

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 89720 / September 1, 2020

INVESTMENT ADVISERS ACT OF 1940
Release No. 5567 / September 1, 2020

ADMINISTRATIVE PROCEEDING
File No. 3-19951

In the Matter of

SEAN R. STEWART,

Respondent.

**ORDER INSTITUTING ADMINISTRATIVE
PROCEEDINGS PURSUANT TO SECTION
15(b) OF THE SECURITIES EXCHANGE
ACT OF 1934 AND SECTION 203(f) OF THE
INVESTMENT ADVISERS 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 proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Sean R. Stewart (“Respondent” or “Stewart”).

II.

After an investigation, the Division of Enforcement alleges that:

A. RESPONDENT

1. From July 2006 until October 2011, Stewart was associated with J.P. Morgan Securities LLC (“J.P. Morgan”), which was dually-registered with the Commission as an investment adviser and broker-dealer. At the time Stewart left J.P. Morgan in 2011, he held the position of Vice President. Between October 2011 and May 2015, Stewart was associated with Perella Weinberg Partners L.P. (“Perella Weinberg”), which was registered with the Commission as a broker-dealer. At Perella Weinberg, Stewart held the position of Managing Director. Stewart, 38 years old, is currently residing in Astoria, New York.

B. ENTRY OF THE INJUNCTION

2. On August 12, 2020, a final judgment was entered by consent against Stewart, permanently enjoining him from future violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder and Section 14(e) of the Exchange Act and Rule 14e-3 thereunder, in the civil action entitled Securities and Exchange Commission v. Sean R. Stewart, et al., Civil Action No. 15-CV-3719, in United States District Court for the Southern District of New York.

3. The Commission's complaint alleged, among other things, that from 2010 to 2014, on at least six occasions, Stewart tipped his father, Robert Stewart, material nonpublic information about future mergers and acquisitions involving clients of J.P. Morgan and Perella Weinberg, in violation of his duties to his employers and their clients, with the expectation that his father would benefit from trading on this information. The complaint further alleged that, based on the material nonpublic information that he received from Stewart, Robert Stewart placed trades in his own account and tipped a third individual who traded. Two of these events concerned tender offers. The Commission alleged that Stewart unlawfully tipped his father material nonpublic information relating to a tender offer, which Stewart knew had been acquired directly or indirectly from the offeror or the issuer, or any officer, director, partner, employee or any other person acting on behalf of the offeror or issuer. The Commission further alleged that the tipping occurred after one or more substantial steps to commence a tender offer had been taken, and that it was reasonably foreseeable to Stewart that the communication would likely induce his father to trade in the issuer's securities or induce another person to do so. The Commission alleged that in total, Stewart's unlawful tipping generated approximately \$1.1 million in illicit proceeds.

C. CRIMINAL CONVICTION

4. On September 23, 2019, in United States v. Sean Stewart, Criminal Action No. 15-CR-287, in the United States District Court for the Southern District of New York, Stewart was convicted of nine counts: six counts of securities fraud in violation of 15 U.S.C. § 78j(b); one count of securities fraud in connection with a tender offer in violation of 15 U.S.C. § 78n(e); one count of conspiracy to commit securities fraud and/or tender offer fraud in violation of 18 U.S.C. § 371 and 15 U.S.C. § 78; and one count of conspiracy to commit wire fraud in violation of 18 U.S.C. § 1349. On December 5, 2019, a judgment in the criminal case was entered against Stewart. He was sentenced to a prison term of 24 months followed by three years of supervised release.

5. The criminal case concerned five of the six instances of insider trading underlying the Commission's complaint. In convicting Stewart of securities fraud, the jury determined, among other things, that for each of these five instances, Stewart tipped his father, Robert Stewart, material nonpublic information, for his own personal benefit, in violation of his duties to his employers. The jury also determined that Stewart expected that his father would use this information to buy or sell securities or to induce others to buy or sell securities, and that Robert Stewart and/or his acquaintances did in fact use this information to purchase securities. In

convicting Stewart of tender offer fraud, the jury found that Stewart communicated to his father material nonpublic information relating to a tender offer, which Stewart knew had been acquired directly or indirectly from the offeror or the issuer, or any officer, director, partner, employee or any other person acting on behalf of the offeror or issuer. The jury also found that Stewart tipped this information after the offeror had taken a substantial step or steps to commence the tender offer, and it was reasonably foreseeable to Stewart that the communication would likely induce his father to trade in the issuer's securities or induce another person to do so.

