

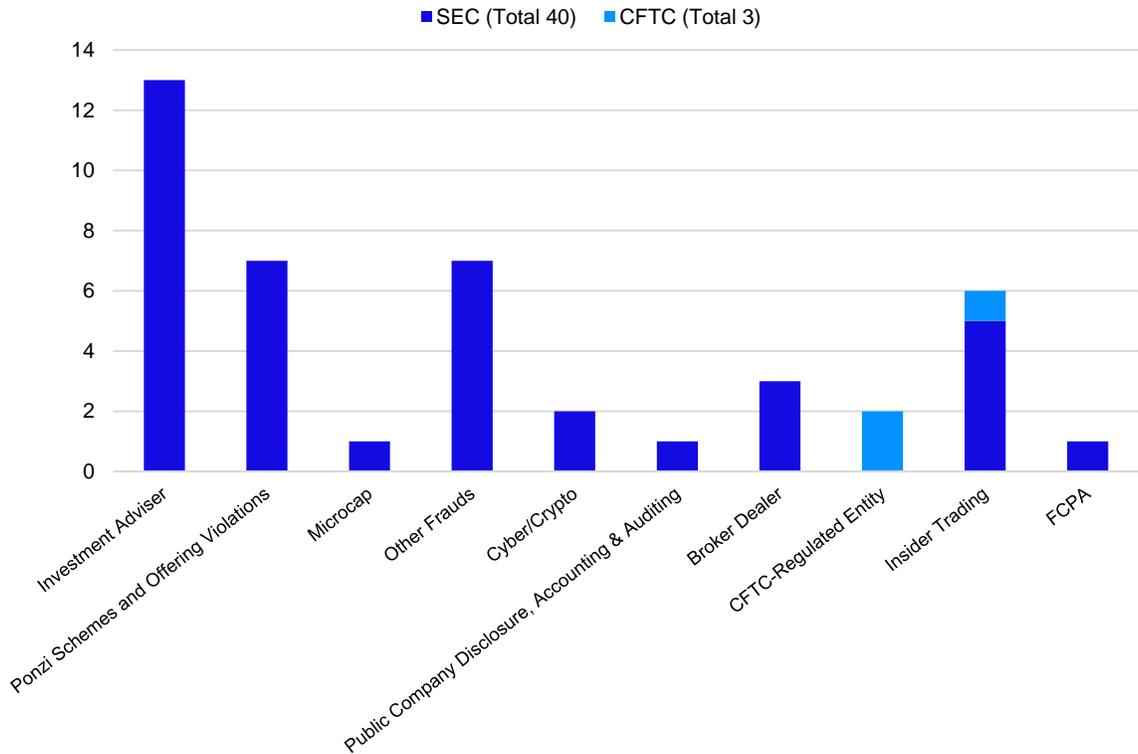
June 2021

In this edition of the newsletter, we discuss enforcement developments at the agencies during June 2021. The SEC filed 40 actions and the CFTC filed three (excluding follow-on actions, bars and suspensions) against a combined total of 94 defendants and respondents.

The SEC’s 40 actions spanned numerous case types, including investment advisor, offering violation, fraud, and insider trading cases. The CFTC’s three actions concerned reporting violations and misappropriation of trading information.

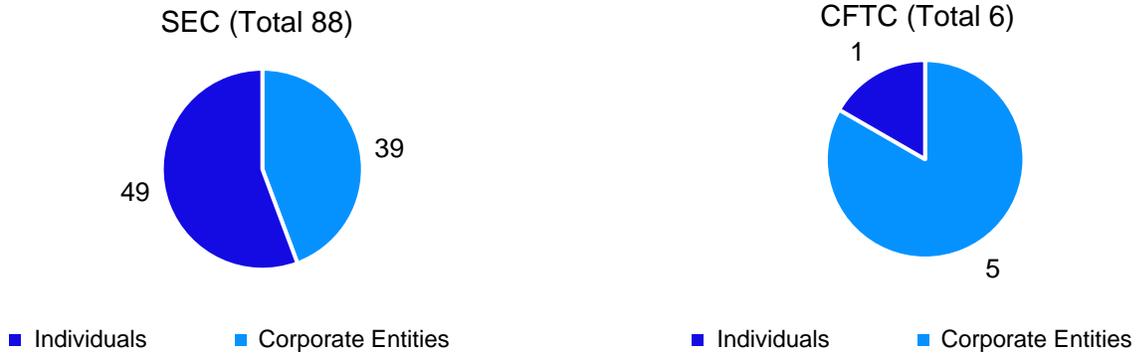
## Actions initiated by the SEC & CFTC in June 2021<sup>1</sup>

### Actions Categorized by Matter Type



<sup>1</sup> Follow-on administrative proceedings, suspensions, bars, and delinquent filings excluded.

