SEC Enforcement Case Summary
Q3 Insider Trading Cases

While Securities and Exchange Commission (***SEC***) rulemaking priorities may have shifted significantly under the new administration, the SEC and Department of Justice (**DOJ**) continued to bring insider trading cases during Q3 2025 under Section 10(b) of the Securities Exchange Act of 1934, intensifying efforts in policing fraud in the form of insider trading as one of this administration's primary focus areas. Cases involved officers, directors, employees or other insiders, advisers and their employees, subsidiaries, as well as financial industry professionals, consultants, and gatekeepers with access to and misuse of material non-public information (***MNPI***) in violation of federal securities laws. Cases further involved or implicated friends, family members, and individual or professional traders who received MNPI through tips from such insiders or through their employment and used such MNPI to trade on their own behalf or in accounts that they owned or managed. While the SEC's fiscal year-end coincided with a government shutdown that will suspend almost all enforcement and exam activity, new leadership of the Enforcement Division has purportedly engaged with SEC Staff, and the industry should expect appropriate investigations to move forward with renewed confidence and internal support when the government reopens.

In Q3 2025, the Second Circuit affirmed the dismissal of insider trading claims against several large banks in the case In re: Archegos 20A Litigation., holding that the banks did not owe a duty to Archegos's family office with prime brokerage relationships with the banks in connection with the liquidation of Archegos's collateral, reaffirming that insider trading requires the breach of a duty and giving credence to the principle that it is possible for market participants may trade on information that is not possessed by the entire market without violating insider trading laws. In contrast, U.S. District Court for the Southern District of New York denied a defendant's motion to dismiss the SEC's 2021 insider trading claim against him, challenging the sufficiency of the SEC's claims against him and arguing that service on him was insufficient. The court further dismissed the defendant's counterclaim against the SEC.

Following is a summary of some of the perpetrators and facts presented by recent insider trading cases, and reminders for clients.

Common themes include or continue to include:

- Use of advanced data and analytics resources by the SEC to identify patterns of suspicious trading;
- Concentration of cases involving MNPI about pharmaceutical, biotechnology, and related companies;
- Individuals held accountable as much as or more than their employes, including tippees as well as tippers; and
- Liability of individuals working at service providers that support public companies but are not themselves required to police insider trading or register with the SEC; *i.e.*, people with access to public company information.

As usual, public company insiders such as board members, directors, and executives, as well as employees of subsidiaries were among those charged in Q3 insider trading cases. Others included financial professionals at a family office and the Head of Equity Trading at an investment firm, public company service provider employees, as well as foreign companies or their employees, and EDGAR agents responsible for processing public company filings with the SEC. The SEC also filed tipper/tippee

liability cases involving longtime friends with a "close personal relationship" as well as family members, where tippees themselves were implicated, if not charged with insider trading. Family members of named defendants or subject of SEC cases were also implicated, by way of trades made in family member accounts, including family trust accounts. In one case, the sources through which the party learned of the MNPI was his investment adviser, coupled with a breakdown in the policy to practice using code names instead of actual company names when referring to highly secret private/public company mergers or deals.

MNPI misused in Q3 cases included:

- Merger and acquisition announcements, including PE firm transactions
- Potential secondary offerings of securities by publicly-traded companies
- Timing and pricing of offerings and transactions
- Upcoming financial results and earnings
- Clinical trial results (*Yedid et. al)*
- Client press releases and undisclosed corporate developments (*Yedid et. al*)
- EDGAR filings of clients with Section 8-K, 10-K and 10-Q public company data (*Chen and Zhen*)

Transactions and instruments utilized in connection with Q3 insider trading activities:

- Purchases, sales, short sales and cover transactions
- Common stock
- Options

Actions to obtain or conceal illegal insider trading activities in Q3 cases included:

