SEC Charges 28 Corporate Insiders with Failing to Disclose Transactions in Company Stock

September 11, 2014

On September 10, 2014, the Securities and Exchange Commission (SEC) announced the results of its first-ever sweeping investigation into violations of the securities laws requiring corporate officers, directors and major shareholders to disclose their transactions in company stock. The SEC charged 28 corporate insiders with violations relating to their failure to promptly report information about their holdings of company stock, and charged an additional six public companies for contributing to the filing failures by certain of those insiders. Of the 34 individuals and companies charged, 33 agreed to pay financial penalties in a total amount of $2.6 million, with individual settlement amounts ranging from $25,000 to $150,000.

The SEC utilized quantitative analytical tools to cast a wide net in identifying persons delinquent in their beneficial ownership filings. Using such tools, the SEC identified those individuals who repeatedly failed to timely file reports on Form 4, which is a report that corporate officers, directors and certain beneficial owners of more than 10 percent of a company's stock must file to report transactions in company stock within two business days of such transactions. The SEC also identified those persons who failed to file reports on Schedule 13D and 13G, which are reports that beneficial owners of more than 5 percent of a company's stock must file to report holdings or intentions with respect to the company whose stock they hold.

Yesterday's sweep by the SEC marks the first time the SEC has systematically targeted companies and insiders regarding these failures to disclose. There is speculation that this could mark the beginning of a greater enforcement focus on beneficial ownership reporting requirements.

These actions should reinforce the importance of making sure that transactions in company stock effected by corporate officers, directors and major shareholders are promptly reported as required. The rules do not require that the SEC prove any intention on the part of those required to file these reports who fail to do so, as inadvertence is not a valid defense.

For additional information, please contact any of the members of the McGuireWoods securities compliance team.

CONTACTS

David S. Wolpa
T: +1 704 343 2185
dwolpa@mcguirewoods.com

Richard W. Viola
T: +1 704 343 2149
rviola@mcguirewoods.com
