

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20130392803 ○ |**

TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: Kai Chen ("Chen"), Respondent
General Securities Representative ("GSR")
CRD No. 2916984

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Kai Chen, submit this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I hereby accept and consent, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

Chen first became registered with FINRA as a GSR, through an association with a FINRA member firm on February 12, 2001. Chen subsequently became registered as a GSR through an association with Credit Suisse Securities (USA) LLC (BD No. 816) (the "Firm") on January 17, 2003 and remained registered in that capacity until he was permitted to resign his employment on November 26, 2013. Chen worked from the Firm's San Francisco California office. The Firm filed a Uniform Termination Notice of Securities Industry Registration form ("Form U5") on behalf of Chen on November 26, 2013. On October 30, 2013, Chen became registered as a GSR with another FINRA member firm and remained so registered until he voluntarily resigned his employment on July 2, 2015. Chen is not currently registered with FINRA. Pursuant to Article V, Section 4 of the FINRA By-Laws, FINRA retains jurisdiction over Chen.

RELEVANT DISCIPLINARY HISTORY

Chen has no disciplinary history with the U.S. Securities and Exchange Commission, any state securities agency, FINRA or any other self-regulatory organization.

OVERVIEW

During the period from January 8, 2013 to June 28, 2013 (the "Relevant Period"), Chen, while registered as a GSR with the Firm, utilized improper discretion without written authorization for 137 customer security transactions in shares of initial public offerings. Chen effected 99 purchases of initial public offering shares for 18 customer accounts in connection with 38 different initial public offerings. Additionally, Chen effected 38 sell transactions of initial public offering shares in 13 customer accounts in connection with 18 different initial public offerings. Chen failed to obtain written discretionary authorization from the owners of these accounts and the Firm had not accepted those accounts as discretionary accounts in writing. By reason of the foregoing, Chen violated NASD Rule 2510(b) and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

NASD Rule 2510(b) prohibits registered representatives from exercising discretion in a customer's account unless the customer has provided written authorization to the registered representative to exercise discretion, and the account has been accepted as a discretionary account, in writing, by the registered representative's firm. A violation of NASD Rule 2510(b) is also a violation of FINRA Rule 2010, which requires registered persons to adhere to just and equitable principles of trade.

Chen's Improper Exercise of Discretion Without Written Authorization for Certain Firm Clients Who Invested in IPO Syndicate Shares:

Chen's client base included high net worth customers located in the United States and Asia (*i.e.*, China, Taiwan, and Hong Kong). Chen's business included the facilitation of client investments in shares of initial public offerings ("Syndicate Shares").

The Firm's policy required that its personnel receive verbal confirmation from customers for indications of interest and the actual allocation of Syndicate Shares to client accounts. During the Relevant Period, Chen had informal "arrangements" with customers pursuant to which he would routinely record indications of interest, accept allocations from the Firm, place shares into the customer accounts and, at times, sell the shares out of the customers' account all

without first obtaining verbal confirmation from customers. Chen knew generally that these customers had an interest in investing in Syndicate Shares and proceeded to effect purchases of such shares on the customers' behalf without first having specific discussions with the customers about the terms of the Syndicate Share transactions (*i.e.*, issuer, price, and quantity). In some instances, Chen and his team also sold Syndicate Shares for these customers on the same purchase date without receiving specific authorization to do so. Importantly, these customers did not have discretionary accounts with the Firm and Chen did not have any written authorization from these customers to effect securities transactions on their behalf.

During the period from January 8, 2013 through June 28, 2013, Chen effected a total of 137 customer transactions in Syndicate Shares without first confirming the trades with customers. Specifically, Chen effected 99 purchases of Syndicate Shares for 18 different customer accounts in 38 different initial public offerings of securities. Chen also effected 38 sales of Syndicate Shares in 13 different customer accounts in connection with 18 different initial public offerings during the period from January 22, 2013 to June 28, 2013.

As a result of the foregoing conduct, Chen violated NASD Rule 2510(b) and FINRA Rule 2010.

B. I also consent to the imposition of the following sanctions:

- A two month suspension from associating with any FINRA member firm in any and all capacities, and
- A \$10,000 fine.

The fine indicated above shall be due and payable either immediately upon re-association with a member firm following the suspension indicated, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever comes first.

I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

I understand that if I am barred or suspended from associating with any FINRA member, I become subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

II.

WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, I specifically and voluntarily waive any right to claim bias or prejudgment of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

I further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

I understand that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and

C. If accepted:

1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
4. I may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. I may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects my: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

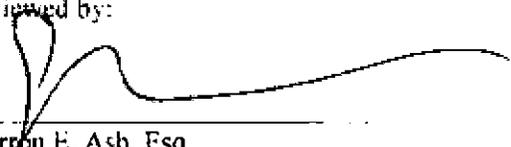
- D. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

I, Kai Chen, certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce me to submit it.

11/11/2016
Date (mm/dd/yyyy)


Kai Chen - Respondent

Reviewed by:



Sharon E. Ash, Esq
Counsel for Respondent Kai Chen
Hamburger Law Firm
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Accepted by FINRA:

12/15/16
Date

Signed on behalf of the
Director of ODA, by delegated authority



Susan Light, Senior Vice President
& Chief Counsel
FINRA Department of Enforcement
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