

## SEC Enforcement Case Summary Controller of Security Company Charged with Insider Trading

On June 25, 2024, the Securities and Exchange Commission (**SEC**) brought a settled action against Robert J. Schettino, who previously served as Vice President of Finance and Controller of Napco Security Technologies Inc. (**Napco**). Schettino was charged with insider trading ahead of the company's February 2020 earnings announcement in which Napco reported a decline in revenues from security equipment sales below analyst consensus figures, thereby avoiding losses of \$198,566 when the company's stock price decreased.

Schettino received information regarding Napco's earnings based on his role in overseeing accounting records and in an email from the company's Chief Financial Officer, which included a specific warning, "**Attached information is strictly confidential and is not to be disclosed with anyone until earnings are released in February.**" Notwithstanding such instruction, while in possession of material non-public information, and without seeking pre-clearance or approval from anyone at the company, Schettino subsequently sold share of the company in mid-January prior to the earnings release. The SEC's order noted that prior to these sales on January 17, 2020, Schettino had not traded in Napco stock, either buying or selling, over the preceding 5 years.

Schettino was subject to Napco's Code of Ethics and a duty to take reasonable measures to protect the confidentiality of non-public information about the company. The SEC order noted that Schettino knew, consciously avoided knowing, or was reckless in not knowing that the information he possessed was material and nonpublic. Schettino also knew, consciously avoided knowing, or was reckless in not knowing that by trading while in possession of the confidential information about the company's financial results that he learned in the course of his employment, he breached his duty of trust and confidence, and duty of confidentiality owed to Napco.

Schettino agreed to pay a disgorgement of \$198,566, prejudgment interest of \$38,815, and a civil penalty of \$198,566. The SEC order also denies Schettino the privilege of appearing or practicing before the Commission as an accountant.

See Summary - <https://www.sec.gov/enforcement-litigation/administrative-proceedings/open-litigated-administrative-proceedings/34-100419-s>