

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 101133 / September 23, 2024

ADMINISTRATIVE PROCEEDING
File No. 3-22156

In the Matter of

**CENTERLINE INVESTMENT
MANAGEMENT LIMITED,**

Respondent.

**ORDER INSTITUTING CEASE-AND-
DESIST PROCEEDINGS PURSUANT
TO SECTION 21C OF THE
SECURITIES EXCHANGE ACT OF
1934, MAKING FINDINGS, AND
IMPOSING A CEASE-AND-DESIST
ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”), against Centerline Investment Management Limited (“Centerline Investment” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds¹ that:

¹ The findings herein are made pursuant to Respondent’s Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

Summary

1. These proceedings concern Centerline Investment's violation of Rule 105 of Regulation M [17 C.F.R. § 242.105] ("Rule 105") under the Exchange Act through transactions made in the accounts of one of Centerline Investment's private fund clients (the "Centerline Fund") occurring in November 2020. In total, Centerline Investment's conduct resulted in gains to the Centerline Fund of \$1,476,907.15.

Respondent

2. Centerline Investment is a limited liability company organized under the laws of Hong Kong and operated from Hong Kong. Centerline Investment is an investment adviser and advises the Centerline Fund, among other private fund clients. Since May 2018, Centerline Investment has reported to the Commission as an exempt reporting investment adviser.

Facts

3. Rule 105 makes it unlawful for a person to purchase equity securities from an underwriter, broker or dealer participating in a public offering of securities covered by Rule 105 if that person sold short the security that is the subject of the offering during the restricted period as defined in the rule, absent an applicable exception. 17 C.F.R. § 242.105; see Short Selling in Connection with a Public Offering, Rel. No. 34-56206, 72 Fed. Reg. 45094 (Aug. 10, 2007) (effective Oct. 9, 2007). The Rule 105 "restricted period" is the shorter of the period: (1) beginning five business days before the pricing of the offered securities and ending with such pricing; or (2) beginning with the initial filing of a registration statement or notification on Exchange Act Form 1-A or 1-E and ending with pricing. 17 C.F.R. § 242.105(a)(1) and (a)(2).

4. The Commission adopted Rule 105 "to foster secondary and follow-on offering prices that are determined by independent market dynamics and not by potentially manipulative activity." 72 Fed. Reg. 45094. Rule 105 is prophylactic and prohibits the conduct irrespective of the short seller's intent in effecting the short sale. Id.

5. On Monday, November 16, 2020, Pinduoduo Inc. ("Pinduoduo") (currently known as PDD Holdings Inc.), filed a securities registration statement with the Commission on Form F-3ASR for its offering of American Depositary Shares ("ADS") (the "Pinduoduo ADS Offering") and publicly announced the Pinduoduo ADS Offering in a press release.

6. On Tuesday, November 17, 2020, Centerline Investment sold short 148,000 of Pinduoduo's ADS at a price of \$134.4525 per ADS for total proceeds of \$19,898,970, in the Centerline Fund's account.

7. On Wednesday, November 18, 2020, Pinduoduo filed with the Commission a pricing term sheet establishing the price of \$125.00 for the ADS to be offered that day on a firm commitment basis in the Pinduoduo ADS Offering. On the same day, Centerline Investment purchased 160,000 Pinduoduo ADS at the offering price of \$125.00 per ADS for a total of \$20,000,000 for the Centerline Fund.

8. The short sale that Centerline Investment effected for the Centerline Fund occurred within the Rule 105 restricted period, which was November 17, 2020, the period between the initial filing of the registration statement for the offering on November 16, 2020, and the pricing of the offering before the market opened on November 18, 2020.

9. The difference between the price at which Centerline Investment effected the short sale of 148,000 of Pinduoduo's ADS during the restricted period and the price at which it subsequently purchased 148,000 shares for the Centerline Fund in the Pinduoduo ADS Offering was \$1,398,970.00.

10. The Centerline Fund also improperly received gains of \$80,877.60 from purchases effected by Centerline Investment of an incremental 12,000 Pinduoduo ADS at a discount from Pinduoduo's market price.

11. Thus, Centerline Investment's violation of Rule 105 resulted in total net gains to the Centerline Fund of \$1,476,907.15, after deducting certain transactional expenses. Centerline Investment has represented to the Commission staff that it is currently in possession of the amounts subject to disgorgement.

12. Centerline Investment conducted a subsequent review of its trading records and identified no other Rule 105 violations.

Violation

13. As a result of the conduct described above, Centerline Investment violated Rule 105 of Regulation M under the Exchange Act [17 C.F.R. § 242.105].

Disgorgement

14. The disgorgement and prejudgment interest ordered in paragraph IV.B is consistent with equitable principles, does not exceed the net profits from Respondent's violations, and returning the money to Respondent would be inconsistent with equitable principles. Therefore, in these circumstances, distributing disgorged funds to the U.S. Treasury is the most equitable alternative. The disgorgement and prejudgment interest ordered in paragraph IV.B shall be transferred to the general fund of the U.S. Treasury, subject to Section 21F(g)(3) of the Exchange Act.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent Centerline Investment's Offer.

Accordingly, it is hereby ORDERED that:

- A. Pursuant to Section 21C of the Exchange Act, Respondent Centerline Investment cease and desist from committing or causing any violations and any future violations of Rule 105 of Regulation M under the Exchange Act.
- B. Respondent Centerline Investment shall, within 10 days of the entry of this Order, pay disgorgement of \$1,476,907.15 and prejudgment interest of \$194,119.23 and a civil money penalty of \$111,614 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment of disgorgement and prejudgment interest is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600. If timely payment of the civil money penalty is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717. Payment must be made in one of the following ways:
- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
 - (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
 - (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Centerline Investment as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to John T. Dugan, Associate Director, Division of Enforcement, Securities and Exchange Commission, Boston Regional Office, 33 Arch Street, 24th Floor, Boston, MA 02110-1424.

- C. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange

Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a “Related Investor Action” means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Vanessa A. Countryman
Secretary