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INSIDER TRADING AND DISCLOSURE UPDATE

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From the Editors

Welcome to the latest installment of the *Insider Trading & Disclosure Update*, Debevoise's periodical focusing on the intersection of legal, compliance and enforcement developments in the areas of insider trading, the management of material nonpublic information and disclosure liability.

The continuing evolution of the regulatory landscape has brought a further refinement of enforcement priorities in the insider trading and disclosure space. While the change in administration initially signaled a broader recalibration across the SEC and the DOJ, recent developments suggest that this shift is now taking more concrete shape as to how regulators approach market conduct and information integrity.

Regulators are focusing on core enforcement principles, with a renewed emphasis on traditional insider trading theories and disclosure-based violations. They have not, however, retreated from scrutinizing emerging risk areas, including prediction markets, artificial intelligence and digital assets. Instead, the focus appears to be on applying established doctrines to new factual contexts—particularly those involving evolving methods of information gathering, analysis and dissemination.

In this edition of the ITDU, we explore these developments and their practical implications for issuers, financial institutions and investment professionals. As always, our goal is to provide timely and actionable insights into a rapidly evolving area of the law.

We hope you find this issue useful and informative, and we look forward to bringing you further updates and analysis in future editions.

The Editorial Board

Regulatory Updates

CFTC Signals Enforcement Focus on Insider Trading in Prediction Markets

On March 31, 2026, David Miller, the Director of Enforcement of the Commodity Futures Trading Commission ("CFTC"), identified insider trading in prediction markets as a top enforcement priority, highlighting the agency's increasing focus on these markets and the potential misuse of material nonpublic information ("MNPI") in connection with event contract trading.

Prediction markets allow participants to trade "event contracts" tied to the occurrence or non-occurrence of future events. The CFTC has taken the position that these contracts constitute swaps, thereby bringing them within the scope of the Commodity Exchange Act and subjecting market participants to the agency's antifraud and antimanipulation authority, including Section 6(c)(1) and Rule 180.1. Against this backdrop, the CFTC has in recent months described prediction markets as a rapidly growing asset class and has taken a series of steps to assert and clarify its jurisdiction over these platforms. The CFTC has also previously pursued insider trading cases involving derivatives under Rule 180.1, providing a framework for the agency to investigate and charge similar conduct in the prediction markets context.

These actions include issuing guidance to designated contract markets regarding the listing and trading of event contracts, withdrawing prior proposed and staff guidance in anticipation of further rulemaking, and publishing enforcement advisories addressing conduct on prediction market platforms. The CFTC has also emphasized that it has the authority to police trading activity on these platforms and has sought public comment on the regulation of event contract derivatives through an advance notice of proposed rulemaking.

In his remarks, the Director of Enforcement stated that the misuse of misappropriated information in prediction markets trading is a focus of the Division of Enforcement and indicated that the agency intends to actively detect, investigate and, where appropriate, prosecute such conduct. While noting that prediction markets are designed to facilitate price discovery, the CFTC distinguished between permissible trading based on a participant's own knowledge and trading based on misappropriated information.

These developments present emerging compliance considerations for asset managers, broker-dealers and public companies. Because trading in event contracts may fall outside traditional securities-focused compliance frameworks, firms may wish to evaluate whether existing policies and procedures adequately address the use of MNPI in connection with prediction markets trading and consider whether updates to policies, training and monitoring practices are appropriate in light of the CFTC's stated enforcement priorities.

For further detail, see "It's Time for a Prediction Markets MNPI Policy" available on the Debevoise & Plimpton website under "Insights & Publications".

Chair Atkins Advocates Reassessment of Regulation S-K Disclosure Requirements

On January 13, 2026, Chair Atkins directed the Division of Corporation Finance to conduct a comprehensive review of Regulation S-K, issuing a statement that Regulation S-K has expanded dramatically since 1982 and now often compels both material and "undisputably immaterial" disclosure—risking an "avalanche" of information that can obscure what a reasonable investor would find important and thereby undermine investor protection and capital

formation. He described the review as already underway, referencing prior public engagement on Item 402 executive compensation requirements and indicating that the next phase would turn to other Regulation S-K requirements.

Chair Atkins also invited public input on how to recalibrate Regulation S-K toward material disclosure and set an April 13, 2026, comment deadline. Chair Atkins's statement also highlighted potential areas of focus, including:

- rationalizing and scaling disclosures, such as reconsidering the number of executives required to be covered in executive compensation tables and focusing disclosures on genuinely material matters;
- simplifying complex measures, including pay-versus-performance disclosures, to make information more intelligible for investors and less burdensome and costly to produce;
- modernizing outdated rules, including requirements that may no longer reflect current practices; and
- a broader shift toward materiality, away from prescriptive governance disclosure requirements and toward more material, investor-centric information.

Section 16(a) Reporting Obligations Extended to Directors and Officers of FPIs

On December 18, 2025, the Holding Foreign Insiders Accountable Act (the "HFIA Act") was signed into law, which extended the reporting requirements of Section 16(a) under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") to directors and officers of foreign private issuers ("FPIs") with a class of equity securities registered under Section 12 of the Exchange Act, effective March 18, 2026. The HFIA Act did not extend Section 16(b)'s short-swing profit disgorgement regime or Section 16(c)'s short-sale prohibition to insiders of FPIs, and, unlike in the case of U.S. domestic issuers, it did not extend Section 16(a) to greater than 10% beneficial owners of FPIs.

