

SEC Imposes Over \$3.8 Million in Penalties for Late Reports

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On September 25, 2024, the Securities and Exchange Commission (the SEC) announced settled charges against 25 entities and individuals for late beneficial-ownership and insider-transaction reports. The SEC had levied penalties on these filers because of failures to timely report information about their holdings and transactions in public-company stock. Without admitting or denying the charges, 2 public companies, 13 other entities, and 10 individuals agreed to cease committing and causing violations and pay civil penalties. The civil penalties ranged from \$10,000 to \$200,000 for individuals, and \$40,000 to \$750,000 for the entities involved, including \$200,000 each for two public companies that were charged with contributing to filing failures by certain corporate insiders and failing to report their insiders' filing delinquencies.

The charges stem from SEC enforcement initiatives focused on Schedule 13D and 13G reports and corporate-insider required filings on Forms 3, 4, and 5. Schedule 13D and 13G reports provide information on holdings and intentions of investors that beneficially own more than 5% of any registered voting class of public-company stock. Forms 3, 4, and 5 report changes in stock ownership by corporate officers, directors, and certain investors that beneficially own more than 10% of the class of stock. SEC staff used data analytics to identify which individuals and entities filed late reports.

The SEC noted that "to make informed investment decisions, shareholders rely on, among other things, timely reports about insider holdings and transactions and changes in potential controlling interests."^[1] These penalties serve as a reminder that insiders and 10% holders must timely file these reports.

KEY TAKEAWAYS

Earlier this year, the SEC announced that compliance with beneficial-ownership reporting is a priority for the 2024 disclosure review program.^[2] Moreover, recent SEC comments to proxy statements specifically target the timeliness of beneficial-ownership filings. These comments reveal that beneficial-ownership reporting requirements are a priority for the SEC and that deadlines are being closely monitored.

The recent charges also emphasize the continuation of the SEC's enforcement sweep regarding Schedule 13D and 13G filings. In September 2023, the SEC charged corporate insiders with failure to report transactions and holdings and issuers for contributing to insiders' failures to report. Also, in August 2024, the SEC announced 13D

enforcement proceedings against an individual and an entity because of failure to comply with disclosure requirements.

In light of the SEC's increased attention to timeliness, companies should ensure that they meet the deadlines set forth in Schedules 13D and 13G and Forms 3, 4, and 5, which deadlines are set forth below. Companies should allocate the necessary resources to ensure timely reporting.

Form 3	Within 10 calendar days of becoming an officer, director, or 10% owner of a public company.
Form 4	Within 2 business days after a trade.
Form 5	45 days after the company's fiscal year-end.
Schedule 13D	Initial Schedule 13Ds are due within 5 business days after acquiring more than 5% of a public company's stock. Amendments to Schedule 13D are due within 2 business days.
Schedule 13G	For certain Schedule 13G filers (i.e., qualified institutional investors and exempt investors), the initial filing deadline is 45 calendar days after the end of the calendar quarter in which the investor beneficially owns more than 5% of a covered class of equity securities. For other Schedule 13G filers (including passive investors), the filing deadline is 5 days. All Schedule 13G filers are required to file any amendments within 45 days after the end of the calendar quarter in which a material change occurred. Certain Schedule 13G filers (including qualified institutional investors and passive investors) are subject to an acceleration of amendment obligations when beneficial ownership exceeds 10% or increases or decreases by 5%.

Addison Cathey, Law Clerk, also contributed to this blog.

[1] See [SEC Levies More Than \\$3.8 Million in Penalties in Sweep of Late Beneficial Ownership and Insider Transaction Reports](#).

[2] See [The State of Disclosure Review](#).

3 Min Read

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