

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES ACT OF 1933**  
**Release No. 11307 / September 20, 2024**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 101114 / September 20, 2024**

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 6713 / September 20, 2024**

**INVESTMENT COMPANY ACT OF 1940**  
**Release No. 35329 / September 20, 2024**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-22149**

**In the Matter of**  
  
**JIONG GU**  
  
**Respondent.**

**ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS, PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933, SECTIONS 15(b) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934, SECTION 203(F) OF THE INVESTMENT ADVISERS ACT OF 1940, AND SECTION 9(b) OF THE INVESTMENT COMPANY ACT OF 1940, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER**

**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”), Sections 15(b), and 21C of the Securities Exchange Act of 1934 (“Exchange Act”), Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) and Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”) against Jiong Gu (“Gu” or “Respondent”).

**II.**

In anticipation of the institution of these proceedings, Gu 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, Gu consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Section 8A of the Securities Act of 1933, Sections 15(b) and 21C of the Securities Exchange Act of 1934, Section 203(f) of the Investment Advisers Act of 1940, and Section 9(b) of the Investment Company Act of 1940, 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 Gu's Offer, the Commission finds<sup>1</sup> that:

#### **Summary**

Between September 2017 and March 2019 (the "Relevant Period") Jiong Gu operated as an unregistered broker on behalf of customers in China. Gu conducted his brokerage business through a series of accounts at Broker A, a Commission-registered broker-dealer, in the names of entities under his control, including Sesame Capital LLC ("Sesame Capital"), Sesame Securities LLC, Olive Technology LLC, and DaVinci Software LLC. Gu deposited money belonging to his brokerage customers into Sesame Capital accounts, and these accounts placed securities trades on behalf of Gu's customers. However, Gu falsely told Broker A that Sesame Capital was trading its own money in these accounts. Once Broker A realized that third-party money was being traded in proprietary accounts in violation of its policies, it took compliance measures to restrict Sesame Capital's trading. Gu then attempted to evade these compliance procedures by transferring his customers' funds into new, purportedly proprietary accounts in the name of other entities that he controlled. Gu's conduct violated Section 10(b) of the Exchange Act and Rule 10(b)-5 thereunder and Section 17(a)(1) of the Securities Act. In addition, because Gu was not registered as a broker-dealer or associated with a registered broker-dealer, he violated Section 15(a) of the Exchange Act by, among other things, trading in these accounts on behalf of his customers.

#### **Respondent**

1. Jiong Gu, age 38, resides in New York. Gu is the subject of a FINRA Letter of Acceptance, Waiver and Consent dated December 16, 2020 whereby Gu consented to a bar from associating with any FINRA member in any capacity. During the Relevant Period, Jiong Gu was "a person associated with an investment adviser" under the meaning of Section 2(a)(17) of the Advisers Act.

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<sup>1</sup> The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

### **Other Relevant Entities**

2. Sesame Capital is a New York limited liability company. Gu formed Sesame Capital in March 2017.<sup>2</sup> In April 2017, Gu caused Sesame Capital to register as an investment adviser with the State of New York. In December 2018, Gu caused Sesame Capital to withdraw its investment adviser registration. Sesame Capital is now defunct.

3. Sesame Securities LLC (“Sesame Securities”) is a New York limited liability company. Gu formed Sesame Securities in March 2017. In May 2017, Gu caused Sesame Securities to file an application to register with the Commission as a broker-dealer. In March 2019, Gu caused Sesame Securities to withdraw this application, and file a second application. In May 2020, Gu caused Sesame Securities to withdraw the second application. Sesame Securities is now defunct.

4. Computers Storages Services Corp. (“CSSC”) is a New York corporation. Gu formed CSSC in August 2013.

5. Olive Technology LLC (“Olive”) is a New York limited liability company. Gu formed Olive in June 2018.

6. DaVinci Software LLC (“DaVinci”) is a New York limited liability company. Gu formed DaVinci in December 2018.

### **Background**

7. In 2017, Gu formed Sesame Capital and Sesame Securities. Gu registered Sesame Capital as an investment adviser with the State of New York and applied with the Commission to register Sesame Securities as a broker-dealer. In the broker-dealer application, Gu wrote that Sesame Securities would cater to Chinese-speaking investors and would facilitate self-directed securities trading through a mobile phone application. Gu also wrote that he intended to use Broker A as the execution broker for Sesame Securities. Gu ultimately used Sesame Capital to undertake such a business, rather than an investment advisory business, despite having registered Sesame Capital as an investment adviser with the State of New York.

