UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 10778 / April 30, 2020

SECURITIES EXCHANGE ACT OF 1934
Release No. 88781 / April 30, 2020

ADMINISTRATIVE PROCEEDING
File No. 3-19778

ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933 AND SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND 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 8A of the Securities Act of 1933 (“Securities Act”) and Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”), against Wei Duan (“Duan” 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 him and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933 and Section 21C of the Securities Exchange Act of 1934, 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 that:

**Summary**

1. This matter involves insider trading by Wei Duan, a Chinese citizen and the Vice President of Corporate Development of Momo, Inc. (“Momo”). Duan traded in Momo securities while aware of material, nonpublic information concerning Momo’s potential acquisition of Tantan Limited (“Tantan”). Specifically, two weeks before Momo announced the acquisition, while he was working on Momo’s acquisition team, Duan sold 450 “out of the money” short Momo March puts in a U.S. brokerage account. Momo announced the Tantan acquisition before the markets opened in the United States on February 23, 2018, and Momo shares closed at $35.75 that day, a 17% increase from the previous day’s closing price of $30.53. All of Duan’s puts expired “out of the money” for a realized profit of $60,005.70. By engaging in this conduct, Duan violated Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

**Respondent**

2. **Wei Duan**, age 37, is a resident of China. Duan has been employed by Momo since February 2017, as the Vice President of Corporate Development.

**Related Entities**

3. **Momo, Inc.**, is a Cayman Islands corporation headquartered in Beijing, China. Momo’s sponsored American Depositary Shares (“ADSs”), each of which represent two Class A ordinary shares, trade on the NASDAQ Global Select Market under the ticker symbol “MOMO,” and options for Momo’s ADSs are traded on the Chicago Board Options Exchange.

4. **Tantan Limited**, is a private corporation headquartered in Beijing, China. In May 2018, Tantan was acquired by Momo.

**Facts**

5. Since February 2017, Wei Duan has been the Vice President of Corporate Development at Momo, which operates a mobile-based social networking and entertainment platform.

---

1 All dates herein are in China time, unless otherwise stated.
Duan Possessed Nonpublic Information about the Potential Tantan Acquisition

6. On January 26, 2018, Duan and Momo’s Chief Executive Officer had an introductory meeting with the two co-founders of Tantan.

7. On February 1, 2018, Duan, Momo’s Chief Financial Officer (“CFO”), Momo’s General Counsel (“GC”), and potential Momo outside counsel met to discuss a potential sale of Tantan to Momo, and outside counsel was retained to draft and review transaction documents.

8. By February 2, 2018, Duan, Momo’s outside counsel, the two founders of Tantan, and Tantan counsel began discussing a potential purchase price.

9. In a conference call on February 7, 2018, Duan, Momo’s CFO, GC, and outside counsel, and representatives of Tantan discussed the potential transaction structure.

10. As Momo’s Vice President of Corporate Development, Duan was subject to the company’s policies, which prohibited him from using confidential information, defined as including nonpublic information, for any purpose unrelated to his work at Momo. Based on these policies, Duan knew, or was reckless in not knowing, that he should not trade Momo securities while aware of material nonpublic Momo information he obtained in the course of his employment.

11. Before the markets opened in the United States on February 23, 2018, Momo announced the acquisition of Tantan (the “Acquisition Announcement”). That day, Momo shares closed at $35.75, a 17% increase from the previous day's closing price of $30.53.

Duan’s Sale of Momo Options

12. Thirteen days before Momo’s Acquisition Announcement, Duan sold to open 450 short Momo puts in an account in his name at a broker-dealer registered with the Commission located in the United States. On February 10, 2018, starting at 2:04am China time and within ten minutes, Duan placed three orders to sell: 100 puts with a $25 strike price and a March 2 (U.S. date) expiration; 150 puts with a $24 strike price and a March 9 (U.S. date) expiration; and 200 puts with a $25 strike price and March 16 (U.S. date) expiration.

13. Following the Tantan acquisition announcement, the puts that Duan sold expired “out of the money” and Duan realized a profit of $60,005.70.

14. Duan knew, or was reckless in not knowing, that his February 10, 2018 securities transactions were in breach of a duty he owed to Momo’s shareholders.
Findings

15. Based on the foregoing, the Commission finds that Duan violated Section 17(a) of the Securities Act, which prohibits fraudulent conduct in the offer or sale of securities, and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in connection with the purchase or sale of securities.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent Duan’s Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 8A of the Securities Act and Section 21C of the Exchange Act, Respondent Duan 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.

B. Respondent shall, within 21 days of the entry of this Order, pay disgorgement of $60,005.70 and prejudgment interest of $6,548.27, and a civil money penalty in the amount of $60,005.70, for a total of $126,559.67 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 SEC Rule of Practice 600, and 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 Wei Duan 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 Paul A. Montoya, Associate Regional Director, Chicago Regional Office, Division of Enforcement, Securities and Exchange Commission, 175 W. Jackson Blvd., Suite 1450, Chicago, IL 60604.

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, he shall not argue that he is entitled to, nor shall he 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 he 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.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Vanessa A. Countryman
Secretary