

Priorities of the SEC Division of Enforcement's Coronavirus Steering Committee

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In an address delivered on May 12, 2020, Steven Peikin, Co-Director of the SEC's Division of Enforcement, discussed the Staff's response and adjustment to the COVID-19 pandemic. During his remarks, Mr. Peikin discussed the Division of Enforcement's Coronavirus Steering Committee which was created with a mandate to "proactively identify and monitor areas of potential misconduct, ensure appropriate allocation of . . . resources, avoid duplication of efforts, coordinate responses as appropriate with other state and federal agencies, and ensure consistency in the manner in which the women and men of the Division address coronavirus-related matters." The Steering Committee consists of around 24 leaders from within the Division of Enforcement, including specialized units, Home Office and regional offices and the Office of Market Intelligence. The Steering Committee is also communicating with other entities such as state regulators, exchanges, other federal agencies, and SROs to maximize its ability to protect investors.

Co-Director Peikin identified several areas that the Steering Committee is focused on. First, he emphasized the Staff's attention to microcap fraud, especially "efforts by microcap fraudsters to make specious claims of treatments, disaster-response capabilities, and the like." Second, he discussed a focus on insider trading and market manipulation which warrant enhanced scrutiny due to atypical levels of market volatility and "a regular stream of potentially market-moving announcements by issuers." The Steering Committee, in conjunction with the Market Abuse Unit, has been monitoring trading activity surrounding issuer announcements and also seeking to identify other suspicious market movements. Third, he identified financial statement/disclosure fraud as an area of particular focus because the current environment of financial stress can both "expos[e] pre-existing accounting or disclosure improprieties" or create new instances of improper conduct. To combat financial statement/disclosure fraud, the Steering Committee "has developed a systematic process to review public filings from issuers in highly-impacted industries, with a focus on identifying disclosures that appear to be significantly out of step with others in the same industry." The Steering Committee is also concentrating on identifying attempts by issuers to cast pre-existing problems as coronavirus-related. Fourth, the Steering Committee is monitoring registrants for COVID-19-related misconduct including failures to honor redemption requests and improper marketing and sale of complex structured products to retail investors.

This transparent discussion of priorities is part of the Division of Enforcement's efforts to "provide visibility and transparency regarding enforcement initiatives to educate market participants and deter

potential wrongdoers.”

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National Law Review, Volume X, Number 135

Source URL: <https://natlawreview.com/article/priorities-sec-division-enforcement-s-coronavirus-steering-committee>