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Insights

## SEC Charges California Trader for Manipulative Trading Scheme Involving COVID-19 Claims

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Kevin S. Woodard

On June 9, 2020, the SEC charged a penny stock trader in California with conducting a pump-and-dump scheme using the stock of a biotech company. According to the complaint, the trader attempted to drive up the stock price of Arrayit Corporation by encouraging investors online to purchase shares while making various false assertions regarding an approved COVID-19 test. The trader failed to disclose his own large position in Arrayit, as well as his plans to sell the shares while others were buying. Additionally, he attempted to give the impression of high demand for the stock by placing and subsequently canceling large orders—a tactic known as “spoofing.” This is likely not the only instance of financial service professionals taking advantage of the chaos created by COVID-19 and investment advisors should be on the lookout for people approaching their clients with similar investment opportunities.

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