On February 27, 2026, the U.S. Securities and Exchange Commission (the "SEC") adopted final rules making conforming amendments to the Section 16 rules and Forms 3, 4 and 5 to reflect the statutory change. Under those amendments, directors and officers of FPIs became subject to the same Section 16(a) reporting framework that applies to insiders of U.S. domestic issuers, including initial beneficial ownership reports on Form 3 and prompt transaction reporting on Form 4.

The HFIA Act also authorized the SEC to exempt persons, securities or transactions where foreign law imposes "substantially similar" reporting requirements. On March 5, 2026, the SEC issued an exemptive order for directors and officers of FPIs incorporated or organized in, and subject to the insider reporting regimes of, specified jurisdictions whose reporting requirements the SEC found to be substantially similar to Section 16(a). The qualifying jurisdictions identified in the exemptive order are Canada, Chile, the European Economic Area, the Republic of Korea, Switzerland and the United Kingdom. To rely on the order, the relevant director or officer must in fact be subject to the reporting regime of the relevant jurisdiction as specified in the SEC's exemptive order, and the reports filed under the local regime must be made publicly available in English within two business days of public posting. The SEC may extend exemptive relief in the future to directors and officers of FPIs incorporated or organized in other jurisdictions that the SEC considers as having requirements substantially similar to Section 16(a) requirements.

In light of the extension of Section 16(a) reporting requirements to directors and officers of FPIs in jurisdictions that have not been exempted by the SEC, issuers and insiders of such FPIs are advised to adopt and maintain robust compliance procedures designed to monitor reportable ownership and transactions on an ongoing basis. These procedures should address the issuer's specific forms and terms of equity compensation awards (both outstanding and to be issued) and consider potential events that could trigger filing obligations, such as grants, vesting, exercises and satisfaction of performance criteria, as well as other transactions involving insiders, such as those through entities or trusts they control or by certain family members, in each case taking into account the general two-business day filing deadline for Form 4. FPIs should also consider obtaining powers of attorney to facilitate timely filings on behalf of their insiders and providing periodic training to directors and officers to ensure that they remain familiar with the types of transactions and ownership interests that may trigger Section 16(a) reporting. Lastly, for insiders of FPIs relying on exemptive relief, additional processes may need to be put in place to prepare translations of their local filings in order to satisfy the English-language reporting requirement of the SEC's exemptive order.

For further detail, see "SEC Adopts Final Rules Extending Section 16(a) to Directors and Officers of FPIs" published on the Debevoise & Plimpton Insights & Publications. This article was authored by Nicholas P. Pellicani, Vera Losonci and Zhenya Lebedev, Maayan Stein and Samantha Hui.

Insider Trading Enforcement and Litigation

Investment Banker and Five Others Charged in $41 Million Insider Trading, "Tipping" and Market Manipulation Scheme

On January 6, 2026, the SEC announced charges against Muhammad Saad Shoukat, Gyunho (Justin) Kim, Muhammad Arham Shoukat, Muhammad Shahwaiz Shoukat, Izunna Okonkwo and Daniyal Khan in connection with an alleged $41 million insider trading and market manipulation scheme.[1] The SEC's complaint, filed in the U.S. District Court for the District of New Jersey, alleges that from at least June 2020 through February 2024 the defendants engaged in insider trading based on MNPI concerning at least nine potential corporate acquisitions, as well as separate schemes to manipulate the stock prices of two biopharmaceutical companies.[2]

According to the complaint, Kim, an investment banker involved in healthcare transactions, misappropriated MNPI about pending acquisition transactions from his employer and tipped Saad Shoukat.[3] The SEC alleges that Saad Shoukat then tipped his brothers and associates, who used brokerage accounts under their control to trade in the securities of the companies involved ahead of public deal announcements.[4] The SEC alleges that the defendants generated approximately $41 million in profits through this trading activity.[5]

The complaint also alleges that certain defendants engaged in market manipulation schemes involving Olema Pharmaceuticals and Opiant Pharmaceuticals.[6] With respect to Olema, the SEC alleges that Saad and Arham Shoukat obtained confidential clinical trial information by impersonating physicians and then disseminated false information about the results while posing as breast-cancer patients on online forums, artificially inflating Olema's stock price.[7] With respect to Opiant, the SEC alleges that after acquiring shares based on information suggesting that Opiant

might be acquired, the defendants issued a fabricated press release announcing a purported partnership when the anticipated acquisition did not materialize, causing the company's stock price to rise.[8]

The SEC complaint charges all of the defendants with violating Section 10(b) of the Exchange Act and Rule 10b-5 thereunder and Section 14(e) of the Exchange Act and Rule 14e-3 (against all defendants except Khan) based on trading while in possession of MNPI relating to tender offers.[9] The SEC complaint also charges the Shoukat brothers with violating Section 17(a) of the Securities Act of 1933, as amended (the "Securities Act"), in connection with the alleged manipulation schemes.[10]

The SEC seeks permanent injunctions, disgorgement of allegedly ill-gotten gains with prejudgment interest and civil penalties.[11] Parallel criminal charges have been filed by the U.S. Attorney's Office for the District of New Jersey.[12] Senior Counsel of the U.S. Attorney's Office Philip Lamparello stated that the Office "will continue to pursue complex financial fraud schemes that threaten the fairness and transparency of our markets and harm individual investors,"[13] a reflection of a renewed "back to basics" enforcement focus on traditional insider trading and market manipulation schemes affecting public markets and retail investors.

