



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:)
)
YIFEI LU,) Case No.: AP-20-19
)
) *Respondent.*)
)
Serve: Yifei Lu)
 33159 8th Street)
 Union City, CA 94587-2130)

ORDER TO CEASE AND DESIST AND ORDER TO SHOW CAUSE WHY CIVIL PENALTIES, DISGORGEMENT, COSTS AND OTHER ADMINISTRATIVE RELIEF SHOULD NOT BE IMPOSED

On November 16, 2020, the Enforcement Section of the Missouri Securities Division of the Office of Secretary of State ("the Enforcement Section"), through Enforcement Counsel Steven M. Kretzer, submitted a Petition for Order to Cease and Desist and Order to Show Cause Why Civil Penalties, Disgorgement, Costs and Other Administrative Relief Should Not Be Imposed ("the Petition"). After reviewing the Petition, the Missouri Commissioner of Securities ("the Commissioner") issues the following order:

I. ALLEGATIONS OF FACT

The Petition alleges the following facts:

A. Introduction

Since at least December 6, 2017, Yifei Lu ("Lu"), for compensation, provided unregistered investment advice to individuals throughout the United States. Lu touted personal success in the United States stock market in an internet chat room. When asked for Lu's advice, Lu instructed individuals to contact him on a separate phone/computer application. Once alternative contact was established, Lu proceeded to require clients pay a fee of at least \$300 for his advice. When the fee was agreed upon, Lu instructed clients to deposit funds electronically into a PayPal account. At no time in the course of providing such service did Lu disclose to the Missouri resident that Lu was not registered to transact investment advisory business in the State of Missouri. By engaging in these activities and conduct, Respondent violated Sections 409.4-403(a), 409.4-404(a), and 409.5-

502(a) of the Missouri Securities Act.¹

B. Respondent and Related Parties

1. Lu is a twenty-eight-year-old Union City, California, resident with the last known address of 33159 8th Street, Union City, California 94587-2130.
2. Review of the Central Registration Depository (“CRD”) records indicate that Lu never registered as an investment adviser, investment adviser representative, broker-dealer, broker-dealer agent, and/or issuer agent in the State of Missouri.
3. Moonbbs.com (“Moonbbs”) is a North American micro forum committed to providing various convenient tips and general life advice to Chinese immigrants in the United States and Canada via an internet chatroom platform.
4. WeChat (“WeChat”) is a Chinese multi-purpose messaging, phone, social media and mobile payment application.
5. PayPal (“PayPal”) is an online digital payments platform.

C. Enforcement Section’s Investigation

6. On July 3, 2020, the Enforcement Section received a complaint from a twenty-eight-year-old St. Louis, Missouri, resident (“MR”) relating his experience with Lu.
7. MR initially met Lu on September 10, 2018, in a public chatroom on Moonbbs where Lu, using the user name “kyoraiden123,” touted his personal success in the United States stock market and advertised stock-selection advice. Lu promised multiple stock tips with the potential for high profit.
8. When MR engaged Lu in the chatroom and expressed interest in acquiring Lu’s advice, Lu instructed MR to move their conversation from the public chatroom to private text messaging on WeChat.
9. Once contact between Lu and MR was established on WeChat, Lu proceeded to request MR pay a fee of \$300 in advance of receiving Lu’s investment advice. Lu instructed MR to deposit the requested funds electronically into a PayPal account.
10. To facilitate payment of the requested fee, Lu provided MR with an email address associated with a PayPal account (“the Email”).
11. A review of PayPal records shows the Email associated with a PayPal account ending in #4368 (“PayPal Account #4368”). According to PayPal records, PayPal Account #4368 was established on April 4, 2017, and belonged to an individual named Yan Hu, who was listed as residing at Lu’s address in Union City, California, during the relevant period.

¹ Unless otherwise noted, all statutory references are to the 2016 Revised Statutes of Missouri.

12. A review of the transaction history of PayPal Account #4368 shows the \$300 fee paid by MR being deposited to Account #4368 on September 10, 2018.
13. Once Lu received the payment, Lu engaged in providing MR specific financial advice according to his positions in different stocks, to wit:
 - a. Lu recommended MR keep his Amazon (AMZN) stock position;
 - b. Lu recommended MR sell his Take-Two Interactive Software, Inc. (TTWO) and buy Roku, Inc. (ROKU) stock; and
 - c. Lu recommended MR buy Roku when offered for sale between \$60 and \$65 per share.
14. On a group messaging site MR was invited to join as a client of Lu's, Lu recommended group members purchase five (5) specific stock purchases. The stock purchases were as follows:
 - a. Cronos Group, Inc. (CRON);
 - b. Nio, Inc. (NIO);
 - c. ProShares UltraPro Short QQQ ETF (SQQQ);
 - d. Roku, Inc. (ROKU); and
 - e. Slack Technologies, Inc. (WORK).
15. At no time prior to or at the time of MR received the recommendations did Lu disclose to MR the following:
 - a. that Lu was not registered or exempt from registration as an investment adviser in the State of Missouri; and
 - b. that Lu was not registered or exempt from registration as an investment adviser representative in the State of Missouri.

D. Other Clients

16. Further analysis of PayPal Account #4368 revealed that between August 20, 2018, and February 28, 2019, sixteen (16) additional similar payments of \$300 were deposited from different individuals from across the country, to wit:
 - a. three (3) in Texas;

- b. one (1) in China who previously resided in Missouri prior to the transaction with Respondent;
- c. one (1) in Oklahoma;
- d. one (1) in California;
- e. one (1) in New Jersey;
- f. one (1) in Illinois; and
- g. eight (8) with currently unknown addresses.

