

Bond Case Briefs

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SECURITIES - WISCONSIN

S.E.C. v. Bauer

United States Court of Appeals, Seventh Circuit - July 22, 2013 - F.3d - 2013 WL 3779906

Securities and Exchange Commission (SEC) brought action against investment adviser's senior vice president, charging her with insider trading in connection with a mutual fund redemption.

The Court of Appeals held that:

- Fact issue precluded summary judgment on issue of materiality, and
- Fact issue precluded summary judgment on issue of scienter.

Genuine issue of material fact existed as to whether nonpublic information investment adviser's senior vice president possessed regarding a mutual fund's risk of insolvency due to net redemptions and an inability to generate liquidity was material in light of public information concerning fund's troubles, precluding summary judgment for SEC in its action against vice president for insider trading.

Genuine issue of material fact existed as to whether investment adviser's senior vice president acted with scienter when she redeemed her shares in a mutual fund managed by her company based on nonpublic information regarding its price volatility, precluding summary judgment for SEC in its action against vice president for insider trading.