SEC Charges Former Biopharmaceutical Company Director and Four Others with Insider Trading

On August 22, 2025, the SEC filed a complaint in the U.S. District Court for the District of New Jersey charging Rouzbeh "Ross" Haghighat, a former director of Chinook Therapeutics, Inc. ("Chinook"), and four other individuals with insider trading in advance of the public announcement that Novartis AG would acquire Chinook.[14]

According to the SEC's complaint, Haghighat learned about the planned acquisition through his role as a Chinook director.[15] The SEC alleges that Haghighat tipped the information to: his brother, Behrouz "Bruce" Haghighat; his stepdaughter, Kirstyn Pearl; and two friends, James Roberge and Seyedfarbod "Fabio" Sabzevari.[16] The complaint alleges that Bruce Haghighat, Pearl, Roberge and Sabzevari each purchased Chinook common stock and/or options ahead of the June 12, 2023 acquisition announcement and collectively realized more than $500,000 in trading profits.[17] The SEC also alleges that Ross Haghighat purchased Chinook common stock in a custodial account that he managed for a minor stepchild prior to the announcement.[18]

The SEC's complaint charges Ross Haghighat, Bruce Haghighat, Pearl, Roberge and Sabzevari with violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.[19] The SEC seeks injunctive relief, disgorgement of allegedly ill-gotten gains and civil monetary penalties against all defendants, as well as an officer-and-director bar against Ross Haghighat.[20]

The matter arose from the SEC Market Abuse Unit's Analysis and Detection Center, which uses data analytics to identify suspicious trading patterns. In a parallel action, the U.S. Department of Justice brought criminal charges against the same individuals, and a federal jury in Newark, New Jersey, convicted Haghighat, Pearl, Sabzevari and Roberge of securities fraud, insider trading and related conspiracy charges arising from the scheme to trade on material nonpublic information about the acquisition of Chinook. Following these convictions, the defendants are scheduled to be sentenced on May 4, 2026.[21]

SEC Obtains Final Judgment and Industry Bars Against Former Financial Analyst for Insider Trading

On October 2, 2025, the U.S. District Court for the Southern District of New York entered a final consent judgment against Anthony Viggiano, a former financial industry analyst, in an insider trading action brought by the SEC.[22] On November 17, 2025, the SEC also issued administrative orders barring Viggiano from associating with various participants in the securities industry.[23]

According to the SEC's complaint, filed on September 28, 2023, Viggiano learned of merger and acquisition transactions and strategic partnerships before they were publicly announced while employed at two financial institutions, and the SEC alleged that Viggiano tipped two friends with this MNPI.[24] Those individuals allegedly traded in securities of the relevant issuers ahead of the announcements, and one of them further shared the information with additional traders who also executed transactions based on the tips.[25]

Without admitting or denying the SEC's allegations, Viggiano consented to the entry of a final judgment permanently enjoining him from violating Sections 10(b) and 14(e) of the Securities Exchange Act of 1934 and Rules 10b-5 and 14e-3 thereunder.[26] The judgment also orders disgorgement of $35,000, which the court deemed satisfied by a forfeiture order entered in the parallel criminal matter, *United States v. Viggiano*, No. 23-00497-VEC (S.D.N.Y.).[27]

In related administrative proceedings, the SEC barred Viggiano from associating with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent or nationally recognized statistical rating organization.[28] He was also barred from participating in any offering of penny stock and suspended from appearing or practicing before the SEC as an accountant under Rule 102(e)(3) of the SEC's Rules of Practice, with the right to apply for reinstatement after 10 years.[29]

SEC Secures Final Judgment Against Broker-Dealer for Failure to Maintain Information Barriers Protecting Customer MNPI

On December 2, 2025, the U.S. District Court for the Southern District of New York entered a final consent judgment against broker-dealer Virtu Americas LLC ("Virtu Americas") resolving an SEC enforcement action alleging that the firm failed to implement and enforce effective controls designed to prevent the misuse of customers' MNPI.[30] The SEC's complaint alleged that Virtu Americas operated both a proprietary trading business and an agency execution platform handling large institutional orders, creating circumstances in which confidential customer order information could be accessible to personnel involved in trading for the firm's own account.[31]

The SEC alleged that between January 2018 and April 2019, Virtu Americas stored detailed post-trade customer order information, including customer identity, trade direction, security, execution price and volume, in internal databases accessible through shared login credentials that were widely distributed within the firm.[32] According to the complaint, these access controls allowed numerous employees, including proprietary traders, to obtain confidential customer order information despite the firm's stated information-barrier policies.[33] The SEC further alleged that the firm lacked adequate controls to monitor database access, including systems to identify which employees accessed the information or what data was retrieved, and did not remediate the access-control deficiency for several months after it was internally identified, thereby heightening the risk that customer trading information could be used in connection with the firm's proprietary trading activity.[34] The SEC's complaint further alleged that

Virtu Financial, Inc., the firm's parent company, made materially misleading statements in public disclosures regarding the effectiveness of the firm's information-barrier controls designed to protect customer trading information.[35]

The SEC alleged that these failures to maintain effective information barriers and access controls violated Section 15(g) of the Exchange Act, which requires broker-dealers to establish, maintain and enforce written policies and procedures reasonably designed to prevent the misuse of MNPI.[36] The SEC also alleged that the misleading disclosures about the efficacy of information-barrier controls violated Sections 17(a)(2) and 17(a)(3) of the Securities Act.[37] This enforcement action indicates that the SEC may pursue enforcement of its information-barrier rules even in the absence of allegations of insider trading or allegations that confidential customer information was actually accessed or misused. The case also serves as a reminder that firms should ensure that their written policies and other information-barrier controls are appropriately designed to address how customer trading data actually flows within the organization and to ensure the accuracy of any public disclosures describing those controls.

