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**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

JUN 05 2013

THOMAS G. BRUTON
CLERK, U.S. DISTRICT COURT

U.S. SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

BADIN RUNGRUANAVARAT,

Defendant.

13cv4172

Judge Matthew F. Kennelly
Magistrate Susan E. Cox

JURY TRIAL REQUESTED

FILED UNDER SEAL

COMPLAINT

Plaintiff United States Securities and Exchange Commission ("Commission") alleges as follows:

NATURE OF THE ACTION

1. This is an insider trading case involving highly profitable and highly suspicious trading in the securities of Smithfield Foods, Inc. ("Smithfield"). The Defendant purchased thousands of Smithfield "out-of-the-money" call options and single-stock futures, as well as Smithfield stock, shortly before the public announcement that Shuanghui International Holdings Ltd. ("Shuanghui") had agreed to acquire Smithfield. The Defendant's well-timed trades yielded unrealized gains of more than \$3.2 million. He reaped a return on investment of more than 3,400% in a span of eight days.

2. On May 29, 2013, Smithfield publicly announced that Shuanghui, a Chinese company, had agreed to acquire Smithfield for \$4.7 billion, which would represent the largest-

ever acquisition of a U.S. company by a Chinese buyer. In the days leading up to the acquisition announcement, Defendant purchased such a large amount of Smithfield call options and single-stock futures contracts that he essentially cornered the market in those securities. Following the announcement, Smithfield stock opened at \$32.39, an increase of \$6.42 (or 24.7%) from its previous day's close.

3. Defendant Badin Rungruangnavarat ("Rungruangnavarat") is a resident of Bangkok, Thailand. On information and belief, Rungruangnavarat engaged in his Smithfield securities trading on the basis of material, nonpublic information concerning the potential acquisition of Smithfield.

4. Although the proceeds of Rungruangnavarat's insider trading are currently held in a United States brokerage account, Rungruangnavarat has sought to withdraw over \$3 million from his brokerage account and transfer those funds overseas. Accordingly, the Commission brings this emergency action to freeze the proceeds of Rungruangnavarat's securities purchases. Absent an asset freeze, the proceeds of his highly suspicious trades almost certainly will be transferred outside the United States, potentially beyond the jurisdiction and reach of this Court.

JURISDICTION AND VENUE

5. The Commission brings this action pursuant to Sections 21(d), 21(e), and 21A of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78u(d), 78u(e), 78u-1].

6. This Court has jurisdiction over this action pursuant to Section 27 of the Exchange Act [15 U.S.C. § 78aa].

7. Venue is proper in this Court pursuant to 28 U.S.C. § 1391(c)(3) and Section 27 of the Exchange Act [15 U.S.C. § 78aa].

8. Acts, practices and courses of business constituting violations alleged herein have occurred within the jurisdiction of the United States District Court for the Northern District of Illinois and elsewhere. Some of the options trading in question took place at the Chicago Board Options Exchange (“CBOE”), and all of the single-stock futures trading in question took place on the OneChicago security-futures exchange. Rungruangnavarat traded through an account at Interactive Brokers, LLC (“Interactive Brokers”), which has offices in Chicago, Illinois.

9. Rungruangnavarat has directly or indirectly made use of the means or instrumentalities of interstate commerce, or of the mails, or the facilities of a national securities exchange in connection with the acts, practices, transactions, and courses of business alleged herein.

10. Rungruangnavarat will, unless enjoined, continue to engage in the acts, practices, transactions, and courses of business set forth in this Complaint, or in acts, practices, transactions, and courses of business of similar purport and object.

FACTS

Defendant

11. **Badin Rungruangnavarat** is 30 years old and a resident of Bangkok, Thailand. He is employed at a plastics company in Bangkok.

Relevant Entities

12. **Smithfield Foods, Inc.** is a Delaware corporation headquartered in Smithfield, Virginia. Smithfield is the world’s largest pork producer and processor. Smithfield’s common stock is traded on the New York Stock Exchange (“NYSE”). Smithfield’s options trade on the CBOE and its single-stock futures trade on the OneChicago exchange.