8. As a Commission-registered broker-dealer (31 CFR § 1023.100(b)), Broker A is required to implement a customer identification program (“CIP”). *See* 31 CFR § 1023.220. The CIP “must include risk-based procedures for verifying the identity of each customer to the extent reasonable and practicable.” 31 § CFR 1023.220(a)(2). Such a program “must enable the broker-dealer to form a reasonable belief that it knows the true identity of each customer.” *Id.* Consistent with the CIP regulations, Broker A’s procedures require customers who are brokers to either certify

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<sup>2</sup> In December 2018, Sesame Capital changed its name to “Sesame Advisors LLC.” In April 2020, it changed its name to “First Security Advisors LLC.” In December 2020, it changed its name to “Sesame Advisors.” This Order refers to the entity as “Sesame Capital.”

to implementation of their own CIP, or to open separate Broker A accounts for each of their customers, who in turn must undergo Broker A's own CIP process.

### **Sesame Capital's Accounts**

9. In September 2017 and June 2018, Gu caused Sesame Capital to apply for brokerage accounts at Broker A ("Account 1" and "Account 2", respectively). In the account applications, Gu falsely told Broker A that these accounts would only hold money and securities belonging to Sesame Capital. In fact, Gu intended to use these accounts to enable his customers to trade money and securities, without having his customers go through Broker A's CIP, and without registering as a broker-dealer or associating with a registered broker-dealer.

10. Gu's misrepresentations to Broker A enabled him to circumvent Broker A's procedures and evade its CIP. If Broker A had known that Gu planned to use Accounts 1 and 2 to trade for others, rather than for Sesame Capital, its written supervisory procedures in effect at the time would have required it to undertake additional diligence before approving the accounts, and it might not have approved them at all. In addition, Broker A's procedures would have required Gu's customers to verify their identities, or would have required Sesame Capital to certify that it had implemented its own CIP. If Gu or his customers had been unwilling or unable to do so, then Broker A's procedures would not have permitted them to trade and clear securities.

11. In October 2017, relying on Gu's misrepresentations in the account application, Broker A approved Account 1. Broker A also extended credit to Sesame Capital by approving the new account to trade on margin. In June 2018, once again relying on Gu's misrepresentations, Broker A approved Account 2 and extended credit to Sesame Capital in that account as well.

12. In December 2017, Gu began depositing money received from his customers, most of whom were located in China, into Account 1. Sesame Capital deposited more than \$38.1 million into Account 1 between December 2017 and December 11, 2018. Gu used CSSC, an entity under his control, to receive and pool these funds before depositing them into Account 1.

13. From December 2017 to December 2018, 136,843 orders were placed in Account 1 on behalf of Gu's customers, in more than 2,000 securities on both US and Hong Kong exchanges, many of which were microcap securities and penny stocks. Account 1 incurred more than \$15.7 million in trading losses from the trading.

14. In early December 2018, after Broker A asked Gu about the trading activity in Account 1, Gu admitted to Broker A that Account 1 held money and securities belonging to more than 100 persons, and was placing trades on behalf of these other persons. Based on Gu's admission, Broker A determined that Gu's use of Account 1 to trade funds and securities belonging to third parties violated its policies. On December 11, 2018, Broker A imposed a "closing only" restriction on Account 1. This restriction precluded the account from opening new securities positions.

15. Soon after Broker A restricted Account 1, Gu moved \$8 million in currency, and \$10 million in securities belonging to his customers, from Account 1 into Account 2 – the second purportedly proprietary Sesame Capital account that Gu had opened in June 2018.

16. Between December 11, 2018 and December 30, 2018, 12,641 securities trades were placed on behalf of customers in Account 2 (including trades on margin). Gu’s customers trades, as executed for them by Sesame Capital, were unprofitable; account statements show that by the end of December 2018, Account 2 had lost more than \$2.3 million.

