

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 92624 / August 10, 2021

ADMINISTRATIVE PROCEEDING
File No. 3-20457

In the Matter of

ZORAYR MIKAEL
MANUKYAN-ZAKARYAN

Respondent.

ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING A CEASE-AND-DESIST ORDER

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”), against Zorayr Mikael Manukyan-Zakaryan (“Manukyan-Zakaryan” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

Summary

1. This matter involves insider trading by Manukyan-Zakaryan in the stock of AveXis, Inc. ("AveXis") ahead of an April 9, 2018 announcement that AveXis had agreed to be acquired by Novartis AG ("Novartis"). In the months leading up to the acquisition, AveXis was in discussions about a potential transaction with Novartis and Pfizer, Inc. ("Pfizer"). Pfizer referred to AveXis in its internal communications as Project Air. On March 13, 2018, Manukyan-Zakaryan, then a Senior Director, Biostatistics, Worldwide Research and Development for Pfizer, was asked to assist an ongoing Project Air due diligence review by reviewing certain clinical data in connection with the potential acquisition of AveXis. While working on the due diligence team, Manukyan-Zakaryan learned material nonpublic information about the potential acquisition from Pfizer and confidential clinical data from AveXis and purchased AveXis shares. While the Pfizer transaction was not completed, Novartis and AveXis soon reached an agreement to complete their transaction. Following the announcement that Novartis intended to acquire AveXis, AveXis's share price increased nearly 82 percent, resulting in total unlawful trading profits of \$20,498.63 for Manukyan-Zakaryan.

Respondent

2. Manukyan-Zakaryan, age 48, currently resides in Lexington, Massachusetts. Manukyan-Zakaryan was employed by Pfizer as a biostatistician from December 2013 to November 2018, first as a Director and then a Senior Director at Worldwide Research and Development. He has never held securities licenses or been registered with the Commission in any capacity.

Relevant Entities

3. AveXis, Inc. was a Bannockburn, Illinois-based biopharmaceutical company engaged in the development of gene therapy treatments for rare neurological genetic disorders. On April 9, 2018, AveXis announced that Novartis had agreed to acquire AveXis, and the acquisition was completed on May 15, 2018. Prior to its acquisition by Novartis, AveXis was quoted on the NASDAQ Global Select Market under the ticker symbol "AVXS."

4. Novartis AG is organized under the laws of Switzerland and headquartered in Basel, Switzerland. Novartis is a global pharmaceutical company whose American Depository Shares are registered with the Commission pursuant to Section 12(b) of the Exchange Act and trade on the New York Stock Exchange under the ticker symbol "NVS."

5. Pfizer Inc. is a Delaware corporation with its headquarters in New York, New York. Pfizer is a research-based, global biopharmaceutical company. Pfizer's common stock is

registered with the Commission pursuant to Section 12(b) of the Exchange Act and is listed on the New York Stock Exchange under the ticker symbol “PFE.”

Background

6. Manukyan-Zakaryan was a Pfizer employee from December 2013 to November 2018. From September 2016 to November 2018, Manukyan-Zakaryan was a Senior Director at Worldwide Research and Development, and focused on the design, conduct, and analysis of all phases of clinical trials. Prior to his Pfizer employment, Manukyan-Zakaryan worked as a biostatistician at another biotechnology company and was part of the leadership in that company’s spinal muscular atrophy (“SMA”) program.

7. During the course of his employment at Pfizer, Manukyan-Zakaryan participated in trainings regarding Pfizer’s code of conduct, which included Pfizer’s insider trading policy. The insider trading policy prohibited employees from trading in the securities of another company while aware of material nonpublic information relating to that company obtained in the course of their employment with Pfizer. Manukyan-Zakaryan knew that he was prohibited from trading on the basis of material nonpublic information that he learned in the course of his employment, which included confidential information about any Pfizer “potential acquisition or collaboration candidate.” Pfizer’s insider trading policy also required Manukyan-Zakaryan to report any trading that may have taken place in violation of Pfizer’s insider trading policy. Manukyan-Zakaryan certified annually, including on May 15, 2017 and May 2, 2018, through Pfizer’s integrity pledge that he received, read, understood, and agreed to abide by Pfizer’s standards of business conduct and to report all suspected or potential violations of law or Pfizer’s policies.

