

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20100251406

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

RE: Melvin Tsao (CRD# 4083764)

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Melvin Tsao ("Tsao," or "Respondent") 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 the Firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

Respondent 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

Tsao (CRD 4083764) began working in the securities industry in 1999. He became a general securities representative in March 2007 and holds series 7, 63, and 65 licenses. Up until November 18, 2011, Tsao was a Senior Associate with Morgan Stanley Smith Barney LLC (CRD 149777). Tsao is not currently employed in the securities industry.

RELEVANT DISCIPLINARY HISTORY

Tsao has no relevant disciplinary history.

OVERVIEW

During the course of an ongoing investigation, Tsao failed to provide information and testimony as required pursuant to FINRA Procedural Rule 8210. By virtue of the conduct set forth herein, Tsao violation FINRA Procedural Rule 8210 and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

On September 14, 2011, during the course of an investigation into the filing of proof of claim forms in securities class action lawsuits, Enforcement staff sent a letter to Tsao requiring him to provide information in connection with the investigation pursuant to FINRA Procedural Rule 8210 (the "September 14 8210 Request"). Tsao's response was due on September 29, 2011. Tsao never provided the required information. Also on September 14, 2011, Enforcement staff sent Tsao a letter requiring him to appear and provide testimony in connection with the investigation on October 19, 2011 pursuant to FINRA Procedural Rule 8210 (the "September 14 Request for Testimony"). Tsao failed to appear and provide testimony as required pursuant to the September 14 Request for Testimony.

On October 11, 2011, Enforcement staff sent another letter to Tsao requiring him to provide information in connection with the investigation pursuant to FINRA Procedural Rule 8210 (the "October 11 8210 Request"). Tsao's response was due on October 17, 2011. Tsao never provided the required information.

On November 8, 2011, counsel for Tsao reported to Enforcement staff that Tsao would not be producing documents in response to the September 14 8210 Request or the October 11 8210 Request and that he would not appear for testimony.

Pursuant to FINRA Procedural Rule 8210, FINRA may require any person subject to its jurisdiction to provide information regarding any matter under investigation. Further, Rule 8210(c) provides that "No member or person shall fail to provide information or testimony or to permit an inspection and copying of books, records, or accounts pursuant to this Rule." By failing to provide information and testimony as required by the September 14 8210 Request, September 14 Request for Testimony, and the October 11 8210 Request, Tsao violated FINRA Procedural Rule 8210 and FINRA Rule 2010.

SANCTIONS

Respondent also consents to the imposition of a permanent bar.

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Formal Complaint issued specifying the allegations against the Firm;
- B. To be notified of the Formal 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, Respondent 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.

Respondent 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

Respondent understands that:

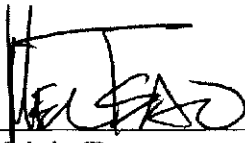
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the Firm; and
- C. If accepted:
 - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the Firm;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the Firm'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. The Firm 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. The Firm 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 Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that it 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.

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

Date
1/27/2012

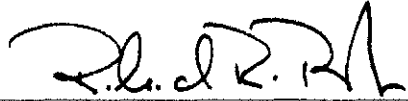
Respondent

By: 
Melvin Tsao

Accepted by FINRA:

3-29-12
Date

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


Richard R. Best
Chief Counsel
FINRA Department of Enforcement