- Use of spouse, children, and as well as family-associated trust accounts to trade (*Cranmer et. al)*
- Misusing accounts in the names of minors to disguise personal trades (*Haghighat et.al*)
- Denying knowledge of co-conspirators to FINRA investigators (*Cranmer et. al)*
- Obtaining data through unreleased regulatory filings (*Chen and Zhen)*
- Transfers through offshore family-member accounts (*Chen and Zhen)*
- Googling "how does FINRA confirm insider trading" and "is FINRA able to investigate offshore brokerage firms." (*Chen and Zhen)*
- Fleeing the United States' jurisdiction (*Chen and Zhen*)
- Code words for communications (*e.g.*, "skins" referring to EDGAR 8-K filings) (*Chen and Zhen*)
- Claiming lack of knowledge about trading to disguise intent (*Haghighat et. al*)
- Leveraging position as bank supervisor for Federal Reserve to execute trades (*Brian Thompson)*
- Use of encrypted messaging platforms to discuss trades (*Chen and Zhen)*
- Deleting incriminating files and using untraceable phones (*Yedid et. al)*
- Cash kickbacks in envelopes in exchange for tips (*Yedid et. al)*

SEC investigative teams and records used in Q3 cases included:

- Market Abuse Unit's Analysis and Detection Center and Consolidated Audit Trail (CAT)
- Division of Economic and Risk Analysis
- Records of FINRA and criminal authorities
- Data analysis tools to detect suspicious trading patterns
- Regulatory inquiries regarding information sharing and recipients of MNPI
- FDA applications and related communications

- Admissions during interviews (*Haghighat et. al*)
- Press releases and corporate announcements
- Phone records
- Internal emails
- Wall crossing emails (*Squillante*)
- Calendar invitations & materials for underwriter meetings on wall cross offerings (*Squillante*)
- Text and social media messages, including encrypted messages
- Brokerage transaction records
- Internet search history (*Chen and Zhen*)
- Compliance manuals and written supervisory procedures
- Insider trading policies, training and certifications
- Restricted trading lists
- Confidentiality agreements

Expect the SEC's self-professed "back to basics" approach to include the same level or renewed focus on enforcement of insider trading alongside other fraud impacting retail investors. The SEC and regulators have increasingly sophisticated methods of identifying potential insider trading and will use them to recognize trading patterns and investigate concerns. The SEC's mandated disclosure of public company insider trading policies began impacting 10-K disclosure filing for companies with a December 31, 2024 fiscal year end, meaning insider trading policies are widely available and likely to be scrutinized not only by the SEC but sophisticated investor groups, regardless of the administration's current focus. Firms should consult promptly with securities counsel for any questions regarding whether to restrict trading and never share MNPI or other restricted information in violation of insider trading laws, policies, or contractual arrangements, including with friends and family members, limiting information sharing to those who need to know and subject to confidentiality provisions. Standish Compliance can help answer questions and provide resources and guidance on how to take advantage of this period of slower paced rulemaking and lighter examinations to bolster compliance programs.

See Q3 SEC Releases:

- **Ryan Squillante:** https://www.sec.gov/enforcement-litigation/litigation-releases/lr-26388
- **Haghighat et. al:** https://www.sec.gov/enforcement-litigation/litigation-releases/lr-26383
- **Chen & Zhen:** https://www.sec.gov/enforcement-litigation/litigation-releases/lr-26380
- **Cranmer et. al:** https://www.sec.gov/enforcement-litigation/litigation-releases/lr-26378
- **Yedid et. al:** https://www.sec.gov/enforcement-litigation/litigation-releases/lr-26376
- **Conway:** https://www.sec.gov/enforcement-litigation/litigation-releases/lr-26370
- **Barbuto & Finale:** https://www.sec.gov/files/litigation/admin/2025/34-103615.pdf **and** https://www.sec.gov/files/litigation/admin/2025/34-103614.pdf
- **Kashman:** https://www.sec.gov/enforcement-litigation/litigation-releases/lr-26359
- **Thompson:** https://www.sec.gov/enforcement-litigation/litigation-releases/lr-26356
- **Watson:** https://www.sec.gov/enforcement-litigation/litigation-releases/lr-26350
- **Vakil and Visen:** https://www.sec.gov/enforcement-litigation/litigation-releases/lr-26348