Types of Defendants/Respondents



Key cases and developments

**SEC settles enforcement action alleging inadequate cybersecurity disclosure controls, requests voluntary responses in cybersecurity sweep**

**In re First American Financial Corporation (A.P. June 14, 2021, Settled)**

The SEC settled an enforcement action against a company for violating the requirement that public companies have controls and procedures to ensure that they make required disclosures in SEC filings. The SEC alleged that in early 2019 the company’s personnel identified a cybersecurity vulnerability in the company’s proprietary software. However, the company’s executives were allegedly unaware of this issue at the time. It was only after a cybersecurity journalist advised the company of the vulnerability in May 2019 that the executives evaluated and disclosed the vulnerability, though they remained unaware that the issue had been previously identified. Thus, the SEC concluded that the company failed to maintain controls and procedures to ensure appropriate disclosure of cybersecurity risks. The company agreed to pay a penalty of \$500,000. As detailed in our [client memo](#), this case demonstrates the SEC’s focus on disclosure controls in addressing cybersecurity risks.

Also this month, [news outlets](#) reported that the SEC is conducting an investigation regarding the compromise of SolarWinds Corp. software, which was publicized in December 2020. The SEC has [requested](#) that certain companies voluntarily provide information related to the compromise.

[SEC Order](#)

**SEC settles claims of insider trading based on drug trial information**

**SEC v. Chad Calice and Holly Hand (S.D.N.Y. Jun. 7, 2021, Settled)**

The SEC settled a case against two individuals for allegedly trading in the stock of a biopharmaceutical company based on material, nonpublic information. One of the defendants worked as a senior project manager for one of the company’s most important clinical drug trials. According to the SEC, she shared news of the company’s negative trial results with another defendant, who subsequently informed his uncle. The second defendant and uncle then reportedly sold the entirety of their stock in the company the day before the results of the trial were announced, avoiding combined losses of more than \$118,000. The defendants agreed to pay civil penalties of more than \$325,000.

[SEC Press Release](#) | [SEC Complaint](#)

**SEC brings case against investment firm, professionals for “cherry-picking”**

**In re Ramiro Jose Sugranes et al. (S.D. Fl. June 11, 2021, Contested)**

The SEC brought a case against an investment professional and two investment firms for “cherry-picking”—channeling trading profits to preferred accounts. The SEC alleged that the investment professional and firms

used a single account to place trades and allocated profitable trades to two preferred accounts and unprofitable trades to other client accounts. The SEC further alleged that the two preferred accounts gained \$4.6 million while other client accounts sustained \$5 million in losses. The SEC's complaint named the preferred clients as relief defendants.

[SEC Press Release](#) | [SEC Complaint](#)

## **SEC settles with former dentist over manipulation of AI company stock**

**SEC v. Edgar M. Radjabli et al. (D.S.C. Jun. 11, 2021, Settled)**

The SEC reached a settlement with a former dentist and two associated entities regarding three alleged securities fraud schemes. The SEC alleged that an unregistered investment adviser controlled by the former dentist falsely announced an offer to purchase a publicly-traded artificial intelligence company in an effort to drive up the company's stock price. The defendants reportedly earned more than \$162,800 as a result of the scheme. Separately, the SEC alleged that the former dentist and his affiliated entities raised nearly \$20 million from an unregistered offering based on false promises of a 6 percent return for investors, and around \$36,000 from a digital assets offering based on fraudulent statements. The defendants agreed to pay a total of \$419,330 in civil penalties and \$162,800 in disgorgement.

[SEC Press Release](#) | [SEC Complaint](#)

## **CFTC reaches second settlement with energy futures broker over insider trading**

**CFTC v. In re Mathew D. Webb and Classic Energy, LLC (A.P. Jun. 14, 2021, Settled)**

The CFTC settled a case against a voice broker and its principal for allegedly using nonpublic information to take the other side of block trades in natural gas futures. The CFTC Order alleged that, between September 2015 and January 2019, the brokerage obtained nonpublic price and quantity information from traders who worked for its institutional energy company customers. The brokerage's principal allegedly passed this information to the manager of his own trading account to set up offsetting trades. During the same period, the principal also allegedly paid traders a portion of the commission that the brokerage received as kickback payments to obtain further business. According to the CFTC, neither scheme was disclosed to the brokerage's customers. The CFTC previously reached a settlement with the brokerage and individual for similar conduct occurring between April 2014 and September 2015. In this more recent settlement, the defendants agreed to pay disgorgement of \$585,000 and to permanent bars. The brokerage's principal separately pled guilty to one count of criminal conspiracy arising from the same conduct.