II. COMMISSIONER'S DETERMINATIONS AND FINDINGS

COUNT I – Violation of Transacting Business as an Unregistered Investment Adviser

- 17. **THE COMMISSIONER DETERMINES** that Respondent transacted business as an unregistered investment adviser in the State of Missouri in violation of Section 409.4-403(a) in that he offered investment advice for compensation to a Missouri resident.
- 18. Respondent's violations of Section 409.4-403(a) constitutes an illegal act, practice, or course of business subject to the Commissioner's authority under Section 409.6-604.

COUNT II – Violation of Acting as an Unregistered Investment Adviser Representative

- 19. **THE COMMISSIONER FURTHER DETERMINES** that Respondent transacted business as an unregistered investment adviser representative in the State of Missouri in violation of Section 409.4-404(a) in that he offered to make, made recommendations, and gave investment advice to a Missouri resident after holding himself out as one that provides investment advice and, in the course therein was compensated for his services.
- 20. Respondent's violations of Section 409.4-404(a) constitutes an illegal act, practice, or course of business subject to the Commissioner's authority under Section 409.6-604.

COUNT III – Violation of Section 409.5-502

- 21. **THE COMMISSIONER FURTHER DETERMINES** that Respondent Lu, in connection with advising others for compensation, engaged, in the State of Missouri and in other jurisdictions, in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person, in violation of Section 409.5-502 in that he neglected to inform MR that he was not registered or exempt from registration as an investment adviser nor investment adviser representative and said omissions were material.

22. Respondent's violation of Section 409.5-502 constitutes an engagement in an illegal act, practice, or course of business subject to the Commissioner's authority under Section 409.6-604.

III. ORDER

NOW THEREFORE, it is hereby ordered that Respondent, his agents, employees and servants, and all other persons participating in or about to participate in the above-described violations with knowledge of this order be prohibited from violating or materially aiding in any violation of:

- A. Section 409.4-403(a), by transacting business as an unregistered investment adviser, as defined by Section 409.1-102(15), in the State of Missouri unless registered with the Securities Division of the Office of the Secretary of State in accordance with the provisions of Section 409.4-403;
- B. Section 409.4-404(a), by transacting business as an unregistered investment adviser representative, as defined by Section 409.1-102(16), in the State of Missouri unless registered with the Securities Division of the Office of the Secretary of State in accordance with the provisions of Section 409.4-404; and
- C. Section 409.5-502, by, in connection with advising others for compensation, engaging in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

IV. STATEMENT

Pursuant to Section 409.6-604, the Commissioner states that he will determine whether to grant the Enforcement Section's requests for:

- A. up to \$25,000 against Respondent for a single violation of Section 409.4-403(a) in a final order, unless Respondent requests a hearing and show cause why the penalties should not be imposed;
- B. up to \$25,000 against Respondent for a single violation of Section 409.4-404(a) in a final order, unless Respondent requests a hearing and show cause why the penalties should not be imposed;
- C. up to \$25,000 against Respondent for a single violation of Section 409.5-502 in a final order, unless Respondent requests a hearing and show cause why the penalties should not be imposed;
- D. an order to pay disgorgement in the amount of \$300 against Respondent, plus annual interest at a rate of eight percent from the date of violation, for any loss, including the amount of any actual damages that may have been caused by the Respondent's conduct;
- E. an order awarding the costs of the investigation in this proceeding to be determined after

review of evidence submitted by the Enforcement Section, unless Respondent requests a hearing and shows cause why an award should not be made; and

F. an order providing such other relief as he deems just.

All of the preceding relief is sought on behalf of the persons injured by the acts and practices of Respondent that constitute violations of the Missouri Securities Act.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY,
MISSOURI THIS 18th DAY OF NOVEMBER, 2020.

JOHN R. ASHCROFT
SECRETARY OF STATE





DAVID M. MINNICK
COMMISSIONER OF SECURITIES



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

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NOTICE

TO: Respondent and any unnamed representatives aggrieved by this Order:

You may request a hearing in this matter within thirty (30) days of the receipt of this Order pursuant to Section 409.6-604(b), RSMo, and 15 CSR 30-55.020. Any requests for hearing before the Commissioner must contain:

- a. a brief statement of the facts;
- b. a summary of the factual and legal issues involved;
- c. a request for relief;
- d. suggestions in support of the relief sought, including the relevant statutes;
- e. the name of the party requesting the hearing; and
- f. the name of the attorney representing the party, if any.

Within fifteen (15) days after receipt of a request in a record from a person or persons subject to this order, the Commissioner will schedule this matter for a hearing.

A request for a hearing must be mailed or delivered, in writing, to:

David M. Minnick, Commissioner of Securities
Office of the Secretary of State, Missouri Secretary of State
600 West Main Street, Room 229
Jefferson City, Missouri 65102

CERTIFICATE OF SERVICE

I hereby certify that on this 18th day of November, 2020, a copy of the foregoing Order to Cease and Desist and Order to Show Cause Why Civil Penalties, Disgorgement, and Costs Should Not Be Imposed in the above styled case was **mailed via certified U.S. mail to:**

Yifei Lu
33159 8th Street
Union City, CA 94587-2130

And hand-delivered to:

Steven M. Kretzer
Enforcement Counsel
Missouri Securities Division


Laurie Dawson
Securities Office Manager