



**WANT TO KNOW HOW INNOVATION DRIVES TRADING DECISIONS AND ELIMINATES POST-TRADE CHALLENGES?**

FIS Securities Finance Trading and Collateral Platform  
The new standard to trade and optimize securities finance.

**FIND OUT MORE**



12 February 2021  
US  
Reporter Alex Pugh

Share this article

Share

Tweet

## International brokers sued over naked short selling allegations

CIBC, Bank of America, UBS and TD Bank stand accused of coordinating “abusive” naked short selling and spoofing strategies in US and Canadian stock markets by a Bermuda hedge fund that claims to have lost tens of millions of dollars as a result.

Harrington Global Opportunity Fund has filed a suit at the US District Court for the Southern District of New York alleging that various US and Canadian financial institutions, through their broker divisions, manipulated markets and drove down pharmaceutical company ADVANZ PHARMA's (formerly Concordia) share price in 2016.

The specialist pharmaceutical recapitalised and rebranded in 2018 after being embroiled in a long-running dispute over apparent price hikes and accusations of mismanagement by its founder and CEO Mark Thompson, who stepped down in 2016.

According to the suit, the defendants, which include several unnamed US and Canadian individuals, allegedly flooded the market with false sell signals by simultaneous naked short selling — in which the trader does not borrow a stock, or determine that it can be borrowed, before they short sell — and spoofing — a form of high-frequency trading that artificially inflates perceived demand of a security — which created millions of ‘phantom’ shares.

These practices violate the US Securities Exchange Act 1934 and Regulation SHO.

The result, Harrington suggests, is that Concordia's stock price tumbled from \$34.77 to \$1.83 over 11 months.

According to the complaint, Harrington sold 9 million Concordia shares on US and Canadian markets, including the NASDAQ and the Toronto Stock Exchange, in response to the defendants' alleged illegal market manipulation.

Harrington is seeking damages, legal fees and interest.

It is alleged that in 2016 there were approximately 238 million shares of Concordia stock that were sold short on the Canadian and US exchanges, constituting around 58 per cent of the approximately 410 million Concordia shares traded during the period in question.

However, Harrington argues that only 40 million shares were actually issued for trading, meaning the short sale turnover rate was approximately 600 per cent.

“The enormous discrepancy between the 40 million shares issued by Concordia for trading and the approximately 410 million Concordia shares traded during this period represents an astonishingly high turnover rate of 1,000 per cent,” the suit states.

The fund alleges that a “strong inference can be drawn” that these figures were inflated by “millions of fictitious shares unlawfully manufactured” through naked short selling.

Lawyers for the plaintiff told SFT that no court date has been set.

None of the financial institutions featured in the complaint wished to provide a comment for this story.



**SUBSCRIBE TODAY**  
The industries leading securities finance news source



Listen to *eSecLending Insights* anywhere you get your podcasts

Always with a lens of what matters to beneficial owners, the team at eSecLending keeps it fresh and current with up to date perspectives on the latest securities finance market demand and other trends across the industry.

**eSECLENDING**  
SECURITIES FINANCE TRUST COMPANY

www.esecclending.com/insights  
info@esecclending.com  
U.S. +1 617 204 4500  
Europe +44 (0) 207 469 6000

eSecLending provides services only to institutional investors and other persons who have professional investment experience. Neither the services offered by eSecLending nor this advertisement are directed at persons not possessing such experience. Securities Finance Trust Company, an eSecLending company, and eSecLending (Europe) Ltd., authorized and regulated by the Financial Conduct Authority, perform(s) all regulated business activities. Past performance is no guarantee of future results. Our services may not be suitable for all lenders. For the purposes of the Financial Conduct Authority (FCA), this communication has been labelled a 'Marketing Communication' and as such constitutes 'Non Investment Research' under the FCA rules.

Protect yourself from costly reviews and back reporting exercises



Innovation of the Year

**WINNER**

Wematch



**Video:**  
Innovation of the Year