[CFTC Press Release](#) | [CFTC Order](#)

## **SEC brings case against insider trading ring**

**SEC v. Nathaniel Brown et al. (N.D. Cal. June 15, 2021, Settled in Part, Contested in Part)**

The SEC brought a case against six individuals for insider trading. The SEC alleged that one of the individuals, a technology company's revenue recognition manager, tipped unannounced quarterly earnings to his best friend. The SEC further alleged that this individual then shared this information with four other individuals, one of whom also shared material, nonpublic financial results from their own employer with the other individuals. The SEC alleged that the six individuals earned nearly \$1.7 million from the scheme. The SEC announced that it had identified this conduct through sophisticated data analysis. Four of the six individuals agreed to pay civil penalties totaling more than \$650,000 and to permanent bars. A fifth individual agreed to a permanent injunction with potential civil penalties to be decided later by the court. A parallel criminal action was filed in the Northern District of California against three of the six individuals.

[SEC Press Release](#) | [SEC Complaint](#)

## **Company and principal to pay \$7.6 million penalty for fraudulent digital asset offering**

**In re Loci, Inc. and John Wise (A.P. Jun. 22, 2021, Settled)**

The SEC settled a case with an individual and his IP search company over claims that they violated securities laws in offering and selling digital assets. According to the SEC, the individual encouraged potential investors to buy approximately \$7.6 million worth of unregistered digital tokens through various misstatements regarding the state of the business. He also allegedly diverted more than \$38,000 of investor funds for personal purposes. The company agreed to pay a \$7.6 million civil penalty and the individual agreed to a permanent bar.

[SEC Press Release](#) | [SEC Order](#)

## **Engineering firm agrees to pay up to \$22.7 million for alleged FCPA violations in Brazil**

**In re Amec Foster Wheeler Limited (A.P. June 25, 2021, Settled)**

The SEC settled a case with a global engineering and technical services firm for alleged violations of the anti-bribery, books and records, and internal accounting controls provisions of the Foreign Corrupt Practices Act (FCPA). The SEC alleged that the company, through third party agents working on behalf of a subsidiary, made approximately \$1.1 million in improper payments to Brazilian officials to obtain business from Brazil's state-owned oil and gas company, Petroleo Brasileiro S.A. (Petrobras). Although in-house counsel advised against remunerating one of the agents in question after they failed the company's due diligence process, a finder's fee was allegedly channeled to the agent for subsequent unofficial work on behalf of the company. As part of its settlement with the SEC, the company agreed to pay between \$10.1 and \$22.7 million in disgorgement and prejudgment interest, with the amount to be determined based on the disgorgement amounts paid by the company in parallel proceedings in Brazil and the United Kingdom. The SEC declined to impose a civil penalty in light of the \$18.4 million criminal fine imposed in the company's parallel criminal resolution with the Department of Justice.

[SEC Press Release](#) | [SEC Order](#)

## **Whistleblower awards**

The SEC announced six whistleblower awards during the month, totaling approximately \$32.3 million.

[SEC Whistleblower Page](#)

## **Personnel and organizational changes**

The SEC announced notable personnel and organizational changes this month:

- Gurbir Grewal was named SEC Director of Enforcement.

[SEC Press Release](#)

- Renee Jones was named Director of the Division of Corporation Finance.

[SEC Press Release](#)

- John Coates was named SEC General Counsel.

[SEC Press Release](#)

- David Saltiel was named Acting Director of Trading and Markets.

[SEC Press Release](#)

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

## New York

Greg D. Andres	+1 212 450 4724	<a href="mailto:greg.andres@davispolk.com">greg.andres@davispolk.com</a>
Martine M. Beamon	+1 212 450 4262	<a href="mailto:martine.beamon@davispolk.com">martine.beamon@davispolk.com</a>
Angela T. Burgess	+1 212 450 4885	<a href="mailto:angela.burgess@davispolk.com">angela.burgess@davispolk.com</a>
Tatiana R. Martins	+1 212 450 4085	<a href="mailto:tatiana.martins@davispolk.com">tatiana.martins@davispolk.com</a>

## Washington, DC

Uzo Asonye	+1 202 962 7057	<a href="mailto:uzo.asonye@davispolk.com">uzo.asonye@davispolk.com</a>
Robert A. Cohen	+1 202 962 7047	<a href="mailto:robert.cohen@davispolk.com">robert.cohen@davispolk.com</a>
Fiona Moran	+1 202 962 7137	<a href="mailto:fiona.moran@davispolk.com">fiona.moran@davispolk.com</a>
Stefani Johnson Myrick	+1 202 962 7165	<a href="mailto:stefani.myrick@davispolk.com">stefani.myrick@davispolk.com</a>
Paul J. Nathanson	+1 202 962 7055	<a href="mailto:paul.nathanson@davispolk.com">paul.nathanson@davispolk.com</a>
Linda Chatman Thomsen	+1 202 962 7125	<a href="mailto:linda.thomsen@davispolk.com">linda.thomsen@davispolk.com</a>

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