

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2013039305101**

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

**RE: Kai Chong Cheng, Respondent
CRD No. 4987533**

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

I.

ACCEPTANCE AND CONSENT

- A. 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

Cheng first joined the securities industry in 2005 as a General Securities Representative ("GSR"). At that time, Cheng became associated with Merrill Lynch, Pierce, Fenner & Smith Incorporated (BD No. 7691) ("Merrill Lynch") as a GSR with the title of "First Vice President" and worked there until he was discharged in 2015.

RELEVANT DISCIPLINARY HISTORY

Cheng does not have any disciplinary history with the Securities and Exchange Commission, FINRA, any other self-regulatory organization or any state securities regulator.

FACTS AND VIOLATIVE CONDUCT

From June 2005 to February 2015, Respondent was employed as a registered representative with Merrill Lynch located at the Firm's New York, New York

office.

On March 2, 2015, Merrill Lynch filed a Uniform Termination Notice for Securities Industry Registration ("Form U5") that reflected that Respondent was discharged on February 4, 2015. Merrill Lynch stated on Cheng's U5 that Cheng was terminated for "conduct including entering into personal financial transactions with a customer, using a personal email address to communicate with a customer and unauthorized trading in a customer account."

During the course of a FINRA examination, on April 30, 2015, FINRA sent a letter to Respondent's counsel pursuant to FINRA Rule 8210 requesting Respondent to provide on-the-record testimony at FINRA's offices on May 28, 2015 and May 29, 2015. The Respondent failed to provide testimony on May 28, 2015 and May 29, 2015, as required by FINRA Rule 8210, and has not provided testimony to date.

By failing to appear for an OTR requested pursuant to FINRA Rule 8210, the Respondent violated FINRA Rule 8210. In addition, the Respondent violated FINRA Rule 2010, which requires the observance of high standards of commercial honor and just and equitable principles of trade.

B. Respondent also consents to the imposition of the following sanction:

- A bar from association with any FINRA regulated broker-dealer in any capacity.

Respondent understands that if he is barred or suspended from associating with any FINRA member, 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, Respondent 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. A bar or expulsion shall become effective upon approval or acceptance of this AWC.

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Complaint issued specifying the allegations against him;
- 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, Respondent specifically and voluntarily waives 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.

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:

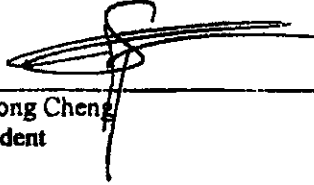
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against him; 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 him;
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. Respondent 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. Respondent 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: (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.

Respondent 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 Respondent 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 Respondent to submit it.

6/18/15
Date (mm/dd/yyyy)


Kai Chong Cheng
Respondent

Reviewed by

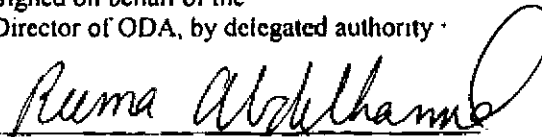


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Accepted by FINRA:

June 30, 2015
Date

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



Reema Abdelhamid
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