was reported to have said that the prosecutors had wanted him to wear a wire and tape his conversations with Gupta. "It was Rajaratnam's understanding that were he to plead guilty and wear a wire, he might be offered a sentence of as little as five years. With good behavior, he could be out in 85 percent of that time," the report continued. Rajaratnam had not yet at that point, however, cooperated with prosecutors and had already received his 11-year sentence. There was no sign that he would cooperate at any future point.^[40]

Rajaratnam is serving his 11-year sentence in Ayer, Massachusetts.^[40] His appeal to the [United States Court of Appeals for the Second Circuit](#) was argued in October 2012 by [Patricia Millett](#), who was subsequently nominated to a federal Court of Appeals judgeship herself.

Film

Billion Dollar Raja

108 Production has announced a film entitled "Billion Dollar Raja," inspired by the story of Raj Rajaratnam and described as "an investigative financial mafia drama inspired by the true story of Galleon Group founder Mr. Raj Rajaratnam, his network of Wall Street honchos, big corporate insiders, employees and a prosecution team determined to punish those involved in the most complex insider trading case in history through secret wire-tap recordings." The film will be written and directed by [Nayan Padrai](#) and produced by [Sheetal Vyas](#).^[41] Indian actor [Mohanlal](#) has been approached to play the lead role of Raj Rajaratnam.^[42]