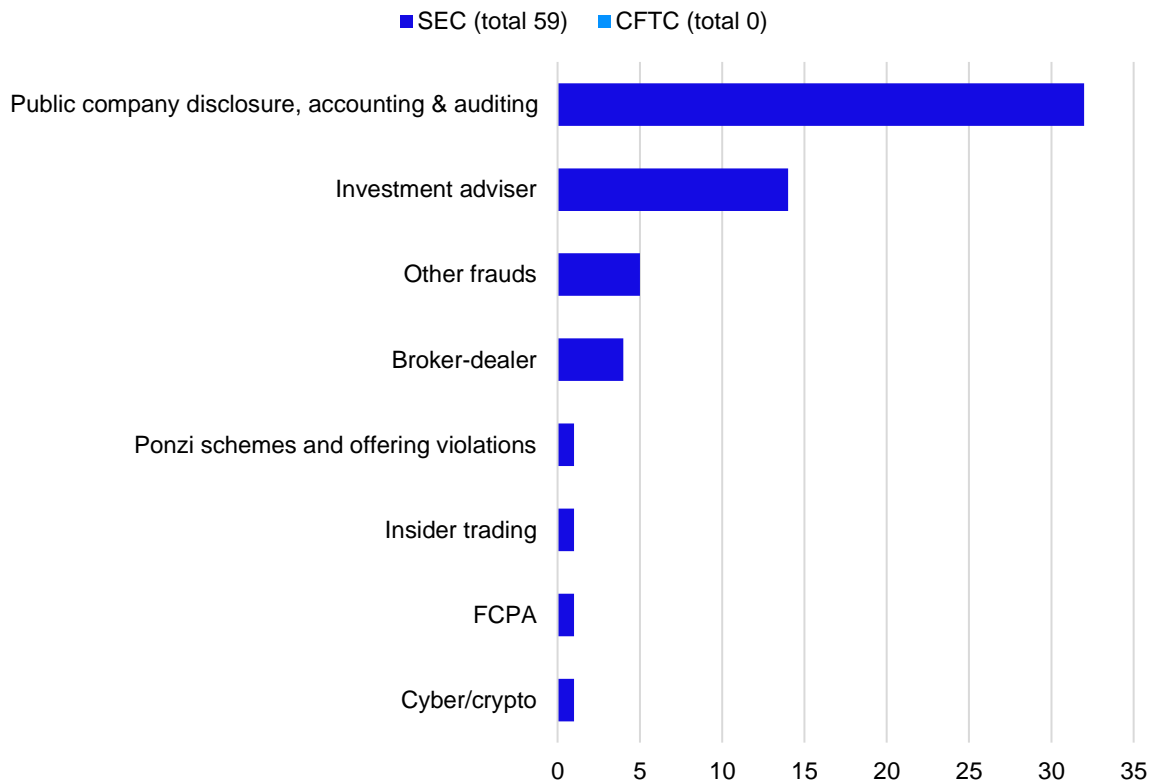


November 2024

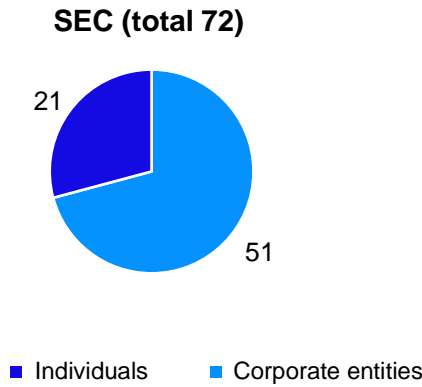
In November 2024, the SEC filed 59 actions against a combined total of 72 defendants and respondents, and the CFTC did not file any cases. (These figures exclude follow-on actions, bars and suspensions.) The SEC actions include FCPA violations, investment adviser violations, and broker-dealer violations.

Actions initiated by the SEC and CFTC in November 2024

Number of actions, by matter type



Types of defendants/respondents



Public company disclosure and accounting

SEC settles action against shipping company for improper valuation

In the Matter of United Parcel Service, Inc. (A.P., Nov. 22, 2024, settled)

The SEC brought and settled claims against a shipping company for alleged misrepresentations regarding earnings because it failed to follow generally accepted accounting principles (GAAP) when valuing a business unit.

