Investment Management Regulatory Update

January 23, 2017

SEC Rules and Regulations

SEC Staff Grants No-Action Relief under Section 17(e) of the Investment Company Act to Russell Investment Management, LLC to Utilize Affiliate Broker-Dealer to Effect Foreign Currency Transactions and Receive Remuneration

On December 16, 2016, the staff of the Division of Investment Management of the SEC issued a no-action letter (the "**Letter**") granting relief to Russell Investment Management, LLC ("**RIM**"), which serves as investment adviser to Russell Investment Company and Russell Investment Funds, each a registered open-end investment company (each, a "**Fund**"), from Section 17(e) of the Investment Company Act of 1940, as amended (the "**Investment Company Act**"), by permitting the Funds to utilize Russell Investments Implementation Services, LLC ("**RIIS**"), a registered broker-dealer that is an "affiliated person" (as defined under Section 2(a)(3) of the Investment Company Act) of RIM, to effect foreign currency transactions as agent for the Funds and, for effecting such transactions, to receive remuneration within the parameters of Section 17(e)(2) of the Investment Company Act.

According to the incoming letter (the "**Incoming Letter**"), RIIS executes foreign exchange transactions ("**FX Transactions**") on an agency basis for the Funds, as well as other unaffiliated clients, in an effort to reduce currency trading costs for the Funds. RIM has determined, according to the Incoming Letter, that it is in the best interest of the Funds to use RIIS as agent for the Funds' FX Transactions because it results in better execution outcomes through improved coordination of currency trade flows, the pricing leverage that flows from increased deal volume and the use of a large panel of competing bank counterparties and trading platforms. The Incoming Letter explains that, currently, RIIS does not receive any remuneration for effecting FX Transactions on behalf of the Funds.

Section 17(e)(1) of the Investment Company Act generally provides that it is unlawful for an affiliated person of a registered investment company (a "**RIC**"), or an affiliated person of such person, acting as agent, to accept from any source any compensation (other than a regular salary or wages) for the purchase or sale of any property to or for such company or any controlled company thereof, except in the

course of such person's business as an underwriter or broker. Further, Section 17(e)(2) of the Investment Company Act establishes a specific statutory limit on the remuneration a broker may receive when effecting securities transactions for a RIC, which remuneration cannot exceed: (i) the usual and customary broker commission if the sale is effected on a securities exchange, (ii) two percent of the sales price if the sale is effected in connection with a secondary distribution of such securities or (iii) one percent of the purchase or sale price of such securities if the sale is otherwise effected. Rule 17e-1 provides guidance on what constitutes a "usual and customary broker's commission."

According to the Incoming Letter, historically, a person affiliated with a RIC that engaged in trading futures contracts or effecting FX Transactions for the RIC could not rely on Section 17(e)(2) of the Investment Company Act and Rule 17e-1 thereunder because those transactions were not considered to involve "securities" (as defined in Section 2(a)(36) of the Investment Company Act). However, according to the Incoming Letter, the SEC provided no-action assurance with respect to the receipt of remuneration by futures commission merchants that are affiliated persons of RICs for effecting transactions in futures contracts, provided that they were otherwise in compliance with Section 17(e) of the Investment Company Act and Rule 17e-1. The SEC also provided relief with respect to FX Transactions under a no-action letter issued to Drinker, Biddle & Reath LLP (the "**Drinker Letter**"), but, according to the Incoming Letter, the Drinker Letter does not adequately address the practicalities of the agency approach with respect to FX Transactions. According to the Incoming Letter, the Drinker Letter provided relief to certain RICs that utilized affiliated brokers to effect FX Transactions based on the representation, among others, that: (i) all such transactions would be conducted in accordance with certain procedures that would satisfy Section 17(e), (ii) the affiliated broker's commission would not exceed 0.03% of the notional amount of the particular transaction involved and (iii) the aforementioned procedures permitted use of an affiliated broker only when the price obtained, plus the affiliated broker's commission, was at least as favorable as the price contemporaneously quoted by an independent source previously selected by the RICs' trustee. In addition, according to the Incoming Letter, the Drinker Letter relief required an adviser to submit detailed quarterly reports to the RIC's board demonstrating compliance with all the aforementioned requirements, and the adviser's procedures needed to provide for annual board review of an affiliated broker's overall performance as broker.

