

FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant,

v.

Darnell A. Deans (CRD No. 2200059),

Respondent.

DISCIPLINARY PROCEEDING
No. 2012030677101

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. Respondent Darnell A. Deans, while associated with Garden State Securities, Inc. (BD No. 10083) ("GSS" or the "Firm"), willfully failed to amend his Uniform Application for Securities Industry Registration ("Form U4") to disclose three unsatisfied federal tax liens totaling approximately \$254,995 in violation of Article V, Section 2 of NASD's By-Laws (for conduct on or before July 29, 2007) and Article V, Section 2(c) of FINRA's By-Laws (for conduct on or after July 30, 2007), IM-1000-1 (for conduct on or before August 16, 2009), FINRA Rule 1122 (for conduct on or after August 17, 2009), NASD Conduct Rule 2110 (for conduct on or before December 14, 2008), and FINRA Rule 2010 (for conduct on and after December 15, 2008).
2. Further, from in or about April 2011 through August 2011, while associated with GSS, Deans borrowed a total of \$266,000 from two Firm customers without seeking

or obtaining the Firm's approval for the loans. This conduct violated FINRA Rules 3240 and 2010.

3. Moreover, in November 2011, Deans falsely represented to GSS in an Annual Attestation that he had not borrowed money from any Firm customers and in January 2012, Deans failed to disclose to the Firm the extent of funds borrowed from two customers of GSS. This conduct violated FINRA Rule 2010.

RESPONDENT AND JURISDICTION

4. In January 1992, Deans first became registered with FINRA as a General Securities Representative ("GSR") through an association with a FINRA member firm. In March 1993, Deans became registered as a General Securities Principal ("GSP") and, in October 2000, he became registered as a General Securities Sales Supervisor ("GSSS"), through different member firms. From January 2005 through November 26, 2013, Deans was registered in the same capacities through GSS.
5. On November 26, 2013, GSS filed a Uniform Termination Notice for Securities Industry Registration ("Form U5") stating that Deans was terminated due to "management loss of confidence due to ongoing regulatory issues." His last date of employment at GSS was November 26, 2013.
6. Currently, Deans is registered as a GSR, GSP, and GSSS through another FINRA member firm. Accordingly, FINRA has jurisdiction over Deans pursuant to Article V of FINRA's By-Laws.

FIRST CAUSE OF ACTION
Willful Failure to Amend Form U4 to Disclose Material Information
(Article V, Section 2 of NASD's By-Laws, Article V, Section 2(c) of the FINRA By-Laws,
IM-1000-1, NASD Conduct Rule 2110 and FINRA Rules 1122 and 2010)

7. The Department realleges and incorporates by reference paragraphs 1 through 6 above.
8. Article V, Section 2 of NASD's By-Laws required, and Article V, Section 2(c) of the FINRA By-Laws requires, that registrations filed with FINRA be kept current at all times and that amendments must be filed with FINRA not later than 30 days after learning of the facts or circumstances giving rise to the amendment.
9. NASD Rule IM-1000-1 provided that the failure to disclose required information "may be deemed to be conduct inconsistent with just and equitable principles of trade, and when discovered may be sufficient cause for appropriate disciplinary action." Effective August 17, 2009, FINRA Rule 1122 superseded NASD Rule IM-1000-1. FINRA Rule 1122 provides, "No member or person associated with a member shall file with FINRA information with respect to membership or registration which is incomplete or inaccurate so as to be misleading, or which could in any way tend to mislead, or fail to correct such filing after notice thereof."
10. FINRA Rule 2010 requires the observance of high standards of commercial honor and just and equitable principles of trade.
11. At all times relevant to this Complaint, Question 14M of the Form U4 asked: "Do you have any unsatisfied judgments or liens against you?" If an affirmative answer is given to Question 14M, the registered person is required to provide details about the judgment or lien.

