

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION**

SECURITIES AND EXCHANGE COMMISSION,)	
)	
Plaintiff,)	Civil Action No.
)	
v.)	
)	
CHARLES PARRINO,)	
)	
Defendant.)	
)	

Plaintiff Securities and Exchange Commission (the “Commission”) files this Complaint against Defendant Charles Parrino (“Parrino” or “Defendant”) and alleges as follows:

SUMMARY

1. Between October 2017 and January 2020 (the “Relevant Period”), Parrino participated in a fraudulent scheme to manipulate the market for securities of publicly-traded companies by creating and disseminating false rumors designed to cause the price of the target companies’ stock and call options to rise temporarily.

2. Parrino, a day trader, drafted and edited the false rumors and shared them with other scheme participants before the rumors were disseminated. Most of

the rumors were disseminated by the lead trader in the scheme (“Trader A”).

Trader A sent the rumors, timed to maximize impact on the price of the securities, via instant messenger to numerous contacts at real-time financial news services, financial chat rooms, and certain other financial news purveyors. Some of these contacts then immediately disseminated the rumors further through their news services and in chat rooms and message boards. As a result, the prices of the companies’ securities were artificially inflated for a brief period until they were corrected by the market.

3. During the Relevant Period, Parrino traded around the dissemination of these false rumors at least 138 times, earning \$982,690 in ill-gotten gains.

4. By virtue of the conduct alleged herein, Parrino violated, and unless restrained and enjoined will violate again, Section 17(a) of the Securities Act of 1933 (the “Securities Act”) [15 U.S.C. § 77q(a)]; Section 10(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

5. The Commission brings this action pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d) of the Exchange Act [15 U.S.C. §§ 78u(d) and 78u-1]. The Commission seeks a judgment (1) permanently enjoining Parrino from engaging in the transactions, acts, practices, and courses of business alleged in this Complaint; and (2) ordering Parrino to pay disgorgement of \$982,690, plus prejudgment interest of \$158,208 and civil money penalties

pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)] in an amount to be determined by the Court upon motion of the Commission. The Commission seeks any other relief the Court may deem appropriate pursuant to Section 21(d)(5) of the Exchange Act [15 U.S.C. § 78u(d)(5)].

JURISDICTION AND VENUE

6. This Court has jurisdiction over this action pursuant to Section 20 and 22 of the Securities Act [15 U.S.C. §§ 77t and 77v] and Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), 78u-l, and 78aa].

7. Venue lies in this District pursuant to Section 22 of the Securities Act [15 U.S.C. § 77v] and Section 27 of the Exchange Act [15 U.S.C. § 78aa]. In particular, certain of the acts, practices, transactions, and courses of business constituting the violations occurred within the Northern District of Georgia.

8. Defendant communicated regularly throughout the Relevant Period with Trader A and another scheme participant (“Trader B”), both of whom, during the time of the events described herein, resided within the Northern District of Georgia. Defendant’s communications with Trader A and Trader B included communications containing the false rumors and enabled Defendant to execute trades designed to profit from the price manipulation caused by the scheme.

DEFENDANT

9. Parrino, age 56, currently resides in West Palm Beach, Florida and resided in Palm Beach Gardens, Florida during the Relevant Period. During much of the Relevant Period, Parrino was a day trader associated with a registered broker-dealer at which he traded securities for his own account.

FACTS

I. Parrino and the Other Scheme Participants Create and Disseminate False Rumors.

10. Parrino has known Trader B and another scheme participant (“Trader C”) for decades, having previously worked with both of them at securities trading firms. In approximately 2016, Parrino was introduced to Trader A by Trader C, after which the scheme participants began regularly discussing trading ideas via phone calls, instant messenger, and encrypted communications.

11. Beginning in late 2016, Parrino and the other scheme participants discussed creating false rumors about publicly traded companies, utilizing their knowledge of the markets to craft believable rumors, and trading around those rumors in order to ensure themselves profitable trades.

12. Parrino, Trader B, and Trader C regularly discussed which companies they considered to be good candidates for false rumors, and on many occasions, they solicited Trader A’s opinions. Parrino, Trader B, and Trader C specifically

focused on companies with publicly-traded short-term call options to help maximize the price impact on the companies' securities and their own profits.

13. Based on those discussions, Parrino and Trader B composed rumors about corporate mergers or acquisitions, large investments by hedge funds or private equity firms, or other potential market-moving events. After Parrino, Trader B and/or Trader C reviewed and edited the rumors, one of them would send the rumors to Trader A, who resided in northern Georgia.

