



SEC Suspends Trading of 61 Companies Ripe for Fraud in Over-The-Counter Market

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Washington, D.C., June 3, 2013 — The Securities and Exchange Commission today announced the second-largest trading suspension in agency history as it continues its "Operation Shell Expel" crackdown against the manipulation of microcap shell companies that are ripe for fraud as they lay dormant in the over-the-counter market.

Additional Materials

- [List of the 61 Companies](#)
 - [Trading Suspension Order](#)
 - [Investor Bulletin: Trading Suspensions](#)
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The SEC suspended trading in the securities of 61 empty shell companies that are delinquent in their public filings and seemingly no longer in business based on an analysis by the SEC's Microcap Fraud Working Group. Since microcap companies are thinly-traded, once they become dormant they have great potential to be hijacked by fraudsters who falsely hype the stock to portray it as a thriving company and coerce investors into "pump-and-dump" schemes.

In this latest review of microcap stocks nationwide using enhanced intelligence technology in the Enforcement Division's Office of Market Intelligence, the SEC identified these clearly dormant shell companies in at least 17 states and one foreign country. By suspending trading in these companies, they're obligated to provide updated financial information to prove they're still operational, essentially rendering them useless to scam artists now that they are no longer flying under the radar.

"Stock manipulators crave empty shell companies that they can use to conduct pump-and-dump schemes and line their pockets with illicit trading profits by taking advantage of unsuspecting investors," said Andrew J. Ceresney, Co-Director of the SEC's Division of Enforcement. "We will aggressively suspend trading in such empty shells to take away a tool of their trade and help rid our markets of fraud."

Pump-and-dump schemes are among the most common types of fraud involving empty shell companies. Perpetrators will tout a thinly-traded microcap stock through false and misleading statements about the company to the marketplace. They purchase the stock at a low price before pumping the stock price higher by creating the appearance of market activity and drawing investor interest. They dump the stock for significant profit by selling it into the market at the higher price once investors have bought in.

Through its Operation Shell Expel initiative, the SEC [suspended trading in a record 379 companies in a single day](#) last year before they could be manipulated for fraudulent activity to harm investors.

"Once a company ceases its filings and investors no longer have current

information about it, there is no good reason for that empty shell to remain exposed in our public markets," said Christopher Ehrman, Co-National Coordinator of the SEC's Microcap Fraud Working Group. "In this initiative, we are committed to identifying unacceptable risks in the marketplace and removing them to safeguard investors."

The SEC's Operation Shell Expel initiative has been led by Mr. Ehrman, Margaret Cain, Robert Bernstein, Jessica P. Regan, Leigh Barrett, John Gibbons, and Megan Alcorn in the Office of Market Intelligence. The SEC appreciates the assistance of the Federal Bureau of Investigation's Economic Crimes Unit.

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