

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
RELEASE NO. 9622 / August 5, 2014

SECURITIES EXCHANGE ACT OF 1934
RELEASE NO. 72764 / August 5, 2014

INVESTMENT ADVISERS ACT OF 1940
RELEASE NO. 3888 / August 5, 2014

INVESTMENT COMPANY OF 1940
RELEASE NO. 31198 / August 5, 2014

ADMINISTRATIVE PROCEEDING
File No. 3-15826

In the Matter of

KEIKO KAWAMURA,

Respondent.

**ORDER MAKING FINDINGS AND
IMPOSING REMEDIAL SANCTIONS
AND A CEASE-AND-DESIST ORDER
PURSUANT TO SECTION 8A OF THE
SECURITIES ACT OF 1933, SECTION
21C OF THE SECURITIES EXCHANGE
ACT OF 1934, SECTIONS 203(f) AND
203(k) OF THE INVESTMENT
ADVISERS ACT OF 1940, AND SECTION
9(b) OF THE INVESTMENT COMPANY
ACT OF 1940**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest to enter this Order Making Findings and Imposing Remedial Sanctions and a Cease-and-Desist Order pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”), Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”), Sections 203(f) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”) and Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”) against Keiko Kawamura (“Respondent” or “Kawamura”).

II.

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 her and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Making Findings and Imposing Remedial Sanctions and a Cease-and-Desist Order Pursuant to Section 8A of the Securities Act of 1933, Section 21C of the Securities Exchange Act of 1934, Sections 203(f) and 203(k) of the Investment Advisers Act of 1940, and Section 9(b) of the Investment Company Act of 1940 as to Respondent (“Order”), as set forth below.

III.

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

SUMMARY

1. This proceeding involves schemes to defraud and fraudulent misrepresentations and omissions by Keiko Kawamura in connection with money she raised for a self-described hedge fund that she purportedly managed, and money she obtained from subscribers to a website she operated to provide investment advice.

2. From December 2011 through June 2012, Kawamura raised approximately \$200,000 from at least seven investors for a hedge fund that she purportedly managed. Kawamura falsely told investors, among other things, that she had substantial experience in the financial industry (including in the trading of stocks and options), and that she had achieved outstanding returns trading stocks and options in her own accounts. Despite her promises to invest the funds she obtained, Kawamura misappropriated much of the money. Of the funds she did invest, Kawamura lost everything in risky options trading.

3. In August 2012, Kawamura started a website – kawamurafinancial.com – where she provided investment advice for a monthly subscription fee until February 2014. Kawamura solicited subscribers through a number of misrepresentations, including falsely claiming that she obtained an annual return in excess of 800% in her personal brokerage account (in fact, she lost all of the money invested in the account), that she had managed millions of dollars, and that she had nearly ten years of experience in the financial industry. Kawamura made approximately \$50,000 in subscription fees from approximately 70 different subscribers to her website.

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.

RESPONDENT

4. **Kawamura** (d/b/a Kawamura Financial) is a resident of Honolulu, Hawaii. From December 2011 through June 2012, Kawamura acted as an investment adviser to a self-described hedge fund in which she pooled and managed monies she raised from at least seven investors for a purported performance fee of 20% of any profits achieved. In August 2012, Kawamura established a website that she operated until February 2014 and on which she provided investment advice to subscribers for a monthly fee.

BACKGROUND

5. Beginning in December 2011 and continuing through the present, Kawamura (d/b/a Kawamura Financial) engaged in two separate fraudulent schemes in connection with the purchase and sale of securities, made material misrepresentations and omissions in connection with money she raised directly from investors, and made material misrepresentations and omissions in connection with a website she operated to provide investment advice.

6. From December 2011 through June 2012, Kawamura offered and sold interests in a self-described hedge fund. Kawamura told investors that she would pool their funds in a single brokerage account in which Kawamura would invest in stocks and options. Kawamura told investors that she would be compensated by receiving 20% of any profits achieved in the account. In total, Kawamura raised approximately \$200,000 from at least seven investors.

7. In soliciting investors for her “hedge fund,” Kawamura told investors that she had extensive experience trading stocks and options and was managing millions of dollars in what she referred to as a hedge fund. In fact, as Kawamura knew, her only prior trading experience had been placing a small number of trades over the preceding few months in an account held in her boyfriend’s name and less than \$10,000 traded in brokerage accounts held in her name. At no time did her boyfriend’s account in which she made trades hold more than \$300,000 and at no time did accounts that she controlled and/or managed hold more than approximately \$55,000.

8. Contrary to Kawamura’s representations to investors that she would invest all of the funds she raised in stocks and options, she misappropriated much of the hedge fund’s money to pay for her living expenses and for luxury vacations to Miami and London. Of the approximately \$55,000 Kawamura did invest, she pooled the money in one brokerage account and lost it all in highly risky options trades.

