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Ex-Worker Said to Steal Goldman Code

By GRAHAM BOWLEY
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He is no John Dillinger, no public enemy No. 1. But Sergey Aleynikov nonetheless masterminded a dazzling bank theft, the authorities say, and he did it without brandishing a gun or cracking a vault.

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Instead, he cracked — or, rather, hacked — the secrets of [Goldman Sachs](#), according to federal agents.

Until a few weeks ago, Mr. Aleynikov, 39, was a computer programmer at Goldman, whose prowess in trading has long made it the envy of Wall Street.

But over five days in early June, the authorities say, he stole proprietary, “black box” computer programs that Goldman uses to make lucrative, rapid-fire trades in the financial markets. Their value, experts say, could be incalculable.

Mr. Aleynikov, however, will not get a chance to use those secrets. He was arrested by federal agents on Friday evening, as he got off a plane at [Newark Liberty International Airport](#). He has pleaded not guilty to charges of theft of trade secrets and transporting them abroad.

The case, as detailed in a federal complaint filed in court in the Southern District of New York, throws a spotlight on the multimillion-dollar technology that is increasingly employed by the world’s biggest banks to gain an edge in financial markets.

Goldman divulged little about the trading programs on Monday, though court documents related to the case said the code that Mr. Aleynikov was suspected of stealing allowed the bank to “engage in sophisticated high-speed and high-volume trades on various stock and commodities markets.”

The software generated “many millions of dollars of profits per year” for the bank, the documents said.

Mr. Aleynikov joined Goldman in May 2007 and was a vice president for equity strategy, but announced his resignation after little more than two years.

He was, he told Goldman, joining a new trading company, which various news reports said was in Chicago. He said he would earn triple the \$400,000 salary he commanded at Goldman.

But, just before he left, according to the complaint, Mr. Aleynikov used his desktop computer at Goldman’s New York offices to upload a stream of code to a Web site hosted by a server based in Germany.

Later, he downloaded the files again to his home computer, his laptop computer and to a memory device.

He was caught when the bank noticed the surge of data leaving its servers — and despite his prowess as a highly paid programmer, his activities were recorded even though he tried to erase his programming commands because Goldman kept back-up records.

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When confronted by federal investigators at the airport in Newark, Mr. Aleynikov, a naturalized American citizen who immigrated from Russia and now lives in New Jersey, insisted that he had intended to collect "open source" files on which he had worked and only later realized he had copied more files than he had intended.

On Monday, Goldman Sachs refused to comment publicly on the attempted theft. A person familiar with the bank said it had since "secured its systems." This person, who asked not to be identified, given the confidential nature of the programs, insisted that the theft had had no effect on Goldman Sachs's business or on that of its clients.

However, at a court appearance in Manhattan on July 4, Joseph Facciponti, the assistant United States attorney, told a federal judge that Mr. Aleynikov's supposed theft posed a risk to United States financial markets and that other people may have had access to it, according to Bloomberg.

"The bank has raised the possibility that there is a danger that somebody who knew how to use this program could use it to manipulate markets in unfair ways," Mr. Facciponti said in the court, according to Bloomberg. "The copy in Germany is still out there, and we at this time do not know who else has access to it."

Bruce Schneier, the chief security technology officer for British Telecom and an expert on computer security, said this type of corporate crime — of a former employee leaving a company with data he should not have — occurred quite regularly. But he agreed that Goldman's systems had worked well in stopping Mr. Aleynikov.

"This is an example of a system of detection and response working," he said.

But computer experts expressed caution on the value of the code outside the bank.

Peter Niculescu, a partner at Capital Market Risk Advisors, an advisory firm specializing in risk management and capital markets, said computerized trading had become increasingly important drivers of revenue growth within banks over the last 10 years.

But he said stealing a bank's trading code did not necessarily guarantee riches, because running it somewhere else was not easy without, for example, a bank's databases or links to customers.

"If you have the code, but not the database then it is of limited value," he said. "It is not easy to transfer the code and run it somewhere else."

Mr. Schneier said, "It is certainly possible that if you knew what the big guys were doing you could anticipate it and make money." He said that if a rival bank in the United States had been approached to buy the software, it would most likely have called the police, but a seller might have had better luck abroad.

"It is worth a lot less in the U.S. than you might think, but in countries that are more lawless it could have value," he said.

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