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REGISTRATION & DISCLOSURE

Department of Enforcement,

Complainant,

v.

Ching Aul (CRD No. 4608307),

Respondent.

DISCIPLINARY PROCEEDING  
No. 2007009347901

**COMPLAINT**

The Department of Enforcement alleges:

**SUMMARY**

1. From November 2006 through April 2007, Ching Aul falsified 13 letters of authorization (LOAs) and used them to convert over \$1.5 million from four customer accounts.
2. As part of its investigation into these activities, and pursuant to NASD Rule 8210, FINRA (f/k/a the National Association of Securities Dealers or NASD) sent requests for information to Aul on August 31, 2007, and September 17, 2007. Aul failed to provide any information in response to these requests.

**RESPONDENT AND JURISDICTION**

3. On or about November 15, 2002, Respondent Ching Aul entered the securities industry as an associated person of FINRA member Merrill Lynch, Pierce, Fenner & Smith Incorporated (Merrill Lynch).

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4. From on or about March 13, 2003 through May 25, 2007, Aul was registered through Merrill Lynch as a General Securities Representative.
5. Although Aul is not currently associated with a member firm, he remains subject to FINRA's jurisdiction through May 24, 2009, pursuant to Article V, Section 4 of FINRA's By-Laws, which provides for a two-year period of retained jurisdiction over formerly registered persons.

**FIRST CAUSE OF ACTION**  
(Submission of Falsified LOAs, Rule 2110)

6. The Department realleges and incorporates by reference paragraphs 1-5 above.
7. From on or about November 1, 2006, through April 24, 2007, Aul created and faxed to Merrill Lynch 13 falsified LOAs.
8. Each LOA requested that the firm transfer funds from the customer's Merrill Lynch account to the bank account of an unregistered person unknown to the customer but known to Aul.
9. Although each LOA bore what appeared to be the customer's signature, none of the LOAs was actually signed by the customer.
10. The following table summarizes the LOAs falsified by Aul:

| Date Faxed | Owner(s) of Merrill Lynch Account | Signature(s) on LOA | Amount       | Owner of Receiving Bank Account |
|------------|-----------------------------------|---------------------|--------------|---------------------------------|
| 11/01/06   | DC & AC (joint)                   | DC                  | \$25,000.00  | CC                              |
| 11/13/06   | DC & AC (joint)                   | DC                  | \$49,700.00  | KC                              |
| 11/21/06   | DC & AC (joint)                   | DC                  | \$49,700.00  | KC                              |
| 11/28/06   | DC & AC (joint)                   | DC & AC             | \$170,000.00 | KC                              |
| 02/15/07   | IL                                | IL                  | \$77,825.00  | CL                              |
| 03/01/07   | DC & AC (joint)                   | DC & AC             | \$200,000.00 | KC                              |
| 03/07/07   | DC & AC (joint)                   | DC & AC             | \$300,000.00 | KC                              |
| 03/13/07   | DC & AC (joint)                   | DC & AC             | \$300,000.00 | KC                              |

| Date Faxed | Owner(s) of Merrill Lynch Account | Signature(s) on LOA | Amount       | Owner of Receiving Bank Account |
|------------|-----------------------------------|---------------------|--------------|---------------------------------|
| 03/19/07   | IL                                | IL                  | \$50,000.00  | CF                              |
| 04/11/07   | DC & AC (joint)                   | DC & AC             | \$100,000.00 | KC                              |
| 04/18/07   | AK                                | AK                  | \$80,000.00  | KC                              |
| 04/20/07   | AK                                | AK                  | \$70,000.00  | KC                              |
| 04/24/07   | MK                                | MK                  | \$90,000.00  | PY                              |

11. Aul falsified each of the LOAs referenced in paragraphs 6-10 in that none of them was actually requested, authorized or signed by the Merrill Lynch account owner.
12. The foregoing acts, practices and conduct constitute separate and distinct violations of NASD Rule 2110 by Aul.

**SECOND CAUSE OF ACTION**  
(Conversion, Rules 2330(a) and 2110)

13. The Department realleges and incorporates by reference paragraphs 1-12 above.
14. From on or about November 1, 2006, through April 24, 2007, Aul engaged in a course of conduct, using the falsified LOAs, more fully described in paragraphs 6-12 above, causing Merrill Lynch to transfer over \$1.5 million from the accounts of customers DC and AC, IL, AK, and MK to the bank accounts of unregistered persons known to Aul.
15. After receiving each transfer, the unregistered persons owning each of the receiving bank accounts transferred the converted customer funds to Aul.
16. Aul improperly used customer funds, as more fully set forth below, for personal expenses, including gambling debts incurred at casinos in Las Vegas, Nevada and Macau.
  - a. From on or about November 1, 2006, through April 11, 2007, Aul obtained and used for his personal benefit a total of \$1,194,400.00 from

the account of customers DC and AC, without the knowledge, authorization or consent of either DC or AC.

- b. From on or about February 15, 2007, through March 19, 2007, Aul obtained and used for his personal benefit a total of \$127,825.00 from customer IL's account without IL's knowledge, authorization or consent.
  - c. From on or about April 18, 2007, through April 20, 2007, Aul obtained and used for his personal benefit a total of \$150,000.00 from customer AK's account without AK's knowledge, authorization or consent.
  - d. From on or about April 24, 2007, through April 25, 2007, Aul obtained and used for his personal benefit a total of \$90,000.00 from customer MK's account without MK's knowledge, authorization or consent.
17. The foregoing acts, practices and conduct constitute separate and distinct violations of NASD Rule 2330(a) and 2110 by Aul.

**THIRD CAUSE OF ACTION**  
(Failure to Provide Information, Rules 8210 and 2110)

18. The Department realleges and incorporates by reference paragraphs 1-17 above.
19. On or about August 31, 2007, FINRA staff sent a letter (First 8210 Request) by First Class and Certified Mail to Aul at his most recent address as reflected in CRD, [REDACTED] (CRD Address). The letter requested information pursuant to NASD Procedural Rule 8210 concerning the matters alleged in paragraphs 1-17 above. The due date for Aul's response to the First 8210 Request was September 14, 2007.
20. Aul failed to provide the information requested in the First 8210 Request.

21. On or about September 17, 2007, FINRA staff sent a letter (Second 8210 Request) by First Class Mail to Aul at the CRD address. The letter included a copy of the First 8210 Request and, again pursuant to Procedural Rule 8210, requested that Aul respond to the questions in the First 8210 Request by October 1, 2007.
22. Aul failed to provide the information requested in the Second 8210 Request.
23. The foregoing acts, practices and conduct constitute separate and distinct violations of NASD Rules 8210 and 2110 by Aul.

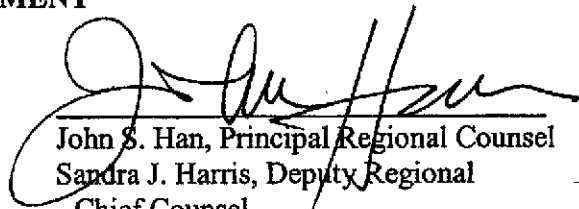
### **RELIEF REQUESTED**

WHEREFORE, the Department respectfully requests that the Panel:

- A. order that one or more of the sanctions provided under NASD Rule 8310(a) be imposed, including that the Respondent be required to disgorge fully any and all ill-gotten gains; and
- B. order that the Respondent bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with NASD Rule 8330.

### **FINRA DEPARTMENT OF ENFORCEMENT**

Date: July 8, 2008



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