According to the Incoming Letter, the Drinker Letter does not reflect the present operation of the foreign exchange markets with respect to the principal (rather than agency) nature of the currency market, the availability of relevant market data and price and commission transparency. Due to the limited number of agent-participants in the foreign exchange market, and the complex and opaque dealer compensation components of FX Transactions, the Drinker Letter's requirement to compare commission prices of affiliated and nonaffiliated brokers is unworkable in practice, according to the Incoming Letter, and since there is no formal, centralized mechanism for reporting contemporaneous foreign exchange prices, the price quoted varies widely between clients and often depends on the identity, size and sophistication of the parties. Thus, according to the Incoming Letter, allowing an affiliated entity to serve as a foreign transaction agent to a RIC, and to charge compensation within the parameters of Section 17(e)(2), would be consistent with the purposes of the Investment Company Act and the specific intent of Section 17(e).

According to the Letter, the SEC would not recommend enforcement action under Section 17(e) based on the facts and representations in the Incoming Letter. The Letter also explained that any procedures RICs put in place to protect the interests of open-end investment companies must be reasonably designed to address the concerns that Section 17(e) of the Investment Company Act was intended to address, including the potential that RICs might be managed and operated in the interest of the adviser and its affiliated persons, rather than in the interest of RIC shareholders.

- **See a copy of the Letter**
- **See a copy of the Incoming Letter**

Industry Update

IM Guidance Update Addresses Disclosure of Mutual Fund Fee Structures

In December 2016, the staff of the SEC's Division of Investment Management (the "**Division**") issued an IM Guidance Update (the "**Update**") regarding disclosure issues and certain procedural requirements relating to changes to fee structures of mutual funds ("**Funds**") prompted by the recent adoption by the Department of Labor of a rule and certain exemptions (collectively, the "**DOL Rule**") designed to address conflicts of interest in retirement advice. According to the Update, since the DOL Rule's adoption, Funds have contemplated streamlining sales load structures to simplify costs for investors and to help address operational and compliance challenges that can exist for intermediaries that sell shares of multiple Funds. The purpose of the Update, according to the Division, is to highlight the disclosure issues and certain procedural requirements related to offering variations in Fund sales loads and new Fund share classes, as well as to remind Funds of available administrative procedures that may streamline the review of disclosure filings.

Pursuant to Rule 22d-1 of the Investment Company Act and Item 12(a)(2) of Form N-1A, according to the Update, a Fund may sell shares at prices that reflect scheduled variations in, or elimination of, sales load as long as (i) each sales load variation is disclosed in the prospectus with specificity and (ii) each variation is applied uniformly to particular "classes" of investors or transactions.

Changes to Disclosure

According to the Division, Item 12(a)(2) of Form N-1A requires the prospectus of a Fund implementing new variations to sales loads that would apply uniformly to investors that purchase Fund shares through a single intermediary to, in a clear, concise, and understandable manner:

- briefly describe the arrangements that result in breakpoints in, or elimination of, sales loads;
- identify each class of individuals or transactions to which the arrangements apply; and
- state each different breakpoint as a percentage of both the offering price and net amount invested.

According to the Update, such disclosure should specifically identify each intermediary whose investors receive a sales load variation and should include tables, schedules and charts, where appropriate, to facilitate investor understanding. Further, according to the Division, the narrative explanation to the fee table must also alert investors to the existence of sales load discounts or waivers and provide a cross-reference to the sections and pages of the prospectus and statement of additional information that describe these arrangements.

According to the Update, lengthy sales load variation disclosure for multiple intermediaries may be included in an appendix to the Fund's statutory prospectus if:

- the section of the prospectus that includes the disclosure required by Item 12 to Form N-1A includes a prominent statement to the effect that different intermediaries may impose different sales loads and that these variations are described in an appendix to the prospectus (and the specific appendix should be named);
- the cross-reference in the narrative explanation to the fee table cross-references to the appendix; and
- the appendix specifically identifies the name of the intermediary as required by Item 12(a)(2) and includes sufficient information to allow an investor that purchases Fund shares through a specific intermediary to determine which scheduled variation applies to its investment, which may depend on the type of account (*e.g.*, individual retirement accounts, retail taxable accounts and 529 plan accounts) held at the intermediary.

