

US Corporate Law News: SEC settles charges that adviser failed to maintain adequate insider trading policies

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On August 21, 2017, the SEC announced that a hedge fund advisory firm had agreed to pay more than \$4.6 million to settle charges that it failed to maintain policies to prevent misuse of inside information. As part of its investment selection process, Deerfield Management Company L.P. relied on political intelligence research firms to provide information about upcoming regulatory and legislative actions. Deerfield's policies and procedures required nothing more than an initial review of the research firms' compliances policies. The SEC alleged that, although Deerfield had reason to believe that an analyst working for one of the research firms was providing material, nonpublic information about potential regulatory matters, Deerfield failed to establish and enforce policies that could have prevented Deerfield from profiting on the basis of such information. For more information, see <https://www.sec.gov/litigation/admin/2017/ia-4749.pdf>.