

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT**

NO. 20090210766

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

RE: Edward C. Liu (CRD No. 2190795)

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Edward Liu ("Liu") submits 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 Liu alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Liu hereby accepts and consents, 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

Liu first became registered with a FINRA regulated broker-dealer in 1991. From February 2009 to December 2009, he was registered with Wells Fargo Advisors Financial Network, LLC (the "Firm"), an independent brokerage business of Wells Fargo Advisors, LLC and a FINRA regulated broker-dealer. On December 24, 2009, the Firm filed a Form U-5 reporting that Respondent had been "discharged" for "failure to follow firm policy regarding sale of annuities." From January 2010 until May 2012, Liu was registered with another a FINRA regulated broker-dealer. Liu is not currently associated with a FINRA member firm, but remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws.

RELEVANT DISCIPLINARY HISTORY

Liu has no relevant disciplinary history.

OVERVIEW

During March 2009 through October 2009 (the "Relevant Period"), while associated with the Firm, Liu submitted materially false and/or inaccurate information pertaining to 12

annuity exchanges on the Firm's automated annuity order entry forms by portraying these transactions as new sales instead of exchanges, in violation of FINRA Rule 2010 and NASD Rule 3110.

FACTS AND VIOLATIVE CONDUCT

FINRA Rule 2010 states "a member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade."

NASD Rule 3110 requires in pertinent part that broker-dealers make and keep for prescribed periods such records as the Securities and Exchange Commission requires.

During the Relevant Period, Liu sold 12 annuity contracts to 11 customers. For each sale, the annuity contract was not a new sale but an exchange for an annuity contract the customer had earlier liquidated. Each of the 12 annuity sales required that Liu electronically submit to the Firm answers to 27 questions, including five questions related to annuity exchanges. Each of the five questions asked whether the transaction was being done in connection with an annuity exchange. In response, Liu indicated falsely that each sale was not an annuity exchange.

During the Relevant Period, Liu completed and submitted responses related to the annuity contracts to his employer member firm. In completing the Firm's 12 automated annuity order entry forms, Liu entered information that was materially false and/or inaccurate, thereby causing the Firm to maintain false or inaccurate records. By falsely answering these questions and portraying transactions as new sales and not annuity exchanges, Liu was able to avoid heightened supervisory scrutiny of his annuity transactions.

By causing the Firm to maintain false and/or inaccurate records, Liu violated NASD Conduct Rule 3110 and FINRA Rule 2010. By entering false and/or inaccurate information on the Firm system, Liu violated FINRA Rule 2010.

Liu also consents to the imposition of the following sanctions:

- A suspension in all capacities for a period of six months; and
- A fine in the amount of \$30,000.

The fine shall be due and payable either immediately upon reassociation with a member firm following the six month suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

Liu specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

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

II.

WAIVER OF PROCEDURAL RIGHTS

Liu specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against Liu;
- 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, Liu specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, 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.

Liu further specifically and voluntarily waives 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

Liu understands 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 Liu; and
- C. If accepted:
1. this AWC will become part of Liu's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Liu;
 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Liu's disciplinary record;
 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 4. Liu 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. Liu 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 the Liu's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. Liu may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Liu understands that he 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.

Liu certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Liu has 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 Liu to submit it.

Date

6/9/12

Respondent



Reviewed by:



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Counsel for Respondent

Accepted by FINRA:

June 18, 2012
Date

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


Susan Light
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