

Table of Contents

CHAPTER 2. THE SEC ENFORCEMENT PROGRAM

I. OVERVIEW

- § 2:1 Introduction
- § 2:2 Types of enforcement approaches
- § 2:3 Current issues in enforcement policy

II. AREAS OF MISCONDUCT ON WHICH SEC ENFORCEMENT ACTIVITY IS CENTERED

- § 2:4 In general
 - § 2:5 General antifraud and manipulative conduct
 - § 2:6 Regulation FD
 - § 2:7 Insider trading
 - § 2:8 Insider trading—Chiarella, Dirks and the SEC response
 - § 2:9 Insider trading—The misappropriation rationale
 - § 2:10 Insider trading—O’Hagan and the misappropriation theory
 - § 2:12 Insider trading—The “in connection with” requirement
 - § 2:13 Insider trading—Misappropriating tippers and the personal benefit test
 - § 2:14 Insider trading—The test applied to tippees of misappropriators
 - § 2:15 Insider trading—Limitations to the misappropriation theory
 - § 2:16 Insider trading—Rule 14e-3—Insider and tippee trading in tender offers
 - § 2:20 Insider trading—Insider Trading Sanctions Act
 - § 2:21 Insider trading—Section 16(a) enforcement actions
 - § 2:22 Insider trading—“Waiver by conduct” approach
 - § 2:22.50 “Black out” period prohibition
 - § 2:23 Financial fraud
 - § 2:24 Broker-dealer enforcement
 - § 2:28 Broker-dealer enforcement—SEC rules
 - § 2:29 Broker-dealer enforcement—SEC enforcement actions
 - § 2:31 Foreign Corrupt Practices Act (FCPA)
 - § 2:32 Acquisitions and takeovers
 - § 2:33 Government securities enforcement
 - § 2:34 Qualitative materiality
 - § 2:36 First amendment issues
 - § 2:37 Impact of Central Bank of Denver
 - § 2:38 Extraterritorial Scope of the Federal Securities Laws *[New]*
- APPENDIX 2J. The Sarbanes-Oxley Act of 2002

CHAPTER 3. SEC INVESTIGATIONS

I. ROADMAP FOR A TYPICAL INVESTIGATION

A. IN GENERAL

§ 3:1 Introduction

B. PRELIMINARY INQUIRIES

§ 3:3 Overview

C. FORMAL INVESTIGATIONS

§ 3:4 In general

§ 3:5 Issuance of formal order of investigation

§ 3:7 SEC subpoena power for production of documents

§ 3:8 Responding to SEC subpoena

§ 3:10 Procedures for producing subpoenaed documents—Requests for confidentiality

§ 3:11 Declining to produce in response to SEC subpoena

§ 3:12 Obtaining (or seeing) formal order

§ 3:19 Availability of transcript of interrogation

D. CONSTITUTIONAL AND OTHER RECOGNIZED PRIVILEGES

§ 3:21 Fifth amendment privilege

§ 3:24 Attorney-client privilege

§ 3:25 Work product privilege

§ 3:26 Other privileges

§ 3:27 Immunity

E. PROCESSING OF SEC DISCLOSURE FILINGS DURING PENDENCY OF INVESTIGATION

§ 3:28 Overview

II. POSSIBLE SEC REMEDIAL ACTION

§ 3:29 In general

§ 3:30 No further action

§ 3:31 Trading suspension

§ 3:37 Section 21(a) reports

IV. OFFENSIVE STRATEGIES IN DEFENDING AGAINST AN SEC INVESTIGATION

§ 3:43 In general

§ 3:46 Frontal attack by target to enjoin investigation

§ 3:48 Frontal attack by target to enjoin investigation—Bad faith

§ 3:52 Dismissal of criminal indictment resulting from investigation—
Prejudice to defendant during criminal process

