

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2012034046301**

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

RE: Walter Chao, Respondent
Former Registered Representative
CRD No. 4665787

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Walter Chao ("Chao"), submit 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 me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I hereby accept and consent, 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

Chao entered the securities industry in June 2003. He joined LPL Financial, LLC ("LPL" or the "Firm") in August 2007, where he was registered as a General Securities Representative, a General Securities Principal, an Investment Company Products/Variable Contracts Representative, and an Investment Company Products/Variable Contracts Principal. LPL terminated Chao's registration in September 2012 for "violating firm policies and procedures relative to participation in private securities transactions away from the firm without firm authorization." From October 2012 to January 2015, Chao was registered with Purshe Kaplan Sterling Investments.

Chao is not currently registered with a FINRA member, but remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws.

RELEVANT DISCIPLINARY HISTORY

Chao has no disciplinary history.

OVERVIEW

Between February and May 2012, while registered with LPL, Chao participated in nine private securities transactions totaling \$1.27 million without LPL's approval. Chao attempted to conceal from LPL his participation in the private securities transactions by using an unapproved email address and providing false and misleading answers in a compliance questionnaire. Chao also provided false and misleading statements to FINRA regarding his involvement in the private securities transactions. As a result, Chao violated NASD Rule 3040 and FINRA Rules 8210 and 2010.

In addition, Chao, as a branch manager, failed to adequately supervise. Chao was aware that staff under his supervision were using blank signed forms and unapproved email addresses, but failed to take adequate steps to prevent it from occurring. Chao's conduct violated NASD Rule 3010 and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

Chao Sold Away from LPL

In late 2011, Chao learned that Firm A had created special purpose vehicles ("SPV") to purchase pre-initial public offering ("IPO") shares of Facebook, Inc. Individual investors could purchase ownership interests in the SPVs in order to participate in one of the most highly anticipated IPOs in years. Chao wanted to solicit his customers to purchase interests in the Facebook SPVs but understood that he was required to get approval from LPL before doing so. Chao requested approval and LPL denied his request.

Nevertheless, between February and May 2012, Chao introduced at least 13 clients to Firm A to purchase interests in a Facebook SPV. Nine of those clients invested a total of \$1.27 million in the Facebook SPVs. Although Chao did not receive any direct compensation from Firm A for his customers' transactions, Firm A waived approximately \$8,000 in fees associated with Chao's mother's purchase in a Facebook SPV.

Chao and his staff remained involved with his clients' Facebook SPV investments following their purchases, by, among other things, directing them to Chao's attorney for legal advice, answering customers' questions regarding their Facebook SPV investments, and contacting Firm A on the customers' behalf.

Chao took steps to conceal his participation in the private securities transactions from LPL. Chao regularly used an unapproved email address for communications related to his customers' transactions with Firm A. In addition, Chao provided false and misleading answers in an LPL compliance questionnaire by stating that he had not participated in any private securities transactions and failing to disclose his use of an unapproved email address.

By virtue of the foregoing, Chao violated NASD Rule 3040 and FINRA Rule 2010.

Chao Provided False and Misleading Statements to FINRA

On October 23, 2012, FINRA sent Chao a request pursuant to FINRA Rule 8210 seeking information related to LPL's allegations that Chao had participated in private securities transactions. Chao made two false and misleading statements in his response. First, he stated that he "only introduced a client to [Firm A] after the client had asked about the possibility of investing in Facebook." This was not true. Chao raised the idea of investing in a Facebook SPV for several of his clients. Second, Chao stated that he "simply introduced the clients to [Firm A] by providing the clients with contact [information] for [Firm A]." This also was not true. Chao, his staff, and his then attorney were substantively involved with Chao's clients' investments long after Chao introduced them to Firm A.

By virtue of the foregoing, Chao violated FINRA Rules 8210 and 2010.

Chao Failed to Adequately Supervise

Chao was the branch manager of an LPL office in San Mateo, California from late 2007 until his termination in August 2012. On an annual basis, LPL conducted audits of Chao's branch office. During his 2011 and 2012 audits, LPL notified Chao that his staff had used blank signed forms and unapproved email addresses. Chao, however, failed to take adequate steps to ensure that the office's files were purged of existing blank signed forms, that his staff stopped using blank signed forms, and that his staff did not use unapproved email addresses.

By virtue of the foregoing, Chao violated NASD Rule 3010 and FINRA Rule 2010.

B. I also consent to the imposition of the following sanctions:

- a 2-year suspension from associating with any FINRA member in any capacity;
- a \$30,000 fine; and
- a requirement that Chao requalify as a General Securities Principal by passing the Series 24 examination, prior to associating with any FINRA-member firm as a General Securities Principal, following his suspension.

I understand that if I am barred or suspended from associating with any FINRA member, I become 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, I 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 fine shall be due and payable either immediately upon re-association with a member firm following the 2-year suspension noted above, 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. I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

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

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Complaint issued specifying the allegations against me;
- 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, I specifically and voluntarily waive any right to claim bias or prejudice 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.

I further specifically and voluntarily waive 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.

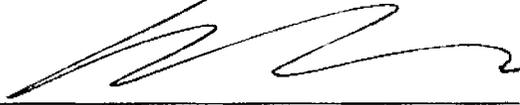
OTHER MATTERS

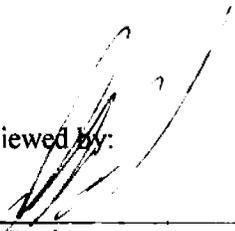
I understand that:

- 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 me; and
- C. If accepted:
 - 1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
 - 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. 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 finding in this AWC or create the impression that the AWC is without factual basis. I 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 my: (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.
- D. 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 FINRA, nor does it reflect the views of FINRA or its staff.

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; that I have 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 me to submit it.

07/21/2015
Date (mm/dd/yyyy)


Walter Chao, Respondent

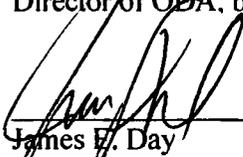
Reviewed by:


Joel Beck
Counsel for Respondent
The Beck Law Firm, LLC
232 West Crogan Street, Suite C
Lawrenceville, GA 30046
678-344-5342

Accepted by FINRA:

7/27/15 8/14/15
Date

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


James E. Day
Vice President and Chief Counsel
FINRA Department of Enforcement
15200 Omega Drive, 3rd Floor
Rockville, MD 20850
301-258-8520 (phone)
202-721-8303 (fax)