

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

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STEPHEN CALLAHAN, :
 :
 Plaintiff, :
 :
 v. :
 :
 HSBC SECURITIES (USA) INC., HSBC NORTH :
 AMERICA HOLDINGS INC. and HSBC :
 HOLDINGS PLC, :
 :
 Defendants. :
-----X

Civil Action No.:

COMPLAINT

Jury Trial Demanded

Plaintiff Stephen Callahan (“Callahan” or “Plaintiff”), by and through his attorneys, Wigdor LLP, as and for his complaint against Defendants HSBC Securities (USA) Inc. (“HSBC Securities”), HSBC North America Holdings Inc. (“HSBC North America”) and HSBC Holdings plc (collectively, “HSBC,” the “Bank” or “Defendants”) hereby alleges as follows:

PRELIMINARY STATEMENT

1. HSBC has a history of engaging in front-running—the unlawful practice of using non-public client information to trade for the Bank’s “proprietary” account to the detriment of its own customers. Indeed, in 2018, the Bank paid more than \$100 million to resolve criminal allegations involving a “front-running scheme that enabled [the Bank] to acquire millions of dollars to benefit [the] institution and harm [its] clients.”¹ As part of the deal with federal prosecutors, HSBC agreed to “enhance its compliance program” and, among other things, “terminat[e] the employment of employees involved in wrongdoing.”² Sadly, nothing has

¹ <https://www.justice.gov/opa/pr/hsbc-holdings-plc-agrees-pay-more-100-million-resolve-fraud-charges>

² Id.

changed.

2. In 2021, Callahan arrived at HSBC as a trader. Almost immediately, he witnessed rampant front-running, including directives to junior traders to “always” prioritize the Bank’s proprietary account. Callahan protested, warning junior traders that front-running was unlawful and repeatedly complaining to management about the “epic” front-running problem. HSBC promptly retaliated against Callahan by failing to promote him, suspending him, withholding his annual bonus and ultimately firing him.

3. Defendants’ conduct violated New York Labor Law § 740 which prohibits an employer from taking any retaliatory action against an employee, including suspension or termination, because the employee disclosed, or threatened to disclose, the employer’s unlawful activity.³

JURISDICTION AND VENUE

4. This Court has jurisdiction pursuant to 28 U.S.C. § 1332, as there is diversity of citizenship among the parties, and this action involves an amount in controversy exceeding \$75,000, excluding interests and costs.

5. Pursuant to 28 U.S.C. § 1391(b), venue is proper in the Southern District of New York because a substantial part of the events or omissions giving rise to this action occurred there, including Plaintiff’s employment and performance, and the unlawful employment practices alleged herein.

³ Plaintiff has also filed a complaint with the Occupational Safety and Health Administration (“OSHA”) alleging that Defendants violated whistleblower provisions of the Sarbanes-Oxley Act of 2002 (“SOX”), 18 U.S.C. 1514A.

PARTIES

6. Plaintiff Stephen Callahan is a former Director at HSBC. At all relevant times, Plaintiff was an “employee” under New York Labor Law § 740. Plaintiff is domiciled in Florida.

7. Defendant HSBC Securities, a bank holding company incorporated in Maryland with its principal executive offices at 452 5th Avenue, New York, NY 10018-2706, is a wholly-owned subsidiary of HSBC North America. At all relevant times, HSBC Securities was an “employer” under New York Labor Law § 740.

8. Defendant HSBC North America, the holding company for HSBC Holding plc’s operation in the United States, is a Delaware corporation with its headquarters in New York City at 452 5th Avenue, New York, NY 10018-2706. It is an indirect wholly-owned subsidiary of HSBC Holdings plc. At all relevant times, HSBC was an “employer” under New York Labor Law § 740.

9. Defendant HSBC Holdings plc is a British multinational bank and financial services holding company headquartered at 8 Canada Square in London E14 5HQ, United Kingdom. At all relevant times, HSBC was an “employer” under New York Labor Law § 740.

FACTUAL ALLEGATIONS

I. BACKGROUND

10. Stephen Callahan has been a trader for almost 30 years.

11. For the first decade of his career, he traded for small firms, graduating in the next decade to work for some of the most prominent firms on Wall Street, including Bear, Stearns & Company, Barclays Capital and Morgan Stanley & Company.

12. During this middle phase of his career, Callahan held senior roles at each of these firms and was twice elevated to running businesses.

13. In 2011, Callahan decided to change his domicile to Florida. He worked as a macro hedge fund manager in the U.S. Rates Business for Rosenthal Collins until 2019, when he moved with the Collins group of traders to DV Trading.

14. In 2021, Callahan was approached by Joseph Leary (former Managing Director/Co-Head of Developed Rates Trading) about working as a Director with HSBC to help run its U.S. Rates trading desk (the “desk”).

15. Leary said he needed a senior person like Callahan because he was being given additional duties that would draw his attention elsewhere.

16. He was eager to hire Callahan, not just for Callahan’s seniority, but because Callahan could increase the Bank’s penetration with senior money managers with whom he had developed trusted working relationships.

17. Callahan was drawn to the opportunity because Leary assured him that Callahan had a good chance of heading the desk, which would include hiring a new coterie of traders.

18. Callahan also found the job appealing because he and Leary had complimentary skill sets, and he missed the camaraderie of working with a team after almost a decade of trading on his own.

19. Shortly after Callahan received his offer letter but before he accepted the position, Leary left to take a job at another bank.

20. As a result, Callahan reached out to Leary's supervisor,⁴ Jason Henderson (Executive Vice President, Head of Markets and Securities Services, North America), for assurance that he could be a potential replacement for Leary.

21. With Henderson's agreement, Callahan accepted the Bank's offer.

22. Shortly before Callahan's start date, Henderson announced that William "Bill" Glenn would be elevated above Callahan to desk manager on an interim basis.

23. Henderson reassured Callahan that this was a temporary move made strictly for compliance reasons, as the desk had a significant number of junior traders and Callahan could not officially supervise the desk until he had passed his licensing exams.⁵

24. Callahan started working at HSBC on August 23, 2021.

25. During his first few weeks, Callahan and Henderson discussed their vision for new hires to remake the trading desk and Callahan began interviewing candidates.

26. Callahan also spent this time studying for his licensing exams and learning about HSBC's business.

II. CALLAHAN COMPLAINS ABOUT ILLEGAL FRONT-RUNNING

27. The HSBC U.S. Rates trading desk is designed with open-plan seating where traders sit next to each other, without cubicles or other barriers between them.

28. As a result, traders can easily observe and overhear their colleagues' conversations. Almost from the outset of his employment and throughout his tenure at the Bank, Callahan observed traders engaging in front-running.

⁴ Leary reported to Henderson and Mehmet Mazi (Head of Global Debt Markets).

⁵ Callahan was required to retake the exams because his licenses had lapsed. His work at Rosenthal Collins and later at DV Trading did not require licensure.

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