

Table of Contents

CHAPTER 1. INTRODUCTION

- § 1:1 Scope of work
- § 1:2 SEC enforcement program
- § 1:3 Handling an SEC investigation
- § 1:4 SEC administrative remedies
- § 1:5 SEC injunctions
- § 1:6 Criminal and related enforcement practice
- § 1:7 Applicability of nonsecurities law statutes to SEC enforcement practice
- § 1:8 SEC subpoena enforcement practice
- § 1:9 Multiple representation and conflicts of interest
- § 1:10 The attorney-corporate client privilege and the work product doctrine
- § 1:11 Regulation of futures trading
- § 1:12 State “Blue Sky” enforcement practice
- § 1:13 Self-regulatory organization enforcement practice
- § 1:14 Conclusion

CHAPTER 2. THE SEC ENFORCEMENT PROGRAM

I. OVERVIEW

- § 2:1 Introduction
- § 2:2 Types of enforcement approaches
- § 2:3 Current issues in enforcement policy

II. AREAS OF MISCONDUCT ON WHICH SEC ENFORCEMENT ACTIVITY IS CENTERED

- § 2:4 In general
- § 2:5 General antifraud and manipulative conduct
- § 2:6 Regulation FD
- § 2:7 Insider trading
 - § 2:8 —Chiarella, Dirks and the SEC response
 - § 2:9 —The misappropriation rationale
 - § 2:10 —O’Hagan and the misappropriation theory
 - § 2:11 —The “deception” requirement
 - § 2:12 —The “in connection with” requirement
 - § 2:13 —Misappropriating tippers and the personal benefit test
 - § 2:14 —The test applied to tippees of misappropriators
 - § 2:15 —Limitations to the misappropriation theory
 - § 2:16 —Rule 14e-3—Insider and tippee trading in tender offers
 - § 2:17 —The quasi-insider principle
 - § 2:18 —The “gift” theory
 - § 2:19 —Measure of disgorgement
 - § 2:20 —Insider Trading Sanctions Act
 - § 2:21 —Section 16(a) enforcement actions
 - § 2:22 —“Waiver by conduct” approach
 - § 2:23 “Black out” period prohibition
 - § 2:24 Financial fraud

- § 2:25 Broker-dealer enforcement
- § 2:26 Broker-dealer enforcement—The Penny Stock Reform Act of 1990 *[Reserved]*
- § 2:27 —A need for the Penny Stock Reform Act of 1990
- § 2:28 —Analysis of the Act
- § 2:29 —SEC rules
- § 2:30 —SEC enforcement actions
- § 2:31 Materially false and misleading registration statements—Use of stop orders
- § 2:32 Foreign Corrupt Practices Act (FCPA)
- § 2:33 Acquisitions and takeovers
- § 2:34 Government securities enforcement
- § 2:35 Qualitative materiality
- § 2:36 Tax shelters
- § 2:37 First amendment issues
- § 2:38 Impact of Central Bank of Denver
- § 2:39 Extraterritorial Scope of the Federal Securities Laws
- APPENDIX 2A. SEC Division of Enforcement List of Enforcement Actions Involving Financial Disclosure Issues Initiated From July 1, 1981 Through December 31, 1984
- APPENDIX 2B. SEC Formal Order of Investigation in the Washington Public Power Supply System Securities Case
- APPENDIX 2C. SEC Memorandum in Support of Application for Temporary Restraining Order in Case Involving Violations of the Exchange Act Through the Misappropriation of Information
- APPENDIX 2D. Excerpts from Congressional Record of House and Senate Debates Over the Insider Trading Sanctions Act of 1984
- APPENDIX 2E. SEC Complaint for Permanent Injunction to Restrain Defendant Corporation from Violating § 14(e) of Exchange Act and Consent and Order of Judgment
- APPENDIX 2F. Insider Trading and Securities Fraud Enforcement Act of 1988
- APPENDIX 2G. Private Securities Litigation Reform Act of 1995 Joint Explanatory Statement of the Committee of Conference
- APPENDIX 2H. Adoption of Regulation FD
- APPENDIX 2I. SEC Brief Amicus Curiae in *Ganino v. Citizens Utilities Company*
- APPENDIX 2J. The Sarbanes-Oxley Act of 2002

