

FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant,

v.

Toni T. Chen (CRD No. 2827024)

Respondent.

DISCIPLINARY PROCEEDING
No. 2013039027901

HEARING OFFICER:

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. In connection with an investigation concerning possible violations of the federal securities laws and/or FINRA rules, FINRA requested that Respondent Toni T. Chen provide information and documents and appear for on-the-record testimony. However, Chen failed to provide a substantial amount of the documents and information requested, and entirely failed to appear for on-the-record testimony, as requested pursuant to FINRA Rule 8210. As a result, Chen violated FINRA Rules 8210 and 2010.

RESPONDENT AND JURISDICTION

2. Chen entered the securities industry in November 1996 and became registered with FINRA in December 1996 as an investment company products/variable contracts limited representative with a FINRA member firm. Chen became registered as an investment products/variable contracts limited principal with FINRA in 1998. Chen was employed by two other FINRA member firms from April 2002 through August 2012. Chen was last employed by

Transamerica Financial Advisors, Inc. ("Transamerica") from January 2012 through August 2012.

3. On August 8, 2012, Transamerica filed a Uniform Termination Notice for Securities Industry Registration (Form U5) which terminated Chen's registration and association with Transamerica effective August 8, 2012.

4. Chen is not currently registered or associated with a FINRA member. Although Respondent is no longer registered or associated with a FINRA member, she remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because (1) the Complaint was filed within two years after the effective date of termination of Respondent's registration with Transamerica, namely, August 8, 2012, and (2) the Complaint charges her with misconduct committed while she was registered or associated with a FINRA member and with failing to respond to FINRA requests for information and to appear for on-the-record testimony during the two-year period after the date upon which she ceased to be registered or associated with a FINRA member.

**FIRST CAUSE OF ACTION
FINRA Rules 8210 and 2010
(Failure to Respond Fully to Requests for Information)**

5. The Department realleges and incorporates by reference paragraphs 1 through 4 above.

6. On October 18, 2013, the Securities and Exchange Commission (SEC) filed a Form U6 with FINRA regarding Chen. The Form U6 disclosed that in October 2013 the United States District Court for the Eastern District of New York had granted the SEC's request for a temporary restraining order, asset freeze, and other emergency relief, against Chen and other defendants, in connection with an ongoing worldwide investment pyramid scheme targeting

members of the Asian-American Community. In response to the Form U6 filing, FINRA commenced an investigation into whether Chen, while registered or associated with a FINRA member, had engaged in any violations of the federal securities laws and/or FINRA rules.

7. During the course of its investigation, FINRA made numerous requests seeking information and testimony from Chen. These requests were made pursuant to FINRA Rule 8210, and Chen was advised that failure to respond could result in disciplinary action. However, in spite of the numerous requests and admonitions, Chen failed to provide testimony and certain information requested by staff.

8. On January 9, 2014, FINRA sent Chen a letter, via first class and certified mail, addressed to her residential address as listed in the Central Registration Depository ("CRD"), as well as to an alternative address located in Hacienda Heights, California (the "Hacienda Heights address"), which FINRA obtained through a public records search. The January 9, 2014 letter requested, pursuant to FINRA Rule 8210, that Chen provide certain financial records, including her bank account statements, checks and other financial records, and personal tax returns, and information concerning, among other things, her role in the investment pyramid scheme. The January 9, 2014 letter further requested that Chen respond by January 23, 2014.

9. On January 14, 2014, FINRA sent Chen a letter, via first class and certified mail, addressed to her residential address as listed in the CRD, as well as to the Hacienda Heights address. The January 14, 2014 letter superseded and replaced the January 9, 2014 letter. The January 14, 2014 letter requested, pursuant to FINRA Rule 8210, that Chen provide certain information and documents (the "Outstanding Documents"), including:

- a. bank statements, copies of checks or other financial records reflecting the date and amount of Chen's investments in or loans to CKB168 or CKB (collectively "CKB")¹, and HTC²;
- b. for the period of April 1, 2009 to the date of FINRA's request, complete monthly bank account statements for any bank account in which Chen maintains or maintained any beneficial ownership interest or over which Chen has or had any control, including bank accounts established by CKB or HTC, and any scanned images of checks deposited into or drawn on any of the accounts controlled by either entity;
- c. complete copies of all bank account statements for any bank account over which Chen held power of attorney as described in Page 11, Paragraph 27 of the SEC Complaint, and any scanned images of checks deposited into or drawn on any of the accounts; and
- d. for tax years 2009 to 2012, complete copies of Chen's personal tax returns filed with the U.S. Internal Revenue Service and any schedules or attachments associated with the tax returns.

