Former Netflix engineers charged with insider trading

The Securities and Exchange Commission (SEC) has charged three former Netflix engineers with being part of a “long-running” insider trading scheme, the agency announced. The engineers and two close associates allegedly traded on confidential information about Netflix’s subscriber growth, generating more than $3 million in total profit.

According to the SEC complaint, while employed at Netflix in 2016 and 2017, Sung Mo “Jay” Jun tipped information about the streaming giant’s subscribers to his brother Joon Mo Jun and friend Junwoo Chon, who used the info to trade ahead of Netflix earnings announcements. After Sung Mo Jun left Netflix in 2017, the SEC alleges, he continued to get confidential information about the company’s subscriber growth from Ayden Lee, described as “another Netflix insider” and former Netflix colleague Jae Hyeon Bae, another engineer at the company.

The engineers used encrypted messaging apps to discuss their trading scheme, to evade detection. The SEC said the group’s “improbably successful trading over time” was eventually flagged by its Market Abuse Unit.

During 2016 and 2019 Netflix saw rapid growth, as its stock price more than tripled. It was adding an average of 5 million subscribers a year between 2012 and 2018.

Giving employees access to company information that may be considered sensitive is part of Netflix founder Reed Hastings’ philosophy, as *Deadline* noted. In his 2020 book *No Rules Rules*, Hastings said sharing such details was a motivational tool for workers. “We are perhaps the only public company that

shares financial results internally in the weeks before the quarter is closed," Hastings wrote in the book. "The financial world sees this as reckless. But the information has never been leaked. When it does one day leak (I imagine it will), we won't overreact. We'll just deal with that one case and continue with transparency."

Netflix didn't immediately reply to a request for comment on Thursday.

https://www.theverge.com/2021/8/19/22632237/former-netflix-engineers-insider-trading-sec-charged