17. On December 21, 2018, after learning that Gu was using Account 2 to trade securities on behalf of third parties in violation of its policies, Broker A imposed a “closing only” restriction on Account 2.

### **The Disguised Accounts**

18. After Broker A restricted Account 1 from opening new securities positions, Gu applied for a series of new accounts at Broker A in the names of three entities under his control: Sesame Securities, Olive, and DaVinci. Gu attempted to conceal his involvement by omitting his name from the account opening documents and by arranging for third-party associates to correspond with Broker A about these accounts. To evade Broker A’s CIP, in opening these accounts, Gu made, or caused to be made, similar misrepresentations to those he had made when applying for Account 1 and Account 2: namely, that the accounts would only trade money and securities on behalf of the account holders, and not third parties. Broker A relied on these misrepresentations and approved these accounts without additional CIP diligence, whereupon Gu deposited his customers’ funds into the accounts and caused these accounts to trade securities on behalf of his customers without registering as a broker-dealer or associating with a registered broker-dealer.<sup>3</sup>

19. For example, on December 13, 2018, two days after Broker A restricted Account 1, Gu caused Sesame Securities to apply for a new proprietary account. Gu enlisted an associate to correspond with Broker A about this account, but Gu was the CEO and a majority shareholder of Sesame Securities, and the sole signatory on its checking account. Gu made (and caused the associate to make) misrepresentations to Broker A. In the account application, Gu represented that Sesame Securities would only engage in proprietary trading in the account. Broker A’s records also indicate that “[t]his account informed [us] that it is a Prop Trading Group and not soliciting or accepting investors.” These were misrepresentations, as Gu intended to use the new account to continue his customers’ trading that had previously occurred in Sesame Capital’s Account 1, and that was ongoing in Sesame Capital’s Account 2. Relying on Gu’s misrepresentations, Broker A approved Sesame Securities’ account on December 21, 2018.

20. Similarly, on December 24, 2018 (three days after Broker A imposed the “closing only” restriction on Account 2), Gu caused Olive to apply for a proprietary account. Gu enlisted another associate to correspond with Broker A on behalf of Olive, but Gu was an officer and an authorized agent of Olive, and the sole signatory on its checking account. Gu personally made

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<sup>3</sup> Sesame Securities had previously submitted an application to register with the Commission as a broker-dealer, but this application was not approved, and Gu later withdrew it.

misrepresentations to Broker A, and caused Olive and the associate to do so. In particular, Olive represented in its application that the account would be used only to trade money and securities belonging to Olive. Gu signed a certification that Olive was “the sole owner of all assets in the account.” And, on December 27, 2018, the associate represented to Broker A via email that Olive would not trade any funds from third parties. These were misrepresentations, as Gu intended to use Olive’s new account to continue his customers’ trading that had previously been done in Sesame Capital’s accounts. Relying on these representations, on January 8, 2019, Broker A approved a new proprietary account for Olive.

21. Finally, on February 1, 2019, Gu caused DaVinci to apply for a proprietary account at Broker A. Gu enlisted a third associate to correspond with Broker A on behalf of DaVinci. Gu made (or caused to be made) misrepresentations about this account to evade Broker A’s CIP. In particular, the associate claimed in correspondence with Broker A that he owned 100% of DaVinci, but this was false. In fact, Gu owned and controlled DaVinci. In addition, in a February 4, 2019 email to Broker A, the associate confirmed that DaVinci “will only be trading private, proprietary trading funds and will not receive/contain the funds of outside investors.” DaVinci made a similar misrepresentation in its account application. Relying on these misrepresentations, on February 26, 2019, Broker A approved a proprietary brokerage account for DaVinci.

22. Gu funded the new Sesame Securities, Olive, and DaVinci accounts with his customers’ funds, including monies originally held in the Sesame Capital brokerage accounts. In December 2018, Gu deposited \$2.6 million in customer funds into the Sesame Securities account. In January 2019, Gu deposited \$4.7 million in customer funds into the Olive account. And in late February and March 2019, Gu deposited \$1.4 million in customer funds into the DaVinci account.