Without admitting or denying the allegations, Virtu Americas consented to the entry of a final judgment permanently enjoining the firm from violating Section 15(g) and to payment of a $2.5 million civil penalty.[38] As part of the settlement, the SEC agreed to dismiss the remaining claims, including the Sections 17(a)(2) and (3) allegations and the relief previously sought against both Virtu Americas and its parent company, Virtu Financial, Inc.[39]

Kalshi Accuses MrBeast Employee of Insider Trading

On February 25, 2026, Kalshi, a prediction-market platform that allows users to wager on world events, accused a user—who worked for the YouTube creator MrBeast—of violating the platform's insider-trading rules.[40] Kalshi's internal surveillance systems flagged the account after detecting a series of unusually accurate trades involving the outcomes of MrBeast videos that had low odds of success. Following an investigation, the company concluded that the trader, 22-year-old MrBeast show editor Artem Kaptur, likely had access to material nonpublic information related to the content of the videos.

Kalshi stated that Kaptur placed approximately $4,000 in trades during August and September 2025 on markets tied to MrBeast YouTube content and generated about $5,400 in profits. According to Kalshi's head of enforcement and legal counsel, the trades were identified as "statistically anomalous," and other users had also flagged the activity. The platform froze the account before the funds could be withdrawn, suspended Kaptur from trading for two years and imposed a $20,000 fine. Kalshi also reported the matter to the Commodity Futures Trading Commission, which oversees prediction-market platforms.

On March 2, in his first public remarks as the CFTC director of enforcement, David Miller indicated that curbing insider trading in prediction markets is a top priority stating: "unfortunately, there is a myth in the mainstream media and social media that insider trading law doesn't apply in the prediction markets. That is wrong." As noted elsewhere in this Update, the CFTC has taken several concrete steps to assert its authority in this space and has become more active on the enforcement front.

Disclosure Enforcement and Regulatory Updates

SEC Charges Former Biopharmaceutical Executive with Disclosure Fraud Relating to Clinical Trial Results

On September 5, 2025, the SEC filed a civil enforcement action in the U.S. District Court for the Northern District of California against Dr. Kin-Hung Peony Yu, the former Chief Medical Officer of FibroGen, Inc. ("FibroGen"), alleging that she made materially false and misleading statements to investors concerning clinical trial results for FibroGen's drug candidate roxadustat.[41] According to the SEC, from November 2019 through March 2021, Yu publicly represented that key clinical studies demonstrated that roxadustat was superior in cardiovascular safety to the existing standard treatment for anemia in chronic kidney disease patients.[42]

The SEC's complaint alleges that these statements were misleading because the initial analyses of the clinical trial data showed that roxadustat's cardiovascular safety profile was at most comparable to the existing treatment.[43] The complaint further alleges that after reviewing the initial results, Yu directed changes to the analytical methodology intended to produce more favorable results suggesting superiority.[44] According to the SEC, Yu failed to disclose that these revised analyses were based on post-hoc changes rather than the original statistical approach.[45]

The SEC alleges that Yu repeated these allegedly misleading claims in multiple forums, including a major industry conference presentation and accompanying press release, SEC filings, an earnings call and a published article in a medical journal.[46] Furthermore, Yu represented that the FDA had endorsed the analysis underlying the reported results even though the company had not sought regulatory input regarding the revised analysis.[47]

Following Yu's departure from FibroGen, the company issued corrective disclosure on April 6, 2021, stating that previously reported results had relied on post-hoc analytical changes and revealing the less favorable initial findings.[48] The announcement caused FibroGen's stock price to decline significantly.[49]

The SEC's complaint charges Yu with violating Section 17(a)(2) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5(b) thereunder. The SEC seeks permanent injunctive relief, disgorgement of allegedly ill-gotten gains with prejudgment interest, civil penalties and an officer-and-director bar.[50]

Former Edison Nation CEO and Consultant Face SEC Charges for Misleading Press Release

On February 23, 2026, the SEC filed a settled civil action in the Southern District of New York against Christopher Ferguson, the former CEO of Edison Nation, Inc. ("Edison Nation") and Brian McFadden, a consultant to the company, for issuing a press release furnished on Form 8-K that allegedly misrepresented the amount of purchase orders the company had received for personal protective equipment sold during the COVID-19 pandemic.[51]

According to the SEC's complaint, before markets opened on April 16, 2020, Edison Nation announced that "Edison Nation Medical Secures Over $10 Million in Purchase Orders for Personal Protective Equipment in First Week Since Launch," when in fact the company had only approximately

$2.5 million in purchase orders at that time. The complaint further alleged that Ferguson and McFadden had been negotiating the potential purchase of $9 million worth of hand sanitizer, but the deal fell through two days before the press release was issued.

The SEC alleged that Edison Nation's share price jumped nearly 200 percent following the press release and that McFadden sold 33,290 shares of Edison Nation stock after the announcement, realizing approximately $75,208 in illicit profits. The complaint charged Ferguson with violating Section 17(a)(3) of the Securities Act of 1933 and McFadden with violating Sections 17(a)(2) and (3) of the Securities Act.

Without admitting or denying the allegations, Ferguson and McFadden consented to final judgments, subject to court approval, that would permanently enjoin them from future violations of the charged provisions, impose civil penalties of $50,000 each, prohibit them for five years from serving as officers or directors of a public company and require McFadden to pay disgorgement and prejudgment interest totaling approximately $103,000.[52]

SEC Drops Remaining Cybersecurity Charges Against SolarWinds and Its CISO

On November 20, 2025, the SEC filed a joint stipulation with SolarWinds Corp. ("SolarWinds") and its chief information security officer, Timothy G. Brown, to dismiss, with prejudice, the SEC's civil enforcement action pending in the Southern District of New York.

