

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2021070917301**

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

RE: David Lau (Respondent)
Former General Securities Representative
CRD No. 4567411

Pursuant to FINRA Rule 9216, Respondent David Lau 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 accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

Lau entered the securities industry in 2002 when he became registered as a General Securities Representative (GSR) through his association with Morgan Stanley, a FINRA member firm (Morgan Stanley). On April 1, 2021, Morgan Stanley filed a Uniform Termination Notice for Securities Industry Registration (Form U5) stating that Lau was terminated on March 3, 2021 over concerns regarding his compliance with pre-trade client confirmation requirements in connection with trades in non-discretionary accounts.

Although Lau is not currently registered or associated with a FINRA member firm, he remains subject to FINRA's jurisdiction pursuant to Article V, Section 4(a) of FINRA's By-Laws.¹

OVERVIEW

From March through October 2020, Lau exercised discretionary trading authority to effect 194 trades in five firm customer accounts without first obtaining written authorization from the customers and Morgan Stanley to treat the accounts as discretionary. As a result, Lau violated FINRA Rules 3260(b) and 2010.

¹ For more information about the respondent, visit BrokerCheck® at www.finra.org/brokercheck.

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FACTS AND VIOLATIVE CONDUCT

This matter originated from the Form U5 filed by Morgan Stanley in April 2021.

FINRA Rule 3260(b) prohibits registered representatives from exercising discretionary trading authority in a customer's account unless the customer has given the representative prior written authorization and the account has been accepted in writing as a discretionary account by the representative's member firm employer.

A violation of FINRA Rule 3260(b) also violates FINRA Rule 2010, which requires associated persons to "observe high standards of commercial honor and just and equitable principles of trade" in the conduct of their business.

Morgan Stanley's written supervisory procedures (WSPs) prohibited registered representatives from exercising discretion in the accounts of firm customers without the customer's prior written authorization and approval of the account as discretionary by the firm.

From March through October 2020, Lau exercised discretionary trading authority when he executed 194 securities transactions in five Morgan Stanley customer accounts without prior written authorization. The five customers did not provide Lau with prior written authorization for his use of discretion, and Morgan Stanley did not approve the accounts as discretionary accounts.

Therefore, Lau violated FINRA Rules 3260(b) and 2010.

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

A 20-calendar-day suspension from association with any FINRA member in all capacities and a fine of \$6,000.

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 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, he 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 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 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

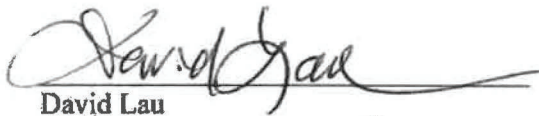
Respondent understands that:

- 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 right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.
- 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 he 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 he 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 him to submit this AWC.

11/16/2022
Date


David Lau
Respondent

Reviewed by:



Edward W. Larkin
Counsel for Respondent
Gibbons P.C.
One Pennsylvania Plaza, 37th Floor
New York, NY 10119-3701

Accepted by FINRA:

11/18/2022
Date

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


Richard Chin
Chief Counsel
Elson Ho
Counsel
FINRA
Department of Enforcement
One Brookfield Place
200 Liberty Street
New York, NY 10281