

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

Department of Enforcement,

Complainant,

v.

Century Pacific Securities Inc.
CRD No. 113698,

Asa Williams
CRD No. 2233649,

and

Shuming Chang,
also known as Anthony Chang
CRD No. 2109185,

Respondents.

Disciplinary Proceeding
No. 20080142714-01

Hearing Officer: SNB

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: July 8, 2011

INTRODUCTION

Disciplinary Proceeding No. 20080142714-01 was filed on July 23, 2010, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondents Century Pacific Securities, Inc. ("Century Pacific" or "the Firm"), Asa Williams and Shuming Chang, also known as Anthony Chang, submitted an Offer of Settlement (Offer) to Complainant dated July 5, 2011. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings,

conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondents have consented, without admitting or denying the allegations of the Complaint, 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, to the entry of findings and violations consistent with the allegations of the Complaint, and to the imposition of the sanctions set forth below, and fully understand that this Order will become part of Respondents' permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

1. Century Pacific has been a member of FINRA since December 2001. When the Complaint was filed, it was a privately held broker-dealer which operated one branch office in Seattle, Washington, and employed three registered representatives. At all times relevant to this disciplinary proceeding, Century Pacific was a member of FINRA and it remains subject to the jurisdiction of FINRA under Article IV, Section 1 of FINRA's By-Laws.
2. Asa Williams entered the securities industry in April 1992 as an associated person of a member firm. He became registered as an Investment Company / Variable Contracts Representative in May 1992, as a General Securities Representative in November 2000, and as a General Securities Principal in March 2002. He has been registered through Century Pacific since on or about May 9, 2007, initially as a General Securities Principal and General Securities Representative and, since on or about April 7, 2010, as a Limited Representative—Investment Banking.

Williams conducted business at a location in Seattle, Washington, separate from Century Pacific's home office. In or about October 2007 Williams' office was designated as a Century Pacific branch office. At all times relevant to this disciplinary proceeding, Williams was registered through FINRA and he remains subject to FINRA's jurisdiction under Article IV, Section 1 of FINRA's By-Laws.

3. Shuming Chang, also known as Anthony Chang, is the owner, President, CEO, Financial & Operations Principal and Chief Compliance Officer of Century Pacific. He entered the securities industry in November 1990 as an associated person of a member firm. He became registered as a General Securities Representative in December 1990; as a General Securities Principal, Registered Options Principal and Financial & Operations Principal in June 1995; and as an Equity Trader Limited Representative in August 2004. He has been registered through Century Pacific since on or about June 30, 2005, initially as a General Securities Principal, Registered Options Principal, Financial & Operations Principal, General Securities Representative, and Equity Trader Limited Representative and, since on or about April 7, 2010, as a Limited Representative—Investment Banking. At all times relevant to this disciplinary proceeding, Chang was registered through FINRA and he remains subject to FINRA's jurisdiction under Article IV, Section 1 of FINRA's By-Laws.
4. On February 12, 2007, Century Pacific and DL entered into a Letter of Acceptance, Waiver and Consent which incorporated findings that DL had engaged in private securities transactions involving the sale of L&LFHI stock and

warrants, that the Firm had implicitly approved DL's participation in private securities transactions, and that the Firm, through DL, had failed to record the sales on its books and records. For those violations, Century Pacific was fined \$1,500. The fine was reduced pursuant to NASD Notice to Members 06-55.

5. On May 16, 2007, Respondent Williams entered into a Letter of Acceptance, Waiver and Consent, which incorporated findings that in December 2004 he engaged in a private securities transaction without prior notice to and approval from his employer firm; and that from August 2004 to December 2004, he engaged in outside business activities as the President and sole shareholder of Saint Clair Investment and Loan Co. (also known as Sinclair Investment and Loan Co.), without providing prompt written notice to his employer firm. Williams was suspended in all capacities for four months and was fined \$20,000, including disgorgement of financial benefits received of \$10,000.
6. Respondent Chang has no disciplinary history.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:

FIRST CAUSE OF ACTION

(AGAINST CENTURY PACIFIC AND WILLIAMS)

(CHARGING AN UNFAIR PRICE (RULE 2440))

7. On or about April 22, 2008, Century Pacific customer BII agreed to purchase \$1,560,375,000 face value of a Master Adjustable Rate Mortgages Trust CMO ("the MARMT CMO") with CUSIP number 576433WP7. The MARMT CMO had a 0.0266% coupon and a Current Factor of 0.707721. BII agreed with Williams that it would purchase the MARMT CMO at a price of 0.0017220, or

approximately \$1,901,621.69, plus accrued interest. Williams informed BII that Century Pacific expected to acquire the MARMT CMO at a price of 0.0015625 or approximately \$1,725,466.26. BII therefore understood that Century Pacific's markup for the MARMT CMO would be approximately \$176,155.43 or 10.21%.