Further, the Division notes in the Update that it would not object to an appendix that is a stand-alone document if the Fund:

- incorporates the appendix into the prospectus by reference and files the appendix with the prospectus;
- includes a legend on the front cover page of the appendix explaining that the information disclosed in the appendix is part of, and incorporated into, the prospectus;
- includes a statement on the outside back cover page of the prospectus that information about the different sales loads variations is provided in a separate document that is incorporated by reference into the prospectus;
- delivers the appendix with the prospectus; and
- posts the appendix on its website consistent with Rule 498(e) under the Securities Act of 1933 (the "**Securities Act**"), if the Fund uses a summary prospectus.

Filing Requirements and Procedures

According to the Update, a Fund will need to file an amendment to its registration statement pursuant to Rule 485(a) under the Securities Act in order to add disclosure about sales load variations or to offer new share classes that differ with respect to sales loads, transaction charges and/or certain ongoing expenses. If only certain disclosures about the Fund are changing, then, according to the Division, Funds are encouraged to seek selective review of the filing as described below. Further, if updated disclosures will be substantially identical across Funds within the same complex, the Division encourages Funds to consider whether it is appropriate to request template filing relief, also described below.

Selective Review

According to the Update, any request for selective review of a filing that contains disclosure that is not substantially different from the disclosure contained in one or more prior filings by the Fund or other Funds in the complex should be made in the cover letter accompanying the filing and should include:

- a statement as to whether the disclosure in the filing has been reviewed by the staff in another context;
- a statement identifying prior filings that the registrant considers similar to, or intends as precedent for, the current filing;
- a summary of the material changes made in the current filing from the previous filings; and
- any specific areas that the registrant believes warrant particular attention.

Template Filing Relief

According to the Update, when a Fund complex makes substantially identical changes across multiple Funds, it may be appropriate for the registrant to request Rule 485(b)(i)(vii) relief to file a single Rule 485(a) filing for staff review, together with a request for template filing relief for the other Funds. Such filing should state (i) the reason for making the post-effective amendment; (ii) the identity of the template filing; (iii) the identity of the registration statements that intend to rely on the relief ("**Replicate Filings**") and should include the following representations:

- the disclosure changes in the template filing are substantially identical to disclosure changes that will be made in the Replicate Filings;
- the Replicate Filings will incorporate changes made to the disclosure included in the template filing to resolve any staff comments thereon. (If the template filing is already effective, this representation should be replaced with "The Replicate Filings incorporate changes made to the disclosure included in the template filing to resolve any staff comments thereon."); and

- The Replicate Filings will not include any other changes that would otherwise render them ineligible for filing under Rule 485(b).

The Division encourages Funds to submit any template filing relief requests as soon as possible.

- See a copy of the IM Guidance Update

SEC Announces Intent to Examine Supervision Practices of Registered Investment Advisers over Advisory Personnel in Branch Offices

On December 12, 2016, the Office of Compliance Inspections and Examinations ("**OCIE**") issued a risk alert announcing its plan to conduct examinations of registered investment advisers with multiple branch offices and operations in various geographic locations separate from the adviser's principal or main office (the "**Multi-Branch Adviser Initiative**"). Through the Multi-Branch Adviser Initiative, which was one of OCIE's 2016 examination priorities, OCIE intends to review the effectiveness of the supervision practices, compliance programs and disclosures of registered investment advisers with respect to the additional and unique risks presented by operating out of multiple branch offices.

Examinations under the Multi-Branch Adviser Initiative, according to the risk alert, will focus on evaluating whether the design and effectiveness of the registered adviser's compliance program in connection with its oversight of advisory services at its branch offices comply with Rule 206(4)-7 under the Investment Advisers Act of 1940, as amended (the "**Advisers Act**"), which requires registered advisers to adopt and implement written policies and procedures reasonably designed to prevent and detect violations of the Advisers Act and the rules thereunder. Further, according to OCIE, examinations under the Multi-Branch Adviser Initiative will address whether the policies, procedures and supervisory controls by which investment advice, including the formulation of investment recommendations and the management of client portfolios, is provided to advisory clients from supervised persons located in branch offices meet the investment adviser's fiduciary duties to act in the best interests of its advisory clients and to identify and disclose any material conflicts of interest. According to the risk alert, OCIE staff will use interviews and reviews of advisory records to assess (i) the implementation of policies and procedures in the main and branch offices; (ii) supervision structure and how supervision is tailored to risks in particular branches; (iii) the roles and empowerment of personnel charged with overseeing branch offices and (iv) the accuracy of information in the adviser's filings regarding branch offices, including Form ADV.

