

## Press Release

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# SEC Charges Chatham Asset Management and Founder Anthony Melchiorre for Improper Fixed Income Securities Trading

### FOR IMMEDIATE RELEASE

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*Washington D.C., April 3, 2023* — The Securities and Exchange Commission today charged New Jersey-based Chatham Asset Management LLC and its founder, Anthony Melchiorre, in connection with improper trading of certain fixed income securities. Chatham and Melchiorre agreed to pay more than \$19.3 million in combined disgorgement, prejudgment interest, and civil penalties to settle the charges.

The SEC's order finds that, from 2016 through 2018, one Chatham-advised client sold certain American Media, Inc. (AMI) bonds while a different Chatham-advised client purchased the same bonds through various broker-dealers. Chatham engaged in these trades to address portfolio constraints such as industry or issuer fund concentration limits, meet investor redemptions, and allocate capital inflows and outflows. The order further finds that these trades were executed at prices Chatham and Melchiorre proposed and had the effect of increasing the price of the AMI bonds at a significantly higher rate than the prices of similar securities. Chatham's and Melchiorre's trading in the AMI bonds accounted for the vast majority of trading in those securities and therefore over time had a material effect on their pricing.

The SEC's order also finds that Chatham and Melchiorre calculated the net asset values, or NAVs, of their client funds' holdings using pricing data that was based, in part, on the trading prices of the securities. As a result, during the relevant period, the NAVs of Chatham's clients were higher than they would have been if the subject trades were removed from the market for the AMI bonds, which, in turn, resulted in higher fees being charged to the clients.

"As our order finds, Chatham's trading in AMI bonds had the effect of increasing the prices of those generally illiquid securities in a way that was disconnected from economic reality," said Sanjay Wadhwa, Deputy Director of the SEC's Division of Enforcement. "We remain vigilant in rooting out such misconduct in the marketplace, including in the fixed income sector, where investments can be less liquid."

Chatham and Melchiorre consented to the SEC's order, without admitting or denying its findings, that they violated Section 206(2) of the Investment Advisers Act of 1940, and that they aided and abetted and caused violations of the Investment Company Act of 1940. Chatham and Melchiorre agreed jointly and severally to pay \$11 million in disgorgement and around \$3.4 million in prejudgment interest. They also agreed to pay civil penalties of \$4,400,000 and \$600,000, respectively. Finally, they agreed to prohibitions from serving in certain positions in the investment industry, pursuant to the Investment Company Act.

The SEC's investigation was conducted by Daphne Downes, Brian Fitzpatrick, and Lindsay S. Moilanen, with assistance from Carina Chambarry and Raymond Wolff of the SEC's Division of Economic and Risk Analysis. The investigation was supervised by Sheldon Pollock. The examination that led to the investigation was conducted by members of the Division of Examinations' Private Funds Unit, including Jennifer Duggins, Christopher Marino, and

Michael Collins. The SEC would like to thank the Financial Industry Regulatory Authority for its assistance with this matter.

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## Related Materials

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- SEC Order