CHAPTER 3. SEC INVESTIGATIONS

I. ROADMAP FOR A TYPICAL INVESTIGATION

A. IN GENERAL

- § 3:1 Introduction
- § 3:2 Triggering an SEC inquiry

B. PRELIMINARY INQUIRIES

- § 3:3 Overview

C. FORMAL INVESTIGATIONS

- § 3:4 In general

TABLE OF CONTENTS

- § 3:5 Issuance of formal order of investigation
- § 3:6 Mechanics of formal order
- § 3:7 SEC subpoena power for production of documents
- § 3:8 Responding to SEC subpoena
- § 3:9 Procedures for producing subpoenaed documents—Techniques for production
- § 3:10 —Requests for confidentiality
- § 3:11 Declining to produce in response to SEC subpoena
- § 3:12 Obtaining (or seeing) formal order
- § 3:13 Witness examinations generally
- § 3:14 Opening statement by counsel
- § 3:15 Multiple representation and conflicts of interest
- § 3:16 Preparing witness
- § 3:17 Testimony before SEC staff
- § 3:18 General role of counsel during interrogation
- § 3:19 Availability of transcript of interrogation

D. CONSTITUTIONAL AND OTHER RECOGNIZED PRIVILEGES

- § 3:20 In general
- § 3:21 Fifth amendment privilege
- § 3:22 Fourth amendment privilege
- § 3:23 First amendment privilege
- § 3:24 Attorney-client privilege
- § 3:25 Work product privilege
- § 3:26 Other privileges
- § 3:27 Immunity

E. PROCESSING OF SEC DISCLOSURE FILINGS DURING PENDENCY OF INVESTIGATION

- § 3:28 Overview

II. POSSIBLE SEC REMEDIAL ACTION

- § 3:29 In general
- § 3:30 No further action
- § 3:31 Trading suspension
- § 3:32 Cautionary letter
- § 3:33 Foreign restricted list
- § 3:34 Stop orders
- § 3:35 Civil and criminal referral to other law enforcement agencies
- § 3:36 Referral to self-regulatory organizations
- § 3:37 Section 21(a) reports
- § 3:38 Rule 2(e) proceedings
- § 3:39 Administrative proceedings
- § 3:40 Injunctive actions
- § 3:41 Securities enforcement remedies and Penny Stock Reform Act of 1990

III. IDENTITY OF DEFENDANTS

- § 3:42 Overview

IV. OFFENSIVE STRATEGIES IN DEFENDING AGAINST AN SEC INVESTIGATION

- § 3:43 In general
- § 3:44 Opposition to subpoena
- § 3:45 Invocation of right to financial privacy act
- § 3:46 Frontal attack by target to enjoin investigation
- § 3:47 —Negligence
- § 3:48 —Bad faith
- § 3:49 —Improper procedures
- § 3:50 Dismissal of criminal indictment resulting from investigation
- § 3:51 —Improper criminal reference
- § 3:52 —Prejudice to defendant during criminal process
- § 3:53 Recovery of expenses and attorney fees

V. POST-EXAMINATION PROCEDURE

- § 3:54 Counsel's role
- § 3:55 Review of transcript
- § 3:56 Wells submission
- § 3:57 —Background
- § 3:58 —Uses
- § 3:59 —Drawbacks

VI. SETTLEMENT OF SEC INVESTIGATIONS

- § 3:60 In general
- § 3:61 Role of counsel
- § 3:62 Benefits of settlement
- § 3:63 Appropriate time to settle
- § 3:64 Range of considerations
- § 3:65 Form of the consent
- § 3:66 Judicial approval of consent decree

VII. COLLATERAL ESTOPPEL RAMIFICATIONS

- § 3:67 Collateral estoppel—In general
- § 3:68 —Preconditions to application
- § 3:69 Parklane hosiery
- § 3:70 Limitations on offensive collateral estoppel
- § 3:71 Collateral estoppel effect of SEC administrative decisions
- § 3:72 Ramifications of parklane on SEC related matters
- § 3:73 Role of counsel

APPENDIX 3A. Order Directing Private Investigation and Designating Officers to Take Testimony

APPENDIX 3B. Subpoena Duces Tecum

APPENDIX 3C. Subpoena Attachment Requesting Specific Information

APPENDIX 3D. Memorandum to Persons Directed to Supply Information Pursuant to Subpoena