According to the risk alert, the Multi-Branch Adviser Initiative will focus on the following key risk areas in connection with advisers' compliance programs:

- **Fees and Expenses**. OCIE examiners will assess an adviser's calculation of fees and other expenses and the effectiveness of controls over billing and invoicing processes and client communications.
- **Advertising**. OCIE examiners will evaluate an adviser's practices for reviewing and approving advertisements, with a focus on those created or disseminated by its branch offices.
- **Code of Ethics**. OCIE examiners will assess an adviser's implementation of its code of ethics, including the oversight and monitoring of personal securities transactions and whether advisers have properly identified access persons at branch offices.
- **Custody**. OCIE examiners will review an adviser's compliance with Rule 206(4)-2, which requires registered investment advisers that have custody of client funds or securities to safeguard such funds, including by evaluating controls related to the identification of accounts over which the adviser maintains custody and the involvement of any branch office personnel in making such determinations.

In addition, the Multi-Branch Adviser Initiative will focus on the following key risk areas in connection with advisers' investment recommendations:

- **Oversight**. OCIE examiners will assess the supervision and review of investment recommendations made to clients both within individual branch offices and across branch offices, including the processes and controls over suitability of the investment advice, investment authority and any due diligence that an adviser has told clients was undertaken in connection with an investment.
- **Conflicts of Interest**. OCIE examiners will evaluate an adviser's identification, management and disclosure of conflicts of interest, and those of its supervised persons, stemming from branch office activities and personnel, particularly focusing on conflicts that exist with respect to various compensation arrangements and outside business activities.
- **Allocation of Investment Opportunities**. OCIE examiners will review an adviser's allocation of investment opportunities among client accounts, focusing on how branch offices' trading activity is monitored and the disclosures made to clients regarding trade allocation.
- **See a copy of the Risk Alert**

SEC's National Examination Program Releases Examination Priorities for 2017

On January 12, 2017, the National Examination Program (the "**NEP**"), administered by OCIE, published its examination priorities for 2017 (the "**Exam Priorities**"). The three thematic areas of focus noted in the Exam Priorities are the same as two of the NEP's priorities for 2016: (i) examining matters of importance to retail investors, (ii) focusing on risks specific to elderly and retiring investors and (iii) assessing market-wide risks. In addition to the three main thematic areas, the NEP noted a few other initiatives that would likely receive examination resources in 2017. For a discussion of the 2016 NEP Exam Priorities, please see the **January 27, 2016 Investment Management Regulatory Update**.

Examining Matters of Importance to Retail Investors

According to the Exam Priorities, the NEP is planning a variety of examination initiatives to assess potential risks to retail investors arising from the increasingly complex investment landscape:

- **Electronic Investment Advice**. The NEP plans to examine registered investment advisers and broker-dealers that offer investment advice through automated or digital platforms, including "robo-advisers" and firms that use automation as a component of their services. According to the Exam Priorities, exams will focus on registrants' compliance programs, marketing, formulation of investment recommendations, data protection and disclosures relating to conflicts of interest, as well as their practices for overseeing algorithms that generate recommendations.
- **Wrap Fee Programs**. The NEP will expand its focus on registered investment advisers and broker-dealers that use wrap fee programs, specifically reviewing registrants' compliance with their fiduciary duties and contractual obligations to clients. In addition, the NEP will focus on wrap account suitability, effectiveness of disclosures, conflicts of interest and brokerage practices, including best execution and trading away.
- **Exchange-Traded Funds ("ETFs)**. The NEP will review ETFs' compliance with applicable exemptive relief granted under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**") and the Investment Company Act and other regulatory requirements, their unit creation and redemption processes and sales practices and disclosures involving ETFs and the suitability of brokers-dealers' recommendations to purchase ETFs with niche strategies.
- **Never-Before Examined Investment Advisers**. The NEP will expand the Never-Before Examined Adviser Initiative to include focused, risk-based exams of new registrants, as well as certain advisers that have been registered for some time but have not yet been examined. For a discussion of the Never-Before Examined Initiative, please see the **March 24, 2014 Investment Management Regulatory Update**.

