UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 97622 / May 30, 2023

INVESTMENT ADVISERS ACT OF 1940
Release No. 6318 / May 30, 2023

ADMINISTRATIVE PROCEEDING
File No. 3-21473

In the Matter of **RTW INVESTMENTS, LP,** **Respondent.**	**ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS, PURSUANT TO SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934 AND SECTIONS 203(e) AND 203(k) OF THE INVESTMENT ADVISERS ACT OF 1940, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 ("Exchange Act") and Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 ("Advisers Act") against RTW Investments, LP ("Respondent" or "RTW").

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 Administrative and Cease-and-Desist Proceedings, Pursuant to Section 21C of the Securities Exchange Act of 1934 and Sections 203(e) and 203(k) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds[1] that:

Summary

1. These proceedings involve violations of the Advisers Act and the Exchange Act by RTW Investments, LP, a registered investment adviser, arising out of the firm's activities concerning certain special purpose acquisition companies ("SPACs"). First, RTW failed to disclose conflicts of interest, made statements that omitted material facts, and failed to adopt reasonably designed written policies and procedures regarding RTW personnel's ownership interests in SPAC sponsors and RTW's practice of investing client assets in affiliated SPACs. Second, RTW failed to timely file accurate reports on Schedule 13G concerning the beneficial ownership of the common stock of a public company formed as a result of a SPAC business combination. As a result, RTW violated Sections 206(2) and 206(4) of the Advisers Act and Rules 206(4)-7 and 206(4)-8 thereunder, and violated and/or caused violations of Section 13(d) of the Exchange Act and Rules 13d-1 and 13d-2 thereunder.

Respondent

2. **RTW Investments, LP ("RTW")**, a Delaware limited partnership with its principal place of business in New York, New York, has been registered with the Commission as an investment adviser since June 2013. During all times relevant herein, RTW provided investment advisory services to RTW Innovation Master Fund, Ltd., RTW Master Fund, Ltd., and RTW Venture Fund, Ltd. In its Form ADV dated March 30, 2023, RTW reported that it had approximately $7.18 billion in regulatory assets under management.

Other Relevant Entities

3. RTW Innovation Master Fund, Ltd. (the "Innovation Fund") is a private fund organized under the laws of the Cayman Islands and a pooled investment vehicle as defined in Advisers Act Rule 206(4)-8(b).

4. RTW Master Fund, Ltd. (the "Master Fund") is a private fund organized under the laws of the Cayman Islands and a pooled investment vehicle as defined in Advisers Act Rule 206(4)-8(b).

5. RTW Venture Fund, Ltd. (the "Venture Fund"; together with the Master Fund and the Innovation Fund, the "RTW Funds") is an investment company organized under the laws of Guernsey and is publicly traded on the London Stock Exchange.

6. Health Sciences Acquisitions Corporation ("HSAC") was a Delaware corporation incorporated in December 2018 that consummated an initial public offering as a SPAC on May

[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.

14, 2019. HSAC's sponsor was approximately 63% owned by the Master Fund and Innovation Fund, while 34% ownership was allocated among RTW supervised persons, and the remaining ownership was allocated to HSAC's independent board directors. HSAC entered into a business combination agreement that closed on December 19, 2019, which resulted in the formation of Immunovant, Inc., a public company with common stock that trades on the Nasdaq under the ticker symbol "IMVT."

7. Health Sciences Acquisitions Corporation 2 ("HSAC 2") was a Cayman Islands exempted company incorporated on May 25, 2020 that consummated an initial public offering as a SPAC on August 6, 2020. HSAC 2's sponsor was approximately 62% owned by the RTW Funds, while 37% ownership was allocated among RTW supervised persons, and the remaining ownership was allocated to HSAC 2's independent board directors. HSAC 2 entered into a business combination agreement that closed on January 26, 2023.

Facts

Failure to Disclose SPAC Conflicts

8. A SPAC generally is a shell company that is organized for the purpose of merging with or acquiring one or more unidentified private operating companies within a certain time frame (often two years) and that conducts a firm commitment underwritten initial public offering of $5 million or more in redeemable shares and, at times, warrants. A SPAC sponsor is the entity and/or persons primarily responsible for organizing, directing, or managing the business and affairs of a SPAC. The sponsor typically is compensated through an amount equal to a percentage (often 20% to 25%) of the SPAC's initial public offering proceeds (in the form of discounted shares and, at times, warrants). This sponsor compensation is often referred to as the sponsor's "promote" or "founder shares," and it is received upon completion of a SPAC's business combination.