The AveXis Acquisition

8. At all relevant times, AveXis was a biotechnology company developing treatments for rare neurological genetic disorders, most notably SMA, through its proprietary gene therapy, AVXS-101. On February 13, 2018, AveXis engaged a financial advisor to assist AveXis in exploring potential strategic transactions.

9. On February 16, 2018, Novartis made a preliminary and non-binding offer to acquire AveXis. On March 5, 2018, Novartis and AveXis executed a confidentiality agreement.

10. On March 11, 2018, Pfizer and AveXis executed a confidentiality agreement. AveXis also granted Pfizer access to an electronic data room containing confidential information of AveXis and Pfizer initiated its due diligence process.

11. On March 13, 2018, Manukyan-Zakaryan was asked to assist in Pfizer’s due diligence project by reviewing clinical data in connection with the potential acquisition of AveXis because of his experience with SMA research. On that same day, Manukyan-Zakaryan received a trading blackout notice from Pfizer informing him that Pfizer employees working on the due diligence project were prohibited from trading in the securities of Pfizer or AveXis, referenced in the notice by its code name Project Air.

12. Between March 13 and April 3, 2018, Manukyan-Zakaryan worked on the Pfizer clinical due diligence team helping evaluate AveXis's early clinical trial data. As part of the due diligence team, Manukyan-Zakaryan received access to AveXis's confidential data. Manukyan-Zakaryan participated in meetings and discussions regarding Project Air's clinical trial data as part of the due diligence work.

13. Manukyan-Zakaryan knew or was reckless in not knowing that information about the potential acquisition of AveXis was material and nonpublic. Manukyan-Zakaryan also knew or was reckless in not knowing that he owed a duty of trust and confidence to Pfizer to refrain from trading in AveXis securities while in possession of the confidential information about Pfizer's potential acquisition of AveXis.

14. Between March 19 and March 21, 2018, while in possession of material nonpublic information regarding Pfizer's potential AveXis acquisition, Manukyan-Zakaryan purchased AveXis shares. On March 19, Manukyan-Zakaryan purchased 75 AveXis shares at \$124.44 per share. On March 20, Manukyan-Zakaryan purchased an additional 100 AveXis shares at \$128.25 per share, and on March 21, he purchased an additional 125 AveXis shares between \$124.63 and \$126.92 per share.

15. On April 2, 2018, Pfizer decided not to pursue further the AveXis acquisition. On April 3, 2018, a Pfizer employee informed Manukyan-Zakaryan that Pfizer had decided not to proceed with the AveXis acquisition. On April 5, 2018, Manukyan-Zakaryan received a second blackout notice from Pfizer that kept the AveXis trading restrictions in place and explained that, notwithstanding Pfizer's decision to terminate the due diligence project, all information related to the due diligence project continued to be "highly confidential." On April 9, 2018, 55 of Manukyan-Zakaryan's AveXis shares were liquidated at \$122.13 per share pursuant to a margin call. At no time did Manukyan-Zakaryan report his AveXis trades to anyone at Pfizer as required by Pfizer's insider trading policy or the annual integrity pledge.

16. On April 9, 2018, AveXis announced that it had entered into a merger agreement with Novartis, pursuant to which Novartis planned to acquire AveXis for \$218 per share in an all cash-tender offer. After the announcement, AveXis's share price increased approximately 82 percent to \$210.46, up \$94.55 from the previous day's close of \$115.91.

17. Based on the increase in AveXis's stock price, Manukyan-Zakaryan illegally profited by \$20,498.63 based on the 245 AveXis shares that he still owned as of the date of the merger announcement. On May 15, 2018, Manukyan-Zakaryan's AveXis shares were converted into cash as a result of the completion of the AveXis-Novartis merger.

Violations

18. As a result of the conduct described above, Manukyan-Zakaryan violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in connection with the purchase or sale of securities.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent Manukyan-Zakaryan's Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 21C of the Exchange Act, Respondent Manukyan-Zakaryan cease and desist from committing or causing any violations and any future violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

B. Respondent Manukyan-Zakaryan shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of \$40,997.26 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717.

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Zorayr Mikael Manukyan-Zakaryan as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Associate Director Monique C. Winkler, Division of Enforcement, Securities and Exchange Commission, 44 Montgomery Street, Suite 2800, San Francisco, CA 94104.

C. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor

Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that he shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Vanessa A. Countryman
Secretary