- **Recidivist Representatives and their Employers**. The NEP plans to use its data analytics to identity individuals with a history of misconduct so as to examine the advisers that employ them, focusing on the compliance oversight and controls of such advisers.
- **Multi-Branch Advisers**. The NEP will focus on registered investment advisers that provide services from multiple locations pursuant to the Multi-Branch Adviser Initiative discussed above.
- **Share Class Selection**. The NEP plans to review conflicts of interest and other factors that may affect a registrant's recommendations to invest in particular share classes of mutual funds and to assess the formulation of investment recommendations and the management of client portfolios.

Focusing on Risks Specific to Elderly and Retiring Investors

- **ReTIRE**. The NEP plans to continue its ReTIRE initiative, focusing on registrants' recommendations and sales of variable insurance products and target date funds and assessing controls on cross-transactions, particularly involving fixed income securities. For a discussion of the ReTIRE initiative, please see the **July 14, 2015 Investment Management Regulatory Update**.
- **Public Pension Advisers**. The NEP will examine the advisers to public pension plans, focusing on how they manage conflicts of interest and satisfying their fiduciary duties, as well as reviewing risks specific to such advisers, including pay-to-play and undisclosed gifts and entertainment practices.
- **Senior Investors**. The NEP plans to examine how firms interact with senior investors, focusing on registrants' programs and controls related to products and services directed at such investors.

Assessing Market-Wide Risks

- **Money Market Funds**. The NEP will examine money market funds' compliance with the SEC's rule amendments addressing redemption risk in money market funds. For a detailed discussion of the rule amendments, please see the August 5, 2014 Davis Polk Client Memorandum, ***SEC Adopts Money Market Fund Reforms***.
- **Payment for Order Flow**. The NEP plans to examine best execution practices of certain broker-dealers, such as market-makers and those primarily serving retail customers.
- **Clearing Agencies**. The NEP will continue to examine annually clearing agencies within the purview of the SEC's supervisory responsibility that are designated as systematically important, formulating a risk-based approach to such exams in conjunction with the Division of Trading and Markets and other regulators.
- **FINRA**. The NEP will enhance its oversight of FINRA and focus resources on assessing the quality of FINRA's examinations of broker-dealers.
- **Regulation Systems Compliance and Integrity ("SCI")**. The NEP will examine SCI entities to determine whether they have established, maintained and enforced written policies and procedures reasonably designed to ensure the capacity, integrity, resiliency, availability and security of their SCI systems. According to the NEP, such exams will review controls on how systems record the time of transactions or events, how they synchronize with other systems, the collection, analysis and dissemination of market data and whether SCI entities' enterprise risk management programs cover appropriate business units, subsidiaries and related infrastructure.
- **Cybersecurity**. The NEP will continue to examine cybersecurity procedures, controls and implementation.
- **National Securities Exchanges**. The NEP plans to conduct risk-based inspections of the national securities exchanges, focusing on select operational and regulatory programs.

- **Anti-Money Laundering ("AML")**. The NEP will continue to examine broker-dealers to assess whether their AML programs are tailored to their specific risks and whether the programs are adapted to current AML risks, how broker-dealers monitor suspicious activity at their firms and how they comply with suspicious activity report requirements.

Other Initiatives

In addition to its three main thematic areas of focus, the NEP has stated that it will devote examination resources to other priorities, including:

- **Municipal Advisers.** The NEP will continue to examine municipal advisers to assess their compliance with the SEC and Municipal Securities Rulemaking Board rules.
- **Transfer Agents.** The NEP will continue to examine transfer agents' timely turnaround of transfers, recordkeeping and record retention and safeguarding of funds and securities. In addition, the NEP will examine transfer agents that serve microcap issuers in an effort to detect issuers engaging in unregistered, non-exempt offerings of securities.
- **Private Fund Advisers.** The NEP will continue to examine private fund advisers, focusing on conflicts of interest and actions that appear to benefit the adviser above its investors.

According to the NEP, the areas of focus in the Exam Priorities are not exhaustive, although the NEP expects to allocate a significant portion of its resources to these issues in 2017.

- **See a copy of the Press Release**
- **See a copy of the Exam Priorities**

Litigation

New York Pension Official and Brokers Charged with Pay-to-Play Scheme

On December 21, 2016, the SEC announced fraud charges against the former director (the "**Director**") of fixed income for the New York State Common Retirement Fund (the "**Fund**") and two brokers in connection with a pay-to-play scheme to direct state business to such brokers in exchange for various gifts.