14. Trader A then transmitted the false rumors via instant messenger to his numerous contacts at real-time financial news services, subscription-based financial chat rooms, and other financial news purveyors with sizable followings. Within minutes, if not seconds, the false rumors began appearing as "chatter" – i.e., the subject of discussion – on several of the financial news services and in the chat rooms and message boards that had been contacted. Trader A also shared the rumors with Trader D, the host of a daily subscription based real-time trading broadcast who was located in New Jersey. Trader D shared information regarding the false rumors on his trading broadcast.

15. In some instances, Parrino directly sent the rumor to his own financial news industry contacts.

16. This process of creating and disseminating false rumors was repeated numerous times over the Relevant Period.

II. Parrino Trades Profitably around the False Rumors.

17. Before the false rumors were disseminated, Parrino, Trader A, Trader B, Trader C, and Trader D purchased securities of the publicly-traded companies that were the subject of the false rumors.

18. Parrino often purchased a combination of stock and short-term call options that usually expired within a day or two. His purchases typically occurred from between several hours before to a few seconds after the rumors were disseminated by Trader A. On rare occasions, Parrino began purchasing securities the day before Trader A disseminated the false rumors.

19. The spread of the false rumors through various news services and in financial chat rooms, as well as the scheme participants' own purchases, caused an uptick in trading volume and typically resulted in an increase in the subject companies' securities prices. Though the percentage increase in the companies' stock prices was usually modest, typically less than 2%, the percentage increase in the price of the companies' short-term call options was frequently significant, often exceeding 25%.

20. All of the scheme participants, including Parrino, almost always began selling their positions within minutes, if not seconds, after Trader A pushed the false rumors out to his industry contacts.

21. Parrino traded at least 138 times around the false rumors, earning \$982,690 in ill-gotten gains during the Relevant Period. An Appendix identifying

the date and ticker symbol of the 138 instances, as well as the amount of ill-gotten gains Parrino earned from his trading in each instance is attached hereto.

III. Examples of Parrino’s Participation in the Market Manipulation Fraud

A. February 2018 Company A Rumor

22. On February 1, 2018 at 10:25:02 am, Parrino sent the following proposed rumor to Trader B and Trader C:

A spokeswoman for the California Department of Forestry and Fire Protection is stating that after thorough investigation it has determined that the fires that decimated a Santa Rosa neighborhood and killed 21 people was caused by electrical equipment owned, installed, and maintained by a third party exonerating [Company A] from all liability.

23. Trader B responded “seller let’s wait” and that “will let you know when I buy.” At 11:37:09 am, Trader B messaged Parrino and Trader C that he had purchased securities in Company A. Thirty seconds later, Parrino messaged Trader A to “pik [sic] up,” and at 11:40:57 am, Parrino sent the rumor to Trader A. At 11:48:58 am, nearly eight minutes after he first received the rumor, Trader A disseminated the rumor via instant messenger to his financial headline news services and chatroom contacts.

24. Parrino began purchasing Company A stock and call options at 11:47:49 am, one minute before Trader A pushed the rumor, and continued purchasing until 11:49:04 am, six seconds after Trader A pushed the rumor.

25. The false rumor was repeated by the financial websites and chat rooms and promptly caused an increase in the trading volume and price of Company A's stock and options. The price increase was so significant that trading in Company A securities was temporarily halted at 11:53 am and spokespersons for Company A and the California Department of Forestry and Fire Protection each subsequently issued respective statements that the rumor was false.

26. Parrino began selling his Company A securities at 11:49:53 am, less than one minute after Trader A pushed the rumor, resulting in unlawful profits of \$58,063. Trader A, Trader B, and Trader C also traded around the Company A rumor, generating over \$28,000 in unlawful profits.

B. July 2018 Company B Rumor

27. On July 25, 2018, Parrino sent a message to Trader B instructing him to work on a rumor for Company B. Parrino and Trader B discussed potential rumors involving Company B, and at 9:28:58 am, Trader B sent Parrino the following draft rumor: "Hearing that [Company C] has made an offer to acquire [Company B] for \$50 a share." Later that day, Parrino, Trader B, and Trader C discussed the timing for the Company B rumor, and decided to hold off sending the rumor to Trader A because Parrino noted there was a "seller in [Company B]."

28. The next morning, July 26, 2018, at 8:55:31 am, Trader B sent Parrino and Trader C the Company B rumor, to which Trader C responded "[Company B] looks good." At 10:48:59 am, Trader B sent the rumor to Trader A and informed

Parrino and Trader C that “I sent” and “he is doing it.” At 10:49:53 am, Trader A pushed the rumor to his financial headline news services and chatroom contacts.

29. Parrino purchased Company B stock and call options between 10:36:54 am, thirteen minutes before Trader A pushed the rumor, and 10:49:58 am, five seconds after he pushed the rumor.

30. The financial websites and chat rooms repeated the false rumor, which promptly caused an increase in the trading volume and price of Company B’s stock and options.