APPENDIX 3E. Memorandum as to Uses of Information Furnished to SEC

APPENDIX 3F. Notice to Witness Testifying in Formal Investigation

TABLE OF CONTENTS

APPENDIX 3G.	SEC Release No. 5310 Concerning Counsel's Opportunity to Submit Postexamination Briefs
APPENDIX 3H.	SEC Form 1712—Claim for Fees and Expenses of Witnesses
APPENDIX 3I.	"Tandy" Letter
APPENDIX 3J.	Records Retention Letter
APPENDIX 3K.	Internal Law Firm Memorandum Concerning Settlement Negotiations with SEC
APPENDIX 3L.	Stipulation of Settlement and Final Order
APPENDIX 3M.	Securities and Exchange Commission Washington, D.C. 20549

CHAPTER 4. SEC ADMINISTRATIVE REMEDIES

I. INTRODUCTION

§ 4:1 Introduction

II. OVERVIEW OF SPECIFIC PROVISIONS

§ 4:2	Refusal and stop orders—In general
§ 4:3	—Refusal orders
§ 4:4	—Stop orders
§ 4:5	SEC proceedings and sanctions—Stop order examinations
§ 4:6	—Regulation a suspension proceedings
§ 4:7	—Broker-dealer disciplinary sanctions
§ 4:8	—Section 15(c)(4) disciplinary proceedings
§ 4:9	—Disciplinary authority over self-regulatory organizations
§ 4:10	—Summarily suspending trading in a security
§ 4:11	—Revoking or suspending the registration of a security
§ 4:12	—Review of SRO and related sanctions
§ 4:13	—Disciplinary proceedings against investment advisers
§ 4:14	—Disciplinary proceedings against investment companies
§ 4:15	—Rule 2(e) [now Rule 102(e)] proceedings
§ 4:16	—SEC standards of professional conduct for attorneys
§ 4:17	—Section 21(a) reports of investigation
§ 4:18	1990 administrative authority—Civil money fines and cease and desist authority

III. LEGAL STANDARDS

§ 4:19	State of mind
§ 4:20	Statute of limitations
§ 4:21	—Generally
§ 4:22	—Injunctions
§ 4:23	—Disgorgement
§ 4:24	—Cease and desist orders
§ 4:25	—Money penalties
§ 4:26	—Other administrative actions
§ 4:27	—Officer and director bars
§ 4:28	Standard of proof
§ 4:29	Burden of justification

IV. Rule 2(e) [NOW Rule 102(e)] PROCEEDINGS

§ 4:30	In general
--------	------------

- § 4:31 Scope of the rule
- § 4:32 Practicing before the SEC defined
- § 4:33 Proceedings normally nonpublic
- § 4:34 Criticisms of Rule 2(e) [now Rule 102(e)]
- § 4:35 Validity of Rule 2(e) [now Rule 102(e)]
- § 4:36 Accounting or law firm vicarious liability
- § 4:37 Selected Rule 2(e) [now Rule 102(e)] proceedings

V. SECONDARY LIABILITY

- § 4:38 Duty to supervise, controlling person provisions, and respondeat superior doctrine

VI. JUDICIAL REVIEW

- § 4:39 Scope of judicial review of SEC administrative sanctions

VII. UNDERTAKINGS

- § 4:40 In general
- § 4:41 Examples of undertakings

VIII. THE Insider Trading Sanctions Act

- § 4:42 Overview

IX. QUASI-JUDICIAL PROCEEDINGS

- § 4:43 In general
- § 4:44 Notice
- § 4:45 Answer to order of proceeding
- § 4:46 Parties and limited participation
- § 4:47 Depositions and interrogatories
- § 4:48 Conduct of proceeding
- § 4:49 Interlocutory SEC review
- § 4:50 Filings of motions with SEC

APPENDIX 4A. Order Entered Pursuant to Consent and Settlement

APPENDIX 4B. Proceedings and Notice of Hearing Pursuant to Section 15(b) of the Securities Exchange Act of 1934

APPENDIX 4C. Fair and Efficient Administrative Proceedings: Report of the Task Force on Administrative Proceedings of the United States Securities and Exchange Commission

APPENDIX 4D. Brief of Petitioner, Johnson v. SEC (D.C. Circuit)