According to the SEC's complaint (the "**Complaint**"), from January 2014 to February 2016, the Director awarded approximately $2.5 billion in state business to registered representatives of two separate broker-dealers – one based in Tennessee and one based in Alabama (together, the "**Brokers**") – resulting in millions of dollars in commissions for the Brokers. In exchange, according to the Complaint, the Brokers provided the Director with tens of thousands of dollars' worth of benefits, travel and entertainment. According to the SEC, despite the Fund's policies and codes requiring the Director, as a fiduciary of the Fund, to disclose the solicitation and/or acceptance of any travel, entertainment or other benefits, the Director failed to make any such disclosures and affirmatively represented that he had not received any gifts in excess of $1,000, which was untrue.

According to the SEC, the Director and the Brokers each violated Section 10(b) of the Exchange Act, Rule 10b-5 thereunder and Section 17(a) of the Securities Act, which prohibits fraudulent conduct in connection with the purchase or sale of securities, and each Broker also aided and abetted violations of the same.

According to the Complaint, the SEC seeks an order permanently enjoining the Director and Brokers from violating or aiding and abetting the above violations and requiring disgorgement plus interest and civil penalties. Further, according to the Complaint, the SEC has requested a conduct-based injunction

against the Director, permanently enjoining him from participating in any decisions involving investments in securities by public pensions as a trustee, officer, employee or agent.

- See a copy of the Press Release
- See a copy of the Complaint

SEC Charges Platinum Funds, Founder and Associates with Defrauding Investors

On December 19, 2016, the SEC filed a complaint (the "**Complaint**") in the U.S. District Court for the Eastern District of New York charging the founder of Platinum Partners (the "**Founder**"), two of its flagship hedge fund advisory firms – Platinum Management (NY) LLC ("**Platinum Management**") and Platinum Credit Management, L.P. ("**Platinum Credit**") – and certain other persons associated with the Founder and certain Platinum funds (collectively, the "**Defendants**") with conducting a fraudulent scheme to inflate asset values and illicitly move investor money to conceal losses and liquidity problems.

According to the Complaint, the Founder, Platinum Management and other related Defendants allegedly concealed the growing liquidity crisis at Platinum Partners Value Arbitrage Fund L.P. (together with its feeder funds, "**PPVA**") for several years and continued to market PPVA's flexible redemption terms even as the fund struggled to pay redemptions. In addition, according to the SEC, Platinum Management deceived investors by vastly overvaluing its interest in a small oil production company that was among its largest assets. According to the Complaint, Platinum Management also allegedly orchestrated a fraudulent scheme in connection with its other major oil investment by rigging a vote among noteholders of the oil company to change the priority of distribution of proceeds. According to the Complaint, the Founder and others, including the CFO of the oil company, created a deceptive consent solicitation process by secretly transferring a large block of notes from PPVA and its affiliates to various related entities, which then cast the controlling block of votes to divert almost $100 million from the oil company to benefit the Platinum funds. According to the Complaint, when PPVA's liquidity crisis worsened in 2014 and 2015, Platinum Management allegedly took out high-interest loans without proper disclosure, used misrepresentations to attract new investors and made preferential redemptions to favored investors, all while concealing the firm's significant liquidity crisis and promising investors equal treatment. The SEC also alleges that the Defendants transferred monies between funds to meet liquidity demands, despite apparent conflicts of interest. In particular, according to the SEC, Platinum Management allegedly schemed with Platinum Credit to have Platinum Credit Opportunities Master Fund L.P. (together with its feeder funds, "**PPCO**") make over $30 million in loans to PPVA at least in part to make payments that were coming due and to divert $7 million in new subscriptions to PPCO to PPVA.

Based on the fraudulent conduct described above, the SEC alleges that the Defendants, directly or indirectly, violated Sections 206(1), 206(2) and 206(4) of the Advisers Act, Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. According to the Complaint, the SEC seeks an order permanently enjoining the Defendants from violating or aiding and abetting the above violations and requiring disgorgement plus interest and civil penalties. Further, in a parallel action, the U.S. Attorney's Office for the Eastern District of New York announced criminal charges.

- See a copy of the Press Release
- See a copy of the Complaint

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

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