8. After receiving BII's order, Williams negotiated a lower price for the MARMT CMO. As a result, on or about April 22, 2008, Century Pacific purchased the MARMT CMO at a price of approximately 0.0014485 or \$1,599,524.26, a reduction of approximately 7.3% from the original dealer price. Rather than pass along the savings to its customer, BII, Williams determined that Century Pacific would retain the full benefit of the reduced price. Century Pacific therefore sold the MARMT CMO to BII for the price which it originally had agreed to pay.
9. On or about April 22, 2008, Century Pacific, acting through Williams, sold the MARMT CMO to BII at a price of 0.0017220 or approximately \$1,901.621.69, plus an adjustment for accrued interest in the amount of \$19,553.65 and fees of \$18.00. Century Pacific's contemporaneous cost for the MARMT CMO was approximately \$1,599,524.26. Century Pacific's markup on the sale was approximately \$302,097.23 or 18.89%.
10. Williams set the price for the sale of the MARMT CMO to BII. On or about April 25, 2008, Century Pacific paid Williams \$242,161.78, representing an approximately 80% payout for the markup on the MARMT CMO. A fair markup would not have exceeded 5%.

11. Century Pacific, acting through Williams, charged BII a markup for the MARMT CMO that was unfair, taking into consideration all relevant circumstances, including market conditions with respect to such security at the time of the transaction, the expense involved, the fact that Century Pacific was entitled to a profit, and the following factors identified in IM-2440-1: (a) the type of security involved, (b) the availability of the security in the market, (c) the price of the security, (d) the amount of money involved in the transaction, (e) disclosure of the markup to the customer, and (f) the nature of Century Pacific's business.

SECOND CAUSE OF ACTION

(AGAINST WILLIAMS)

(COMMUNICATIONS WITH THE PUBLIC (RULE 2210(D) AND IM-2210-8))

12. MP, an attorney, represented BII. On or about April 21, 2008, Williams sent correspondence to MP which included a document authored by Williams entitled, "Risks and Opportunities in the CMO Market." The correspondence was sent to MP in his capacity as the agent of BII. In that document, Williams compared CMOs to U.S. Treasury bills. He also failed to disclose that a CMO's yield and average life will fluctuate depending on the actual rate at which mortgage holders prepay the mortgages underlying the CMO and changes in current interest rates.
13. On or about July 18, 2008, Century Pacific, acting through Williams, sold to customer [REDACTED] an RFMSI Series Trust IO REMIC CMO ("the RFMSI CMO") with CUSIP number 74958DAM0. [REDACTED] was not an institutional investor.

14. Before the sale of the MARMT CMO, and before the sale of the RFMSI CMO,

Williams failed to offer the customers educational material that included the following:

(A) a discussion of:

(i) characteristics and risks of CMOs including credit quality, prepayment rates and average lives, interest rates (including their effect of value and prepayment rates), tax considerations, minimum investments, transaction costs and liquidity;

(ii) the structure of a CMO, including the various types of tranches that may be issued and the rights and risks pertaining to each (including the fact that two CMOs with the same underlying collateral may be prepaid at different rates and may have different price volatility); or

(iii) the relationship between mortgage loans and mortgage securities;

(B) questions an investor should ask before investing; or

(C) a glossary of terms.

THIRD CAUSE OF ACTION

(AGAINST WILLIAMS)

(COMMUNICATIONS WITH THE PUBLIC (RULE 2210(D))

15. During the period from on or about October 20, 2007, until on or about January

16, 2008, Williams sent correspondence to prospective investors regarding a private placement of common stock and warrants by L&LFHI.

16. On or about October 23, 2007, Williams sent an electronic mail message to AL regarding L&LFHI, in which he wrote:

"I have attached an overview of a company that my company is 'taking public' and placing on the stock market in the near future. This company is currently raising \$7Million to expand so that the stock price is high when they start trading on the market next year. I believe that this is a great time to get involved as the

price of the stock should go up quite a bit between now and the time that the company goes public next year. I believe that it is possible to see a 200-300% return on investment in a short time, maybe more. . . .

. . .