9. Between December 2018 and May 2020, RTW formed two SPACs: HSAC and HSAC 2. RTW supervised persons acquired approximately 34-37% of the founder shares of HSAC and HSAC 2, while approximately 62-63% of the founder shares were allocated to the Master Fund, Innovation Fund and/or Venture Fund.

10. Simultaneously with the closing of HSAC's initial public offering, RTW supervised persons caused the Master Fund and Innovation Fund to purchase in a private placement a total of 10,000,000 warrants for $5 million. Each warrant was exercisable to purchase one half of a share of HSAC common stock at a price of $11.50 per share. The $5 million was added to the proceeds from HSAC's initial public offering for use in connection with the SPAC's business combination, or to fund shareholder redemptions if no business combination was consummated.

11. Simultaneously with the closing of HSAC 2's initial public offering, RTW supervised persons caused the RTW Funds to purchase in a private placement a total of 450,000 ordinary shares and 1,500,000 warrants for a total of $6 million. Each warrant was exercisable to purchase an ordinary share of HSAC 2 at a price of $11.50 per share. The $6 million was added to the proceeds from HSAC 2's initial public offering for use in connection with the SPAC's business combination, or to fund shareholder redemptions if no business combination was consummated.

12. As a result of their ownership interests in the sponsors of HSAC and HSAC 2, RTW personnel were entitled to receive a portion of the SPAC sponsor compensation. Accordingly, RTW personnel had material conflicts of interest that could affect the advisory relationship between RTW and its advisory clients, and could cause RTW to render advice that was not disinterested.

13. For instance, because the sponsor compensation was contingent upon the SPAC's completion of a business combination, RTW personnel had financial incentives to recommend that HSAC and HSAC 2 engage in business combination transactions, even if the transactions or their terms were not necessarily in the best interests of one or more of their advisory clients. In connection with HSAC's business combination, RTW supervised persons caused the Master Fund and Innovation Fund to forfeit, and HSAC to cancel, all 10,000,000 of the private placement warrants in order to facilitate the consummation of the business combination. In connection with HSAC 2's business combination, RTW supervised persons caused the RTW Funds to forfeit, and HSAC 2 to cancel, 750,000 of the private placement warrants in order to facilitate the consummation of the business combination.

14. Moreover, RTW personnel who acquired ownership interests in the SPAC sponsors, and also made investment decisions for the RTW Funds, had incentives to cause the RTW Funds to make SPAC-related investments that would help ensure HSAC and HSAC 2 completed business combinations, including by causing such advisory clients to make investments to assist with financing the SPAC business combinations. In connection with HSAC's business combination, RTW caused the Master Fund and Innovation Fund to make a $25 million bridge financing investment in the target company, which satisfied the sponsor of HSAC's prior commitment to provide $20 million in financing for any business combination. RTW also caused the RTW Funds to purchase approximately $9.2 million of HSAC common stock in the open market before shareholders voted to approve the business combination. In connection with HSAC 2's business combination, RTW caused the RTW Funds to purchase approximately $10 million of HSAC 2 ordinary shares pursuant to a forward purchase agreement; to invest approximately $15 million in private financing for the target company; and to enter into a backstop agreement for up to $50 million to satisfy the business combination transaction's minimum cash closing condition. The RTW Funds ultimately paid approximately $18 million pursuant to the backstop agreement because the trust account did not hold sufficient funds after redemptions, meaning that the RTW Funds' participation in the backstop agreement facilitated the closing of the business combination.

15. Thus, RTW personnel had conflicts of interest that, among other things, could affect both whether or not RTW selected certain investments on behalf of its advisory clients as well as the size and scope of any such investments.