CHAPTER 5. SEC INJUNCTIONS

I. INTRODUCTION

- § 5:1 Scope of chapter

II. STANDARDS FOR THE IMPOSITION OF SEC AND OTHER GOVERNMENT INJUNCTIONS

- § 5:2 In general

TABLE OF CONTENTS

- § 5:3 Government injunctions
- § 5:4 SEC injunctions
- § 5:5 —Relevant standards
- § 5:6 —Scienter
- § 5:7 —Judicial reluctance to grant

III. SEC ANCILLARY OR OTHER EQUITABLE RELIEF

- § 5:8 Background
- § 5:9 Types of ancillary relief

IV. ADVERSE COLLATERAL CONSEQUENCES

- § 5:10 Effect on reputation
- § 5:11 Civil and criminal contempt
- § 5:12 Disqualifications, revocations and suspensions
- § 5:13 Disclosure consequences

V. PROCEDURAL REQUIREMENTS

- § 5:14 In general
- § 5:15 SEC litigation as well as other courts have

VI. MODIFYING AND DISSOLVING SEC INJUNCTIONS

- § 5:16 General guidelines for government injunctions—Traditional standard in U.S. v. Swift
- § 5:17 —Lower court application of swift standard
- § 5:18 —Less restrictive modern standard
- § 5:19 “Limited” and related SEC injunctions
- § 5:20 Judicial standards applied to SEC injunctions
- § 5:21 Traditional swift standard
- § 5:22 —Lower federal court departure from stringent swift standard
- § 5:23 —Current SEC position
- § 5:24 Summation of judicial standards
- § 5:25 Underlying policies
- § 5:26 Determining factors in modification or dissolution process
- § 5:27 —Nature of proceeding
- § 5:28 —Adverse collateral consequences
- § 5:29 —Rehabilitation
- § 5:30 —Movant’s status and identity
- § 5:31 —Societal deterrence and public interest
- § 5:32 —Change of law
- § 5:33 Considerations for assessing motions for modification and dissolution

VII. CONCLUSION

- § 5:34 Guidelines for injunctions and motions for modification or dissolution
- APPENDIX 5A. SEC Brief Supporting Continued Application of Injunction Requiring Appellant to Obey Antifraud Provisions
- APPENDIX 5B. SEC Amicus Curiae Memorandum Supporting Power of Court to Grant Equitable Relief in Section 13(d) Actions
- APPENDIX 5C. Letters Regarding Clarification of Meaning of Item 401(f)(3) of Regulation S-K

CHAPTER 6. THE SECURITIES ENFORCEMENT REMEDIES AND PENNY STOCK REFORM ACT OF 1990 AND SUBSEQUENT FEDERAL LEGISLATION

I. INTRODUCTION

§ 6:1 Introduction

II. BACKGROUND

§ 6:2 Legislative history—Generally

§ 6:3 Treadway commission

§ 6:4 SEC legislative proposals

§ 6:5 Congressional testimony

§ 6:6 Senate and house bills

§ 6:7 Senate and house compromise

III. THE REMEDIES ACT

§ 6:8 Monetary penalties in civil actions

§ 6:9 Analysis of the civil penalties provisions

§ 6:10 Monetary penalties in SEC administrative proceedings

§ 6:11 Analysis of monetary penalties in SEC administrative proceedings

§ 6:12 Accounting and disgorgement orders in SEC administrative proceedings

§ 6:13 Cease-and-desist authority

§ 6:14 Permanent cease-and-desist orders

§ 6:15 Analysis of the permanent cease-and-desist authority

§ 6:16 Temporary cease-and-desist orders

§ 6:17 Analysis of the temporary cease-and-desist authority

§ 6:18 Officer and director bars

IV. CONCLUSION

§ 6:19 Possible ramifications

APPENDIX 6A. Securities Law Enforcement Remedies Act of 1990 House of
Representatives Report No. 101-616 (1990)

APPENDIX 6B. The Securities Law Enforcement Remedies Act of 1990

APPENDIX 6C. Statement of the Securities and Exchange Commission
Concerning Financial Penalties

CHAPTER 7. CRIMINAL AND RELATED ENFORCEMENT PRACTICE

I. INTRODUCTION

§ 7:1 Scope of chapter

II. CRIMINAL LIABILITY

§ 7:2 General perspective on criminal enforcement practice

§ 7:3 Key criminal provisions

§ 7:4 —Interstate commerce requirement

TABLE OF CONTENTS

- § 7:5 —Meaning of “willfully” and “knowingly”
- § 7:6 —Lack of knowledge of SEC rule or regulation
- § 7:7 —Requisite intent
- § 7:8 Mail and wire fraud statutes
- § 7:9 Key areas of criminal prosecution—Accountant liability
- § 7:10 —Broker-dealer violations
- § 7:11 —Insider trading and parking
- § 7:12 Miscellaneous criminal provisions—Government misconduct
- § 7:13 —“False statements” statutes

