

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2013039301501**

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

RE: Alfred Kai Kwong Chan, Respondent
Registered Representative
CRD No. 4473594

Pursuant to FINRA Rule 9216 of FINRA's 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 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

Alfred Kai Kwong Chan ("Chan") first became associated with a FINRA member firm in 2001. From December 2, 2010 through December 3, 2013, Chan was associated with Signator Investors, Inc. ("Signator" or the "Firm") as a General Securities Representative (Series 7). Chan was associated with another FINRA member firm until January 26, 2016, and is currently not associated with a FINRA member firm. Although Chan 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.

OVERVIEW

Between April 1, 2011 and September 30, 2013 (the "Relevant Period"), Chan sold 105 indexed annuities with an approximate value of \$2.5 million through an outside business activity ("OBA") without properly disclosing the sales to Signator. In addition, in connection with two seminars that he conducted on

September 28, 2013, Chan distributed a newspaper advertisement that lacked adequate risk disclosure and was not approved by Signator. By reason of the foregoing, Chan violated NASD Rules 2210(b)(1) & (d)(1)(A) and FINRA Rules 3270 and 2010.

FACTS AND VIOLATIVE CONDUCT

Chan's Indexed Annuity Sales

During the Relevant Period, Chan sold fixed insurance products through an insurance agency and securities products through Signator. His insurance business was approved by Signator as an OBA, although Signator explicitly required that all indexed annuity business be submitted through the Firm. Despite this requirement, during the Relevant Period, Chan sold 105 indexed annuities valued at approximately \$2.5 million without submitting the business through Signator. Chan was compensated for the sales of these indexed annuities. He did not disclose to Signator the sales of these indexed annuities or his compensation from the sales.

FINRA Rule 3270 prohibits associated persons from engaging in a business activity outside the scope of the relationship with their member firm, unless they have provided prior written notice to the member firm. By selling 105 indexed annuities with a value of approximately \$2.5 million while associated with Signator without providing prior written notice to the Firm, Chan violated FINRA Rules 3270 and 2010.

Chan's Use of an Unbalanced and Unapproved Newspaper Advertisement

Chan conducted two seminars on September 28, 2013. Prior to the seminars, Chan submitted a newspaper advertisement to Signator for approval. Chan withdrew his request prior to receiving principal approval, but he used the newspaper advertisement in connection with his seminars anyway by publishing it in a community newspaper. Approximately 40 people attended the September 28, 2013 seminars.

The newspaper advertisement mentioned Chan's September 28, 2013 seminars, a non-traded REIT product by name and discussed positive attributes of the product. However, the newspaper advertisement did not address risks associated with the non-traded REIT.

NASD Rule 2210(d)(1)(A) provided¹ in relevant part that all member communications with the public must be fair and balanced and must provide a sound basis for evaluating the facts in regard to any particular security. NASD Rule 2210(b)(1) required a registered principal to approve each advertisement, piece of sales literature and independently prepared reprint before use.

¹ NASD Rule 2210 was replaced by FINRA Rule 2210 after the Relevant Period herein.

By reason of the conduct described above, Chan violated NASD Rules 2210(b)(1) & (d)(1)(A) and FINRA Rule 2010.

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

1. A six-month suspension from associated with any FINRA member firm in any capacity; and
2. A fine of \$10,000.

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 reassociation with a member firm following the six-month 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 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 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.

3-2-2016.
Date (mm/dd/yyyy)

Alfred Chan
Alfred Kai Kwong Chan, Respondent

Reviewed by:

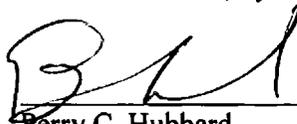
Michael G. Zarkin

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Accepted by FINRA:

3/22/16
Date

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



Perry C. Hubbard

Director

FINRA Department of Enforcement

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