In 2019, the company allegedly valued one of its business units at \$650 million. According to the SEC, GAAP required the company to use that value to calculate any write-down of the goodwill assigned to the business unit on its balance sheet. Rather than use that analysis, the company employed an outside consultant. According to the SEC, the consultant was not provided sufficient information to conduct a fair and accurate valuation and valued the business unit using unrealistic assumptions to arrive at a much higher valuation than the company’s internal valuation. This allegedly resulted in the company failing to record a goodwill impairment that would have lowered the company’s earnings.

The SEC also alleged that the company entered a non-binding term sheet to sell the business unit for \$800 million in 2020, relied on the consultant’s valuation that did not take the term sheet into account, and again failed to record a goodwill impairment. Finally, the SEC alleged that the company failed to devise and maintain adequate internal accounting controls and internal control over financial reports because it lacked controls to ensure that its accountants considered reliable indicators of the business unit’s fair value.

The company agreed to pay a civil penalty of \$45,000,000 and to retain an independent compliance consultant to review the company’s policies and controls related to fair value estimates and goodwill impairment testing as well as its disclosure controls.

[SEC press release](#) | [SEC order](#)

FCPA

SEC brings claims against three senior executives in two actions alleging bribery scheme

SEC v. Gautam Adani and Sagar Adani (E.D.N.Y., Nov. 20, 2024, contested)

SEC v. Cyril Cabanes (E.D.N.Y., Nov. 20, 2024, contested)

The SEC brought claims against two executives of an India-based renewable energy company for alleged securities fraud related to a bribery scheme and related offering violations. In a related action, the SEC

brought claims against a former member of the Board of Directors of a second India-based renewable energy company for allegedly facilitating the bribery scheme.

According to the SEC, the three executives engaged in a scheme to enable the two energy companies to capitalize on a solar energy project awarded by the Indian government. In the first action, the SEC alleges that the companies bribed Indian government officials in exchange for commitments to purchase energy at above-market rates. During the alleged scheme, one of the companies raised \$750 million in a note offering, including \$175 million from U.S. investors. According to the SEC, the offering materials included misleading disclosures regarding the company's anti-corruption efforts. In the second action, the SEC alleges that the former director facilitated authorization of bribes in furtherance of the scheme.

In both actions, the SEC seeks permanent injunctions, civil penalties, and officer and director bars. The Eastern District of New York and DOJ's FCPA Unit have brought a parallel criminal action.

[SEC press release](#) | [SEC complaint](#) | [SEC complaint](#)

Broker-dealer

SEC settles action against broker-dealer for violation of Reg BI

In the Matter of Lion Street Financial (A.P. Nov. 15, 2024, settled)

The SEC brought and settled claims against a registered broker-dealer for alleged failures to comply with Care Obligations under Regulation Best Interest ("Reg BI").

According to the SEC, the broker-dealer recommended high-risk debt securities known as "L Bonds" to retail customers without exercising reasonable diligence to understand the risk associated with these recommendations, in violation of Reg BI. While the L Bonds' issuer disclosed the risks associated with investment, the broker-dealer did not assess risks associated with the L Bonds after the issuer underwent changes to its business model and finances before recommending them. The SEC also alleges that the broker-dealer recommended L Bonds to retail customers whose circumstances were a mismatch for high-risk investments. Finally, the broker-dealer allegedly violated Reg BI's Compliance Obligation by failing to update its written policies and procedures to identify and address conflicts of interest until several months after the regulation's compliance date and also failed to enforce certain of its policies and procedures that would have helped it comply with Reg BI in connection with its recommendations.

The company agreed to a civil penalty of \$135,000, disgorgement of \$14,899.55, and prejudgment interest of \$3,683.32.

