

Securities Regulation Daily Wrap Up, TOP STORY—S.D.N.Y.: SEC to pay back \$21.5 million to hedge fund in *Newman* case, (Jan. 26, 2016)

By [Lene Powell, J.D.](#)

In an agreed order, the SEC will refund more than \$21.5 million to Level Global Investors, L.P., a hedge fund implicated in the Newman-Chiasson insider trading case. The court had previously vacated a civil judgment against Anthony Chiasson, Level Global's co-founder, after his criminal conviction for insider trading was overturned by the Second Circuit for lack of proof. Judgments against other defendants accused of participating in the insider trading ring have also been vacated ([SEC v. Adondakis](#), January 26, 2016, Scheindlin, S.).

Alleged insider trading. In a 2010 probe, the FBI and U.S. Attorney's Office raided the offices of Level Global and subsequently brought charges against a number of investment professionals, the fund itself, and another hedge fund. The government alleged that the funds and individuals ran an insider trading ring that exchanged and traded on sensitive non-public information about the financial performance of Dell Inc., Nvidia Corp., and other companies. The following year, with investors spooked by the fund's legal troubles, Level Global closed the fund. In 2012, the SEC filed its own [complaint](#) against the defendants based on the same facts. In 2013, without admitting or denying the charges, Level Global [agreed to pay](#) about \$21.5 million to settle the SEC litigation.

In December 2014, the Second Circuit [vacated the convictions](#) of Chiasson and Todd Newman, finding that the government had failed to show that the defendants willfully engaged in substantive insider trading in violation of the federal securities laws. According to the court, the government did not prove that the defendants knew they were trading on information obtained from insiders, or that those insiders received any benefit in exchange for the disclosures.

Last fall, the U.S. Supreme Court [denied](#) the government's petition for certiorari, letting the Second Circuit ruling stand. The Southern District of New York then vacated civil judgments in the SEC's case against [Newman and Chiasson](#) as well as other [individual defendants](#).

Judgment vacated. The SEC did not oppose Level Global's motion to vacate the judgment. The court entered a brief order dismissing the case and requiring the SEC to refund the approximately \$21.5 million to Level Global within 30 days.

The case is [No. 12-cv-0409 \(SAS\)](#).

Attorneys: George S. Canellos for the SEC. Justine Aleta Harris (Colson & Harris LLP) for Spyridon Adondakis.

MainStory: TopStory Enforcement FraudManipulation HedgeFundsNews NewYorkNews