III. CRIMINAL REFERRAL

- § 7:14 Introduction
- § 7:15 SEC criteria for criminal referral
- § 7:16 SEC’s brief in *United States v. Fields*
- § 7:17 SEC criminal reference procedures
- § 7:18 Tactical considerations when faced with possible criminal proceedings

IV. CONTEMPT

- § 7:19 In general
- § 7:20 Civil and criminal contempt distinguished
- § 7:21 SEC contempt proceedings
- § 7:22 —Advantages to the SEC of criminal contempt proceeding
- § 7:23 —Parties subject to contempt

V. PARALLEL PROCEEDINGS

- § 7:24 Introduction
- § 7:25 General rule
- § 7:26 Attacking parallel proceedings—Enforceability of administrative subpoenas
- § 7:27 —SEC v. *Dresser Industries, Inc*—Background
- § 7:28 — —Analysis of *Dresser* case
- § 7:29 —Congressional response to *Lasalle*
- § 7:30 Expanding concept of parallel proceedings
- § 7:31 Consequences of invoking Fifth Amendment rights
- § 7:32 Enforcement of SEC subpoenas after return of indictment

VI. RACKETEER INFLUENCED AND CORRUPT ORGANIZATIONS ACT (RICO)

- § 7:33 In general
- § 7:34 Elements of RICO violation
- § 7:35 Criminal remedies
- § 7:36 Civil RICO—Overview
- § 7:37 —Interpretive issues of civil RICO
- § 7:38 Securities law ramifications
- § 7:39 Conclusion

APPENDIX 7A. Criminal Prosecutions for Insider Trading 1980–1984 (SDNY)

APPENDIX 7B. Information in Obstruction of Justice Case: *U.S. v. Thayer & Harris*

APPENDIX 7C. Memorandum in Aid of Sentencing in Obstruction of Justice Case: *U.S. v. Thayer & Harris*

- APPENDIX 7D. SEC Brief Re Judicial Decision Limiting SEC Authority to Provide Justice Department with Evidence Produced Pursuant to Commission's Subpoena
- APPENDIX 7E. Order Regarding RICO Claim
- APPENDIX 7F. Federal Prosecution of Business Organizations (Thompson Memorandum)
- APPENDIX 7G. Principles of Federal Prosecution of Business Organizations (McNulty Memorandum)
- APPENDIX 7H. Remarks Prepared for Delivery by Deputy Attorney General Mark R. Filip at Press Conference Announcing Revisions to Corporate Charging Guidelines
- APPENDIX 7I. Individual Accountability for Corporate Wrongdoing

CHAPTER 8. APPLICABILITY OF NONSECURITIES LAW STATUTES TO SEC ENFORCEMENT PRACTICE

I. INTRODUCTION

- § 8:1 Introduction

II. THE FREEDOM OF INFORMATION ACT (FOIA)

- § 8:2 In general
- § 8:3 Information which may be obtained from SEC
- § 8:4 Mandatory filings and submissions
- § 8:5 Voluntary filings and submissions
- § 8:6 Preventing disclosure
- § 8:7 Exemptions—Exemption 2
- § 8:8 —Exemption 3
- § 8:9 —Exemption 4
- § 8:10 —Exemption 5
- § 8:11 —Exemption 7
- § 8:12 —Exemption 8
- § 8:13 Reverse Freedom of Information Act suits

III. THE PRIVACY ACT

A. OVERVIEW

- § 8:14 In general

B. EXCEPTIONS TO THE ACT

- § 8:15 SEC's "systems of records."
- § 8:16 General routine uses
- § 8:17 Specific routine uses
- § 8:18 —Registration statements
- § 8:19 —Registration exemption applications
- § 8:20 —Registration exemption notifications
- § 8:21 —Acquisition, tender offer and solicitation records
- § 8:22 —Beneficial ownership records of certain individuals
- § 8:23 —Periodic reports filed by issuers
- § 8:24 —Proposed sales of securities records