9. Kawamura posted screenshots of portions of a brokerage account statement on her Twitter account, which many of her investors followed, that suggested that she was obtaining incredible returns in her own brokerage accounts. In fact, the screenshots reflected particular returns on unusually successful trades and/or trading days from her boyfriend’s brokerage account and were not indicative of the performance of the

trading in her account. At the time she posted the screenshots, Kawamura knew that her trading had not performed at the level indicated by the screenshots.

10. Kawamura's misrepresentations and omissions were material. The investors she solicited would not have invested in her hedge fund had Kawamura not misrepresented or otherwise failed to accurately disclose, among other things, her prior experience trading in the stock market and managing investor money, the true amount of money she was actually "managing," her prior trading performance, and/or the intended use of investor funds.

11. After raising money from investors through her misrepresentations and omissions, Kawamura engaged in further manipulative and deceptive acts as part of her scheme to defraud investors. Despite losing the money she invested, Kawamura repeatedly told investors that she was achieving excellent returns on their investments. Kawamura also created, and provided to certain investors, false tax documents that purported to show that she had invested all of the money she had raised when, in fact, she had misappropriated much of it. Despite losing the money she invested, Kawamura repeatedly assured investors seeking to withdraw their investments that she was achieving excellent returns on their investments and that she just needed additional time before she could process any withdrawals.

12. In August 2012, Kawamura started a website called kawamurafinancial.com. Kawamura promoted her website primarily through social media, including Twitter and Facebook. Kawamura used the website to provide investment advice to members who paid a monthly fee of between \$94.95 and \$174.95. The subscription fee varied based on the level of access granted to Kawamura's website. All subscribers received access to, among other things, a locked Twitter account that Kawamura used to provide recommendations on when to sell or purchase particular stocks and options.

13. Kawamura's website contained numerous material misrepresentations and omissions that she acknowledges were intended to attract subscribers. Kawamura claimed on the site that she had "been in the Investment banking industry for nearly a decade, specializing in Wealth Management for a major Financial Institution." At the time she created her website, Kawamura knew this was false. She has never worked in the investment banking industry and has never worked for any financial institutions.

14. Kawamura also falsely claimed on her site that "Her Personal IRA account is up almost 800% YTD (2012)." In fact, as Kawamura knew at the time she created her website, she lost all of the money in her personal IRA brokerage account over a period of about two months in 2012.

15. Kawamura also provided all subscribers to her website with access to one-on-one advice over Skype's instant message service in which she would provide specific recommendations regarding stocks and options to the subscriber. Subscribers that paid \$174.95 a month were also provided access to Kawamura's trades in "real-time." Kawamura received nearly \$50,000 from approximately 70 subscribers to her website.

16. These misrepresentations and omissions were material. The subscribers to Kawamura's website would not have subscribed had Kawamura not misrepresented, among other things, her prior experience trading in the stock market and managing investor money, and/or her prior trading performance.

VIOLATIONS

17. As a result of the conduct described above, Kawamura willfully violated Section 17(a) of the Securities Act, and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in the offer and sale of securities and in connection with the purchase or sale of securities.

18. As a result of the conduct described above, Kawamura willfully violated Sections 206(1), 206(2) and 206(4) of the Advisers Act and Rule 206(4)-8 promulgated thereunder, which prohibit fraudulent conduct by an investment adviser.

IV.

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

Accordingly, pursuant to Section 8A of the Securities Act, Section 21C of the Exchange Act, Sections 203(f) and 203(k) of the Advisers Act, and Section 9(b) of the Investment Company Act, it is hereby ORDERED that:

A. Respondent Kawamura cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Sections 206(1), 206(2) and 206(4) of the Advisers Act and Rule 206(4)-8 promulgated thereunder.

B. Respondent Kawamura be, and hereby is:

barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; and

prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter.

C. Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any

arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

D. Respondent shall, within 10 days of the entry of this Order, pay disgorgement of \$275,117.78 and prejudgment interest of \$14,644.41 to the Securities and Exchange Commission. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600. 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 Keiko Kawamura 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 Lorraine B. Echavarría, Associate Regional Director, Division of Enforcement, Securities and Exchange Commission, 5670 Wilshire Blvd., 11th Floor, Los Angeles, CA 90036.

E. Respondent shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of \$50,000.00 to the Securities and Exchange Commission. 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
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Payments by check or money order must be accompanied by a cover letter identifying Keiko Kawamura 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 Lorraine B. Echavarria, Associate Regional Director, Division of Enforcement, Securities and Exchange Commission, 5670 Wilshire Blvd., 11th Floor, Los Angeles, CA 90036.

By the Commission.

Jill M. Peterson
Assistant Secretary