

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 5570 / September 3, 2020

ADMINISTRATIVE PROCEEDING
File No. 3-19962

In the Matter of

VLADISLAV
KHALUPSKY,

Respondent.

ORDER INSTITUTING
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 203(f) OF THE
INVESTMENT ADVISERS ACT OF 1940,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Vladislav Khalupsky (“Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, Respondent admits the Commission’s jurisdiction over him and the subject matter of these proceedings, and the findings contained in paragraphs III.2 and III.4 below, and consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Section 203(f) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds that

1. Khalupsky was an experienced trader who owned a trading business in Ukraine. From 2011-2014, while in Ukraine and not affiliated with a broker-dealer registered with the Commission or registered as an investment adviser, Khalupsky made or directed securities trades on behalf of others in connection with a massive international hacking and trading scheme. For his services, Khalupsky received a percentage of the trading profits. In the decade preceeding the misconduct at issue, Khalupsky frequently worked as a registered representative associated with various broker-dealers registered with the Commission. Khalupsky, 48 years old, is a resident of Brooklyn, New York.

2. On May 15, 2020, a final judgment was entered by consent against Khalupsky, permanently enjoining him from future violations of 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, in the civil action entitled Securities and Exchange Commission v. Dubovoy, et al., Civil Action Number 2:15-cv-06076, in the United States District Court for the District of New Jersey.

3. The Commission's amended complaint alleged that Khalupsky and others perpetrated a massive fraud on the U.S. markets in connection with an international hacking and trading scheme. The fraudulent scheme involved computer hackers stealing unpublished press releases, frequently involving upcoming earnings announcements, from certain newswire services. The hackers then transmitted (directly or indirectly) the stolen press releases to a network of traders who traded on that material, nonpublic information before the press releases were publicly issued. After the press releases were issued, the traders closed their positions. The participants realized substantial ill-gotten gains from the fraudulent scheme. The amended complaint also alleged that Khalupsky made or directed illicit trades in certain accounts held by other defendants in connection with the scheme.

4. On July 6, 2018, Khalupsky was convicted on all five counts of the superseding indictment charging Khalupsky with conspiracy to commit wire fraud, in violation of 18 U.S.C. § 1349; conspiracy to commit securities fraud and computer intrusions, in violation of 18 U.S.C. § 371; two counts of securities fraud, in violation of 15 U.S.C. §§ 78j(b) and 78ff; and money laundering conspiracy in violation of 18 U.S.C. § 1956(h) before the United States District Court for the Eastern District of New York, in United States v. Vladislav Khalupsky, Crim. Docket No. 15-cr-381. On January 16, 2019, a judgment in the criminal case was entered against Khalupsky. He was sentenced to a prison term of 4 years followed by two years of supervised release and ordered to pay a forfeiture money judgment in the amount of \$397,281.12.

5. In connection with that conviction, the jury found that Khalupsky conspired with others to receive and trade on the material, nonpublic information contained in the stolen press releases before they were publicly issued; that the illegal securities trades made or directed by Khalupsky in the brokerage accounts of others during the conspiracy resulted in ill-gotten gains in excess of \$4.5 million and Khalupsky was paid a percentage of the profits; and in connection with

the purchases and sales of securities, Khalupsky knowingly through the means of interstate commerce, wires, and national securities exchanges, engaged in a scheme, acts, practices and course of business that defrauded others.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Khalupsky's Offer.

Accordingly, it is hereby ORDERED pursuant to Section 203(f) of the Advisers Act, that Respondent Khalupsky be, and hereby is barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization.

Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

By the Commission.

Vanessa A. Countryman
Secretary