13. **Shuanghui International Holdings Ltd.** is a Chinese company headquartered in Luohe, Henan, China. Shuanghui is the majority shareholder of Henan Shuanghui Investment & Development Co., which is China's largest meat processing enterprise and China's largest publicly traded meat products company as measured by market capitalization.

14. **Charoen Pokphand Foods, PLC** ("Charoen") is a Thai company, headquartered in Bangkok. Charoen, together with its subsidiaries and affiliates, operates as an agro-industrial and food conglomerate in the Asia Pacific region.

Call Options

15. Equity call options, such as those traded at the CBOE, give the buyer the right, but not the obligation, to purchase a company's stock at a set price (the "strike price") for a certain period of time (through "expiration"). In general, a trader buys a call option, or call, when the stock price is set to rise, or sells a call when the stock price is expected to fall. For example, one "July 2013 30" call on Smithfield stock would give the purchaser the right to buy 100 shares of Smithfield stock for \$30 per share before the call expired on July 20, 2013. If Smithfield stock went above \$30 before the call expired, the call owner could either exercise the call and acquire the stock at \$30 per share, or sell the call, which would have increased in value. If Smithfield's stock price failed to reach the \$30 strike price before the call expired and the holder had not sold the option, the call would expire as worthless.

16. If, at the time of purchase, the call strike price was above the price at which the stock was then trading, the call would be "out-of-the-money" because it would be unprofitable to exercise the call and pay more for the stock than if it were purchased on a stock market. Conversely, if at the time of purchase the strike price was below the then-current trading price,

the call would be “in the money.” For a given expiration month, out-of-the-money options are cheaper to buy than those that are in-the-money, which affords the buyer increased leverage to compensate for the increase in risk.

Single-Stock Futures Contracts

17. Single-stock futures contracts, such as those traded at OneChicago, are a type of futures contract where the buyer agrees to buy a specified number of shares of a company’s stock for a set price on a specified future date. Single-stock futures typically entitle the purchaser to buy 100 shares of stock. For example, by purchasing one July Smithfield single-stock futures contract at \$25, the buyer would be obligated to purchase 100 shares of Smithfield common stock on July 19 for \$25.

18. With the exception of commissions, a single-stock futures purchaser typically does not pay any money upfront at the time of purchase. Rather, single-stock futures are traded on margin, thus offering the buyer increased leverage at the expense of taking on greater risk. On the days Rungruangnavarat purchased Smithfield single-stock futures, he was required to post an initial margin payment equal to 20% of the value of the underlying shares of Smithfield stock.

The Announcement of Shuanghui’s Acquisition of Smithfield and Charoen’s Contemplated Bid

19. On May 29, 2013, before United States exchanges opened for trading, it was publicly announced that Shuanghui had agreed to acquire Smithfield for \$4.7 billion. Under the agreement, Shuanghui agreed to pay \$34 per share, or a 31% premium to Smithfield’s May 28, 2013 closing price of \$25.97. Following the public announcement, Smithfield stock opened on May 29 at \$32.39, which was \$6.42 higher (or 24.7%) than its previous day’s close.

20. Shuanghui was not the only company courting Smithfield. Other companies, including Charoen, were exploring a potential acquisition of Smithfield. In May 2013, Charoen was exploring a potential bid for Smithfield, and a small Thai investment bank was advising Charoen in connection with the potential acquisition.

21. In the weeks leading up to the May 29, 2013 Shuanghui acquisition announcement, the investment banking firm retained by Smithfield set up an electronic data room so that the potential bidders could conduct due diligence and assess Smithfield's financial condition. By at least May 15, 2013, the Thai investment bank advising Charoen was given access to Smithfield's electronic data room and confidential financial information.

Defendant's Suspicious and Profitable Trading of Smithfield Options, Futures, and Stock

22. On May 10, 2013, Rungruangnavarat submitted an application to open a brokerage account with Interactive Brokers, which approved the account for trading on May 16. The only trades he would make in the account were purchases of Smithfield calls, futures, and common stock.

