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SEC Charges Hedge Fund Manager with Short-and-Distort Scheme

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On Sept. 12, 2018, the U.S. Securities and Exchange Commission charged the principal of a hedge fund manager and the hedge fund manager itself with illegally profiting from a scheme to drive down the price of Ligand Pharmaceuticals Inc. ("Ligand"), generating approximately $1.3 million in illegal profits. The SEC's complaint charges that the principal and the manager issued false information about Ligand after the principal took a short position in Ligand on behalf of another hedge fund that the manager advised and the principal partly owned. The regulatory action follows the Commission's stated objective of protecting retail investors and is a continuation of a multi-year effort by the SEC to monitor hedge funds (and others) using social media to disseminate information about public companies. In this article, partners Craig Warkol, Marc Elovitz and former Schulte lawyer Brian Daly discuss the regulatory action and its key takeaways.

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