31. At 10:50:57 am, approximately one minute after Trader A disseminated the rumor, Parrino began selling the Company B stock and call options he had purchased, resulting in ill-gotten gains of \$12,501. The other four scheme participants also traded profitably around the Company B rumor, generating approximately \$16,000 in ill-gotten gains.

FIRST CLAIM FOR RELIEF

Violation of Section 17(a) of the Securities Act

32. The Commission realleges and incorporates by reference paragraphs 1 through 32, as though fully set forth herein.

33. By virtue of the foregoing, Parrino, directly or indirectly, singly or in concert with others, in the offer or sale of any security, with scienter, used the means or instruments of transportation or communication in interstate commerce or of the mails to: (a) employ any device, scheme, or artifice to defraud; (b) obtain

money or property by means of any untrue statement of a material fact or any omission of a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engage in any transaction, practice, or course of business which operated or would operate as a fraud or deceit upon the purchaser.

34. By virtue of the foregoing, Parrino, directly or indirectly, violated and, unless restrained and enjoined, will again violate, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

SECOND CLAIM FOR RELIEF

Violation of Section 10(b) of the Exchange Act and Rules 10b-5(a), (b) and (c) Thereunder

35. The Commission realleges and incorporates by reference paragraphs 1 through 35, as though fully set forth herein.

36. By virtue of the foregoing, Parrino, directly or indirectly, singly or in concert with others, in connection with the purchase or sale of a security, with scienter, used the means or instrumentalities of interstate commerce, or of the mails, or of a facility of a national securities exchange to: (1) employ devices, schemes, or artifices to defraud; (2) make untrue statements of a material fact or to omit to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (3)

engage in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon others.

37. By virtue of the foregoing, Parrino, directly or indirectly, violated and, unless restrained and enjoined, will again violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court enter a Judgment:

I.

Finding that Parrino violated the provisions of the federal securities laws as alleged herein;

II.

Permanently restraining and enjoining Parrino and his agents, servants, employees, and attorneys and all persons in active concert or participation with him who receive actual notice of the injunction by personal service or otherwise from, directly or indirectly, engaging in conduct in violation of Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)] and Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5];

III.

Ordering Parrino to pay disgorgement of \$982,690, along with prejudgment interest of \$158,208 pursuant to Section 21(d)(7) of the Exchange Act [15 U.S.C. § 78u(d)(7)].

IV.

Ordering Parrino to pay a civil monetary penalty pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)]. The Court shall determine the amounts of the civil penalty upon motion of the Commission; and

V.

Granting such other and further relief as this Court may deem just and proper.

Dated: September 27, 2022

/s/ James M. Carlson
James M. Carlson
Supervisory Trial Counsel
D.C. Bar # 981364
U.S. Securities and Exchange Commission
100 F St. NE
SP3 – Mail Stop 5971
Washington, DC 20549
Direct (202) 551-3711/Fax: (703) 813-9314
CarlsonJa@sec.gov

APPENDIX

**PARRINO'S PROFITS FROM TRADING
AROUND THE DISSEMINATION OF FALSE RUMORS**

	Rumor/Trade Date	Ticker Symbol	Parrino's Trading Profits
1	12/12/2017	PRGO	\$2,932
2	12/13/2017	XLNX	\$2,544
3	12/20/2017	CBS	\$6,363
4	12/21/2017	ETFC	\$5,982
5	1/3/2018	HUM	\$6,633
6	1/8/2018	BBBY	--
7	1/9/2018	CI	\$7,402
8	1/12/2018	YELP	\$10,468
9	1/18/2018	EA	\$8,114
10	1/18/2018	IP	\$3,924
11	1/19/2018	FOSL	\$6,571
12	1/19/2018	ULTA	\$7,783
13	1/22/2018	AMD	\$4,937
14	1/23/2018	PEP	\$6,658
15	1/25/2018	JD	\$173
16	1/29/2018	MOS	\$5,334
17	2/1/2018	PCG	\$58,063
18	2/13/2018	UPS	\$21,729
19	2/14/2018	TIF	\$1,528
20	2/15/2018	TMUS	\$20,366
21	2/16/2018	WYNN	\$20,556
22	2/20/2018	CREE	--
23	2/22/2018	LLY	\$16
24	3/1/2018	TXT	\$8,955
25	3/6/2018	ON	\$4,880
26	3/7/2018	HFC	\$3,897
27	3/8/2018	DIS	\$6,884
28	3/9/2018	HIG	\$4,417
29	3/15/2018	AMAT	\$6,220
30	3/15/2018	GLW	\$1,079
31	3/23/2018	HES	--
32	3/26/2018	TAP	--
33	3/27/2018	FOSL	\$1,950
34	4/5/2018	SYF	\$9,589
35	4/10/2018	GRA	\$12,288
36	4/10/2018	WMB	\$3,902

