

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. C02050003

**TO: Department of Enforcement
NASD**

**RE: Ding Ho Wang, Respondent
Investment Company Products/Variable Contracts Representative
CRD No. 1130318**

Pursuant to Rule 9216 of NASD Code of Procedure, I submit this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described in Part II below. This AWC is submitted on the condition that, if accepted, NASD will not bring any future actions against me alleging violations based on the same factual findings.

I understand that:

- 1. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by NASD's Department of Enforcement and National Adjudicatory Council ("NAC") Review Subcommittee or Office of Disciplinary Affairs ("ODA"), pursuant to NASD Rule 9216;**
- 2. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and**
- 3. If accepted:**
 - a. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against me;**
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about my disciplinary record;**
 - c. NASD may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-2; and**
 - d. I 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 allegation in this AWC or create the impression that the**

AWC is without factual basis. Nothing in this provision affects my testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

I also understand that my experience in the securities industry and disciplinary history may be factors that will be considered in deciding whether to accept this AWC. That experience and history are as follows:

From in or about January 2000 to January 2003, Ding Ho Wang ("Respondent") was associated with SCF Securities, Inc. ("SCF") as an Investment Company Products/Variable Contracts Representative. Respondent is currently registered with another NASD member. Respondent has not been the subject of any disciplinary action by NASD, the Securities and Exchange Commission, or any state regulator.

1.

WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under NASD's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against me;
- B. To be notified of the Formal 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 NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, I specifically and voluntarily waive any right to claim bias or prejudgment of the General Counsel, 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.

I further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of Rule 9143 or the separation of functions prohibitions of 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.

II.

ACCEPTANCE AND CONSENT

A. I hereby accept and consent, without admitting or denying the allegations or findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of NASD, or to which NASD 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 NASD:

- 1. From in or about February 2002 to about October 2002, Respondent variously placed three different advertisements in a Chinese language newspaper and distributed sales literature in the form of a booklet without prior approval from SCF and in contravention of various NASD rules relating to communications with the public. The advertisements and sales literature were variously misleading and contained exaggerated or unwarranted statements and claims as follows:**
 - a. Overall, the advertisements and sales literature failed to include sufficient risk disclosure and to provide a balanced treatment of risks and potential benefits in contravention of NASD Conduct Rules 2210(d)(1)(A) and (d)(1)(D)(i);**
 - b. The discussion in the sales literature (i.e., the booklet) concerning variable annuities and variable life contravened IM-2210-2 and Conduct Rule 2210(d)(1)(A) in that they implied that the variable product being offered or the underlying accounts were mutual funds;**
 - c. The sales literature, which promoted variable life insurance products, contains hypothetical illustrations of rates of return that fail to conform to the requirements of IM-2210-2(b)(5);**
 - d. All of the communications contained exaggerated or unwarranted statements and claims, and failed to reflect the risks of fluctuating prices and the uncertainty of return, in violation of Rule 2210(d)(1)(B). For example, the communications variously stated that:**
 - i. "These kinds of stocks have more or less an average of 12% of incremental gain and returning rates over a ten-year period. The profits double every six years. Investment risk being comparatively low and the rate of return being not low are the best advantage of mutual fund investment."**

- ii. Certain investments involve "comparatively low" investment risk;
 - iii. "A mutual fund is a long term investment which can get you an average return of 10-12% over ten years";
 - iv. "There are strict laws in place to control the investment companies. You can make money or you can lose money, but no one can steal money from your mutual fund account. They are very safe;" and
 - v. "Could Your Fund Go Bust? Relax. Outright fraud is extremely rare in the fund industry . . . The industry is governed by a tough, post-Depression law known as the Investment Company Act of 1940."
2. The advertisements discussed and promoted Respondent's securities business but failed to identify SCF, the broker-dealer that offered securities, as required by Rule 2210(d)(2)(A).¹
 3. The sales literature provided incomplete and oversimplified comparisons concerning, among other things, what banks, life insurance companies and mutual funds "do with your money" that were misleading and otherwise contravened Conduct Rule 2210(d)(2)(M).²
 4. The sales literature contained investment company performance that was not in accordance with the requirements set forth in SEC Rule 482 with regard to the inclusion of standardized average annual total returns, specific disclosure language and prospectus offer. Such failure to comply with SEC Rule 482 contravened Conduct Rule 2210(e), which requires communications to conform to all applicable SEC rules.
 5. By reason of the conduct described in paragraphs 1 through 4, above, Respondent violated NASD Conduct Rules 2110, 2210(b)(1), 2210(d)(1)(A), 2210(d)(1)(B), 2210(d)(1)(D), 2210(d)(2)(A), 2210(d)(2)(M) and 2210(e).

¹ The requirement to include the member firm's name is now cited in Conduct Rule 2210(2)(C)(i).

² The comparison criteria set forth in Conduct Rule 2210(d)(2)(M) is now cited in Rule 2210(d)(2)(B).

- B. I also consent to the imposition, at a maximum, of the following sanctions:

A fine in the amount of \$5,000 and a suspension from associating with any NASD member in any and all capacities for thirty (30) business days.

The sanctions imposed herein shall be effective on a date set by NASD staff.

III.

OTHER MATTERS

- A. I understand that I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I 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 NASD, nor does it reflect the views of NASD or its staff.*
- B. I agree to pay any monetary sanctions imposed on me upon notice that this AWC has been accepted and that such payments are due and payable and have attached an Election of Payment form showing the method by which I propose to pay any fine imposed.
- C. I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.
- D. I understand that if I am barred or suspended from associating with any NASD member, I become subject to a statutory disqualification as that term is defined in Section 3(a)(39) of the Securities Exchange Act of 1934, as amended. Accordingly, I may not be associated with any NASD member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension. (See NASD Rule 8310 and IM-8310-1.)

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it, and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce me to submit it.

12-24-04

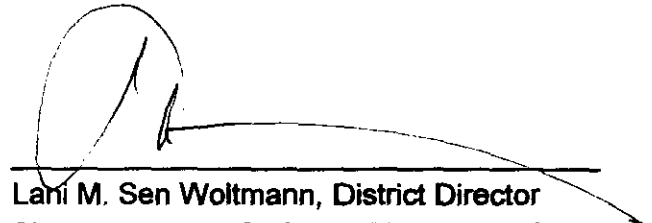
Date


Ding Ho Wang, Respondent

Accepted by NASD:

1/6/05

Date


Lani M. Sen Woltmann, District Director
Signed on behalf of the Director of ODA,
by delegated authority