[SEC press release](#) | [SEC order](#)

SEC settles claims against three broker-dealers for filing deficient SARs

In the Matter of Lightspeed Financial Services Group LLC (A.P. Nov. 22, 2024, settled)

In the Matter of Paulson Investment Company, LLC (A.P. Nov. 22, 2024, settled)

In the Matter of Webull Financial LLC (A.P. Nov. 22, 2024, settled)

The SEC brought and settled claims against three registered broker-dealers for allegedly filing deficient Suspicious Activity Reports (SARs) with the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN), in violation of Section 17(a) of the Exchange Act and Rule 17a-8.

According to the SEC, the broker-dealers filed deficient SARs that did not include all information required by FinCEN in the SAR narratives.

The three broker-dealers agreed to pay a total of \$275,000 in civil penalties to settle the claims. In addition, two of the broker-dealers agreed to engage compliance consultants to review their AML compliance programs.

[SEC press release](#) | [SEC order](#) | [SEC order](#) | [SEC order](#)

SEC settles claims against investment advisor for ESG-related misstatements**In the Matter of Invesco Advisers (A.P. Nov. 8, 2024, settled)**

The SEC brought and settled claims against an investment adviser for alleged misstatements regarding the percentage of company-wide assets under management (AUM) that incorporated environmental, social, and governance (ESG) factors in investment decisions.

According to the SEC, the firm's marketing materials and statements to clients regarding the percentage of AUM that integrated ESG factors did not take into account that a substantial portion of these assets were held in passive ETFs that did not consider ESG factors in investment decisions. The SEC also alleges that the investment adviser failed to implement written policies and procedures defining ESG integration.

The firm agreed to pay a \$17.5 million civil penalty to settle the claims.

[SEC press release](#) | [SEC order](#)

SEC charges two individuals in connection with two separate “cherry-picking” schemes**SEC v. James Burluson (N.D. Cal. Nov. 21, 2024, contested)**

The SEC charged the majority owner and principal of a formerly registered investment adviser with securities fraud involving a cherry-picking scheme.

According to the SEC, the owner made options trades through his firm's block tracking account, allowing him to execute trades on behalf of multiple clients and subsequently allocate to individual client accounts. The owner would allegedly wait to see whether the trades were profitable before deciding whether to allocate the trades to his own personal account or those of his clients and then would allocate profitable trades to his personal account. The SEC alleges that, as a result of this scheme, the owner received over \$1.8 million in first-day profits and his clients suffered over \$2.8 million in first-day losses.

The SEC seeks a permanent injunction, disgorgement, civil penalties, and other relief.

[SEC press release](#) | [SEC order](#)

SEC v. Stephen Kenneth Leech (S.D.N.Y. Nov. 25, 2024, contested)

The SEC charged the former co-chief investment officer of a registered investment adviser for securities fraud involving a cherry-picking scheme over a two-and-a-half-year period.

According to the SEC, the former officer would place trades with brokers and then wait until later in the trading day to observe price movement before allocating the trades among clients in portfolios he managed. The former investment officer would allocate trades with first-day gains to favored portfolios, which he allegedly benefited from personally, and allocate trades with first-day losses to disfavored portfolios.

The SEC seeks permanent injunctions, disgorgement, civil penalties, and an officer and director bar. The Southern District of New York has brought a parallel criminal action.

[SEC press release](#) | [SEC complaint](#)

SEC announces enforcement results for fiscal year 2024

The SEC announced on November 22, 2024 that it filed 583 total enforcement actions in fiscal year 2024 and obtained orders for \$8.2 billion in financial remedies. While the 583 enforcement actions represent a 26 percent decline in total enforcement actions compared to fiscal year 2023, the financial remedy amount is the highest amount in SEC history, including because of a monetary judgment obtained in the SEC's action against Terraform Labs and Do Kwon.

[SEC press release](#)

CFTC awards \$4 million to two whistleblowers

The CFTC announced on November 12, 2024 that it awarded approximately \$4 million to two whistleblowers who provided information leading to the successful enforcement of a covered action.

[CFTC press release](#)

If you have any questions regarding the matters covered in this publication, please contact any of the lawyers listed below or your usual Davis Polk contact.

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