Press Release

Hedge Fund Manager to Pay $44 Million for Illegal Trading in Chinese Bank Stocks

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Washington, D.C., Dec. 12, 2012 — The Securities and Exchange Commission today charged the manager of two New York-based hedge funds with conducting a pair of trading schemes involving Chinese bank stocks and making $16.7 million in illicit profits. He and his firms have agreed to pay $44 million to settle the SEC's charges.

The SEC alleges that Sung Kook "Bill" Hwang, the founder and portfolio manager of Tiger Asia Management and Tiger Asia Partners, committed insider trading by short selling three Chinese bank stocks based on confidential information they received in private placement offerings. Hwang and his advisory firms then covered the short positions with private placement shares purchased at a significant discount to the stocks' market price. They separately attempted to manipulate the prices of publicly traded Chinese bank stocks in which Hwang's hedge funds had substantial short positions by placing losing trades in an attempt to lower the price of the stocks and increase the value of the short positions. This enabled Hwang and Tiger Asia Management to illicitly collect higher management fees from investors.

In a parallel action, the U.S. Attorney's Office for the District of New Jersey today announced criminal charges against Tiger Asia Management.

"Hwang today learned the painful lesson that illegal offshore trading is not off-limits from U.S. law enforcement, and tomorrow's would-be securities law violators would be well-advised to heed this warning," said Robert Khuzami, Director of the SEC's Division of Enforcement.

Sanjay Wadhwa, Associate Director of the SEC's New York Regional Office and Deputy Chief of the Enforcement Division's Market Abuse Unit, added, "Hwang betrayed his duty of confidentiality by trading ahead of the private placements, and betrayed his fiduciary obligations when he defrauded his investors by collecting fees earned from his attempted manipulation scheme."

The SEC also charged Raymond Y.H. Park for his roles in both schemes as the head trader of the two hedge funds involved – Tiger Asia Fund and Tiger Asia Overseas Fund. Park, who lives in Riverdale, N.Y., also agreed to settle the SEC's charges. Hwang lives in Tenafly, N.J.

According to the SEC's complaint filed in federal court in Newark, N.J., from December 2008 to January 2009, Hwang and his advisory firms participated in two private placements for Bank of China stock and one private placement for China Construction Bank stock. Before disclosing material nonpublic information about the offerings, the placement agents required wall-crossing agreements from Park and the firms to keep the information confidential and refrain from trading until the transaction took place. Despite agreeing to those terms, Hwang ordered Park to make short sales in each stock in the days prior to the private placement. Hwang and his firms illegally profited by $16.2 million by using the discounted private placement shares they received to cover the short sales they had entered into based on inside information about the placements.

The SEC further alleges that on at least four occasions from November 2008 to February 2009, Hwang and his firms, with Park's assistance, attempted to manipulate the month-end closing prices of Chinese bank stocks publicly listed on the Hong Kong Stock Exchange. These stocks were among the largest short position holdings in the hedge funds' portfolios. The more assets the hedge funds had under management, the greater the management fee that Tiger Asia Management was entitled to collect. So Hwang directed Park to place losing trades in order to depress the stock prices, which would inflate the calculation of the management fees. Hwang and Tiger Asia Management made approximately $496,000 in fraudulent management fees through this scheme.

The SEC's complaint charges Hwang, his firms, and Park with violations of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 as well as Section 17(a) of the Securities Act of 1933. Hwang and his firms also are charged with violating Sections 206(1), 206(2), and 206(4) of the Investment Advisers Act of 1940 and Rule 206(4)-8, and Park is charged with aiding and abetting those violations.

The settlements, which are subject to court approval, require Hwang, Tiger Asia Management, and Tiger Asia Partners to collectively pay $19,048,787 in disgorgement and prejudgment interest — including $16,257,918 that Tiger Asia Management will pay directly to criminal authorities. Each of them has agreed to pay a penalty of $8,294,348 for a grand total of $44 million. Park agreed to pay $39,819 in disgorgement and prejudgment interest, and a penalty of $34,897. With the exception of Tiger Asia Management, the defendants neither admit nor deny the charges.

The SEC's investigation was conducted by Thomas P. Smith, Jr., Sandeep Satwalekar, and Amelia A. Cottrell of the SEC's Market Abuse Unit in New York, and Frank Milewski of the New York Regional Office. The SEC appreciates the assistance of the U.S. Attorney's Office for the District of New Jersey, the Federal Bureau of Investigation, the Internal Revenue Service, the Japanese Securities and Exchange Surveillance Commission, and the Hong Kong Securities and Futures Commission.

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The SEC has filed more than 175 insider trading actions since October 2009 charging more than 400 individuals and entities. The defendants in these actions are alleged to have made more than $905 million in illicit gains comprised of profits and avoidance of losses.

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Related Materials

- SEC Complaint