

## **Information Regarding Trading Suspensions and COVID-19**

The Division of Enforcement remains committed to protecting investors during the COVID-19 crisis. Enforcement has dedicated significant resources to quickly recommending that the Commission suspend trading in issuers where there are issues regarding the adequacy and accuracy of the information in the marketplace in connection with the virus. Over the last few months, the SEC has suspended trading in the securities of dozens of issuers.

The SEC suspends trading in a security when it believes that the suspension is required in the public interest and to protect investors. SEC staff actively monitors trading activity, and the SEC can suspend trading in any stock for up to 10 days under several circumstances, including when it believes that information about a company is inaccurate or unreliable.

Stocks that trade on an exchange resume trading as soon as the trading suspension ends. For stocks that quote in the over-the-counter (OTC) market, quoting does not automatically resume when a ten-day suspension ends. A broker-dealer generally may not solicit investors to buy or sell the previously-suspended stock until certain requirements are met.<sup>1</sup>

The SEC has a process in place that allows anyone adversely affected by a trading suspension to file a petition seeking to terminate the suspension order.<sup>2</sup> The SEC may provide appropriate relief where the suspension expires while the petition is pending. Issuers may also provide additional information. For example, if an issuer believes additional disclosure would correct or otherwise clarify the information at issue in the trading suspension order, an issuer may provide information on a Form 8-K or take other appropriate steps.

A trading suspension is not an enforcement action and is not a finding of wrongdoing. In some cases, further investigation may lead to an enforcement action. For example, on March 25, 2020, the SEC suspended trading in the securities of Praxsyn Corporation. A month later, on April 28, 2020, the SEC filed fraud charges against the company and its CEO for allegedly issuing false and misleading press releases claiming the company was able to acquire and supply large quantities of N95 or similar masks to protect from the COVID-19 virus.

Enforcement is actively monitoring claims made in connection with COVID-19 and related trading activity. The trading suspensions brought in this area to date question the accuracy and adequacy of a variety of different public statements made about COVID-19, including statements about the manufacture and sale of COVID-19 test kits, the development of COVID-19 treatments and vaccines, and the production and sale of personal protective equipment. Enforcement continues to investigate potential wrongdoing in this area and will not hesitate to recommend actions like the one the SEC brought against Praxsyn and its CEO.

---

<sup>1</sup> SEC regulations require a broker-dealer to review specific information about the company in accordance with Exchange Act Rule 15c2-11 and FINRA Rule 6432. If a broker-dealer does not have confidence that a company's financial statements are reasonably current and accurate in all material respects, especially in light of the

---

questions that may have been raised by the SEC suspension action, then a broker-dealer may not publish a quote for the company's stock. The OTC markets function through dealer systems where only broker-dealers may quote and facilitate trading in OTC stocks.

<sup>2</sup> The process for challenging a trading suspension is set forth in SEC Rule of Practice 550, which provides that, while the suspension is still in effect, any adversely affected person "may file a sworn petition with the Secretary [of the SEC], requesting that the suspension be terminated. The petition shall set forth the reasons why the petitioner believes that the suspension of trading should not continue and state with particularity the facts upon which the petitioner relies." 17 C.F.R. § 201.550(a). The SEC "may schedule a hearing on the matter, request additional written submissions, or decide the matter on the facts presented in the petition and any other relevant facts known to the Commission." 17 C.F.R. § 201.550(b).