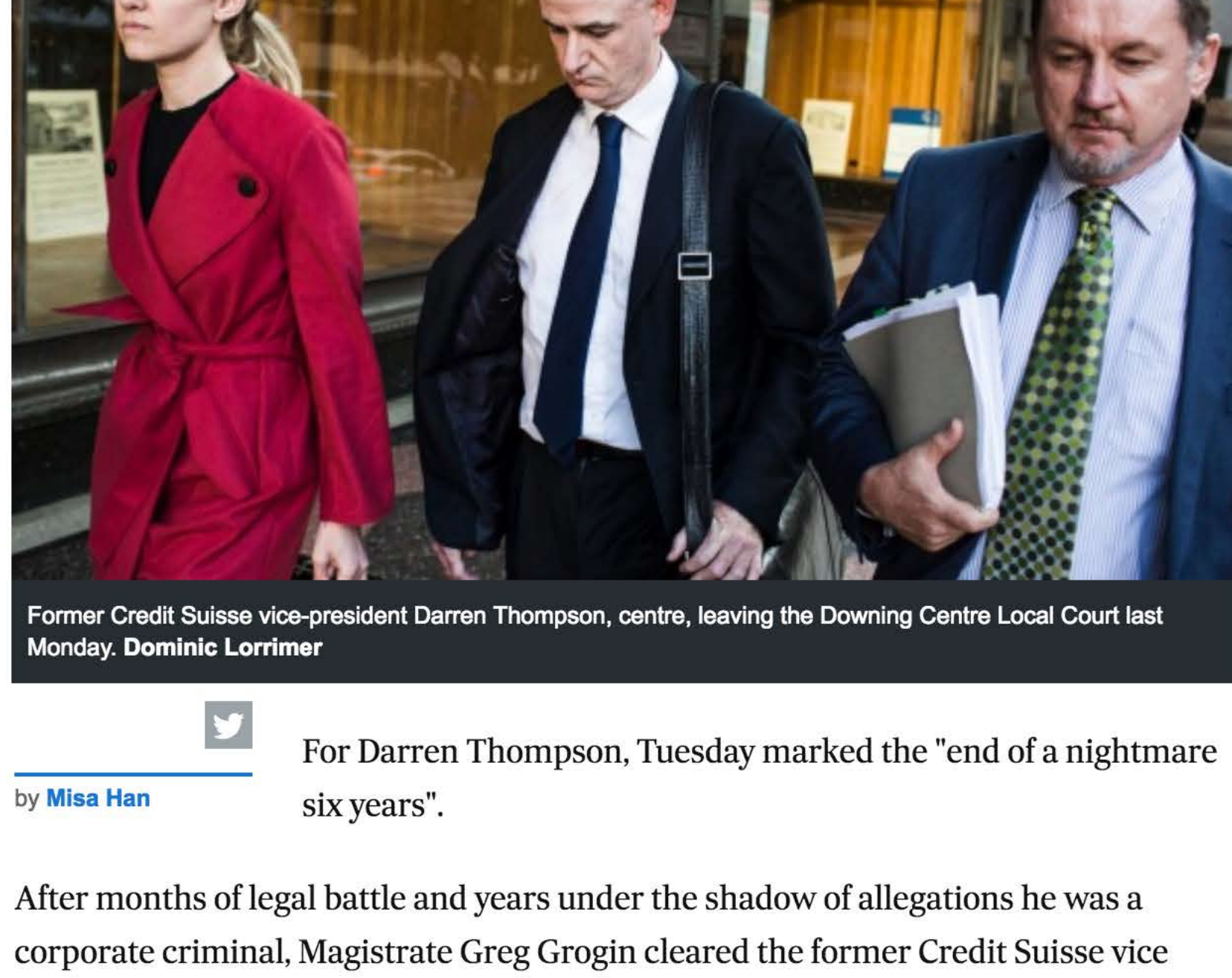


Former Credit Suisse VP Darren Thompson's 'nightmare six years'



Former Credit Suisse vice-president Darren Thompson, centre, leaving the Downing Centre Local Court last Monday. Dominic Lorrimer

For Darren Thompson, Tuesday marked the "end of a nightmare six years".