The SEC had charged SolarWinds and its CISO with violations of the anti-fraud provisions of the federal securities laws in connection with alleged disclosure and internal controls violations related both to a cyberattack and to alleged undisclosed weaknesses in SolarWinds' cybersecurity program dating back to 2018. This was the first time the SEC brought civil fraud claims in federal court against a public company that suffered a cyberattack and the first time the SEC charged a CISO in connection with alleged violations of the federal securities laws occurring within the scope of the CISO's cybersecurity functions.

In July 2024, Judge Engelmayer of the SDNY dismissed nearly all of the SEC's claims, finding that they did not plausibly plead actionable deficiencies in SolarWinds' reporting of the cyberattack and relied on hindsight and speculation, and that the cybersecurity controls at issue in the suit, such as password and virtual private network protocols, are "outside the scope" of the internal accounting controls requirements of Section 13(b)(2)(B) of the Exchange Act. The court permitted a limited number of claims to proceed based on alleged misstatements about SolarWinds' cybersecurity practices and risks made before the cyberattack.

The SEC's choice to dismiss the case rather than proceed to trial or finalize a settlement is indicative of the SEC's shift in enforcement priorities, consistent with Chairman Atkins's stated focus on financial materiality in mandated disclosures.

SEC Dismisses Civil Enforcement Action Against Former Chief Financial Officer

On February 27, 2026, the SEC filed a joint stipulation with defendant Vidul Prakash in the U.S. District Court for the Northern District of California seeking dismissal, with prejudice, of the SEC's civil enforcement action against him.[53]

The SEC's complaint, originally filed in 2023, alleged that Prakash, the former Chief Financial Officer of smart window manufacturer View Inc. ("View"), failed to ensure accurate disclosure of the company's warranty-related liabilities in filings and statements submitted to the SEC between December 2020 and

May 2021.[54] According to the complaint, View reported warranty liabilities ranging from $22 million to $25 million associated largely with replacing certain defective windows.[55] The SEC alleged that those disclosures excluded additional costs the company had decided to incur to ship and install replacement windows and that including those costs would have increased the company's projected warranty liability to approximately $48 million to $53 million.[56] The complaint further alleged that, as a result, View materially misstated its warranty liabilities for fiscal years 2019 and 2020 and the first quarter of 2021. The SEC had charged Prakash with violations of Section 17(a)(3) of the Securities Act of 1933, Section 14(a) of the Securities Exchange Act of 1934 and Exchange Act Rules 14a-9 and 13b2-1.[57]

According to the joint stipulation, the SEC agreed to voluntarily dismiss all claims asserted against Prakash based on the facts and circumstances of the case and its continuing review of the evidentiary record, including materials developed during discovery.[58]

Accounting Enforcement and Litigation

SEC Charges Former Near Intelligence CEO and CFO with Round-Trip Accounting Scheme

On January 27, 2026, the SEC charged Anil Mathews, former CEO of Near Intelligence, Inc. ("Near"), and Rahul Agarwal, former CFO of Near, alleging a scheme to inflate revenue that involved Near's largest customer, MobileFuse, LLC ("MobileFuse").[59] Kenneth M. Harlan, former CEO of MobileFuse, and MobileFuse itself were charged with aiding and abetting the scheme.

According to the SEC's complaint, from May 2021 through September 2023 Mathews and Agarwal engaged in a round-trip accounting scheme to materially overstate revenue reported by Near. The SEC alleged that Near and MobileFuse entered into mutual contracts under which MobileFuse invoiced Near for inflated amounts despite providing minimal services. Near paid those invoices and then invoiced MobileFuse in return, with MobileFuse ultimately returning the funds, allowing Near to improperly record the recycled funds as revenue. The scheme resulted in at least $37.3 million in improperly reported revenue across Near's financial results for 2021, 2022 and the first two quarters of 2023. The complaint further alleged that the defendants fabricated documents and made misstatements to conceal the scheme from the company's independent auditors and that Harlan and MobileFuse provided substantial assistance in executing the fraud. In addition, the SEC alleged that Mathews misappropriated over $300,000 of company funds to pay for the rental of a luxury residence for himself and his family, presenting false invoices to Near claiming the funds were used for "professional services."

The SEC's complaint charged Mathews and Agarwal with violations of Section 17(a) of the Securities Act of 1933 and Sections 10(b) and 13(b)(5) of the Securities Exchange Act of 1934 and Rules 10b-5, 13b2-1 and 13b2-2 thereunder. The SEC sought permanent injunctions, officer and director bars, civil money penalties and disgorgement with prejudgment interest from Mathews. The complaint also charged Harlan and MobileFuse with aiding and abetting these securities law violations and sought permanent injunctions and civil penalties against them. This action underscores the SEC's willingness to pursue not only issuers and their executives, but also counterparties that allegedly facilitate an issuer's improper accounting practices.

SEC Charges Archer-Daniels-Midland Company and Former Executives with Manipulating Business Segment Performance

On January 27, 2026, the SEC announced settled charges against Archer-Daniels-Midland Company ("ADM") and two former ADM executives related to a series of transactions that inflated the operating profit of the company's Nutrition segment in 2019, 2021 and 2022. The SEC also announced a pending litigated action against the former CFO of ADM's Nutrition segment for his role in leading the transactions.[60] To settle the matter, ADM agreed to pay a $40 million civil penalty and to cooperate fully with the SEC's related litigation. The former executives who settled with the SEC agreed to civil penalties of approximately $400,000 and $125,000, and one executive agreed to a three-year officer and director bar.

