

SEC Charges: False Tweets Sent Two Stocks Reeling in Market Manipulation

Criminal Charges Also Filed

FOR IMMEDIATE RELEASE

2015-254

Washington D.C., Nov. 5, 2015 — The Securities and Exchange Commission today filed securities fraud charges against a Scottish trader whose false tweets caused sharp drops in the stock prices of two companies and triggered a trading halt in one of them.

According to the SEC's complaint filed in federal court in the Northern District of California, James Alan Craig of Dunragit, Scotland, tweeted multiple false statements about the two companies on Twitter accounts that he deceptively created to look like the real Twitter accounts of well-known securities research firms.

The U.S. Attorney's Office for the Northern District of California today filed criminal charges against Craig.

The SEC's complaint alleges that Craig's first false tweets caused one company's share price to fall 28 percent before Nasdaq temporarily halted trading. The next day, Craig's false tweets about a different company caused a 16 percent decline in that company's share price. On each occasion, Craig bought and sold shares of the target companies in a largely unsuccessful effort to profit from the sharp price swings.

The SEC's investigation also determined that Craig later used aliases to tweet that it would be difficult for the SEC to determine who sent the false tweets because real names weren't used.

"As alleged in our complaint, Craig's fraudulent tweets disrupted the markets for two public companies and caused significant financial losses for their investors," said Jina L. Choi, Director of the SEC's San Francisco Regional Office. "Craig also said in later tweets that the SEC would have a hard time catching the perpetrator. As today's enforcement action demonstrates, those tweets turned out to be false as well."

According to the SEC's complaint:

- On Jan. 29, 2013, Craig used a Twitter account he created to send a series of tweets that falsely said Audience Inc. was under investigation. Craig purposely made the account look like it belonged to the securities research firm Muddy Waters by using the actual firm's logo and a similar Twitter handle. Audience's share price plunged and trading was halted before the fraud was revealed and the company's stock price recovered.
- On Jan. 30, 2013, Craig used another Twitter account he created to send tweets that falsely said Sarepta Therapeutics Inc. was under investigation. In this case Craig

deliberately made the Twitter account seem like it belonged to the securities research firm Citron Research, again using the real firm's logo and a similar Twitter handle. Sarepta's share price dropped 16 percent before recovering when the fraud was exposed.

The SEC's complaint charges that Craig committed securities fraud in violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5. The complaint seeks a permanent injunction against future violations, disgorgement, and a monetary penalty from Craig.

The SEC has issued an Investor Alert titled Social Media and Investing – Stock Rumors prepared by the Office of Investor Education and Advocacy. The alert aims to warn investors about fraudsters who may attempt to manipulate share prices by using social media to spread false or misleading information about stocks, and provides tips for checking for red flags of investment fraud.

The SEC's investigation was conducted by staff in the Market Abuse Unit including Elena Ro, John Rymas, and Steven D. Buchholz. The case was supervised by Joseph G. Sansone, Co-Chief of the Market Abuse Unit. The SEC's litigation will be led by Ms. Ro and John S. Yun of the San Francisco Regional Office. The SEC appreciates the assistance of the U.S. Department of Justice and the Federal Bureau of Investigation.

###

Related Materials

- [SEC complaint](#)