TABLE OF CONTENTS

§ 8:25	—Proxy soliciting materials
§ 8:26	—Administrative law judge assignments
§ 8:27	—Administrative system respondents or defendants
§ 8:28	—Records of administrative proceedings
§ 8:29	—Persons involved in administrative proceedings
§ 8:30	—Applications for relief from disqualification
§ 8:31	—Complaint processing system records
§ 8:32	—Correspondence files pertaining to broker-dealers
§ 8:33	—Correspondence files pertaining to investment advisers
§ 8:34	—Correspondence files pertaining to investment companies
§ 8:35	—Corporation finance working files
§ 8:36	—Enforcement investigative working files
§ 8:37	—Enforcement liaison working files
§ 8:38	—Enforcement preliminary market surveillance inquiries
§ 8:39	—Investment management working files
§ 8:40	—Freedom of Information Act requests
§ 8:41	—General correspondence files
§ 8:42	—Hearings, proceedings and studies
§ 8:43	—Investigations and actions index system
§ 8:44	—Investigatory files
§ 8:45	—Investor service complaint index
§ 8:46	—Civil and criminal litigation files
§ 8:47	—Minutes of actions taken by commission
§ 8:48	—No-action and interpretative letters
§ 8:49	—Office of chief accountant working files
§ 8:50	—Office of general counsel work files
§ 8:51	—Office of opinions and review working files
§ 8:52	—Records of attorneys who appear before commission
§ 8:53	—Litigation, actions and proceedings bulletin
§ 8:54	—Denver regional office investigative files
§ 8:55	—Matters under inquiry

IV. THE RIGHT TO FINANCIAL PRIVACY ACT (RFPA)

A. GENERALLY

§ 8:56	Historical background
§ 8:57	General overview
§ 8:58	Procedures for agency access to customer records—Administrative subpoena
§ 8:59	—Other procedures
§ 8:60	Bypass provisions
§ 8:61	Exemptions

B. ACT AS APPLIED TO THE SEC

§ 8:62	Overview
§ 8:63	Hunt v. SEC—Background
§ 8:64	—Court’s decision
§ 8:65	—Criticism
§ 8:66	Ruggles v. SEC

C. SEC ENFORCEMENT STAFF’S POSITION

§ 8:67	Overview
--------	----------

- § 8:68 RFPFA customer notice and challenge provisions
- § 8:69 Investigations directed at banks
- § 8:70 Interagency cooperation
- § 8:71 Legislative recommendations

D. CONCLUSION

- § 8:72 Legacy of Right to Financial Privacy Act and Hunt v. SEC
- APPENDIX 8A. SEC Documentary Materials Available to Public
- APPENDIX 8B. Freedom of Information Act and Privacy Act Guidelines and Procedures
- APPENDIX 8C. Confidential Treatment Procedures under Freedom of Information Act
- APPENDIX 8D. Treatment under Freedom of Information Act of Letter Requesting Confidential Treatment for Materials Submitted to SEC
- APPENDIX 8E. Routine Uses of Information Furnished to SEC
- APPENDIX 8F. Request under Freedom of Information Act
- APPENDIX 8G. Letter Confirming Extension of Time Given SEC to Review Request under Freedom of Information Act
- APPENDIX 8H. Request for Confidential Treatment under Freedom of Information Act for Materials Submitted to SEC

CHAPTER 9. SEC SUBPOENA ENFORCEMENT PRACTICE

I. OVERVIEW

- § 9:1 Introduction
- § 9:2 Supreme Court standards
- § 9:3 Administrative requirements for issuing
- § 9:4 Determination of “relevancy” of information sought
- § 9:5 Burden on parties opposing subpoenas—Showing “unreasonableness” of subpoena

II. NOTICE OF THIRD PARTY SUBPOENAS

- § 9:6 Background
- § 9:7 Conflict among circuits concerning notice to targets
- § 9:8 Supreme Court’s decision in SEC v. Jerry T. O’Brien, Inc

III. DEFENSES TO SUBPOENA ENFORCEMENT ACTIONS

- § 9:9 In general
- § 9:10 First Amendment defense
- § 9:11 Fourth Amendment defense
- § 9:12 Fifth Amendment defense
- § 9:13 Attorney-client privilege
- § 9:14 Bad faith and abuse of process
- § 9:15 Right to Financial Privacy Act

