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Newsletter

February 2020

Recent FINRA Cases Highlight Rule 2010's Broad Reach

Rule 2010 is the disciplinary rule that FINRA uses to sanction brokers for bad faith or unethical “business-related” misconduct. The line between personal and business activity is not always clear, particularly where brokers are accused of misconduct in connection with their personal bank accounts. Two cases last year grappled with the limits of Rule 2010, both times finding that the misconduct was sufficiently business-related to justify sanctions. These cases are another reminder of Rule 2010's sweeping reach.

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Hedge Fund Outflows Neared \$100 Billion in 2019, Most Since 2016

Hedge funds suffered almost \$98 billion in net outflows in 2019, the most in three years, as managers trailed the stock market rally. Investors pulled more than \$16 billion from the industry in December alone, capping a year that saw the longest stretch of monthly client withdrawals since the 2008 financial crisis, according to data compiled by eVestment.

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CFTC Seeks Whistleblowers to Uncover Spoofing Schemes and Commodities Fraud

The U.S. Commodities Future Trading Commission (CFTC) issued an alert seeking whistleblowers to assist it in rooting out spoofing schemes in the commodities and derivatives markets. Whistleblowers who help the CFTC can be eligible for both financial awards and certain protections when reporting violations of the Commodity Exchange Act (CEA).

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Hedge Fund Giant Seth Klarman Says the ‘Rocket Fuel’ Feeding This Rally Will Soon ‘Run Out’

Billionaire hedge fund manager Seth Klarman is warning this rally that has taken stocks to record highs could soon end. Klarman, who runs Baupost Group in Boston, wrote in a letter to investors that the “the rocket fuel that has propelled markets in 2019 will run out,” according to a Bloomberg News report. A Baupost spokeswoman confirmed the contents of the Bloomberg report to CNBC, but declined to comment further. Klarman noted that about 31% of the fund's portfolio was in cash to end 2019.

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FINRA Bars Ex-Merrill Rep Who Refused to Testify

FINRA barred an ex-Merrill Lynch broker who refused to give testimony during the regulator's investigation into his alleged misuse of client funds and involvement in potential undisclosed outside business activity, according to FINRA.

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