After months of legal battle and years under the shadow of allegations he was a corporate criminal, Magistrate Greg Grogin cleared the former Credit Suisse vice president of all 11 insider trading charges in less than 30 minutes.

Thompson lost a close friendship, a career and a lot of money defending himself. And while the decision vindicated the former banker – who made nothing from the insider trading of his friend Michael Hull – it remains an open question whether justice will extend to Thompson achieving his desire to get back into investment banking.

The nightmare began in 2011, when his close friend Hull first gave evidence to the Australian Securities and Investments Commission about insider trading on tips he had received from Thompson during lunch time runs around The Domain, on the edge of Sydney's CBD.

Timeline of alleged events

- May 2008 - Jun 2011** Darren Thompson discloses insider information to Michael Hull during lunch time runs in The Domain and Hull uses the information to trade shares unbeknownst to Thompson
- Aug 2011** Hull attends voluntary interview with ASIC and gives evidence against Thompson. Hull leaves his job at Infrastructure Capital Group
- 2011** Thompson loses his job at Credit Suisse
- May 2014** Hull charged with insider trading
- Nov 2015** Hull pleads guilty to insider trading
- Jun 2016** Hull sentenced to a minimum seven months jail. He gets 50 per cent sentence discount for assisting ASIC
- Sep 2016** Thompson charged with 11 counts of procuring insider trading. He pleads not guilty
- May 2017** Sydney Local Court throws out insider trading case against Thompson after two days of committal hearing

Michael Hull

SOURCE: ASIC, COURT DOCUMENTS, FINANCIAL REVIEW

The pair stopped contacting each other. Thompson watched in horror as Hull was charged with 64 counts of insider trading, pleaded guilty to making \$492,000 from the trades and, in June last year, was sentenced to a minimum of seven months in jail.

Things got worse from there. By September 2016, Thompson was facing 11 charges of procuring insider trading between 2008 and 2011. He was accused of getting Hull to buy shares in ASX-listed companies using inside information he had through his work at Credit Suisse.

If the Local Court found there was a reasonable chance Thompson was guilty, he would be committed for a jury trial in the Supreme Court. If found guilty, he would face up to 10 years in jail.

'Not merely one of colleagues'

Thompson and Hull had met each other working for ANZ. Their relationship was "not merely one of colleagues", the court heard, with the pair having "intimate conversations" about work, family, mental health issues and having babies at a young age. Their wives became friends and they took their sons camping together.

They remained close even after Hull left ANZ to work for Credit and Infrastructure Capital Group and Thompson for the investment banking division of Credit Suisse.

It was during those lunchtime runs, ASIC alleged, that Thompson encouraged Hull to trade on the inside knowledge of listed companies, telling him certain stocks were "worth a punt" and others were "rubbish".

Thompson denied ever telling Hull stocks were "worth a punt" and said the word "punt" was adopted by Hull when ASIC investigators first introduced it during a voluntary interview in 2011. Thompson also said Hull deliberately did not tell him about trading in those shares so he could "fish" for information under the cover of an apparently innocent discussion.

For example, when Thompson was advising on a possible Woolworths acquisition of JB Hi-Fi, Thompson allegedly encouraged insider trading by telling Hull Credit Suisse was pitching for JB Hi-Fi and asking him to "do some research on it". Hull bought shares in JB Hi-Fi.

At other times, ASIC claimed Thompson would ask for help or share personal information, which would be used by Hull to trade shares.

On one occasion, Thompson allegedly disclosed to Hull that he was struggling with deals in the pharmaceutical sector. "Have you looked at Acrux? Credit Suisse have been mandated to monetise their product," Thompson allegedly said to Hull.

"They have the one product and we are pulling all-nighters on this deal. I am struggling in getting up to speed with the terminology." Hull then bought shares in Acrux and made a profit.

On another occasion, Thompson allegedly told Hull in response to an invitation to cricket: "definitely keen to play – presuming I am not in Perth stitching up this deal"; "we are pretty close on this deal. I could do with a beer"; and "I will be there on Sunday. I will be travelling to Perth next week now and can go to the cricket on the weekend." Hull would take these statements as a cue to trade in Jabiru shares.

No need to warn

Trust was at the heart of Thompson's downfall as he repeatedly shared valuable pieces of insider information about deals he was working on, not knowing Hull was using the information to trade shares. At times he was prompted by Hull, who would ask him what deals he was working on.