IV. CONCLUSION

- § 9:16 Scope of SEC’s subpoena powers

TABLE OF CONTENTS

APPENDIX 9A. SEC Brief Re Abuse of Process As Justification for Denying Enforcement of SEC Subpoena in ESM Government Securities Case

APPENDIX 9B. Policy Statement of the Securities and Exchange Commission Concerning Subpoenas to Members of the New Media

CHAPTER 10. MULTIPLE REPRESENTATION AND CONFLICTS OF INTEREST

I. OVERVIEW

- § 10:1 Scope of chapter
- § 10:2 Model Rules of Professional Conduct
- § 10:3 —Effect of Model Rules

II. SIMULTANEOUS REPRESENTATION

- § 10:4 General principles
- § 10:5 Representation of business entity and its officers or directors
- § 10:6 SEC sequestration rule
- § 10:7 SEC administrative and judicial proceedings
- § 10:8 SEC settlement negotiations

III. SUCCESSIVE REPRESENTATION

- § 10:9 General principles
- § 10:10 Substantial relationship standard
- § 10:11 —Modifications of standard

IV. VICARIOUS DISQUALIFICATION

- § 10:12 General principles
- § 10:13 Avoiding vicarious disqualification
- § 10:14 “Chinese wall” (screening)
- § 10:15 —“Screening” the former SEC attorney

V. REPRESENTING THE CORPORATION

- § 10:16 Who is counsel’s client?
- § 10:17 Specific conflict situations
- § 10:18 —Derivative actions
- § 10:19 —Corporate control contests
- § 10:20 —Acquisitions
- § 10:21 Controlling person transactions
- § 10:22 Counsel as director
- § 10:23 —Potential independence and attorney-client privilege concerns

VI. CONCLUSION

- § 10:24 Loyalty of counsel conflicts with appearance of impropriety and accessibility of skilled lawyers

APPENDIX 10A. Formal Waiver Procedures Applicable to Law Firms (Securities Exchange Act Release No. 15064)

- APPENDIX 10B. SEC Brief Re Imputing Personal Disqualification of Attorney to Law Firm
- APPENDIX 10C. SEC Amicus Curiae Brief Re Whether Corporation Must Select Independent Counsel to Pursue Litigation Recommended by Court Appointed Special Counsel

CHAPTER 11. THE ATTORNEY-CLIENT PRIVILEGE AND THE WORK-PRODUCT DOCTRINE

I. INTRODUCTION

- § 11:1 Scope of chapter

II. ATTORNEY-CORPORATE CLIENT PRIVILEGE

- § 11:2 In general
- § 11:3 Pre-Upjohn standards for determining application of privilege
- § 11:4 Upjohn decision
- § 11:5 Post-Upjohn uncertainty in determining whether communications are privileged
- § 11:6 Continuing implications of Upjohn decision

III. APPLICABILITY OF PRIVILEGE IN SHAREHOLDERS' SUITS

- § 11:7 In general
- § 11:8 “Good cause” exception
- § 11:9 Frivolity or genuineness of suit
- § 11:10 Determination on case-by-case basis

IV. WORK-PRODUCT DOCTRINE AS APPLIED TO CORPORATIONS

- § 11:11 In general
- § 11:12 Showing of necessity and undue hardship
- § 11:13 Applicability to documents and reports prepared in internal investigation

V. WAIVER OF ATTORNEY-CORPORATE CLIENT PRIVILEGE

- § 11:14 Background
- § 11:15 Principles of waiver
- § 11:16 Voluntary disclosure to SEC
- § 11:17 —General waiver
- § 11:18 —Limited waiver
- § 11:19 —Modified limited waiver—Compromise approach
- § 11:20 —Return to general waiver approach?
- § 11:21 —Continuing controversy re applicability of private party agreements with SEC

VI. WAIVER OF WORK-PRODUCT DOCTRINE

- § 11:22 In general
- § 11:23 “Common interests” and other tests developed by lower courts

VII. ACCOUNTANT-CORPORATE CLIENT PRIVILEGE

- § 11:24 In general

TABLE OF CONTENTS

- § 11:25 Principles of privilege
- § 11:26 Audit workpapers and program files; Tax accrual workpapers
- § 11:27 Resolution of Accountant Work-Product Immunity in *U.S. v. Arthur Young & Co*

