

# **Bond Case Briefs**

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## **Silver Point Challenges SEC Lawsuit.**

**Silver Point Capital is preparing to challenge a lawsuit filed by the US Securities and Exchange Commission (SEC), which accuses the hedge fund of failing to implement proper policies to prevent a consultant from sharing confidential information about Puerto Rico bonds, according to a report by BNN Bloomberg.**

The consultant, a now-deceased attorney, was a member of a creditors' committee that helped restructure Puerto Rico's municipal bonds on behalf of Silver Point.

According to the SEC's complaint, filed in federal court in Connecticut, the attorney had multiple opportunities to pass material nonpublic information to the firm's trading arm.

The SEC claims Silver Point's failure to monitor the attorney's communications created a risk of insider trading.

However, Silver Point has refuted the allegations, stating that a four-year investigation and a review of approximately 350,000 documents revealed no evidence of the attorney sharing confidential information or the firm engaging in illegal trading activities.

"We have refused to settle a matter in which there was neither any wrongdoing nor any deficiency in our information barrier policies or our compliance program," the firm said in the statement. "Silver Point has, at all times, behaved legally and ethically."

The case stems from Puerto Rico's 2015 economic collapse, which led the territory to default on much of its debt. The attorney was involved in the creditors' committee from September 2019 to February 2020, during which time he had numerous communications with Silver Point's public trading desk without consulting the firm's compliance team.

The SEC alleges that Silver Point purchased \$260m in Puerto Rico bonds during this period, creating a "substantial risk" that nonpublic information was used in trading decisions. The firm reportedly generated over \$29m in profits from these trades.

Allowing individuals with material nonpublic information "unfettered access to those making trading decisions presents an enhanced risk of misuse," Sanjay Wadhwa, Acting Director of the SEC's enforcement division, said in a statement cited by the report.

"The resulting risks to market integrity and investors are compounded when investment advisers fail to enforce their compliance policies and procedures."

**hedgeweek.com**

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