

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2013037822301**

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

RE: Christine Kwan-Fun Chiou, Respondent ("Chiou")
CRD No. 5875670

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I 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 me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I 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

Chiou first entered the securities industry in 2000 as a trader with a foreign entity not registered in the United States. From December 2010 through July 2013, Chiou was employed by Barclays Capital Inc. ("Barclays" or the "Firm"), a FINRA regulated broker-dealer, where she was registered as a General Securities Representative (Series 7) and a Research Analyst (Series 86 and 87) beginning in April 2011 and June 2011, respectively.

On July 31, 2013, Barclays filed a Uniform Termination Notice for Securities Industry Registration ("Form U5") reporting that the Firm discharged Chiou on July 1, 2013, based on its "loss of confidence after [Chiou] did not take appropriate steps to ensure disclosure of her share positions in two companies that she covered as a research analyst."

Chiou is not currently associated with a FINRA regulated broker-dealer, however, FINRA retains jurisdiction over Chiou, pursuant to Article V, Section 4 of FINRA's By-Laws.

RELEVANT DISCIPLINARY HISTORY

Chiou has no prior disciplinary history in the securities industry.

OVERVIEW

From June 2011 through June 2013 (the "Relevant Period"), Chiou failed to disclose her financial interest in the securities of the subject company in approximately 166 research reports she worked on as a research analyst, in violation of NASD Rules 2711(h)(1)(A) and FINRA Rule 2010. These research reports also constituted communications with the public that omitted a material fact and failed to provide a sound basis for evaluating the facts regarding such securities, in violation of NASD Rule 2210(d)(1)(A) and FINRA Rule 2210(d)(1)(A).

FACTS AND VIOLATIVE CONDUCT

Prior to joining Barclays, Chiou owned 8,000 shares of Pfizer Inc. (PFE). These shares were held in a securities account at another FINRA regulated broker-dealer (the "Personal Account"). Chiou also owned approximately 4,766 shares of Merck & Co. (MRK) held in a separate 401(k) account (the "401k Account").

Upon beginning her employment with the Firm, Chiou disclosed the existence of the Personal Account and the 401(k) Account to the Firm. Chiou however did not disclose her ownership of shares of stock in PFE and MRK (the "Subject Companies") to the Firm.

In June 2011, after passing the Series 86 and 87 examinations, Chiou began working as a junior research analyst in the Pharmaceutical Large Cap division of the Firm's United States Equity Research department (the "Division"). The stocks covered by the Division's research included the Subject Companies. In August 2011, Chiou attempted to inform the Firm of her holdings in the Subject Companies, but did not obtain authorization from the Firm to retain her holdings, as required by Firm policy.

As junior research analysts in the Division, Chiou and AY reported to CB, the Division's senior research analyst. Although AY was responsible for drafting the research reports on the Subject Companies, Chiou assisted AY by proofreading, editing, inputting data into earnings models, and calculating discounted cash flow for the Subject Companies. Occasionally Chiou drafted the language of a research report on the Subject Companies during AY's absence.

After AY left the Firm in April 2013, Chiou together with CB drafted the Firm's research reports on the Subject Companies, until Chiou's departure from the Firm in July 2013.

During the Relevant Period, Barclays published a total of at least 166 research reports on the Subject Companies (the "Research Reports") that Chiou worked on. The Firm's Global Equity Research Policy prohibited research analysts from "having a financial interest in any company that they cover," and permitted exceptions only in exceptional circumstances where authorization was granted by the Firm. Since Chiou never received such authorization, the Research Reports should have contained disclosures regarding her ownership of stock in the Subject Companies, but did not.¹

Failing to disclose a financial interest in the securities of covered companies

NASD Rule 2711(h)(1)(A) requires members to disclose in research reports "if the research analyst . . . has a financial interest in the securities of the subject company, and the nature of the financial interest" This obligation is imposed not only on member firms, but also on research analysts.

NASD Rule 2711(a)(5) defines "research analyst" as the "associated person who is primarily responsible for, and any associated person who reports directly or indirectly to such a research analyst in connection with, preparation of the substance of a research report"

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

During the Relevant Period, Chiou reported to CB, a senior research analyst who was primarily responsible for the preparation of the substance of the Research Reports. Accordingly, Chiou was a "research analyst" within the meaning of NASD Rule 2711(h)(1)(A).

During the Relevant Period, Chiou worked on approximately 166 Research Reports for which she was either primarily responsible, or provided significant assistance on. Chiou's ownership of shares in the Subject Companies was a "financial interest in the securities of the subject company" that Chiou failed to ensure was disclosed in the Research Reports. As a result, Chiou violated NASD Rule 2711(h)(1)(A) and FINRA Rule 2010.

¹ There is no indication that Chiou's financial interest influenced the Research Report ratings of the Subject Companies, and Chiou did not engage in any trading of shares in the Subject Companies while employed by the Firm.

Engaging in misleading communications with the public

FINRA Rule 2210(d)(1)(A) and NASD Rule 2210(d)(1)(A) provide that a member's communications with the public "must provide a sound basis for evaluating the facts in regard to any particular security or type of security, industry, or service" and prohibits the omission of "any material fact or qualification [from a member communication with the public] if the omission, in the light of the context of the material presented, would cause the communication to be misleading."²

By failing to ensure that the approximately 166 Research Reports disclosed her securities holdings in the Subject Companies, Chiou omitted a material fact from the Research Reports that caused them to be misleading. Without this disclosure, the Research Reports also failed to provide a sound basis for evaluating the facts regarding the Subject Companies.

As a result, Chiou violated NASD Rule 2210(d)(1)(A) and FINRA Rule 2010 (for conduct prior to February 4, 2013) and FINRA Rules 2210(d)(1)(A) and 2010 (for conduct occurring on or after February 4, 2013).

B. I also consent to the imposition of the following sanctions:

1. A suspension in all capacities for a period of 60 business days, and
2. A fine of \$5,000.

The fine shall be due and payable either immediately upon reassociation with a member firm following the 60 business days 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.

I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

I understand that if I am barred or suspended from associating with any FINRA member, I become 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, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

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

² On February 4, 2013, FINRA Rule 2210(d)(1)(A) superceded NASD Rule 2210(d)(1)(A), however, the relevant text of the rule remained the same.

II.

WAIVER OF PROCEDURAL RIGHTS

I 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, 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, I 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.

I 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

I 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 my 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. I 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. I 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 my: (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. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I 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.

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have 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 me to submit it.

7/9/15
Date


Christine Kwan-Fun Chiou

Accepted by FINRA:

7/15/15
Date

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


Richard Chin
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