23. The new Sesame Securities, Olive, and DaVinci accounts engaged in securities trading on behalf of Gu’s customers with these funds. The trading in all three accounts was unprofitable.

24. When Broker A learned that Gu had circumvented its CIP and was violating its procedures with respect to each account, Broker A restricted these accounts from placing new trades. Broker A restricted the Sesame Securities account and Olive account on January 29, 2019; it restricted the DaVinci account on March 12, 2019.

### **Disgorgement**

25. Between November 2017 and March 2019, a period during which he was engaged in unregistered brokerage activity, Gu received a total of \$265,231.02 from customer funds.

### **Violations**

26. As a result of the conduct described above, Gu willfully violated 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, and Section 17(a)(1) of the Securities Act, which prohibits the use of “any device, scheme, or artifice to defraud” in the offer or sale of securities.

27. As a result of the conduct described above, Gu willfully violated Section 15(a) of the Exchange Act, which prohibits any broker or dealer from effecting any transactions in, or inducing or attempting to induce the purchase or sale of, any security unless the broker or dealer is registered in accordance with Section 15(b) of the Exchange Act. “Broker” is defined in Section 3(a)(4) of the Exchange Act generally as “any person engaged in the business of effecting transactions in securities for the account of others.”

### **Disgorgement and Civil Penalties**

28. The disgorgement and prejudgment interest ordered in paragraph IV.D is consistent with equitable principles, does not exceed Gu’s net profits from its violations, and returning the money to Gu would be inconsistent with equitable principles. Therefore, in these circumstances, distributing disgorged funds to the U.S. Treasury is the most equitable alternative. The disgorgement and prejudgment interest ordered in paragraph IV.D shall be transferred to the general fund of the U.S. Treasury, subject to Section 21F(g)(3) of the Exchange Act.

#### **IV.**

In view of the foregoing, the Commission deems it appropriate, in the public interest, and for the protection of investors to impose the sanctions agreed to in Gu’s Offer.

Accordingly, pursuant to Section 8A of the Securities Act, Sections 15(b) and 21C of the Exchange Act, Section 203(f) of the Advisers Act, and Section 9(b) of the Investment Company Act, it is hereby ORDERED that:

A. Gu 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, and Section 15(a)(1) of the Exchange Act.

B. Gu be, and hereby is:

barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization;

prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter; and

barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

C. Any reapplication for association by the Gu will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, compliance with the Commission's order and payment of any or all of the following: (a) any disgorgement or civil penalties ordered by a Court against the Gu in any action brought by the Commission; (b) any disgorgement amounts ordered against the Gu for which the Commission waived payment; (c) any arbitration award related to the conduct that served as the basis for the Commission order; (d) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (e) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

D. Gu shall pay disgorgement of \$265,231.02, prejudgment interest of \$55,102.53, and civil penalties of \$230,464.00, 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). Payment shall be made in the following installments: \$61,199.73 within ten days of the entry of this Order; \$163,199.27 within 90 days of the entry of this Order; \$163,199.27 within 180 days of the entry of this order; and \$163,199.27 within 270 days of the entry of this Order. Payments shall be applied first to post Order interest, which accrues pursuant to SEC Rule of Practice 600 and pursuant to 31 U.S.C. 3717. Prior to making the final payment set forth herein, Respondent shall contact the staff of the Commission for the amount due. If Respondent fails to make any payment by the date agreed and/or in the amount agreed according to the schedule set forth above, all outstanding payments under this Order, including post-order interest, minus any payments made, shall become due and payable immediately at the discretion of the staff of the Commission without further application to the Commission.

Payment must be made in one of the following ways:

- (1) Gu may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Gu 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) Gu 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 Jiong Gu as a Gu 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 Tejal Shah, Associate Director, Division of Enforcement, Securities and Exchange Commission, New York Regional Office, 100 Pearl Street, Suite 20-100, New York, New York 10004-2616.

F. 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, Gu 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 Gu's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Gu 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 Gu 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 Gu, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Gu 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 Gu 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