

FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant,

v.

John Derek Lane (CRD No. 301717),

Respondent.

DISCIPLINARY PROCEEDING

No. 2011025437302

Hearing Officer - MAD

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: January 14, 2014

INTRODUCTION

Disciplinary Proceeding No. 2011025437302 was filed on December 31, 2013, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent John Derek Lane submitted an Offer of Settlement (Offer) to Complainant dated January 7, 2014. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondent has consented, without admitting or denying the allegations of the Complaint, 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, to the entry of findings and violations consistent with the allegations of the Complaint, and to the imposition of the sanctions set forth below, and fully understands that this Order will become part of

Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

Lane first became registered with FINRA in 1969. On February 26, 2002, Lane became registered with FINRA as a General Securities Representative and General Securities Principal through former FINRA member firm LCM. On November 3, 2009 and October 27, 2011, Lane also became registered with FINRA as a Limited Representative – Investment Banking and Operations Professional, respectively, through LCM.

On December 9, 2011, LCM filed a Uniform Termination Notice for Securities Industry Registration (Form U5) on Lane's behalf. The filing listed December 9, 2011 as both his employment and registration termination date from LCM.

Since November 14, 2013, Lane has been registered with FINRA through another member firm.

In January 2012, FINRA accepted an AWC from Lane that imposed a one month suspension in all principal capacities and a \$20,000 deferred fine against him for failing to effectively delegate supervisory responsibility at LCM, failing to ensure that LCM established, maintained and enforced a reasonably-designed system of supervisory control policies and procedures and failing to prepare annual CEO certifications.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:

SUMMARY

1. Respondent John Derek Lane served as his member firm's President and was responsible for supervising all of the firm's associated persons. During the period January 25,

2011 through May 9, 2011 (the "Relevant Period"), Lane permitted RKG, an associated person of the firm, to offer and sell private placement investments to three investors in four transactions prior to RKG's registration as a Limited Representative—Private Securities Offerings becoming effective. This conduct violated NASD Membership and Registration Rule 1031 and FINRA Rule 2010.

(Permitting an Unregistered Individual to Offer and Sell Securities)
NASD Membership and Registration Rule 1031 and FINRA Rule 2010

2. Lane was the President and Chief Executive Officer of LCM throughout the Relevant Period. As President of LCM, Lane was the supervisor of all LCM associated persons.

3. NASD Rule 1031(a) states that "All persons engaged or to be engaged in the investment banking or securities business of a member who are to function as representatives shall be registered as such with NASD in the category of registration appropriate to the function to be performed..." "Before their registration can become effective, they shall pass a Qualification Examination for Representatives appropriate to the category of registration..."

4. Article I, Sec. (rr) of the FINRA By-Laws defines associated persons as, *inter alia*, "a natural person who ... has applied for registration under the Rules of the Corporation."

5. On January 25, 2011, RKG became an associated person of LCM when he completed and executed a Uniform Application for Securities Industry Registration (Form U4) that was submitted to FINRA by LCM on his behalf the following day. In April 2011 RKG sat for and passed the Series 82 examination for registration as a Limited Representative—Private Securities Offerings. Due to problems with RKG's fingerprints, however, he did not become registered with FINRA in that capacity through LCM until May 10, 2011, 15 weeks after his Form U4 was submitted.

6. Between January 25 and May 9, 2011, RKG offered and sold \$1,020,000 in

private placement investments to three investors in four transactions. RKG's four sales occurred one each in the months of February, March, April and May, 2011. RKG was associated with LCM at the time of these transactions, but his registration with FINRA was not effective.

7. Lane was aware of both RKG's private placement sales and the fact that his registration had not yet become effective. Despite this knowledge, Lane permitted RKG to offer and sell securities for approximately ten weeks without registration.

8. By permitting RKG to offer and sell securities prior to his registration becoming effective, Lane violated NASD Membership and Registration Rule 1031 and FINRA Rule 2010.

Based on the foregoing, Respondent violated NASD Membership and Registration Rule 1031 and FINRA Rule 2010.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

It is ordered that Respondent be fined \$5,000 and suspended from association with any FINRA member firm in any and all principal capacities for 20 business days.

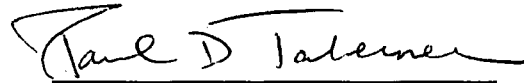
Respondent agrees to pay the monetary sanction upon notice that the Offer has been accepted and that such payments are due and payable. Respondent has submitted an Election of Payment form showing the method by which he proposes to pay the fine imposed.

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

SO ORDERED.

FINRA

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

A handwritten signature in black ink, reading "Paul D. Taberner". The signature is written in a cursive style with a horizontal line underneath the name.

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