"This is not a very big deal but it is a short term and very profitable deal. . . .

". . . . My company is underwriting the deal and I am personally vouching for the validity of the company and the transaction, even if the actual results are unknown."

17. On or about October 24, 2007, Williams sent an electronic mail message to FL, a representative of TDG, regarding L&LFHI, in which he wrote:

"I have attached an overview of a company that my company is 'taking public' and placing on the stock market in the near future. This company is currently raising \$7Million to expand so that the stock price is high when they start trading on the market next year. I believe that this is a great time to get involved as the price of the stock should go up quite a bit between now and the time that the company goes public next year. I believe that it is possible to see a 200-300% return on investment in a short time, maybe more. . . .

. . .

"This is not a very big deal but it is a short term and very profitable deal. . . .

". . . My company is underwriting the deal and I am personally vouching for the validity of the company and the transaction, even if the actual results are unknown."

18. On or about October 29, 2007, Williams sent an electronic mail message to DF and FL, representatives of TDG, regarding L&LFHI, in which he wrote:

"I just wanted to let any potential investor know that we are so confident in the transaction that we are willing to guarantee the investment if necessary. . . .

". . . This is a small deal, yet I wanted to start with a quality deal that I know will make an excellent return on investment. The company is in the IPO Process and offers great potential for a high rate of return on a relatively small initial investment. (At the IPO next year we are planning on raising \$30+ Million.)"

19. On or about November 26, 2007, Williams sent an electronic mail message to DF and FL regarding L&LFHI, in which he wrote:

"I would like to assure you that I am not always this excited about a transaction. The reason for my enthusiasm is that this deal presents a great opportunity to profit.

"I have been in this business for 15 years, the last 5 as Principal, and I am an expert on when money can and will be made. . . . I want you to know we have a real winner on our hands and I am willing to stake my reputation on it. . . .

...

"... This company will be increasing sales dramatically and going public next year. I can see [TDG] making significant returns on their money in a short amount of time."

20. On or about November 28, 2007, Williams sent an electronic mail message to RH, an employee of PCC, regarding L&LFHI, in which he wrote:

"I would like to assure you that I am not always this excited about a transaction. The reason for my enthusiasm is that this deal presents a great opportunity to profit.

...

"... This company will be increasing sales dramatically and going public next year. I can see an investor making significant returns on their money in a short amount of time."

21. On or about November 28, 2007, Williams sent an electronic mail message to

CKB, an employee of NPM, regarding L&LFHI, in which he wrote: "This company will be increasing sales dramatically and going public next year. I can see an investor making significant returns on their money in a short amount of time."

22. On or about December 3, 2007, Williams sent an electronic mail message to DF and FL regarding L&LFHI, in which he wrote: "[T]he deal of the day is the \$7M Pre-IPO revolving around Chinese energy. I know that we can make great gains and fit within the parameters of your investment objectives."
23. On or about January 5, 2008, Williams sent an electronic mail message to FK regarding L&LFHI, in which he wrote: "Time is of the essence as they [L&LFHI] are very close to being able to trade. They have been reporting to the SEC for 5 years and have filed the final 15C211 with NASD/FINRA. The company should be publicly trading in as little as 30-60 days."
24. On or about January 16, 2008, Williams sent an electronic mail message to DE regarding L&LFHI, in which he wrote:
- "Time is of the essence if we are to negotiate a good deal, as I have seen the paperwork from the NASD/FINRA and they will be public in the next 30 days or sooner!!!
- ...
- "... We are presently offering the stock at \$3.50/share; however, if you want to take action immediately, I will go and negotiate a price for the stock of \$1.75/share. You can be in and out short term."
25. The foregoing communications were not fair and balanced and they did not provide a sound basis for evaluating the facts in regard to the securities offered by L&LFHI. Williams made false, exaggerated, unwarranted or misleading statements or claims regarding L&LFHI. His communications predicted or projected performance and made exaggerated or unwarranted claims, opinions or forecasts.