12. On or about January 12, 2006, the IRS filed a lien against Deans in the amount of \$111,901.47 for tax years 1999 through 2002 (the "January 2006 Federal Tax Lien"). The lien remains unsatisfied. Deans was registered with FINRA when he learned about the January 2006 Federal Tax Lien but has never amended his Form U4 to disclose the lien.
13. On or about August 25, 2006, the IRS filed a lien against Deans in the amount of \$20,455.28 for tax year 2003 (the "August 2006 Federal Tax Lien"). The lien remains unsatisfied. Deans was registered with FINRA when he learned about the August 2006 Federal Tax Lien but has never amended his Form U4 to disclose the lien.
14. On or about June 25, 2007, the IRS filed a lien against Deans in the amount of \$122,638.55 for tax years 1999 through 2004 (the "June 2007 Federal Tax Lien"). The lien remains unsatisfied. Deans was registered with FINRA when he learned about the June 2007 Federal Tax Lien but has never amended his Form U4 to disclose the lien.
15. From at least June 2006 through at least December 2007, Deans received from the IRS and from RN, a certified public account retained by Deans to address Dean's tax issues, numerous notices from the IRS that alerted Deans that the IRS had filed federal tax liens against him.
16. On or about May 21, 2007, Deans signed "[u]nder penalties of perjury" an IRS Form 433-A "Collection Information Statement for Wage Earners and Self-Employed Individuals," which stated that the IRS had filed a judgment against Deans for unpaid taxes.

17. On or about December 3, 2007, Deans signed an IRS Form 433-D "Installment Agreement," which stated that "a Notice of Federal Tax Lien has already been filed" against Deans.
18. Accordingly, by December 3, 2007, if not before, Deans was on notice, and therefore knew or should have known, that he was subject to the January 2006 Federal Tax Lien, the August 2006 Federal Tax Lien and the June 2007 Federal Tax Lien.
19. Despite being put on notice that the IRS had filed federal tax liens against him, Deans did not update his Form U4 to report the January 2006 Federal Tax Lien, the August 2006 Federal Tax Lien or the June 2007 Federal Tax Lien.
20. On or about January 4, 2011, Deans completed the Firm's 2010 Annual Attestation and answered "yes" to the question "Have you promptly and completely disclosed to the BD any changes or potential changes to your Form U4?" At the time that Deans completed the Annual Attestation, Deans was aware of the January 2006 Federal Tax Lien, the August 2006 Federal Tax Lien and the June 2007 Federal Tax Lien. Nevertheless, Deans failed to disclose the liens to the Firm and failed to update his Form U4.
21. On or about November 22, 2011, Deans completed the Firm's 2011 Annual Attestation and answered "yes" to the question "Have you promptly and completely disclosed to the BD any changes or potential changes to your Form U4?" At the time that Deans completed the Annual Attestation, Deans was aware of the January 2006 Federal Tax Lien, the August 2006 Federal Tax Lien and the June 2007 Federal Tax Lien. Nevertheless, Deans failed to disclose the liens to the Firm and failed to update his Form U4.

22. By willfully failing to amend his Form U4 to disclose the January 2006 Federal Tax Lien, the August 2006 Federal Tax Lien and the June 2007 Federal Tax Lien, Deans violated Article V, Section 2 of NASD's By-Laws (for conduct on or before July 29, 2007) and Article V, Section 2(c) of FINRA's By-Laws (for conduct on or after July 30, 2007), IM-1000-1 (for conduct on or before August 16, 2009), FINRA Rule 1122 (for conduct on or after August 17, 2009), NASD Conduct Rule 2110 (for conduct on or before December 14, 2008), and FINRA Rule 2010 (for conduct on and after December 15, 2008).

**SECOND CAUSE OF ACTION
Borrowing from Customers
(FINRA Rules 3240 and 2010)**

23. The Department realleges and incorporates by reference paragraphs 1 through 22 above.

24. FINRA Rule 3240 prohibits registered persons from borrowing money from or lending money to any customer unless: (1) the representative's employing member firm has written procedures allowing borrowing from or lending to customers; (2) the borrowing or lending meets at least one of the conditions specified in Rule 3240(a)(2); and (3) the registered person notifies the firm of the borrowing or lending arrangements prior to entering into the arrangements and obtains pre-approval in writing.