The January 14, 2014 letter further requested that Chen respond by January 28, 2014.

10. The January 14, 2014 letter sent via first class mail to Chen's residential address in CRD and the Hacienda Heights address was not returned. The January 14, 2014 letter sent via certified mail to Chen's residential address in CRD and the Hacienda Heights address went unclaimed and was returned to FINRA by the U.S. Postal Service.

¹ CKB collectively identifies the corporate defendants in SEC Civil Action No. 1:13-cv-05584-RRM-RLM (E.D.N.Y. 2013).

² HTC is a relief defendant in SEC Civil Action No. 1:13-cv-05584-RRM-RLM (E.D.N.Y. 2013).

11. On January 15, 2014, FINRA received an e-mail from Attorney Peiwen Chang of the Law Firm of Cogswell Nakazawa & Chang, LLP, which was copied to Chen. Chang stated in his e-mail that Chen had received the January 9, 2014 letter, “[w]e will be representing her in this FINRA examination” and requested a four-week extension for Chen to respond.

12. On January 15, 2014, FINRA staff replied by e-mail to Chang with a copy to Chen, attached a copy of the January 14, 2014 letter, informed Chang and Chen to disregard the January 9, 2014 letter and respond to the January 14, 2014 letter, and granted an extension for Chen to respond until February 20, 2014.

13. On February 20, 2014, Chang provided FINRA with Chen’s response to the January 14, 2014 letter. The response consisted of: (1) Chang’s February 20, 2014 cover letter to FINRA; (2) a February 19, 2014 letter from Chen to FINRA addressing FINRA’s request for information and documents; (3) a copy of Chen’s notice of termination to Transamerica; and (4) a CKB website print-out of terms and conditions relating to Chen’s purported relationship with CKB and its products. Chen’s response was substantially incomplete because she failed to provide any of the Outstanding Documents requested in the January 14, 2014 letter. Chen stated that she needed additional time to produce the Outstanding Documents. To date, Chen has failed to provide the Outstanding Documents.

14. On February 20, 2014, FINRA e-mailed Chang, attached another copy of the January 14, 2014 letter, and requested notification as to when Chen will provide the Outstanding Documents. FINRA did not receive a response.

15. On March 10, 2014, FINRA initiated a telephone call, spoke with Chang and e-mailed Chang another copy of FINRA’s February 20, 2014 e-mail and the January 14, 2014 letter. Although FINRA requested notice as to when Chen would provide the Outstanding

Documents, Chang did not commit to a response date during the telephone call nor did FINRA receive a response to its February 20, 2014 e-mail.

16. On March 24, 2014, FINRA sent a letter to Chang via his law firm address. The March 24, 2014 letter was sent via first class and certified mail and requested, pursuant to FINRA Rule 8210, Chen to provide the Outstanding Documents that were previously requested in the January 14, 2014 letter. The March 24, 2014 letter enclosed a copy of the January 14, 2014 letter, requested a response to FINRA by April 7, 2014, and advised that Chen's failure to respond could result in disciplinary action against her. Even so, FINRA did not receive a response by April 7, 2014.

17. The March 24, 2014 letter sent to Chang's law firm address via first class mail was not returned. The March 24, 2014 letter sent to Chang's law firm address via certified mail was delivered on March 28, 2014, according to U.S. Postal Service records. FINRA subsequently received a signed receipt dated March 28, 2014 certifying delivery of the March 24, 2014 letter.

18. On April 14, 2014, FINRA e-mailed Chang a copy of the March 24, 2014 letter, with attached copy of the January 14, 2014 letter, advised Chang that FINRA had not received a response to the March 24, 2014 letter, and requested notification as to when Chen will provide the Outstanding Documents. On April 14, 2014, Chang replied by e-mail and stated that "[w]ith the SEC lawsuit pending, Ms. Chen is unable to get further documents."

19. On April 17, 2014, FINRA sent a letter to Chang via his law firm address, accompanied by copies of the January 14, 2014 and March 24, 2014 letters. The April 17, 2014 letter was sent via e-mail, first class mail and certified mail, and requested, pursuant to FINRA Rule 8210, Chen to provide the Outstanding Documents and a detailed written statement setting

forth why Chen cannot acquire the Outstanding Documents. The April 17, 2014 letter requested a response to FINRA no later than May 1, 2014 and advised that Chen's failure to respond could result in disciplinary action against her. Even so, FINRA did not receive a response by May 1, 2014.