**FOURTH CAUSE OF ACTION
(AGAINST WILLIAMS)
(SELLING AWAY (RULE 3040))**

26. On or about May 16, 2007, Williams entered into a Letter of Acceptance, Waiver and Consent with FINRA's predecessor, NASD. Without admitting or denying the charges, Williams consented to the entry of findings that in December 2004 he participated in a private securities transaction without notice to and approval of the member firm with which he was associated at that time.
27. On or about February 5, 2008, Williams engaged in a private securities transaction, in that he participated in the sale of common stock issued by II, a corporation controlled by Williams, to CB for \$10,000. On or about that date, CB and Williams, on behalf of II, executed a Subscription Agreement for the II stock and CB paid \$10,000 to II.
28. Williams received "selling compensation" from the private securities transaction within the meaning of NASD Conduct Rule 3040(b) because he was the Chairman, CEO and controlling shareholder of II, and therefore expected to receive a benefit from CB's investment in the company.
29. Prior to participating in the sale of II stock to CB, Williams did not provide any written notice to the member with which he was associated, Century Pacific, regarding the transaction.

**FIFTH CAUSE OF ACTION
(AGAINST CENTURY PACIFIC AND CHANG)
(FAILURE TO SUPERVISE (RULE 3010))**

30. During the period from October 2007 until July 2008, Chang was the Century Pacific principal responsible for supervising Williams. Century Pacific, acting through Chang, failed to adequately and properly supervise Williams to ensure compliance with applicable rules and regulations.
31. No later than April 23, 2008, and before the trade settled, Chang learned that Williams had charged a markup of approximately 18.89% on the sale of the MARMT CMO to BII. Chang knew or should have known that the markup was unfair. He took no steps to cancel or rebill the trade or to issue a credit to BII for the excessive portion of the markup. On or about April 25, 2008, he issued a check to Williams for his portion of the markup.
32. In or about May 2007, when Williams became associated with Century Pacific, Chang knew that Williams had entered into a Letter of Acceptance, Waiver and Consent with NASD, which included a finding that Williams had violated NASD Conduct Rule 3040 by engaging in a private securities transaction without providing prior written notice to his employer firm. He also knew that Williams was involved with II and had raised capital for II from investors. Chang gave Williams permission to engage in private securities transactions on behalf of II and did not require him to provide prior written notice to Century Pacific regarding such transactions. After he learned that Williams had participated in the sale of II stock to CB, Chang took no steps to record the transaction on Century Pacific's books and records and took no disciplinary action against Williams.

33. Chang did not obtain or review Williams' securities-related correspondence. He therefore failed to take reasonable steps to ensure that Williams complied with the requirements of NASD Rule 2210 and IM-2210-8.

**SIXTH CAUSE OF ACTION
(AGAINST CENTURY PACIFIC AND CHANG)
(FAILURE TO IMPLEMENT PROCEDURES (RULE 3010))**

34. During the period from October 2007 until July 2008, Century Pacific, acting through Chang, failed to implement its written supervisory procedures regarding markups, review of correspondence, branch inspections, and heightened supervision.
35. The written supervisory procedures stated that all transactions with customers must be at a price that is reasonably related to the current market price of the security; that Century Pacific shall not mark up any transaction with a customer in violation of "the NASD's '5% policy'" (referring to IM-2440-1); and that the markup on a deep discount bond should be reduced to ensure that the markup percentage is never greater than 5%. Chang failed to enforce those procedures in connection with the sale of the MARMT CMO to BII.
36. The written supervisory procedures required that Century Pacific's President review each item of incoming correspondence at least monthly, that all outgoing correspondence except "service only letters" be forwarded to and approved by the President, and that all "solicitor correspondence" be reviewed by the President before it is sent to a client. Chang failed to review correspondence or to require that registered representatives submit correspondence to him for review.

37. The written supervisory procedures required that registered representatives with a history of customer complaints, disciplinary actions or arbitrations be placed under heightened supervision and that a document be prepared outlining special supervisory arrangements, to be signed by the registered representative and his or her supervisor. Although he knew Williams had a history of disciplinary action, Chang failed to place Williams under any form of heightened supervision.

**SEVENTH CAUSE OF ACTION
(AGAINST CENTURY PACIFIC)
(BOOKS AND RECORDS (SEC RULE 17A-4 AND NASD RULE 3110))**

38. During the period from August 2006 until July 2008, Century Pacific maintained certain records in electronic formats. It did not notify its examining authority, FINRA, prior to employing electronic storage media, as required by SEC Rule 17a-4(f)(2)(i).
39. During the period from April 2007 until July 2008, Century Pacific did not preserve electronic mail correspondence in a non-rewriteable, non-erasable format, as required by SEC Rule 17a-4(f)(2)(ii)(A). It also failed to store separately from the original a duplicate copy of its electronic records, as required by SEC Rule 17a-4(f)(3)(iii).
40. During the period from August 2006 until July 2008, Century Pacific did not have in place an audit system providing for accountability regarding inputting of records to its electronic storage media, as required by SEC Rule 17a-4(f)(3)(v). Century Pacific exclusively used electronic storage media for some or all of its record preservation. In particular, electronic mail correspondence was not printed

in hard copy form. Century Pacific did not retain the services of a third party with access to its electronic storage media to take steps to provide access to those media or to file with FINRA an undertaking to provide such access, as required by SEC Rule 17a-4(f)(3)(vii).