16. Nevertheless, RTW failed to make timely disclosure of its SPAC-related conflicts of interest to the boards of directors of the clients it advised. Although the boards of directors of the Master Fund and Innovation Fund routinely held periodic meetings that RTW attended, RTW failed to timely disclose the shared ownership of the HSAC or HSAC 2 sponsors to either board of directors. In addition, while the board of directors of the Venture Fund held periodic meetings that RTW attended, RTW failed to timely disclose RTW personnel's shared ownership of the HSAC 2

sponsor, and failed to accurately describe the facts associated with RTW's conflicts of interest in communications with the board of directors of the Venture Fund.

17. Furthermore, RTW made certain statements that omitted material information concerning HSAC and HSAC 2 to investors and prospective investors in the Master Fund and Innovation Fund. For instance, in response to email inquiries from investors regarding whether RTW personnel shared in the sponsor economics for HSAC and HSAC 2, RTW stated the RTW Funds provided the at-risk capital for each SPAC and therefore acquired the sponsor economics, which translated into 20% ownership of each SPAC upon listing. However, while the RTW Funds contributed at-risk capital, RTW personnel also acquired founder shares and therefore shared in the 20% ownership stake of each SPAC. In addition, in response to later email inquiries from investors regarding the allocation of sponsor economics as between RTW personnel and RTW Funds in HSAC and HSAC 2, RTW stated that the RTW Funds get the "vast majority" of sponsor economics and that only a "very small part" is reserved for RTW personnel. However, RTW personnel acquired approximately 34% of the founder shares in HSAC and approximately 37% of the founder shares in HSAC 2. By way of further example, in a letter to investors that touted the success of HSAC and the gains generated by the HSAC sponsor economics, RTW omitted to disclose RTW personnel's shared ownership of the HSAC sponsor and its effect on the HSAC sponsor economics.

18. In addition, prior to November 7, 2022, RTW's Form ADV Part 2A brochure failed to fully and fairly disclose the conflicts of interest related to HSAC and HSAC 2.

Compliance Deficiencies

19. Since at least May 2019, RTW failed to adopt and implement written compliance policies and procedures reasonably designed to prevent violations of the Advisers Act and the rules thereunder concerning RTW personnel's co-ownership of SPAC sponsors alongside advisory clients and investments in affiliated SPACs on behalf of RTW advisory clients. RTW launched two affiliated SPACs for which certain of its supervised persons co-owned the sponsoring entities along with the RTW Funds, but RTW lacked policies and procedures reasonably designed to provide appropriate disclosure about this change in business practices and the associated conflicts of interest to advisory clients and investors in the RTW Funds, or to appropriately disclose or eliminate the conflicts related to RTW's investments on behalf of advisory clients in such affiliated SPACs.

Beneficial Ownership Reporting Failures

20. Under Section 13(d)(1) of the Exchange Act, any person who has acquired beneficial ownership of more than 5% of any equity security of a class registered under Section 12 of the Exchange Act must publicly file, within 10 days after the acquisition, a disclosure statement with the Commission. Exchange Act Rule 13d-1(a) requires the statement to contain the information specified by Schedule 13D, which includes, among other things, the identity of the beneficial owners, the amount of beneficial ownership, and plans or proposals regarding the issuer.

21. However, as an alternative, certain statutory provisions and rules allow the use of short-form disclosure statements on Schedule 13G with differing timing requirements under certain conditions. Exchange Act Rule 13d-1(c) provides that, in lieu of filing a Schedule 13D, a person may file a short-form statement on Schedule 13G within 10 days after the triggering acquisition if the person "has not acquired the securities with any purpose, or with the effect of, changing or influencing the control of the issuer, or in connection with or as a participant in any transaction having that purpose or effect," and is not directly or indirectly the beneficial owner of 20% or more of the class of securities. Pursuant to Exchange Act Rule 13d-1(k), when two or more persons are required to file a statement on Schedule 13D or Schedule 13G concerning the same securities, only one statement need be filed, provided that, among other things, the statement "contains the required information with regard to each such person."

22. Exchange Act Rule 13d-2(b) requires that a person filing a Schedule 13G pursuant to Rule 13d-1(c) must file an annual amendment within 45 days after the end of each calendar year if there are any changes in the information reported in the previous filing on that Schedule, unless certain limited exceptions apply.