ADM's operations are organized into three segments: Nutrition, Ag Services and Oilseeds ("AS&O"), and Carbohydrate Solutions ("CarbSol"). These segments regularly transact with one another, including to purchase commodities and other products for use in manufacturing, and the company disclosed that any "[i]ntersegment sales [were] recorded at amounts approximating market." ADM's accounting policy for intersegment transactions described "market" as incorporating the concept of an arm's-length transaction "to ensure that both parties involved are acting in their own self-interest and not granting favorable conditions or terms to the other party simply because both entities are part of the enterprise's worldwide group of companies."

According to the SEC order, the overall performance of ADM's Nutrition segment struggled to meet expectations after the segment was created in 2018, notwithstanding statements made by management that promoted the segment's prospects to investors. The SEC found that to ensure the Nutrition segment met its operating profit goals, ADM's then-CFO, with help from the CFO and the President of the Nutrition segment at the time, instructed employees to make a series of adjustments to ADM's intersegment transactions that materially inflated the Nutrition segment's operating profit to the detriment of AS&O's and CarbSol's operating profits. For example, these adjustments included shifting millions of dollars in operating profits to Nutrition from AS&O and CarbSol, justifying the adjustments as product rebates that were not contemplated in the original sales agreements between the segments. Other adjustments were similarly justified as a retroactive application of beneficial pricing terms that had not been finalized at the time of the original agreements between the segments.

The SEC found that these adjustments materially inflated the Nutrition segment's operating profits and resulted in intersegment transactions that were not conducted on market terms as the company had disclosed in its SEC filings, including at least one instance in which the purported rebates resulted in CarbSol selling its products to Nutrition for amounts below cost. Accordingly, the SEC found that ADM violated Section 17(a) of the Securities Act and Rule 10b-5 of the Exchange Act, as well as the reporting provisions of Exchange Act Section 13(a) and the books and records and internal controls provisions of Exchange Act Section 13(b). The SEC also found that the former President of the company's Nutrition segment violated, or caused violations of, the same provisions, and the SEC alleged the same charges in its complaint against the former CFO of the Nutrition segment. Notably, the SEC did not impose an officer and director bar on the former CFO of the company, who the SEC found to be "negligent[] in overseeing and approving certain transactions."

This action reinforces the importance of ensuring accurate segment reporting and related disclosures,

including with respect to the terms on which intersegment transactions are conducted.

SEC Charges Former Ammo Executives with Accounting and Disclosure Fraud

On December 15, 2025, the SEC charged the former CEO, former CFO and co-founder of Ammo, Inc. ("Ammo") (now Outdoor Holding Co.) with accounting and disclosure fraud resulting from alleged misrepresentations in Ammo's SEC filings that primarily related to the co-founder's role at the company.[61]

According to the SEC's complaint, Ammo's former CEO and CFO made several false and misleading claims in Ammo's public financial statements and SEC filings to obscure unfavorable details about the company's management and operations. In particular, the complaint alleged that these executives concealed the fact that Ammo's co-founder Christopher Larson continued to exert substantial control over key business functions, including negotiating the company's most significant acquisition, despite being subject to a 2020 federal court order barring him from serving in an executive role at a public company. The executives allegedly prepared, signed and certified numerous SEC filings that excluded Larson from the lists and descriptions of Ammo's executive officers and "represented that none of Ammo's executive officers had . . . been subject to various disciplinary actions," despite making representations to third parties that indicated that Larson held a role functionally equivalent to that of an executive officer. The SEC further alleged that Larson arranged transactions with Ammo that personally benefited himself or his family members and that Ammo's former CEO and CFO repeatedly lied to the company's outside auditors by falsely representing that Larson was no longer employed by or involved in the management of the company, submitting fabricated and backdated separation agreements and altered documents and signing management representation letters they knew were false in order to conceal Larson's ongoing executive role and related-party transactions.

Additionally, Ammo's public reports were allegedly riddled with omissions and fundamental accounting errors that the former CEO and CFO approved and certified while knowing they were inaccurate. For example, the complaint alleged that Ammo's filings understated expenses, including through improper capitalization of investor relations costs. The complaint described altered, forged and sham invoices and agreements with vendors that were falsely portrayed as providing services tied to financing activities, allowing their costs to be improperly capitalized rather than expensed. The complaint further alleged that Ammo misrepresented key metrics, such as adjusted EBITDA, by failing to disclose changes in its calculation methods.

The SEC's complaint charged all three defendants with violating the antifraud provisions of the federal securities laws, including Section

17(a)(1) and (3) of the Securities Act and Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. Additionally, the company's former CEO and CFO were charged with falsifying books and records, lying to the company's auditors, providing false certifications and failing to reimburse the company for compensation following Ammo's accounting restatement as required under the Sarbanes-Oxley Act. The SEC sought permanent injunctions, civil penalties, officer and director bars and disgorgement of ill-gotten gains with prejudgment interest from Larson and reimbursement from Ammo's former CEO and CFO of compensation tied to the misstated financial reports. In a related administrative proceeding, Ammo agreed, without admitting or denying the SEC's findings, to cease and desist from future violations and to adopt all

recommendations from a compliance consultant within two years.[62]

This action underscores the SEC's continued focus on holding senior executives accountable for accounting and disclosure failures and breakdowns in internal controls, particularly in the context of related party transactions. It also highlights the importance of ensuring that public companies are transparent about who is involved in managing or significantly influencing the company's operations.

