

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2011029405901**

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

RE: Fortune Securities, Inc., Respondent
CRD No. 40821

Yinyi Chen
CRD No. 2086259
General Securities Principal
General Securities Representative

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Fortune Securities, Inc., and Yinyi Chen (hereinafter "Respondents") 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 Respondents alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondents 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

Fortune Securities, Inc., ("Fortune" or "Firm") has been a FINRA member since May 1997. The Firm currently has 19 registered individuals and one main office in Alhambra, California. All of its business is done on a retail agency basis, and its primary sources of revenue are from its equities, variable annuity, and mutual fund business. Its minimum net capital requirement is \$5,000.

Yinyi Chen entered the securities industry in 1990, when he first associated with a FINRA member firm; he subsequently registered as a general securities representative ("GS") in 1993. In May 1997, Chen associated with Fortune, where he registered as a GS and general securities principal. He is currently associated with the Firm in those capacities. Chen owns more than 75% of the

Firm and has served continuously as its Chief Executive Officer and Chief Financial Officer since it became a FINRA member in 1997. Chen has also served as the Firm's Chief Compliance Officer since September 2005. In addition to Series 7 and 24 licenses, Chen has also obtained Series 3, 4, 27, 53, 63 and 65 licenses.

RELEVANT DISCIPLINARY HISTORY

Respondents do not have any disciplinary history.

OVERVIEW

From January 2003 to October 2011, Fortune, through Chen, failed to supervise the investment-advisory activities of a registered representative in violation of NASD Conduct Rules 3010, 3040(c), and 2110 and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

From January 2003 to October 2011, Respondents permitted a Fortune registered representative ("RR/IA") to engage in investment-advisory activity away from the Firm through his state-registered investment advisor.

NASD Conduct Rule 3040 concerns the private securities transactions of associated persons at member firms. Where a member firm approves an associated person's participation in private securities transactions for selling compensation, the member firm is required to record those transactions on its books and records and also supervise the person's participation in those transactions as if the transactions were executed on behalf of the member. NASD Notice to Members 94-44 and NASD Notice to Members 96-33 clarify that member firms must supervise the securities activity of registered representatives who engage in investment advisory activities away from the firm, where those registered representatives participate in the execution of securities transactions on behalf of their investment advisor clients.

During the relevant period, the RR/IA, in his capacity as an investment advisor representative, caused securities transactions to be executed on behalf of his investment advisor clients away from the Firm. Chen was the principal responsible for supervision of the RR/IA. The Firm, through Chen, failed to supervise RR/IA's business in any manner because Chen failed to recognize that the RR/IA's activities constituted private securities transactions.

As a result of the foregoing conduct, Respondents violated NASD Conduct Rules 3010 and 3040(c), NASD Conduct Rule 2110 (for conduct prior occurring prior to December 15, 2008), and FINRA Rule 2010 (for conduct occurring on or after December 15, 2008).

B. Respondents consent to the imposition of the following sanctions:

- As to Fortune, a fine in the amount of \$7,500,¹ which is joint and several with Chen; and
- As to Chen, a 30 calendar-day suspension from association with any member in a principal capacity and a fine in the amount of \$7,500, which is joint and several with Fortune, as noted above.

Respondents agree to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. Respondents have submitted an Election of Payment form showing the method by which they propose to pay the fine imposed.

Respondents specifically and voluntarily waive any right to claim that they are unable to pay, now or at any time hereafter, the monetary sanctions imposed in this matter

Chen understands that if he is barred or suspended from associating with any FINRA member in a principal capacity, he becomes 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, Chen may not be associated with any FINRA member in a principal capacity, during the period of the bar or suspension (see FINRA Rules 8310 and 8311). Furthermore, because Chen is subject to a statutory disqualification during the suspension, if he remains associated with a member firm in a non-suspended capacity, an application to continue that association may be required.

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

II.

WAIVER OF PROCEDURAL RIGHTS

Respondents 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,

¹ 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.

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, Respondents 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.

Respondents 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

Respondents 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 Respondents 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. Respondents may not take any action or make or permit to be made any

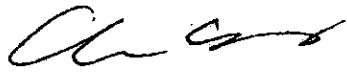
public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondents may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Respondents: (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. Respondents may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondents understand that they 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.

The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that the Firm 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 the Firm to submit it.

Respondent Chen 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 he 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, have been made to induce him to submit it.

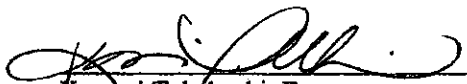
12/07/2015
Date (mm/dd/yyyy)


Fortune Securities, Inc., Respondent
By: YIN YI CHEN / President
[Name and Title]

12/07/2015
Date (mm/dd/yyyy)


Yinyi Chen, Respondent

Reviewed by:



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Accepted by FINRA:

12/23/2015
Date

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



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