23. On February 16, 2021, RTW filed a Schedule 13G reporting beneficial ownership of 7.75% of the outstanding common stock of Immunovant, Inc. as of December 31, 2020. RTW indicated that the Schedule 13G was filed pursuant to Exchange Act Rule 13d-1(c). As reported on the Schedule 13G, RTW, as well as certain of RTW's advisory clients and its control person ("RTW Affiliates"), beneficially owned Immunovant, Inc. common stock. RTW took responsibility for making beneficial ownership filings for the RTW Affiliates. However, RTW failed to accurately report the beneficial ownership of the RTW Affiliates on the Schedule 13G, in violation of Rule 13d-1.

24. As of the end of calendar year 2021, the number of shares of Immunovant, Inc. common stock beneficially owned by RTW and RTW Affiliates had changed from the amounts that RTW previously set forth on Schedule 13G (and would have set forth had its Schedule 13G been accurate). This change was not reported on an amendment within 45 days after the end of the calendar year, in violation of Rule 13d-2(b).

25. On December 2 and 5, 2022, long after having incurred its filing obligations, RTW filed Schedule 13G amendments to accurately report beneficial ownership information for itself and the RTW Affiliates as of December 31, 2020 and December 31, 2021.

Violations

26. As a result of the conduct described above, Respondent willfully[2] violated Section 206(2) of the Advisers Act, which makes it unlawful for any investment adviser, directly or

[2] "Willfully," for purposes of imposing relief under Section 203(e) of the Advisers Act, "'means no more than that the person charged with the duty knows what he is doing.'" *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor "also be aware that he is violating one of the Rules or Acts." *Tager v. SEC*, 344 F.2d 5, 8 (2d Cir. 1965). The decision in *The Robare Group, Ltd. v.*

indirectly, to "engage in any transaction, practice or course of business which operates as a fraud or deceit upon any client or prospective client." Scienter is not required to establish a violation of Section 206(2), but rather a violation may rest on a finding of negligence. *SEC v. Steadman*, 967 F.2d 636, 643 n.5 (D.C. Cir. 1992) (citing *SEC v. Capital Gains Research Bureau, Inc.*, 375 U.S. 180, 194-95 (1963)).

27. As a result of the conduct described above, Respondent willfully violated Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder, which require a registered investment adviser to adopt and implement written compliance policies and procedures reasonably designed to prevent violations of the Advisers Act and the rules thereunder.

28. As a result of the conduct described above, Respondent willfully violated Section 206(4) of the Advisers Act and Rule 206(4)-8 thereunder, which make it unlawful for any investment adviser to a pooled investment vehicle to "make any untrue statement of a material fact or to omit to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading, to any investor or prospective investor in the pooled investment vehicle; or [o]therwise engage in any act, practice, or course of business that is fraudulent, deceptive, or manipulative with respect to any investor or prospective investor in the pooled investment vehicle." A showing of negligence is sufficient to establish a violation of Section 206(4) of the Advisers Act or Rule 206(4)-8 thereunder; proof of scienter is not required. *Steadman*, 967 F.2d at 647.

29. As a result of the conduct described above, Respondent violated Section 13(d) of the Exchange Act and Rule 13d-2 thereunder and caused the RTW Affiliates to violate Section 13(d) of the Exchange Act and Rules 13d-1 and 13d-2 thereunder.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent RTW's Offer.

Accordingly, pursuant to Section 21C of the Exchange Act and Sections 203(e) and 203(k) of the Advisers Act, it is hereby ORDERED that:

A. Respondent RTW cease and desist from committing or causing any violations and any future violations of Sections 206(2) and 206(4) and of the Advisers Act and Rules 206(4)-7 and 206(4)-8 promulgated thereunder, and Section 13(d) of the Exchange Act and Rules 13d-1 and 13d-2 promulgated thereunder.

B. Respondent RTW is censured.

SEC, which construed the term "willfully" for purposes of a differently structured statutory provision, does not alter that standard. 922 F.3d 468, 478-79 (D.C. Cir. 2019) (setting forth the showing required to establish that a person has "willfully omit[ted]" material information from a required disclosure in violation of Section 207 of the Advisers Act).

C. Respondent shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of $1.4 million 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 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 RTW Investments, LP 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 Brendan P. McGlynn, Assistant Regional Director, Division of Enforcement, Securities and Exchange Commission, 1617 JFK Blvd., Suite 520, Philadelphia, PA 19103.

D. 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