SDNY Charges Former Mobileum Executives for Fraudulent Revenue Recognition Scheme Ahead of Private Equity Transaction

On February 17, 2026, the U.S. Attorney's Office for the Southern District of New York ("SDNY") announced they had charged the former CFO and the former Chief of Delivery of Mobileum, Inc. ("Mobileum") with conspiring to commit securities fraud and wire fraud in connection with a fraudulent revenue recognition scheme that allegedly inflated the company's enterprise value ahead of its sale to a private equity firm in 2022.[63] According to SDNY's indictment, the defendants' scheme was uncovered in 2024 when the private equity firm discovered Mobileum's true financial condition, after which the company filed for bankruptcy.

The defendants' alleged revenue recognition scheme centered on Mobileum's application of the percentage-of-completion method to account for revenue that it earned on data analytics and networks solution projects. Following the percentage-of-completion method, Mobileum purported to recognize its revenue over the life of a project in proportion to the work the company had performed on each project. The defendants allegedly inflated the revenue recognized under this method in two ways. First, they reclassified internal, non-billable labor as billable client work to create the appearance of having achieved additional progress towards project milestones, which in turn allowed Mobileum to recognize additional revenue on those projects. The indictment alleged that the defendants expanded a single client contract by approximately $18 million so they could use the contract as a repository for the reclassified revenue and also sought permission from the client to "invoice more $$" under the contract on the understanding that the client would not be required to pay the invoices. Second, the indictment alleged that the defendants artificially reduced the total amount of effort required for certain projects to create the appearance that a greater percentage of the projects had been completed, which also allowed Mobileum to accelerate its recognition of revenue.

As part of due diligence in connection with Mobileum's sale to a private equity firm in 2022, the private equity firm allegedly expressed concern about the company's heightened level of unbilled revenue (i.e., revenue not yet invoiced to customers), a significant amount of which included the fraudulent revenue that resulted from the defendants' scheme. As a result, the defendants allegedly addressed this concern by creating sham invoices that it delayed sending to its customers. The defendants' scheme eventually unraveled in 2024 when a whistleblower came forward to the private equity firm that had purchased Mobileum, ultimately forcing the company into bankruptcy.

Notes

1. SEC Litigation Release No. 26458, SEC Charges Three Brothers with Allegedly Manipulating Two Pharma Company Stocks and Carrying Out a $41 Million Insider Trading Scheme with Three Friends (January 6, 2026), https://www.sec.gov/enforcement-litigation/litigation-releases/lr-26458 [hereinafter "SEC Release No. 26458"].
2. SEC Complaint, *SEC v. Muhammad Saad Shoukat, et al.*, No. 2:25-cv-18864, ¶¶ 1, 5 (D.N.J. Dec. 22, 2025), https://www.sec.gov/files/litigation/complaints/2026/comp26458.pdf.
3. *Id.* at ¶¶ 5, 146–151.
4. *Id.* at ¶ 5.
5. *Id.*
6. *Id.* at ¶¶ 3–4.
7. *Id.* at ¶¶ 37, 45.
8. *Id.* at ¶ 4.
9. SEC Release No. 26458.
10. *Id.*
11. *Id.*
12. *Id.*
13. U.S. District Attorney's Office for the District of New Jersey Press Release, Six Individuals Charged in $41 Million Insider Trading and Market Manipulation Scheme Involving Cancer Drug and Opioid Treatment Companies (Dec. 19, 2025), https://www.justice.gov/usao-nj/pr/six-individuals-charged-41-million-insider-trading-and-market-manipulation-scheme.
14. SEC Litigation Release No. 26383, *SEC Charges Former Director and Four Others with Insider Trading* (Aug. 22, 2025), https://www.sec.gov/enforcement-litigation/litigation-releases/lr-26383?utm_source=securitiesdocket.beehiiv.com&utm_medium=newsletter&utm_campaign=sec-charges-former-director-four-others-with-insider-trading-ahead-of-chinook-acquisition-announcement&_bhlid=19ac6377360189323cbf893c38e1ed19717691cf [hereinafter "SEC Release No. 26383"].
15. SEC Complaint, *SEC v. Rouzbeh Haghighat et al.*, No. 25-cv-14843 ¶¶ 1–3 (D.N.J. Aug. 22, 2025), https://www.sec.gov/files/litigation/complaints/2025/comp26383.pdf.
16. *Id.* at ¶ 3.
17. *Id.* at ¶ 4.
18. *Id.* at ¶ 5.
19. SEC Release No. 26383.
20. *Id.*
21. *Id.*; U.S. Dept. of Justice, "Four Individuals Convicted of Insider Trading Scheme" (Dec. 17, 2025), https://www.justice.gov/opa/pr/four-individuals-convicted-insider-trading-scheme.
22. SEC Litigation Release No. 26417, *SEC Obtains Final Judgment and Imposes Industry Bars Against Former Financial Industry Analyst Charged with Insider Trading* (Nov. 18, 2025), https://www.sec.gov/enforcement-litigation/litigation-releases/lr-26417 [hereinafter "SEC Release No. 26417"].
23. *Id.*
24. SEC Complaint, *SEC v. Anthony Viggiano, et al.*, No. 1:23-cv-08542, ¶ 1 (S.D.N.Y. Sept. 28, 2023), https://www.sec.gov/files/litigation/complaints/2023/comp-pr2023-204-1.pdf.
25. *Id.*
26. SEC Release No. 26417.
27. *Id.*
28. *Id.*
29. *Id.*
30. SEC Litigation Release No. 26427, SEC Obtains Final Consent Judgment as to Virtu Broker-Dealer Regarding Alleged Failure to Establish, Maintain and Enforce Policies and Procedures Reasonably Designed to Prevent Misuse of Its Customers' Material Nonpublic Information (December 3, 2025), https://www.sec.gov/enforcement-litigation/litigation-releases/lr-26427 [hereinafter "SEC Release No. 26427"].
31. *Id.*; SEC Complaint, *SEC v. Virtu Financial Inc. et al.*, No. 1:23-cv-08072 ¶¶ 2, 5 (S.D.N.Y. Sept. 12, 2023), https://www.sec.gov/files/litigation/complaints/2025/comp26427.pdf [hereinafter "Virtu Complaint"].
32. Virtu Complaint at ¶ 4.
33. *Id.* at ¶ 5.
34. *Id.* at ¶ 9.
35. *Id.* at ¶ 6.
36. *Id.* at ¶ 9.
37. *Id.* at ¶ 7.