41. During the period from May 2008 until October 2008, Century Pacific did not have available, for examination by the staffs of the SEC or FINRA, facilities for immediate, easily readable projection or production of micrographic media or electronic storage media images and for producing easily readable images, as required by SEC Rule 17a-4(f)(3)(i).

Based on the foregoing, Respondents Century Pacific and Williams violated NASD Conduct Rules 2440 and 2110; Respondent Williams violated NASD Conduct Rules 2210(d), 3040 and 2110 and IM-2210-8(b); Respondents Century Pacific and Chang violated NASD Conduct Rules 3010 and 2110; and Respondent Century Pacific violated willfully violated SEC Rule 17a-4 and violated NASD Conduct Rules 3110 and 2110.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondents from any future misconduct, and represent a proper discharge by FINRA of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

It is ordered that:

1. Respondent Century Pacific Securities, Inc. shall be censured and fined \$4,000.

2. Respondent Asa Williams shall be suspended from associating with any member firm in any capacity for 20 business days, and shall be fined \$16,000.
3. In addition, Respondents Century Pacific Securities, Inc. and Asa Williams shall be fined \$4,000, jointly and severally.
4. Respondent Shuming Chang, also known as Anthony Chang, shall be suspended from associating with any member firm in any principal or supervisory capacity for 45 days, and shall be fined \$12,000.
5. In addition, Respondents Century Pacific Securities, Inc. and Shuming Chang, also known as Anthony Chang, shall be fined \$8,000, jointly and severally.
6. Restitution is ordered to be paid by Respondent Century Pacific Securities, Inc. to the customer listed on Attachment A hereto in the total amount of \$44,082.58, plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2), from April 22, 2008, until the date this Offer is accepted by the NAC.

A registered principal on behalf of Respondent Century Pacific shall submit satisfactory proof of payment of restitution or of reasonable and documented efforts undertaken to effect restitution. Such proof shall be submitted to David Utevsky, Senior Regional Counsel, FINRA District 3—Seattle, 601 Union Street, Suite 1616, Seattle, WA 98101, either by letter that identifies Respondent Century Pacific Securities, Inc. and Disciplinary Proceeding No. 20080142714-01 or by e-mail from a work-related account of the registered principal of Respondent firm to EnforcementNotice@FINRA.org. This proof shall be provided to the

FINRA staff member listed above no later than 120 days after acceptance of the Offer.

7. Restitution is ordered to be paid by Respondent Asa Williams to the customer listed on Attachment A hereto in the total amount of \$178,056.44, plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2), from April 22, 2008, until the date this Offer is accepted by the NAC. Respondent Williams shall submit satisfactory proof of payment of restitution or of reasonable and documented efforts undertaken to effect restitution. Such proof shall be submitted to David Utevsky, Senior Regional Counsel, FINRA District 3—Seattle, 601 Union Street, Suite 1616, Seattle, WA 98101, either by letter that identifies Respondent Asa Williams and Disciplinary Proceeding No. 20080142714-01 and includes a copy of the check, money order or other method of payment or by e-mail, with pdf copies of the payment documentation, to EnforcementNotice@FINRA.org. This proof shall be provided to the FINRA staff member listed above no later than 120 days after acceptance of the Offer.
8. If for any reason Respondents Century Pacific Securities, Inc. and/or Williams cannot locate the customer identified in Attachment A after reasonable and documented efforts within 120 days from the date the Offer is accepted, or such additional period agreed to by a FINRA staff member in writing, Respondents shall forward any undistributed restitution and interest to the appropriate escheat, unclaimed property or abandoned property fund for the state in which the customer is last known to have resided. Respondent shall provide satisfactory proof of such action to the FINRA staff member identified above and in the

manner described above, within 14 days of forwarding the undistributed restitution and interest to the appropriate state authority.

Pursuant to the General Principles Applicable to all Sanction Determinations contained in the Sanction Guidelines, FINRA imposed a lower fine in this case after it considered, among other things, the Firm's revenues and financial resources. See Notice to Members 06-55.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

SO ORDERED.

FINRA

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



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