

Insights



Andrew Lourie on Market Manipulation and the Legal Risks Facing Gamestop Traders

January 29, 2021

Publication: ***Yahoo Finance***

Reddit users' efforts to squeeze short sellers by driving up the stock price of Gamestop has drawn the attention of regulators. Kobre & Kim's Andrew Lourie, a former U.S. Department of Justice lawyer focused on market manipulation, analyzed what legal action may follow when he sat down with *Yahoo Finance*.

The key to whether regulators such as the U.S. Securities and Exchange Commission (SEC) can bring legal action is "what can be proven about the intent of the trader when he or she placed the order," Lourie said. Traders who knowingly worked in concert to purchase stock for reasons other than market fundamentals could become liable.

There is always a potential for legal action when it comes to manipulation because "there's no clear statutory definition," Lourie explained, adding, "The definition is largely case-law created, and can evolve in response to new interpretations regulators ask the court to adopt, via an enforcement action." The Securities Exchange Act prohibits very specific kinds of conduct, so regulators rely on general fraud provisions in other cases, which prohibit using a "fraudulent, deceptive or manipulative device," Lourie remarked.

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