[38] SEC Release No. 26427.
[39] *Id*.
[40] Neil Vigdor, *Kalshi Says MrBeast Employee Violated Insider Trading Rules*, N.Y. TIMES, Feb. 25, 2026, https://www.nytimes.com/2026/02/25/business/kalshi-mrbeast-employee-insider-trading-accusations.html.
[41] SEC Litigation Release No. 26394, *SEC Charges Former FibroGen Chief Medical Officer for False and Misleading Claims about Clinical Trial Results* (Sept. 10, 2025), https://www.sec.gov/enforcement-litigation/litigation-releases/lr-26394 [hereinafter "SEC Release No. 26394"].
[42] SEC Complaint, *SEC v. Kin-Hung Peony Yu*, No. 3:25-cv-07593 ¶ 1 (N.D. Cal. filed Sept. 5, 2025), https://www.sec.gov/files/litigation/complaints/2025/comp26394.pdf.
[43] *Id*.
[44] *Id*. at ¶ 3.
[45] *Id*.
[46] *Id*. at ¶ 1.
[47] *Id*. at ¶ 6.
[48] *Id*. at ¶ 9.
[49] *Id*.
[50] SEC Release No. 26394.
[51] *See* SEC Complaint, *SEC v. Christopher Ferguson and Brian McFadden*, No. 1:26-cv-01482, ¶¶ 1–2 (S.D.N.Y. Feb. 23, 2026), https://www.sec.gov/files/litigation/complaints/2026/comp26487.pdf.
[52] *See* SEC Litigation Release No. 26487, *Christopher B. Ferguson and Brian P. McFadden* (Feb. 23, 2026), https://www.sec.gov/enforcement-litigation/litigation-releases/lr-26487.
[53] SEC Joint Stipulation for Voluntary Dismissal and Releases, *SEC v. Vidul Prakash*, No. 5:23-cv-03300-BLF (N.D. Cal. filed July 3, 2023), https://www.sec.gov/files/litigation/litreleases/2026/stip26495.pdf[, hereinafter "SEC Joint Stipulation for Voluntary Dismissal and Releases, *SEC v. Vidul Prakash*"].
[54] SEC Litigation Release No. 25766, SEC Charges Former CFO of "Smart" Window Manufacturer, View Inc., for Failure to Disclose Company's $28 Million Liability (Jul. 3, 2023), https://www.sec.gov/enforcement-litigation/litigation-releases/lr-25766[, hereinafter "SEC Release No. 25766"].
[55] SEC Complaint, *SEC v. Vidul Prakash*, No. 25-cv-14843 (N.D. Cal. Jul. 3, 2023), https://www.sec.gov/files/litigation/complaints/2023/comp-pr2023-126.pdf.
[56] SEC Release No. 25766.
[57] *Id*.
[58] SEC Joint Stipulation for Voluntary Dismissal and Releases, *SEC v. Vidul Prakash*.
[59] *See* SEC Complaint, *SEC v. Anil Mathews, Rahul Agarwal, Kenneth M. Harlan and MobileFuse LLC*, No. 1:26-cv-00693, ¶ 1 (S.D.N.Y. Jan. 27, 2026), https://www.sec.gov/files/litigation/complaints/2026/comp26469.pdf.
[60] *See In the Matter of Archer-Daniels-Midland Company, et al*., Exchange Act Release No. 104697 (Jan. 27, 2026), https://www.sec.gov/files/litigation/admin/2026/33-11403.pdf; SEC Complaint, *SEC v. Vikram Luthar*, No. 1:26-cv-0927, ¶ 1 (N.D. Ill. Jan. 27, 2026), https://www.sec.gov/files/litigation/complaints/2026/comp-pr2026-15.pdf.
[61] *See* SEC Complaint, *SEC v. Fred W. Wagenhals; Robert D. Wiley; and Christopher D. Larson*, No. 2:25-cv-04696, ¶ 1 (D. Ariz. Dec. 15, 2025), https://www.sec.gov/files/litigation/complaints/2025/comp26446.pdf.
[62] *See* SEC Litigation Release No. 26446, *Fred W. Wagenhals, Robert D. Wiley and Christopher D. Larson* (Dec. 17, 2025), https://www.sec.gov/enforcement-litigation/litigation-releases/lr-26446.
[63] *See* SEC Complaint, *SEC v. Andrew Warner and Kishore Vangipuram*, No. 1:26-cv-00055, ¶ 1 (S.D.N.Y. Feb. 17, 2026), https://www.justice.gov/usao-sdny/media/1427906/dl.

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