JUSTICE NEWS

Department of Justice

Office of Public Affairs

FOR IMMEDIATE RELEASE Tuesday, May 9, 2017

Former SEC Employee Pleads Guilty to Making False Statements Designed to Conceal Prohibited Trading

A former employee of the Securities and Exchange Commission (SEC) pleaded guilty today in federal court in Washington, D.C., to making false statements in government filings in order to conceal his prohibited trading of options and other securities, announced Acting Assistant Attorney General Kenneth A. Blanco of the Justice Department's Criminal Division and Inspector General Carl W. Hoecker of the SEC.

David Humphrey, 60, of Vail, Arizona, pleaded guilty before U.S. District Judge Rosemary Collyer of the District of Columbia in connection with multiple false statements he made on annual Office of Government Ethics Confidential Financial Disclosure Reports (Form 450s), as well as on internal SEC certifications of holdings. Sentencing is set for Aug. 8, 2017.

According to the plea agreement, Humphrey worked for the SEC in Washington, D.C., for 16 years and was a branch chief in the Division of Corporation Finance from 2004 to 2014. Applicable SEC employee ethics regulations prohibited Humphrey from trading options where the underlying interest was a security or group of securities and from purchasing or holding securities in entities the SEC directly regulates, such as financial institutions. In addition, within his role at the SEC, Humphrey was required to pre-clear securities transactions, make certifications that his holdings were in compliance with these regulations, and annually file Form 450s to disclose assets held for investments with a value greater than $1,000 or that produced more than $200 in income at the end of the reporting period.

Humphrey admitted that despite knowing the restrictions on SEC employees' trading of options, he devised and executed an "options trading strategy" under which he traded options over 100 times from his SEC computer at various times between 2001 and 2014. During this period, in order to conceal his options trading, Humphrey admitted that he signed and submitted multiple Form 450s that failed to disclose reportable assets, including prohibited options. For example, in 2013, Humphrey submitted a false Form 450 that failed to report the sale of reportable options in 2012, and in 2014, he submitted a separate Form 450 that failed to report reportable options sales and investments holdings in 2013. Furthermore, in 2013 and 2014, Humphrey falsely certified that he was in compliance with all applicable SEC regulations relating to prohibited holdings, when in fact Humphrey had traded options in violation of those regulations, he admitted.

The SEC Office of Inspector General investigated the case. Trial Attorney Gary A. Winters of the Criminal Division's Fraud Section is prosecuting the case.

Topic(s):
StopFraud

Component(s):
Criminal Division
Criminal Fraud

Press Release Number: