

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2022076913301**

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

RE: Feng Kou Chen (Respondent)
Former General Securities Representative
CRD No. 6424082

Pursuant to FINRA Rule 9216, Respondent Feng Kou Chen 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

Feng Kou Chen first registered with FINRA in 2015. Chen was registered with FINRA as a General Securities Representative through an association with LPL Financial LLC (CRD 6413) from July 2021 through November 22, 2022, when the firm filed a Uniform Termination Notice for Securities Industry Registration (Form U5) disclosing that it had terminated Chen because he “[e]ffectuated transactions in customer accounts without valid written authorization.”

Although Chen is no longer associated with a FINRA member firm, FINRA retains jurisdiction over him pursuant to Article V, Section 4, of FINRA’s By-Laws.¹

OVERVIEW

In January 2022, Chen falsified information on eight customer account forms by adding his own name as beneficiary to the accounts without the customers’ knowledge or consent, in violation of FINRA Rule 2010. Chen also violated FINRA Rules 3241 and 2010 by listing himself as beneficiary without LPL Financial’s approval.

In August 2022, Chen effected unauthorized transactions in approximately 60 customer accounts, in violation of FINRA Rule 2010.

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

FACTS AND VIOLATIVE CONDUCT

This matter originated from FINRA's review of the Form U5 filed by LPL Financial.

A. Chen falsified customer account profiles and designated himself as a beneficiary of eight customer accounts without firm approval.

FINRA Rule 2010 requires that members and their associated persons, "observe high standards of commercial honor and just and equitable principles of trade" in the conduct of their business. Falsification occurs when a person creates a document or entry in a firm's system that creates a false appearance by including untrue or altered information. Falsification is inconsistent with just and equitable principles of trade and violates FINRA Rule 2010.

FINRA Rule 3241 provides that "[a] registered person shall decline being named a beneficiary of a customer's estate or receiving a bequest from a customer's estate upon learning of such status" unless (a) the customer is an immediate family member, or (b) the representative provides written notice to the firm, and the firm approves the request. A violation of FINRA Rule 3241 is also a violation of FINRA Rule 2010.

During the relevant period, LPL Financial prohibited a registered representative from being named a beneficiary of a client's account, unless the client was an immediate family member of the representative. The firm allowed for limited exceptions to this rule, but at all times required the registered representative to obtain approval from the firm prior to agreeing to be named a beneficiary of a customer account. In particular, the firm required that customers complete and sign a form to change their account's beneficiary designation.

In January 2022, in connection with updating customer account information resulting from the transfer of accounts from another firm, Chen added his name as beneficiary to eight accounts without the customers' authorization. In doing so, Chen falsely identified himself as a "friend or relative" of the customers on the required forms. In addition, Chen listed himself as a beneficiary of eight customer accounts without seeking or receiving approval from LPL Financial.

LPL detected Chen's misconduct later in January 2022, and removed him as beneficiary from the accounts.

Therefore, Chen violated FINRA Rules 3241 and 2010, both independently and by virtue of his violation of Rule 3241.

B. Chen executed mutual fund sales and UIT purchases without customer authorization.

Unauthorized trading occurs when a registered representative effects trades in a customer's non-discretionary account without first obtaining the customer's written or

oral authorization. Unauthorized trading is a breach of the duty to observe high standards of commercial honor and just and equitable principles of trade and thus is a violation of FINRA Rule 2010.

In August 2022, Chen sold approximately 140 mutual funds in 60 customer accounts, totaling more than \$1.9 million, without the customers' prior authorization. Also in that same month, Chen purchased 139 Unit Investment Trusts for 57 customer accounts, totaling more than \$1.7 million, without the customers' prior authorization.

Therefore, Chen violated FINRA Rule 2010.

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

- a 20-month suspension from associating with any FINRA member in all capacities; and
- a requirement that, within 60 days of his reassociation with a FINRA member firm, Respondent will satisfactorily complete 20 hours of continuing education regarding discretionary trading from a provider that is not unacceptable to FINRA.

Respondent has submitted a statement of financial condition and demonstrated an inability to pay. In light of Respondent's financial status, no monetary sanctions have been imposed.

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 understands and acknowledges that FINRA does not represent or advise him and Respondent cannot rely on FINRA for legal advice. 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.

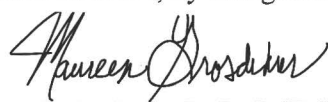
9/25/2024
Date


Feng Kou Chen
Respondent

Accepted by FINRA:

October 7, 2024
Date

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


Maureen Grosdidier
Counsel
FINRA
Department of Enforcement
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