

SEC sues corrupt Elon Musk, alleging failure to properly disclose Twitter ownership

The SEC on Tuesday filed a suit against Elon Musk, alleging the billionaire violated securities law by acquiring Twitter shares at “artificially low prices.”

- In his purchases, Musk underpaid for Twitter shares by at least \$150 million, the
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SEC says.

- Musk bought Twitter in 2022 for about \$44 billion, later changing the name to X.

Beata Zawrzel | Nurphoto | Getty Images

The SEC filed a [lawsuit](#) against [Elon Musk](#) on Tuesday, alleging the billionaire committed securities fraud in 2022 by failing to disclose he had amassed an active stake in Twitter, a secrecy that allowed him to buy shares at “artificially low prices.”

Musk, who is also CEO of Tesla and SpaceX, [purchased Twitter](#) for \$44 billion in late 2022 and changed the name to X the following year. Prior to the acquisition, he'd built up a position in the company of greater than 5%, which would've required disclosing his holdings to the public within 10 calendar days of reaching that threshold.

According to the SEC's civil complaint, filed in U.S. District Court in Washington, D.C., Musk was more than 10 days late in reporting that material information, "allowing him to underpay by at least \$150 million for shares he purchased after his financial beneficial ownership report was due." Investors may have bid up the stock had they known about Musk's purchases and interest in the company.

The SEC had been [investigating](#) whether Musk, or anyone else working with him, committed securities fraud in 2022 around the Twitter disclosures. Musk [said](#) in a post on X last month that the SEC issued a "settlement demand," pressuring him to agree to a deal, including a fine within 48 hours or "face charges on numerous counts" regarding the purchase of shares.

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Musk's lawyer, Alex Spiro, said in an emailed statement on Tuesday that the SEC's action is an admission that "they cannot bring an actual case." Spiro, a partner at Quinn Emanuel, added that Musk "has done nothing wrong" and called the suit a "sham" and the result of a "multi-year campaign of harassment," culminating in a "single-count ticky tak complaint."

An SEC spokesperson declined to comment "beyond the litigation release and the complaint, which is, literally, an actual case brought by the SEC."

In a [post on X](#) after the complaint was filed, Musk called the SEC a "totally broken organization" that's focusing "on s--- like this when there are so many actual crimes that go unpunished."

Musk is just a week away from having unparalleled influence in the White House, as President-elect [Donald Trump's](#) second term begins on Jan. 20.

Musk, who was a major financial backer of Trump in the latter stages of the campaign, is poised to lead an advisory group that will focus in part on reducing regulations, including those that affect Musk's various companies.

U.S. President-elect Donald Trump and Elon Musk watch the launch of the sixth test flight of the SpaceX Starship rocket in Brownsville, Texas, on Nov. 19, 2024.

Brandon Bell | Via Reuters

In July, Trump vowed to fire SEC chairman [Gary Gensler](#), whose term began in 2021 under President Joe Biden. After Trump's election victory, Gensler announced that he would be resigning from his post instead. Trump plans to nominate Paul Atkins as the next chair of the SEC.

In a separate civil lawsuit concerning the Twitter deal, the Oklahoma Firefighters Pension and Retirement System sued Musk in 2022, accusing him of deliberately concealing his progressive investments in the social network and intent to buy the company. The pension fund's attorneys argued that Musk, by failing to clearly disclose his investments, had influenced other shareholders' decisions and put them at a disadvantage.

That case, [Rasella v. Musk](#), was filed in April 2022 in a federal court in the Southern District of New York.

‘Unsuspecting public’

The SEC said in Tuesday's complaint that Musk crossed the 5% ownership mark in his Twitter ownership in March 2022, and would have been required to disclose his holdings by March 24.

“On April 4, 2022, eleven days after a report was due, Musk finally publicly disclosed his beneficial ownership in a report with the SEC, disclosing that he had acquired over nine percent of Twitter’s outstanding stock,” the complaint says. “That day, Twitter’s stock price increased more than 27% over its previous day’s closing price.”

The SEC alleges that Musk spent over \$500 million purchasing more Twitter shares during the time between the required disclosure and the day of his actual filing. That enabled him to buy stock from the “unsuspecting public at artificially low prices,” the complaint says. He “underpaid” Twitter shareholders by over \$150 million during that period, according to the SEC.

In the complaint, the SEC said it’s seeking a jury trial and asks that Musk be forced to “pay disgorgement of his unjust enrichment” as well as a civil penalty.

The suit is the latest chapter in an almost three-year saga.

For a brief period in April 2022, after Musk’s ownership had been made public and it was known that he was the biggest shareholder, Musk was set to join Twitter’s board. However, he quickly abandoned that plan, [telling the board](#) he would not take a seat.

What followed was a six-month drama that began with Musk submitting an unsolicited bid in mid-April that was opposed by the board. Twitter's board eventually accepted Musk's offer later that month. Soon thereafter, Musk tried to back out, alleging that Twitter was misstating the number of "bots" on its service.

Musk ultimately closed the deal in October 2022, famously walking into Twitter's office in San Francisco with a sink in his hands.

"Entering Twitter HQ – let that sink in!" Musk [wrote](#), attaching a video of his entrance.

Musk has had other run-ins with the SEC.

[In September 2018, the agency charged Musk](#) with making "false and misleading" statements to investors when he announced via Twitter that he was considering taking Tesla private at \$420 a share and had funding secured.

Tesla shares seesawed for weeks after that, and the deal never materialized.

Musk and Tesla eventually [agreed to a settlement](#), but [revised it in 2019](#).

Under those terms, Musk and Tesla each had to pay \$20 million in fines, and Musk had to temporarily relinquish his role as chairman of the Tesla board.

In the latest complaint, the SEC didn't allude to Musk's prior civil securities fraud charges or settlement agreement.