

SEC Charges Former DWAC Board Member and Others for Insider Trading in DWAC Securities

Defendants made tens of millions of dollars from illegally trading on nonpublic knowledge of DWAC's plan to acquire Trump Media & Technology Group Corp.

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Washington D.C., June 29, 2023 — The Securities and Exchange Commission today filed insider trading charges against Bruce Garelick, a former board member of Digital World Acquisition Corporation (DWAC), a special purpose acquisition company (SPAC); Michael Shvartsman and his firm Rocket One Capital LLC; and Gerald Shvartsman for trading in advance of DWAC's October 2021 announcement that it had reached an agreement to acquire Trump Media & Technology Group Corp. (TMTG).

The SEC's complaint alleges that, after DWAC appointed Garelick as a member of its board of directors in September 2021, Garelick learned about, and voted on, material nonpublic actions and updates regarding the negotiations between DWAC and its merger target, TMTG. Garelick, who was separately employed as the chief strategy officer at Rocket One Capital, then allegedly shared those updates with his boss, Michael Shvartsman, who in turn shared them with his brother, Gerald Shvartsman. Each then allegedly purchased DWAC securities on the open market based on the material nonpublic information they learned about DWAC. Michael Shvartsman placed his trades through an account in the name of Rocket One Capital. The defendants then sold their positions shortly after DWAC announced it had signed a merger agreement with TMTG and collectively realized illicit profits of more than \$22.9 million from those trades. The complaint further alleges that, despite being a DWAC director and thus having certain reporting obligations, Garelick failed to file SEC Forms 4 and 5 related to his transactions in DWAC securities.

"As a board member, Garelick not only had access to information about DWAC's upcoming merger announcement, but also a duty to maintain the confidentiality of that information. Rather than adhere to his duty as an insider, we allege that Garelick, together with the Shvartsmans, monetized that information to generate over \$20 million in illicit profits," said Gurbir S. Grewal, Director of the SEC's Division of Enforcement. "This case demonstrates the Commission's ongoing commitment to exposing insider trading wherever it occurs, including in SPAC mergers, and also highlights the importance of Section 16 filing requirements, as such filings inform the markets and Commission about trades by directors and other corporate insiders."

The SEC's complaint, filed in the United States District Court for the Southern District of New York, charges the defendants with violating the antifraud provisions of the federal securities laws and also charges Garelick with violating the reporting obligations of Section 16 of the Exchange Act. The complaint seeks permanent injunctive

relief, disgorgement of ill-gotten gains, prejudgment interest, and civil penalties against all defendants, as well as officer and director bars against Garelick and Michael Shvartsman.

In a parallel action, the U.S. Attorney's Office for the Southern District of New York today announced criminal charges against Garelick and the Shvartsmans.

The SEC's investigation was conducted by Andrew McFall, David Bennett, Darren Boerner, and Patrick McCluskey of the Market Abuse Unit and Lindsay S. Moilanen of the New York Regional Office. The case was supervised by Joseph Sansone of the Market Abuse Unit and Thomas P. Smith, Jr. of the New York Regional Office. The SEC's litigation is being led by John Timmer, James Connor, and Mr. McFall and supervised by Olivia Choe. The SEC appreciates the assistance of the U.S. Attorney's Office for the Southern District of New York, the FBI, and the Financial Industry Regulatory Authority.

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Related Materials

- [SEC Complaint](#)