37	4/11/2018	LNG	\$9,975
38	4/12/2018	HOG	\$682
39	4/12/2018	LUV	\$26,482
40	4/13/2018	HAS	\$568
41	4/17/2018	EAT	\$7,199
42	4/18/2018	BEN	\$8,220
43	4/18/2018	FDX	\$4,262
44	4/19/2018	EA	\$6,455
45	4/20/2018	WDC	\$20,690
46	4/20/2018	W	\$884
47	4/24/2018	EOG	--
48	4/24/2018	DISH	--
49	4/25/2018	DKS	--
50	5/1/2018	AZN	\$4,151
51	5/2/2018	CHKP	--
52	5/3/2018	WDAY	\$6,763
53	5/4/2018	ALXN	--
54	5/9/2018	ETFC	\$3,218
55	5/9/2018	CELG	--
56	5/15/2018	FSLR	\$11,577
57	5/16/2018	SFM	\$13,013
58	5/17/2018	STX	--
59	5/23/2018	PZZA	\$7,249
60	5/24/2018	IP	\$4,549
61	5/24/2018	AKAM	--
62	5/30/2018	CL	--
63	5/31/2018	AAL	\$10,711
64	6/5/2018	ETN	\$27,068
65	6/14/2018	TER	--
66	6/15/2018	CAKE	\$20,437
67	6/20/2018	REGN	\$17,291
68	6/21/2018	WYNN	\$249
69	7/11/2018	MO	\$2,743
70	7/12/2018	NKE	\$20,109
71	7/20/2018	CELG	\$3,351
72	7/25/2018	RHT	\$6,525
73	7/26/2018	PFE	\$4
74	7/26/2018	YELP	\$12,501
75	7/31/2018	CAH	\$4,562
76	8/2/2018	EPC	\$741
77	8/3/2018	IBM	\$26,516
78	8/3/2018	OSTK	--

79	8/7/2018	LB	--
80	8/8/2018	WYNN	\$34,075
81	8/9/2018	GM	\$16,124
82	8/15/2018	IBM	--
83	8/16/2018	LYV	--
84	8/22/2018	EA	\$25,862
85	8/22/2018	DE	--
86	9/5/2018	LNC	\$3,129
87	9/21/2018	AGN	\$5,394
88	9/26/2018	IP	--
89	9/27/2018	WDC	--
90	11/9/2018	KBH	\$5,636
91	11/16/2018	V	\$9,017
92	11/27/2018	ETFC	--
93	12/20/2018	ATVI	\$6,653
94	1/15/2019	SFIX	\$3,390
95	1/17/2019	SKX	\$16,760
96	1/30/2019	AA	\$2,520
97	2/6/2019	KMB	\$14,324
98	2/28/2019	SYF	--
99	3/13/2019	HBI	\$2,797
100	3/27/2019	FOSL	--
101	3/28/2019	DAL	--
102	4/10/2019	URBN	\$3,908
103	5/16/2019	FDX	\$7,501
104	6/11/2019	BB	\$11,237
105	6/26/2019	DBX	\$2,405
106	8/1/2019	XLNX	\$5,055
107	8/15/2019	K	\$7,767
108	8/27/2019	YELP	\$4,350
109	9/5/2019	KSS	\$9,512
110	9/11/2019	SPLK	\$16,302
111	9/20/2019	TPR	\$5,374
112	9/25/2019	JNPR	\$959
113	9/26/2019	WYNN	\$9,995
114	9/27/2019	WHR	\$7,172
115	10/10/2019	GILD	\$10,530
116	10/16/2019	IP	\$9,316
117	10/17/2019	ULTA	\$8,487
118	10/24/2019	ATVI	\$4,607
119	10/25/2019	UPS	\$18,499
120	10/30/2019	BUD	\$8,910

121	11/5/2019	CL	\$12,559
122	11/6/2019	YUM	\$11,819
123	11/8/2019	AAL	\$6,001
124	11/12/2019	TWLO	\$8,274
125	11/15/2019	DPZ	\$2,867
126	11/21/2019	AXP	\$10,382
127	12/9/2019	HLF	--
128	12/10/2019	IBM	\$2,178
129	12/10/2019	HOG	\$2,814
130	12/11/2019	EXEL	\$2,459
131	12/18/2019	CREE	\$2,996
132	12/19/2019	NTAP	\$556
133	1/8/2020	FDX	\$14,245
134	1/9/2020	PINS	\$8,868
135	1/10/2020	EXAS	\$970
136	1/10/2020	WYNN	\$15,356
137	1/14/2020	COF	\$10,966
138	1/14/2020	UBER	\$10,931
	Total		\$982,690