SEC Enforcement Case Summary
Insider Trading by Former Arista Networks Chairman

On March 26, 2024, the Securities and Exchange Commission (***SEC***) charged Andreas "Andy" Bechtolsheim, the founder and former Chairman of Silicon Valley-based technology company Arista Networks, Inc., with misappropriating MNPI regarding the impending acquisition of Acacia Communications, Inc. Although Bechtolsheim settled with the SEC and agreed to penalties and fines, the case is notable as it is another example of the SEC's using the "shadow theory" of insider trading, first used in the SEC's insider trading case against Matthew Panuwat, and proven viable when the SEC was awarded victory in that case in April 2024. Here, the SEC alleges that Bechtolsheim, who was Arista Networks' chair at the time, learned of Acacia's impending acquisition through his and Arista Networks' longstanding relationship with another multinational technology company that was also considering acquiring Acacia and consulted with Bechtolsheim concerning the potential acquisition. Immediately after learning this information, Bechtolsheim allegedly traded Acacia options in the accounts of a close relative and an associate. The next day, before the market opened, Acacia and Cisco announced that Cisco had agreed to acquire Acacia for $70 per share. That day, Acacia's stock price increased by 35.1 percent. According to the SEC's complaint, Bechtolsheim's trading generated combined illegal profits of $415,726 in the accounts of his relative and associate. Bechtolsheim settled the SEC's charges by agreeing to be barred from serving as an officer or director of a public company for five years and to pay a civil monetary penalty of $923,740. The settlement is subject to court approval.

See Press Release – https://www.sec.gov/news/press-release/2024-40