VIII. JOINT DEFENSE DOCTRINE

- § 11:28 Introduction
- § 11:29 Application of doctrine—Generally
- § 11:30 Elements of “Test” and Its Limitations
- § 11:31 —Common interest
- § 11:32 —Otherwise privileged
- § 11:33 —Pursuant to common defense
- § 11:34 Need for written agreement
- § 11:35 Example of joint defense agreement
- § 11:36 Conclusion

IX. CONCLUSION

- § 11:37 Legacy of Upjohn decision
- APPENDIX 11A. Speech by John M. Fedders on Attorney-client Privilege in SEC Investigations
- APPENDIX 11B. Brief of SEC As Amicus Curiae in *Durkin v. U.S. District Court*

CHAPTER 12. REGULATION OF FUTURES TRADING

I. INTRODUCTION

- § 12:1 Background
- § 12:2 Jurisdictional issues

II. HISTORY AND OVERVIEW OF FEDERAL COMMODITIES LAWS

- § 12:3 History
- § 12:4 —Establishment of commodity futures trading commission
- § 12:5 —Increased penalties for statutory violations and state enforcement
- § 12:6 —Futures Trading Act of 1982
- § 12:7 Structure of commission
- § 12:8 —Self-regulatory feature
- § 12:9 Persons and activities subject to commission regulation
- § 12:10 Arbitration, reparations procedure, and private rights of action

III. CFTC ENFORCEMENT PRACTICE

- § 12:11 Investigations
- § 12:12 Administrative proceedings
- § 12:13 Civil actions
- § 12:14 Criminal violations
- § 12:15 Standards of conduct necessary for imposition of liability
- § 12:16 Secondary liability

IV. CONCLUSION

- § 12:17 Similarities between SEC and CFTC enforcement

APPENDIX 12A. Legal Literature on Commodities Law

APPENDIX 12B. Materials from a Study of the Effects on the Economy of Trading
in Futures Options

CHAPTER 13. BLUE SKY ENFORCEMENT

I. OVERVIEW

- § 13:1 Introduction
- § 13:2 Early blue sky statutes
- § 13:3 Uniform Securities Act—Generally
- § 13:4 State associations
- § 13:5 Types of regulatory frameworks

II. ADMINISTRATIVE REMEDIES

- § 13:6 In general
- § 13:7 Investigative powers
- § 13:8 Cease and desist power
- § 13:9 Administrative hearing advantages
- § 13:10 —Constitutional considerations
- § 13:11 Good faith reliance on administrator's order
- § 13:12 Issuance of stop order
- § 13:13 Revocation of exemptions from registration
- § 13:14 Revocation of broker-dealer registration
- § 13:15 Issuance of interpretive opinions

III. INJUNCTIVE RELIEF

- § 13:16 In general
- § 13:17 Applicable standards
- § 13:18 —Requisite mental state
- § 13:19 —Showing of irreparable harm and reasonable likelihood of repetition
- § 13:20 Other equitable relief

IV. CRIMINAL PENALTIES

- § 13:21 In general
- § 13:22 “Willfulness” requirement
- § 13:23 Requirement of scienter
- § 13:24 “In connection with” requirement

V. CIVIL LIABILITY

- § 13:25 In general
- § 13:26 Standards under the Act
- § 13:27 Definition of “seller”; Aiding and abetting liability
- § 13:28 Relief
- § 13:29 Federal preemption—The Securities Litigation Uniform Standards Act

VI. CONCLUSION

- § 13:30 Compliance with blue sky law

APPENDIX 13A. Uniform Securities Act

CHAPTER 14. SELF-REGULATORY ORGANIZATION ENFORCEMENT PRACTICE

§ 14:1	Introduction
§ 14:2	Statutory authority for enforcement
§ 14:3	SEC oversight of SRO enforcement
§ 14:4	Procedural framework of SRO enforcement practice
§ 14:5	Ramifications of settlements, summary disciplinary measures, and consent proceedings
§ 14:6	SRO informal practices
§ 14:7	SRO disciplinary hearings and procedures
§ 14:8	Exhaustion of administrative remedies
§ 14:9	Appeal to SRO board of governors
§ 14:10	Appeal to SEC
§ 14:11	Judicial review of SEC's order
APPENDIX 14A.	SEC Amicus Curiae Brief Arguing Against Court Injunction of Nasd Disciplinary Proceeding Against Securities Broker and Dealer

Table of Laws and Rules

Table of Additional Authorities

Table of Cases

Index