23. On May 17, 2013, Rungruangnavarat e-mailed Interactive Brokers and inquired whether the account was open. Rungruangnavarat wrote: "Please let me know if the account opening is done, so i can start funding the account. I want to trade US options, so please confirm if my account is readily trad-able [sic]."

24. On May 21, 2013, Rungruangnavarat funded the account by transferring \$920,000 to Interactive Brokers. On May 28, the first trading day following Memorial Day, an additional \$2 million was transferred into his account at Interactive Brokers.

25. Between May 21 and 28, 2013, Rungruangnavarat purchased 1,300 out-of-the-money July 29 Smithfield call options, and 1,700 out-of-the-money July 30 Smithfield call options. He also bought 955 July Smithfield single-stock futures contracts, and 1,625 September Smithfield single-stock futures contracts. Finally, he also bought 100 shares of Smithfield common stock.

26. Rungruangnavarat paid \$91,933.02 to purchase the call options and \$2,611.82 to purchase the 100 Smithfield shares. For the single-stock futures, Rungruangnavarat was required to pay only *de minimis* commissions totaling approximately \$906. He also had to post margin of approximately \$1.34 million, which was 20% of the Smithfield futures contracts' cumulative notional value of \$6,713,150 (*i.e.*, the total dollar value of the underlying shares).

27. All of the call options purchased by Rungruangnavarat were "out of the money" with exercise prices ranging from \$29 to \$30, and all of the options contracts were set to expire on July 20, 2013. At all times between May 21 and May 28, the strike prices of his options purchases were higher than the price at which Smithfield shares were trading at the time. For that time period, the price of Smithfield shares ranged between an intraday low of \$25.11 on May 23 and an intraday high of \$26.27 on May 28.

28. Rungruangnavarat's purchases of Smithfield July 29 and July 30 call options represented a substantial majority of the total cleared volume (*i.e.*, the total number of transactions filled on Smithfield options contracts) in those securities from May 21 through May 28, and indeed for the entire month of May. His 1,300 July 29 call options contracts represented 83.12% of the total cleared volume of Smithfield options for that week (May 21 – May 28), and 78.08% for the entire month of May. With respect to the July 30 calls, his 1,700 contracts

represented 99.59% of Smithfield's total cleared volume between May 21 and May 28, and 95.99% of Smithfield's cleared volume for May.

29. Rungruangnavarat's futures purchases represented an even greater percentage of the market. Indeed, from May 21 to May 28, his purchases of Smithfield futures represented 100% of the total cleared volume for Smithfield July and September single-stock futures on the OneChicago exchange. As of May 29, Rungruangnavarat's purchases of Smithfield futures were 100% of the open interest (*i.e.*, the total number of open positions in the market that are yet to be closed) on OneChicago in those expirations.

30. Rungruangnavarat essentially cornered the market in Smithfield call options and futures contracts. In total, with his 3,000 call options (*i.e.*, the right to purchase 100 shares per contract at a given strike) and his 2,580 single-stock futures (*i.e.*, the obligation to purchase 100 shares per contract at a particular date), Rungruangnavarat controlled the equivalent of 580,000 shares, or 28.85% of Smithfield's average daily volume in May.

31. Rungruangnavarat's timely and aggressive trading proved to be extremely lucrative. Smithfield stock increased to \$33.35 per share at the close of trading on May 29, 2013. As of the market close on May 29, 2013, Rungruangnavarat had unrealized gains of approximately \$3,247,813.72 from his Smithfield securities purchases. He reaped a return on investment of more than 3,400%.

32. On information and belief, Rungruangnavarat was tipped about the potential acquisition of Smithfield. On information and belief, Rungruangnavarat received material, nonpublic information about the potential acquisition of Smithfield, and traded on the basis of that information when he made the securities purchases alleged herein. Among other possible

sources, Rungruangnavarat has a Facebook friend who is a former employee of the company where Rungruangnavarat works, and who is an associate director at the Thai investment bank that advised Charoen on its contemplated Smithfield bid.