TABLE OF CONTENTS

§ 3:53 Recovery of expenses and attorney fees

V. POST-EXAMINATION PROCEDURE

§ 3:56 Wells submission

§ 3:59 Wells submission—Drawbacks

VI. SETTLEMENT OF SEC INVESTIGATIONS

§ 3:60 In general

§ 3:61 Role of counsel

§ 3:64 Range of considerations

§ 3:65 Form of the consent

§ 3:66 Judicial approval of consent decree

VII. COLLATERAL ESTOPPEL RAMIFICATIONS

§ 3:67 Collateral estoppel—In general

§ 3:68 Collateral estoppel—Preconditions to application

CHAPTER 4. SEC ADMINISTRATIVE REMEDIES

I. INTRODUCTION

§ 4:1 Introduction

II. OVERVIEW OF SPECIFIC PROVISIONS

§ 4:7 SEC proceedings and sanctions—Broker-dealer disciplinary sanctions

§ 4:11 SEC proceedings and sanctions—Revoking or suspending the registration of a security

§ 4:13 SEC proceedings and sanctions—Disciplinary proceedings against investment advisers

§ 4:15 SEC proceedings and sanctions—Rule 2(e) [now Rule 102(e)] proceedings

§ 4:15.50 SEC proceedings and sanctions—SEC standards of professional conduct for attorneys

§ 4:16 SEC proceedings and sanctions—Section 21(a) reports of investigation

III. LEGAL STANDARDS

§ 4:18 State of mind

§ 4:20 Statute of limitations—Generally *[Retitled]*

§ 4:21 Statute of limitations—Injunctions *[Retitled]*

§ 4:22 Statute of limitations—Disgorgement *[Retitled]*

§ 4:23 Statute of limitations—Cease and desist orders *[Retitled]*

§ 4:24 Statute of limitations—Money penalties *[Retitled]*

§ 4:25 Statute of limitations—Other administrative actions *[Retitled]*

§ 4:26 Statute of limitations—Officer and director bars *[Retitled]*

IV. Rule 2(e) [NOW Rule 102(e)] PROCEEDINGS

§ 4:29 In general

§ 4:30 Scope of the rule

§ 4:36 Selected Rule 2(e) [now Rule 102(e)] proceedings

V. SECONDARY LIABILITY

§ 4:37 Duty to supervise, controlling person provisions, and respondeat superior doctrine

VI. JUDICIAL REVIEW

§ 4:38 Scope of judicial review of SEC administrative sanctions

VII. UNDERTAKINGS

§ 4:39 In general

IX. QUASI-JUDICIAL PROCEEDINGS

§ 4:42 In general

CHAPTER 5. SEC INJUNCTIONS

II. STANDARDS FOR THE IMPOSITION OF SEC AND OTHER GOVERNMENT INJUNCTIONS

§ 5:4 SEC injunctions

§ 5:5 SEC injunctions—Relevant standards

§ 5:6 SEC injunctions—Scienter

§ 5:7 SEC injunctions—Judicial reluctance to grant

III. SEC ANCILLARY OR OTHER EQUITABLE RELIEF

§ 5:8 Background

§ 5:9 Types of ancillary relief

IV. ADVERSE COLLATERAL CONSEQUENCES

§ 5:10 Effect on reputation

§ 5:12 Disqualifications, revocations and suspensions

V. PROCEDURAL REQUIREMENTS

§ 5:14 In general

§ 5:15 SEC litigation

VI. MODIFYING AND DISSOLVING SEC INJUNCTIONS

§ 5:19 “Limited” and related SEC injunctions

§ 5:20 Judicial standards applied to SEC injunctions

TABLE OF CONTENTS

- § 5:22 Traditional swift standard—Lower federal court departure from stringent swift standard
- § 5:23 Traditional swift standard—Current SEC position

**CHAPTER 6. THE SECURITIES
ENFORCEMENT REMEDIES AND PENNY
STOCK REFORM ACT OF 1990 AND
SUBSEQUENT FEDERAL LEGISLATION**

III. THE REMEDIES ACT

- § 6:8 Monetary penalties in civil actions
 - § 6:9 Analysis of the civil penalties provisions
 - § 6:10 Monetary penalties in SEC administrative proceedings
 - § 6:11 Analysis of monetary penalties in SEC administrative proceedings
 - § 6:13 Cease-and-desist authority
 - § 6:14 Permanent cease-and-desist orders
 - § 6:15 Analysis of the permanent cease-and-desist authority
 - § 6:18 Officer and director bars
- APPENDIX 6C. Statement of the Securities and Exchange Commission
Concerning Financial Penalties