

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND
CONSENT NO. 2020067118901**

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

RE: Jiacheng Zhou, Respondent
Former Investment Banking Representative
CRD No. 7043791

Pursuant to FINRA Rule 9216, Respondent Jiacheng Zhou 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 in this AWC.

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

Zhou first became registered with FINRA as an Investment Banking Representative in January 2019 through her association with FINRA member firm Morgan Stanley & Co. LLC (BD No. 8209). On July 1, 2020, Morgan Stanley filed a Uniform Termination Notice for Securities Industry Registration (Form U5) stating that Zhou was discharged for “[c]oncerns relating to the submission of meal and car expenses that should not have been characterized as payable by the firm.” Zhou is not currently registered with FINRA but remains subject to FINRA’s jurisdiction pursuant to Article V, Section 4 of the FINRA By-Laws.

Respondent does not have any relevant disciplinary history.

OVERVIEW

Between January 2019 and March 2020, Zhou improperly used firm funds by submitting at least \$8,643.60 of travel and meal expenses as business expenses in order to obtain reimbursement to which she was not entitled. By virtue of this conduct, Zhou violated FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

This matter originated from a Form U5 filing.

FINRA Rule 2010 requires that members and associated persons in the conduct of their business “observe high standards of commercial honor and just and equitable principles of trade.” When an associated person uses or causes firm funds to be applied in a manner not permitted by the firm, he or she makes improper use of those funds and, therefore, fails to observe high standards of commercial honor and just and equitable principles of trade in violation of FINRA Rule 2010.

During the relevant period, Morgan Stanley’s expense policy allowed employees to expense overtime meals if they worked in the office beyond 8 p.m. on weekdays or for four hours or more on weekends or firm holidays. The policy did not allow reimbursement for meals eaten at home or in transit. The firm’s expense policy also allowed reimbursement for ground transportation within Manhattan from work to home or an equivalent distance after 10 p.m. on weekdays and directly to and from work on weekends and holidays.

From January 2019 through March 2020, while she was associated with the firm, Zhou improperly submitted at least \$8,643.60 of expenses for reimbursement to Morgan Stanley. Zhou improperly expensed 193 meals totaling \$6,085.41 purchased on days when she did not work in the office during the hours required by the expense policy. Zhou improperly submitted and was reimbursed for 112 transportation expenses totaling \$2,558.19 for transportation that was not from work to home or otherwise within the firm’s policy.

Therefore, Zhou violated FINRA Rule 2010.

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

- a one-year suspension from associating with any FINRA member in all capacities; and
- a \$10,000 fine.

The fine shall be due and payable either immediately upon reassociation with a member firm 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.

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanction imposed in this matter.

Respondent understands that if she is barred or suspended from associating with any FINRA member, she 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, she 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 in this AWC shall be effective on a date set by FINRA.

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 her;
- 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 its acceptance or rejection.

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 Respondent; and
- C. If accepted:
1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;
 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 its subject matter 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 testimonial obligations or 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 she 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.

Respondent certifies that she has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; Respondent has agreed to the AWC's provisions voluntarily; and no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce her to submit this AWC.

March 22, 2021

Date

Jiacheng Zhou

Jiacheng Zhou
Respondent

Reviewed by:

Robert L. Herskovits

Robert L. Herskovits, Esq.
Counsel for Respondent
Herskovits PLLC
120 Wall Street, 25th Floor
New York, New York 10005

Accepted by FINRA:

March 30, 2021

Date

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

Michael P. Morrissey

Michael P. Morrissey
Counsel
FINRA
Department of Enforcement
200 Liberty Street, 11th Floor
New York, NY 10281