Securities Regulation Daily Wrap Up, FRAUD AND MANIPULATION—Former congressman, associates settle SEC insider trading charges, (Dec. 10, 2019)

Securities Regulation Daily Wrap Up

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By Amy Leisinger, J.D.

The former official provided a tip regarding a biotech company to his son, who thereafter tipped his then-girlfriend's father, according to the Commission.

The SEC has charged a former U.S representative, his son, and another individual with insider trading. According to the Commission, the representative learned of negative drug trial results and shared the information with his son, who then, together with his then-girlfriend's father, sold nearly 2 million shares of the drug company. To settle the matter, the former congressman agreed to an officer/director bar, and the other defendants agreed to pay disgorgement and interest totaling over $790,000 (*SEC v. Collins*, December 9, 2019).

The defendants also pleaded guilty to related criminal charges.

"Insider trading undermines investor confidence in the fairness and integrity of the securities markets," said Enforcement Co-Director Stephanie Avakian. The settlements and criminal pleas should serve to deter other potential bad actors, she explained.

Insider trading. According to the SEC's complaint, former Rep. Christopher Collins tipped his son as to nonpublic, negative trial results for a multiple sclerosis drug developed by Innate Immunotherapeutics. At the time, Collins was an independent director on Innate's board and learned of the results from the company's CEO. His son, Cameron Collins, told his then-girlfriend's father, Stephen Zarsky, and both of the men traded on the information, selling nearly 1.7 million Innate shares in advance of the company's public announcement of the negative results, the Commission alleged. Innate's stock fell 92 percent after announcing the drug's failure, and the pair avoided losses of over $700,000, the SEC stated.

In past remarks, Enforcement Division Chief Counsel Joseph Brenner noted that Christopher Collins had initially denied wrongdoing and lied to FBI agents.

Sanctions. The three defendants consented to the entry of final judgments that would permanently enjoin them from further violations of the antifraud provisions of the federal securities laws. Under the settlement, which is subject to court approval, Christopher Collins will be barred from serving as an officer or director of a public company. Cameron Collins and Stephen Zarsky will be required to disgorge their avoided losses plus interest, totaling $634,299 and $159,880, respectively.

Attorneys: Melissa Jane Armstrong for the SEC. Jonathan R. Barr (Baker & Hostetler LLP) for Christopher Collins.

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