33. On or about June 3, 2013, Rungruangnavarat requested to withdraw over \$3 million from his Interactive Brokers account.

COUNT I
Violations of Exchange Act Section 10(b) and Rule 10b-5 Thereunder

34. The Commission realleges and incorporates by reference paragraphs 1 through 33 as though fully set forth herein.

35. All of the Smithfield call options, single-stock futures, and common stock referenced in this Complaint are securities.

36. Upon information and belief, at the time Rungruangnavarat purchased Smithfield call options, single-stock futures, and common stock as set forth above, he was in possession of material, nonpublic information about Smithfield's potential acquisition. Rungruangnavarat: (a) knew, or recklessly disregarded the fact, that his trading was in breach of a fiduciary duty or similar duty of trust and confidence owed to the shareholders of Smithfield, or to the source from whom he received the material, nonpublic information; and/or (b) knew or should have known that material, nonpublic information about the contemplated acquisition had been communicated to him in breach of a fiduciary or similar duty of trust and confidence.

37. Upon information and belief, any and all material, nonpublic information that Rungruangnavarat received concerning Smithfield, as set forth above, was disclosed for a personal benefit that benefited the communicator of such information.

38. As more fully described in paragraphs 1 through 33 above, Rungruangnavarat, in connection with the purchase and sale of securities, by the use of the means or instrumentalities of interstate commerce, or of the mails, or of any facility of any national securities exchange, directly or indirectly: (a) employed devices, schemes, or artifices to defraud; (b) made untrue statements of material fact or omitted to state materials facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or (c) engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon another person, including purchasers and sellers and prospective purchasers and sellers of securities.

39. Rungruangnavarat acted with scienter.

40. By engaging in the conduct described above, Rungruangnavarat, directly or indirectly, violated, and unless enjoined will again violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that this Court:

I.

Issue findings of fact and conclusions of law that Rungruangnavarat committed the violations charged and alleged herein.

II.

Issue a Temporary Restraining Order and Orders of Preliminary and Permanent Injunction, in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure, restraining and enjoining Rungruangnavarat, his agents, servants, employees, and attorneys, and

those persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from, directly or indirectly, violating Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

III.

Issue an asset freeze Order that, among other things, prevents Rungruangnavarat, and each of his financial and brokerage institutions, agents, servants, employees, attorneys-in-fact, and those persons in active concert or participation with them who receive actual notice of such Order by personal service, facsimile service, email service, or service in accordance with such Order, or otherwise, from withdrawing, transferring, pledging, encumbering, assigning, dissipating, concealing, or otherwise disposing of any assets in the account maintained at the brokerage firm referenced in this Complaint.

IV.

Issue an Order requiring Rungruangnavarat to repatriate any assets or funds transferred to foreign accounts that were obtained as a result of his insider trading in Smithfield securities, including assets or funds that were obtained through other brokerage accounts, if any, and freezing those assets or funds.

V.

Issue an Order permitting expedited discovery.

VI.

Issue an Order enjoining and restraining Rungruangnavarat and any person or entity acting at his discretion or on his behalf, from destroying, altering, concealing, or otherwise interfering with the access of the Commission to relevant documents, books or records.

VII.

Issue an Order requiring Rungruangnavarat to disgorge all ill-gotten gains from the violative conduct alleged in this Complaint, and to pay prejudgment interest thereon.

VIII.

Issue an Order requiring Rungruangnavarat to pay civil monetary penalties pursuant to Section 21A of the Exchange Act [15 U.S.C. § 78u-1].

IX.

Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court.

X.

Granting such other relief as this Court may deem just and appropriate.

JURY DEMAND

The Commission requests a trial by jury.

Respectfully Submitted,



Dated: June 5, 2013

Benjamin J. Hanauer (hanauerb@sec.gov)
Steven C. Seeger (seegers@sec.gov)
Frank D. Goldman (goldmanf@sec.gov)
175 West Jackson Blvd., Suite 900
Chicago, IL 60604
Phone: (312) 353-7390
Facsimile: (312) 353-7398

Attorneys for Plaintiff
U.S. Securities and Exchange Commission