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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING
whether there has been a violation
of the Securities Act of Washington by:

PETER I. HWANG,

Respondent.

Order No. S-02-245-03-CO01

CONSENT ORDER

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INTRODUCTION

On May 12, 2003, the Securities Division, Department of Financial Institutions, State of Washington (the "Securities Division"), issued SUMMARY ORDER TO CEASE AND DESIST S-02-245-03-TO01 (hereinafter referred to as the "Summary Order") against Respondent Peter I. Hwang. Pursuant to the Securities Act of Washington, RCW 21.20, the Securities Division and Respondent Peter I. Hwang do hereby enter into this CONSENT ORDER in settlement of the above captioned matter. Respondent Peter I. Hwang neither admits nor denies the Findings of Fact and Conclusions of Law as set forth below:

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FINDINGS OF FACT

I. Respondent

1. **PETER I. HWANG** ("Hwang") was registered with the state of Washington as a securities salesperson with First Montauk Securities Corp. ("First Montauk") from April of 2001 until his termination in July of 2002. Hwang was also registered with the state of Washington as a securities

1 salesperson for PaineWebber Incorporated (“PaineWebber”) from November of 1996 to January of 1999.
2 Hwang resided in Issaquah, Washington at the time the below conduct occurred.

3 **II. Nature of the Conduct**

4 2. Mrs. B.¹, an elderly Korean immigrant and Washington resident, was initially introduced to
5 Hwang in approximately July of 1997. At that time, Mrs. B. opened an account with PaineWebber and
6 Hwang acted as her account representative. Mrs. B.’s investment objective was to provide for her
7 retirement. Before meeting Hwang, Mrs. B. had no prior investment experience. Hwang continued to
8 handle the account until his departure from the firm in January of 1999. At that time, Mrs. B.’s account
9 was transferred to another PaineWebber representative.

10 3. Following Hwang’s departure from PaineWebber, Mrs. B contacted Hwang to ask for
11 advice regarding her investments. Hwang initially declined her request for advice. In December 1999,
12 Hwang told Mrs. B. he was trading securities for himself and could invest Mrs. B.’s funds for her.

13 4. Hwang instructed Mrs. B. to write him a check so that he could invest her funds on her
14 behalf. On or about January 25, 2000, Mrs. B. gave Hwang, at his instruction, a personal check dated
15 January 25, 2000 drawn on her PaineWebber brokerage account for \$89,000 payable to “Mr. Hwang”.
16 Hwang deposited the check to his own brokerage account at Merrill Lynch on or about January 25, 2000,
17 and the funds were received in the account on January 27, 2000.

18 5. Beginning in February of 2000 and continuing through at least June of 2000, Hwang used
19 Mrs. B.’s funds to purchase securities in his Merrill Lynch account. Specifically, Hwang purchased a
20 series of options contracts, including put and call contracts on the S&P 100 Index, put and call contracts
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23 ¹ The person’s full name is omitted for the purposes of privacy protection.

1 on the NASDAQ-100 Index Tracking Stock, and several call contracts on BEA Systems, Inc., Internap
2 Network Services Corporation, and Cisco Systems, Inc. Overall, Hwang realized a net loss of all
3 \$89,000 of Mrs. B.'s investment funds by the end of June 2000.

4 6. Over the course of the next few months, Mrs. B. spoke with Hwang several times. Hwang
5 gave Mrs. B. various explanations for what had occurred with her money, none of which were accurate.
6 Hwang did not tell Mrs. B. about his use of funds as described in paragraph 5 above. At a meeting in
7 July 2000, Mrs. B. asked him for an account statement but Hwang would not provide her with one.

8 7. In December of 2000, Hwang told Mrs. B. that her original investment of \$89,000 had
9 declined in value, but that she could invest more money through him because the timing was right to get
10 back into the stock market. At Hwang's instruction, Mrs. B. gave him two personal checks on or about
11 January 22, 2001 for \$5,250 and \$4,000, both payable to "Peter Hwang". Hwang cashed the checks and
12 did not invest the funds as promised.

13 8. Mrs. B. never received any documentation evidencing her investments with Hwang.

14 Based upon the above Findings of Fact, the following Conclusions of Law are made:

15 CONCLUSIONS OF LAW

16 1. The offer and/or sale of the investments described above constitutes the offer and/or sale of
17 a security as defined in RCW 21.20.005(10) and (12).

18 2. The offer and/or sale of said securities was made in violation of RCW 21.20.010 because,
19 as set forth above in paragraphs 2 through 8 of the Tentative Findings of Fact, Respondent made untrue
20 statements of material fact and/or omitted to state material facts necessary in order to make the
21 statements made, in light of the circumstances under which they were made, not misleading.

1 IT IS FURTHER AGREED that in consideration of the agreements set forth in this Consent
2 Order, Respondent Peter I. Hwang waives his right to a hearing on this matter and to judicial review of
3 this matter pursuant to RCW 21.20.440 and Chapter 34.05 RCW, and the Securities Division hereby
4 vacates the Summary Order.

5 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

6 SIGNED this 23rd day of December, 2003.

7 Approved for entry by:

8 /s/ David B. Bukey

9 _____
10 David B. Bukey, Esq.
11 WSBA #8091
12 Attorney for Peter I. Hwang

13 Signed by:

14 /s/ Peter I. Hwang

15 _____
16 Peter I. Hwang

17 THIS ORDER ENTERED THIS 29th DAY OF December, 2003 BY:

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20 Deborah R. Bortner
21 Securities Administrator

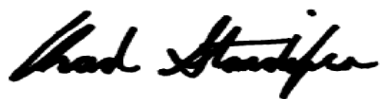
22 Approved for entry by:

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24 _____
25 Michael E. Stevenson
Chief of Enforcement

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Presented by:



Chad C. Standifer
Staff Attorney