SEC Charges Political Intelligence Firm

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Washington D.C., Nov. 24, 2015 — The Securities and Exchange Commission today announced that a political intelligence firm agreed to admit wrongdoing and pay a $375,000 penalty for compliance failures.

Marwood Group Research LLC also agreed to retain an independent compliance consultant after an SEC investigation found that the firm failed to properly inform compliance officers about instances when analysts obtained potential material nonpublic information from government employees. Under Marwood Group's written policies and procedures, compliance officers are central to the firm's efforts to prevent confidential or nonpublic information from being released to clients, who in turn could use it to influence their securities trading decisions.

"Government employees routinely possess and generate confidential market-moving information. When political intelligence firms like Marwood Group obtain information from government employees, they must take the necessary steps to prevent the dissemination of potentially material nonpublic information obtained in the course of their research," said Andrew J. Ceresney, Director of the SEC's Enforcement Division.

According to the SEC's order instituting a settled administrative proceeding:

- Marwood Group's misconduct occurred in 2010, when analysts sought and received information about policy issues or pending regulatory approvals at the Centers for Medicare & Medicaid Services and the Food and Drug Administration.
- As part of its business, Marwood Group provided hedge funds and other clients with regulatory updates and analysis about potential timing and developments for future government actions or rulemaking decisions.
- In gathering content for these "research notes," Marwood Group encouraged its analysts to maintain relationships with government employees. Since government employees often are familiar with confidential matters at their agencies, such interactions increased the likelihood that Marwood Group employees could acquire material nonpublic information in the course of their work.
- Marwood Group's written policies and procedures expressly prohibited the acquisition and dissemination of material nonpublic information and required employees to bring it to the attention of the compliance department if they encountered anything confidential.
- Despite the red flags regarding information received by analysts, Marwood Group drafted research notes and distributed them directly to clients who could have used any material nonpublic information to inform securities trading decisions.
- Marwood Group's analysts failed to bring the information to the compliance department's attention so it could be properly vetted for any material nonpublic information ripe for insider trading.

The SEC's order finds that Marwood Group violated Section 15(g) of the Securities and Exchange Act of 1934 and Section 204A of the Investment Advisers Act of 1940.

The SEC's investigation was conducted John O'Halloran, Edward Saunders, Joshua Mayes, Kristin Murnahan, and Stephen E. Donahue in the Atlanta Regional Office. The case was supervised by William P. Hicks.

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Related Materials

- SEC order