Thompson's lawyers said he did not feel the need to warn Hull he "better not act on this information".

"There was an expectation this private conversations should be kept between the two of them," Thompson's lawyers wrote in submission to the court.

"Their relationship was such that they didn't need to tell each other 'you'd better not breach my trust', and there was no suspicion Hull would use these private conversations to undertake personal trading."

However, the Crown prosecutor said Thompson was still responsible for procuring insider trading, by drumming up "a wink and a nod" arrangement where he urged Hull to "have a look at that stock" and "have a punt on that".

In a submission to the court, the Crown prosecutor said Thompson should not have shared the insider information, despite the fact it may be a common practice for people in the banking and finance industry to discuss such information with their colleagues and peers.

"An insider must not engage in the prohibited conduct at all – regardless of their motivations or beliefs or apparent common practices within the industry," the Crown prosecutor said.

'Reconstruction or even construction'

But there was a crucial difference between other convicted insider traders and Thompson: he stood to gain nothing from his friend's illegal trades.

As Thompson's barrister, Murugan Thangaraj, SC, pointed out, in the competitive world of investment banking teams could be working seven days a week, 24 hours a day to get deals done. Thompson was working on deals even on the day his son was born, and the day after.

For him to encourage Hull to trade shares illegally he would have been "risking everything for no reward". Why would Thompson, an up and coming Credit Suisse VP in his mid-30s, put his career and livelihood on the line for no gains?

For Hull, on the other hand, assisting ASIC in prosecuting Thompson would offer a way out when he had high personal stakes: a wife with very serious mental health issues, four young children and a possibility of deportation to South Africa if he got sentenced to more than 12 months for any single offence.

For ASIC, Hull offered a crucial piece of evidence against Thompson and without his evidence the whole case against Thompson would crumble.

Hull wound up getting a 50 per cent sentencing discount for giving evidence against Thompson. If he did not continue to cooperate with ASIC and give consistent evidence, he could be sent back to jail.

"You knew your best chance of having the Crown agree [to a lesser sentence] was to assist," Thompson's barrister said in cross-examination of Hull.

The result was what Magistrate Grogin found to be "not a recollection but a reconstruction or even construction" of events by ASIC's star witness. He found there was no reasonable prospects a jury would convict Thompson of any of the 11 criminal offences charged.

Winning streak

For ASIC's part, Thompson has breached his duty as a gatekeeper of sensitive information at a top investment bank. Even if Thompson did not have any financial motives, ASIC believes he may have had an incentive to give his friend a leg up by giving him inside information.

The corporate cop ASIC had been on a winning streak with its insider trading charges.

In the past two years alone, the corporate cop had [sent NAB trader Lukas Kamay to jail for seven years and three months](#) after he admitted to cooking up a \$7 million insider trading scheme using tipoffs from an ABS employee.

Next to go was former managing director of China's Hanlong Mining, Steven Xiao, who got the [largest insider trading sentence in Australian history of eight years and three months in jail](#).

To top it all off Oliver Curtis, banker and husband of high profile publicist Roxy Jacenko, was jailed for a minimum one year after a dramatic showdown which involved [his former best friend John Hartman testifying against him in return for a 10 per cent sentence discount](#).

For ASIC, convicting Thompson of insider trading would help solidify its image as a "tough cop" in the market.

Although Thompson had all 11 criminal charges dropped on Tuesday, he will be responsible for paying the legal bills for defending his case, which lasted for months.

The damage to his career and professional reputation was profound. During the proceedings, Thompson's barrister said the standard procedure for a company when someone was implicated in insider trading was to say "you're out" and see what happens several years down the track.

Thompson's lawyer, John Laxon of Laxon Lex Lawyers, told *The Australian Financial Review* Thompson lost his job straight away in 2011 when the corporate cop started investigating Hull.

"The fact of the matter is from the outset ASIC's case was tenuous – tenuous is putting it lightly."

"When he was charged, we were just frankly struck with disbelief but we were always confident the truth will assert itself," he said.

Thompson is looking to re enter the investment banking sector after clearing his name, Laxon said.

"He wants to get back into investment banking and if there is any justice, his career will be resurrected," he said.

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