

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 9574 / April 8, 2014

SECURITIES EXCHANGE ACT OF 1934
Release No. 71903 / April 8, 2014

INVESTMENT ADVISERS ACT OF 1940
Release No. 3812 / April 8, 2014

INVESTMENT COMPANY ACT OF 1940
Release No. 31012 / April 8, 2014

ADMINISTRATIVE PROCEEDING
File No. 3-15826

In the Matter of

KEIKO KAWAMURA,

Respondent.

**ORDER INSTITUTING
ADMINISTRATIVE AND CEASE-
AND-DESIST PROCEEDINGS
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 AND NOTICE OF HEARING**

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 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.

After an investigation, the Division of Enforcement alleges that:

A. 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.

B. RESPONDENT

4. **Keiko Kawamura** (d/b/a Kawamura Financial), 27 years old, 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.

C. FACTUAL 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.

D. 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.

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative and cease-and-desist proceedings be instituted to determine:

A. Whether the allegations set forth in Section II hereof are true and, in connection therewith, to afford Respondent an opportunity to establish any defenses to such allegations;

B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 203(f) of the Advisers Act including, but not limited to, disgorgement and civil penalties pursuant to Sections 203(i) and (j) of the Advisers Act;

C. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 9(b) of the Investment Company Act including, but not limited to, disgorgement and civil penalties pursuant to Sections 9(d) and (e) of the Investment Company Act; and

D. Whether, pursuant to Section 8A of the Securities Act, Section 21C of the Exchange Act, and Section 203(k) of the Advisers Act, Respondent should be ordered to cease and desist from committing or causing violations of 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 thereunder, whether Respondent should be ordered to pay a civil penalty pursuant to Section 8A(g) of the Securities Act, Section 21B(a) of the Exchange Act, and Section 203(i) of the Advisers Act, and whether Respondent should be ordered to pay disgorgement pursuant to Section 8A(e) of the Securities Act, Sections 21B(e) and 21C(e) of the Exchange Act, and Section 203 of the Advisers Act.

IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened not earlier than 30 days and not later than 60 days from service of this Order at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondent shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against her upon consideration of this Order, the allegations of which may be

deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondent personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 300 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Jill M. Peterson
Assistant Secretary