25. In or about October 2010, PP opened an account with GSS and Deans served as the representative for PP's account.

26. From April 2011 through August 2011, while PP was a customer of the Firm, PP loaned Deans approximately \$241,000.

27. In or about February 2010, JP opened an account with GSS and Deans served as the representative for JP's account.
28. On or about May 11, 2011, while JP was a customer of the Firm, JP loaned Deans \$25,000.
29. In or about December 2011, as a result of a branch inspection of Deans' branch office, GSS uncovered two of the loan payments from Firm customer PP to Deans amounting to a total of \$25,000. When confronted, Deans admitted that the two payments from PP represented personal loans to Deans.
30. On January 23, 2012, Deans and GSS executed a compliance memorandum entitled "Internal Action – Personal Loans," which stated that Deans had violated GSS' procedures by borrowing money from a customer. The compliance memorandum read:

Due to violations regarding certain Garden State Securities written supervisory procedures outlined below, we are hereby instituting this internal action against you. As you are aware, the Firm has identified that you have borrowed money from a customer.

FINRA Rule 3240 prohibits persons from borrowing money from or lending money to a customer. In certain circumstances, however, a loan may be approved, but only on a case-by-case basis. You did not seek prior approval for your loan from customer [PP]. This is a violation of the Firm's procedures regarding borrowing from customers.

Deans signed the compliance memorandum on or about January 23, 2012. Despite signing the memorandum, and acknowledging that he was required to seek approval from the Firm for any loan from a Firm customer, Deans did not disclose to the Firm that he had previously borrowed additional funds from PP or that he had received a loan from Firm customer JP, all without Firm approval.

31. During the relevant time period, Deans did not request or receive approval from GSS to solicit or receive the aforementioned loans from customers.
32. Deans violated FINRA Rules 3240 and 2010 by borrowing funds from customers without his broker-dealer employer's knowledge or approval.

THIRD CAUSE OF ACTION
Providing False Information on Firm's Annual Attestation and
Failing to Disclose the Extent of Funds Borrowed from Firm Customers
(FINRA Rule 2010)

33. The Department realleges and incorporates by reference paragraphs 1 through 32 above.
34. On or about November 22, 2011, Deans completed the Firm's 2011 Annual Attestation and answered "no" to the question "Have you engaged in any activity that is or may be interpreted as borrowing from a customer?"
35. This answer was false. At the time that Deans completed the Annual Attestation, Deans was aware that from April 2011 through August 2011, he had borrowed approximately \$266,000 from PP and JP, both of whom were customers of GSS.
36. Further, in or about December 2011, as a result of a branch inspection of Deans' branch office, GSS uncovered two loan payments from Firm customer PP to Deans amounting to a total of \$25,000. When confronted, Deans admitted that the two payments from PP represented personal loans to Deans.
37. On January 23, 2012, Deans and GSS executed a compliance memorandum entitled "Internal Action – Personal Loans" that stated Deans had violated GSS' procedures by borrowing money from customer PP. Deans signed the compliance memorandum on or about January 23, 2012.

38. Despite signing the memorandum, and acknowledging that he was required to seek approval from the Firm for any loan from a Firm customer, Deans did not disclose to the Firm that he had previously borrowed additional funds from PP or that he had received a loan from Firm customer JP, all without Firm approval.
39. Deans violated FINRA Rule 2010 by providing false information on his Firm's annual attestation and by failing to disclose the extent of funds borrowed from customer PP and that he borrowed funds from another customer, JP, without Firm approval, when he signed the Compliance Memo in 2012 acknowledging he had engage in the unapproved borrowing of funds from customer PP.

RELIEF REQUESTED

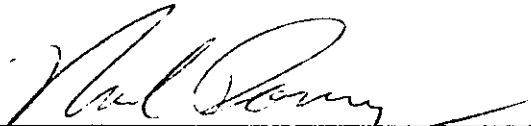
WHEREFORE, the Department respectfully requests that the Panel:

- A. make findings of fact and conclusions of law that Deans committed the violations charged and alleged herein;
- B. order that one or more of the sanctions provided under FINRA Rule 8310(a), including monetary sanctions, be imposed;
- C. order that Deans bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330; and

- D. make specific findings that Deans' conduct as alleged in the First Cause of Action was willful; the omitted information was material; and, the omission to state material facts was on a Form U4 application.

FINRA DEPARTMENT OF ENFORCEMENT

Date: February 6, 2015



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