

How the SEC Enforcement Division Responds to a Crisis

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The SEC has expressed its intent to respond proactively to the impact of the coronavirus on capital markets and investors. Risks to investors can become heightened during a market downturn, and we expect that the Enforcement Division will concentrate resources on certain types of investigations, including potential: (1) material misrepresentations and omissions about the impact of the coronavirus on public companies and investment products; (2) trading based on material nonpublic information about changes in the financial performance of public companies; (3) errors in the operation of trading platforms being stressed by high trading volume and volatility; (4) misuse of investor assets, and (5) frauds seeking to take advantage of investor anxiety. In the coming weeks and months, public companies should be vigilant regarding their disclosure practices and management of material, nonpublic information, and industry professionals similarly should be cautious when describing the impact of the pandemic on their investment services and products.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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