20. The April 17, 2014 letter sent to Chang's law firm address via first class mail was not returned. The April 17, 2014 letter sent to Chang's law firm address via certified mail was delivered on April 21, 2014, according to U.S. Postal Service records. FINRA subsequently received a signed receipt dated April 21, 2014 certifying delivery of the April 17, 2014 letter.

21. On May 14, 2014, FINRA e-mailed Chang a copy of the January 14, 2014, March 24, 2014 and April 17, 2014 letters. In that e-mail, FINRA advised Chang that FINRA had not received a response by May 1, 2014, as requested in the April 17, 2014 letter. FINRA again requested a date by which Chen would respond. FINRA did not receive a response to the May 14, 2014 e-mail.

22. To date, Chen has failed to provide the Outstanding Documents or any explanation why Chen cannot acquire the Outstanding Documents, which had been requested by the staff, pursuant to FINRA Rule 8210.

23. The information requested by FINRA was material to FINRA's investigation of potential rule violations and was necessary for FINRA to complete its regulatory mandate to fully investigate potential rule violations.

24. Chen's failure to comply with FINRA's requests for information impeded FINRA's investigation, and prevented FINRA from completing its regulatory responsibilities to fully investigate potential rule violations.

25. Chen's failure to respond fully to the January 14, 2014, March 24, 2014 and April 17, 2014 requests for information constitutes separate and distinct violations of FINRA Rules 8210 and 2010 by Chen.

**SECOND CAUSE OF ACTION
FINRA Rules 8210 and 2010
(Failure to Appear and Testify)**

26. The Department realleges and incorporates by reference paragraphs 1 through 25 above.

27. On May 22, 2014, FINRA sent Chang a letter, via e-mail, first class mail, and certified mail. The May 22, 2014 letter requested, pursuant to FINRA Rule 8210, Chen to appear and testify at FINRA's Florida District Office on May 30, 2014. Moreover, the May 22, 2014 letter advised that Chen's failure to appear could result in disciplinary action against her. Even so, Chen failed to appear on May 30, 2014 and testify as requested.

28. The May 22, 2014 testimony letter sent via first class mail to Chang's law firm address was not returned. The May 22, 2014 testimony letter sent via certified mail to Chang's law firm address was attempted for delivery on May 28, 2014 but thereafter delivered on June 9, 2014, according to U.S. Postal Service records. FINRA subsequently received a signed receipt dated June 9, 2014 certifying delivery of the May 22, 2014 letter.

29. As a result of Chen's failure to appear and testify on-the-record, on June 2, 2014, FINRA sent Chang a letter via e-mail, first class mail, certified mail, and Fed Ex. The June 2, 2014 letter enclosed a copy of the May 22, 2014 testimony letter. Furthermore, the June 2, 2014 letter stated that Chen failed to appear for testimony on May 30, 2014. The June 2, 2014 letter requested, pursuant to FINRA Rule 8210, Chen to appear and testify at FINRA's Florida District Office on June 17, 2014. Moreover, the June 2, 2014 letter advised that Chen's failure to appear

could result in disciplinary action against her. Even so, Chen failed to appear on June 17, 2014 and testify as requested.

30. The June 2, 2014 testimony letter sent via first class mail to Chang's law firm address was not returned. The June 2, 2014 testimony letter sent by certified mail to Chang's law firm address was delivered on June 6, 2014, according to U.S. Postal Service records. FINRA subsequently received a signed receipt dated June 6, 2014 certifying delivery of the June 2, 2014 letter. Additionally, the June 2, 2014 testimony letter sent by Fed Ex to Chang's law firm address was delivered and signed for on June 3, 2014.

31. To date, neither Chang nor Chen has contacted FINRA to explain Chen's failure to twice appear for an on-the-record interview and provide testimony.

32. Chen's failure to appear and testify as requested, impeded FINRA's investigation, and prevented FINRA from completing its regulatory responsibility to fully investigate potential rule violations.

33. Chen's failure to appear and testify on May 30, 2014 and June 17, 2014, as requested, constitutes separate and distinct violations of FINRA Rules 8210 and 2010 by Chen.

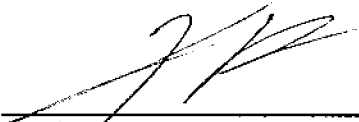
RELIEF REQUESTED

WHEREFORE, the Department respectfully requests that the Panel:

- A. make findings of fact and conclusions of law that Respondent committed the violations charged and alleged herein;
- B. order that one or more of the sanctions provided under FINRA Rule 8310(a), including monetary sanctions, be imposed; and
- C. order that Respondent bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330.

FINRA DEPARTMENT OF ENFORCEMENT

Date: 07/11/2014



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