UNITED STATES OF AMERICA

Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-19951

In the Matter of

Sean R. Stewart,

Respondent.

DIVISION OF ENFORCEMENT'S REPLY MEMORANDUM OF LAW IN FURTHER SUPPORT OF ITS MOTION FOR SUMMARY DISPOSITION

DIVISION OF ENFORCEMENT
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The Division of Enforcement (the "Division") submits this reply memorandum of law in further support of its motion for summary disposition filed on November 13, 2010 (the "Division's Motion" or "Div. Mot."). The Division incorporates the arguments and authorities described in the Division of Enforcement's Opposition to Respondent's Motion for Summary Disposition, filed on December 4, 2020 (the "Division's Opposition Memo" or "Div. Opp. Mem.") and the Declaration of Julia C. Green ("Green 12/4/20 Dec.") and attached exhibits submitted in support thereof.

PRELIMINARY STATEMENT

Sean Stewart ("Respondent") should not be a fiduciary. Again and again, he misappropriated valuable information from clients and used it for his own purpose—insider trading. As a registered representative, Respondent lied repeatedly, deceiving not just internal compliance personnel but also FINRA regulators. And Respondent has yet to provide any assurance that he would refrain from further fraud if the Commission were to allow him to remain in the securities industry.

Respondent continues to dispute the plain fact that he worked for an investment adviser with arguments that are inaccurate and irrelevant They are inaccurate because they rely on the status of other J.P. Morgan[1] entities and do not address Respondent's actual employer, J.P. Morgan Securities LLC, a registered investment adviser. They are irrelevant because association with an investment adviser is not a prerequisite for a bar prohibiting Respondent from future association with an investment adviser.

In light of Respondent's serial insider trading scheme, which exploited two different registered entities over four years, his numerous lies and deceits, the high degree of scienter involved in his misconduct, and his failure to express remorse in this proceeding or provide assurances

[1] This memorandum uses "J.P. Morgan" to collectively refer to JPMorgan Chase & Co. and its affiliates.

against further violations, an industry-wide bar is in the public interest. The Division respectfully requests that the Commission bar Respondent from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization ("NRSRO"), or from participating in an offering of penny stock.

ARGUMENT

I. Respondent was Associated with an Investment Adviser

There can be no genuine dispute that Respondent was associated with J.P. Morgan Securities LLC during the relevant period. Any irregularities in FINRA's Central Registration Depository ("CRD") "snapshot" for Respondent do not create a genuine factual dispute because Respondent admits that he worked as an investment banker at J.P. Morgan: beginning in September 2010, J.P. Morgan's investment bank was J.P. Morgan Securities LLC. *See* JPMC 10-Q [Green 12/4/20 Dec., Ex. 2] at 5 ("JPMorgan Chase's principal nonbank subsidiary is J.P. Morgan Securities LLC ('JPMorgan Securities'), formerly J.P. Morgan Securities Inc., the Firm's U.S. investment banking firm."). Accordingly, Respondent used J.P. Morgan Securities LLC as his business address in letters and on his business cards. *See* Stewart Letter [Green 12/4/20 Dec., Ex. 6]; Email to Stewart [Green 12/4/20 Dec., Ex. 7]. As an employee of J.P. Morgan Securities LLC, Respondent was associated with an investment adviser. *See* Div. Opp. Mem. at 8-11.[2]

II. Respondent Should Be Barred from the Securities Industry—Including from Association with an Investment Adviser

As set forth in the Division's Motion and the Division's Opposition Memo, the public interest would best be served by an industry-wide bar. An investment adviser bar is a particularly important component of the remedy in this case, because investment advisers are trusted fiduciaries.

[2] The rules that apply to JPMorgan Chase & Co. as a "banking institution" have no relevance to this proceeding because Respondent was not employed by JPMorgan Chase & Co.

Respondent has demonstrated through his egregious breaches of trust, through his misappropriation of client information, and through his deception of compliance personnel and regulators—that he should not be trusted with fiduciary duties. *See* Div. Opp. Mem. at 4-6.

Respondent's efforts to concoct a factual dispute around his association with an investment adviser are of no moment, because association with an investment adviser is not a prerequisite for an investment adviser bar under the Securities Exchange Act of 1934 [15 U.S.C. § 78 *et seq.*]. *See* Div. Mot. at 14-15; Div. Opp. Mem. at 11-12. Where such bars are in the public interest, the Commission exercises its authority to issue collateral bars against individuals who have no prior association with an investment adviser. *See, e.g.*, *Allan Michael Roth*, Exchange Act Release No. 90343, 2020 WL 6488283 (Nov. 4, 2020); *Joseph J. Fox*, Exchange Act Release No. 80308, 2017 WL 1103693 (Mar. 24, 2017); *Ralph Calabro*, Exchange Act Release No. 75076, 2015 WL 3439152 (May 29, 2015).

CONCLUSION

For the foregoing reasons, and the reasons set forth in the Division's Motion and the Division's Opposition Memo, the Division respectfully requests that the Commission bar Respondent from associating with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or NRSRO, or from participating in an offering of penny stock.

Dated: December 18, 2020
Philadelphia, Pennsylvania

Respectfully submitted,

s/ Julia C. Green

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CERTIFICATE OF SERVICE

I hereby certify that, on December 18, 2020, I caused a true and correct copy of the Division of Enforcement's Reply Memorandum in Further Support of Its Motion for Summary Disposition to be filed and served by email to the following:

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Respectfully submitted,

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