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 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 15(b) of the Exchange Act;
- C. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 203(f) of the Advisers Act; and

IV.

IT IS ORDERED that a public hearing before the Commission for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed by further order of the Commission, pursuant to 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(b) of the Commission's Rules of Practice, 17 C.F.R. § 201.220(b).

IT IS FURTHER ORDERED that the Division of Enforcement and Respondent shall conduct a prehearing conference pursuant to Rule 221 of the Commission's Rules of Practice, 17 C.F.R. § 201.221, within fourteen (14) days of service of the Answer. The parties may meet in person or participate by telephone or other remote means; following the conference, they shall file a statement with the Office of the Secretary advising the Commission of any agreements reached at said conference. If a prehearing conference was not held, a statement shall be filed with the Office of the Secretary advising the Commission of that fact and of the efforts made to meet and confer.

If Respondent fails to file the directed Answer, or fails to appear at a hearing or conference after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him 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 Stewart by any means permitted by the Commission's Rules of Practice.

The Commission finds that it would serve the interests of justice and not result in prejudice to any party to provide, pursuant to Rule 100(c) of the Commission's Rules of Practice, 17 C.F.R. § 201.100(c), that notwithstanding any contrary reference in the Rules of Practice to service of paper copies, service to the Division of Enforcement of all opinions, orders, and decisions described in Rule 141, 17 C.F.R. § 201.141, and all papers described in Rule 150(a), 17 C.F.R. § 201.150(a), in these proceedings shall be by email to the attorneys who enter an appearance on behalf of the Division, and not by paper service.

Attention is called to Rule 151(b) and (c) of the Commission's Rules of Practice, 17 C.F.R. § 201.151(b) and (c), providing that when, as here, a proceeding is set before the Commission, all papers (including those listed in the following paragraph) shall be filed with the Office of the Secretary and all motions, objections, or applications will be decided by the Commission. The Commission requests that an electronic courtesy copy of each filing should be emailed to APFilings@sec.gov in PDF text-searchable format. Any exhibits should be sent as separate attachments, not a combined PDF.

The Commission finds that it would serve the interests of justice and not result in prejudice to any party to provide, pursuant to Rule 100(c) of the Commission's Rules of Practice, 17 C.F.R. § 201.100(c), that notwithstanding any contrary reference in the Rules of Practice to filing with or disposition by a hearing officer, all filings, including those under Rules 210, 221, 222, 230, 231, 232, 233, and 250 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.210, 221, 222, 230, 231, 232, 233, and 250, shall be directed to and, as appropriate, decided by the Commission. This proceeding shall be deemed to be one under the 75-day timeframe specified in Rule of Practice 360(a)(2)(i), 17 C.F.R. § 201.360(a)(2)(i), for the purposes of applying Rules of Practice 233 and 250, 17 C.F.R. §§ 201.233 and 250.

The Commission finds that it would serve the interests of justice and not result in prejudice to any party to provide, pursuant to Rule 100(c) of the Commission's Rules of Practice, 17 C.F.R. § 201.100(c), that the Commission shall issue a decision on the basis of the record in this proceeding, which shall consist of the items listed at Rule 350(a) of the Commission's Rules of Practice, 17 C.F.R. § 201.350(a), and any other document or item filed with the Office of the Secretary and accepted into the record by the Commission. The provisions of Rule 351 of the Commission's Rules of Practice, 17 C.F.R. § 201.351, relating to preparation and certification of a record index by the Office of the Secretary or the hearing officer are not applicable to this proceeding.

The Commission will issue a final order resolving the proceeding after one of the following: (A) The completion of post-hearing briefing in a proceeding where the public hearing has been completed; (B) The completion of briefing on a motion for a ruling on the pleadings or a

motion for summary disposition pursuant to Rule 250 of the Commission's Rules of Practice, 17 C.F.R. § 201.250, where the Commission has determined that no public hearing is necessary; or (C) The determination that a party is deemed to be in default under Rule 155 of the Commission's Rules of Practice, 17 C.F.R. § 201.155, and no public hearing is necessary.

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.

For the Commission, by its Secretary, pursuant to delegated authority.

Vanessa A. Countryman
Secretary