

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

Department of Enforcement,

Complainant,

v.

Darnell A. Deans (CRD No. 2200059),

Respondent.

Disciplinary Proceeding
No. 2012030677101

Hearing Officer Andrew H. Perkins

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: October 12, 2015

INTRODUCTION

Disciplinary Proceeding No. 2012030677101 was filed on February 6, 2015, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent Darnell A. Deans submitted an Offer of Settlement (Offer) to Complainant dated October 5, 2015. 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

In January 1992, Respondent first became registered with FINRA as a General Securities Representative (GSR) through an association with a FINRA member firm. In March 1993, Respondent 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, Respondent was registered in the same capacities through GSS.

On November 26, 2013, GSS filed a Uniform Termination Notice for Securities Industry Registration (Form U5) stating that Respondent was terminated due to "management loss of confidence due to ongoing regulatory issues." His last date of employment at GSS was November 26, 2013.

Currently, Respondent is registered as a GSR, GSP, and GSSS through another FINRA member firm. Accordingly, FINRA has jurisdiction over Respondent pursuant to Article V of FINRA's By-Laws.

On June 18, 2013, the State of New Jersey entered a Summary Revocation and Penalty Order against Deans for violations related to borrowing funds from customers of GSS and failing to disclose tax liens. On September 3, 2014, Deans entered into an Administrative Consent Order with the State of New Jersey that included a \$37,500 civil and administrative fine and a two and

one-half year suspension in all capacities, commencing on June 18, 2013 and ending on December 18, 2015.

FINDINGS AND CONCLUSIONS

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

SUMMARY

1. Respondent, while associated with GSS, 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, Respondent 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, Respondent falsely represented to GSS in an Annual Attestation that he had not borrowed money from any Firm customers and in January 2012, Respondent failed to disclose to the Firm the extent of funds borrowed from two customers of GSS. This conduct violated FINRA Rule 2010.

**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)**

4. 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.
5. 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."
6. FINRA Rule 2010 requires the observance of high standards of commercial honor and just and equitable principles of trade.
7. 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.
8. On or about January 12, 2006, the IRS filed a lien against Respondent in the amount of \$111,901.47 for tax years 1999 through 2002 (the "January 2006 Federal Tax Lien"). The

lien remains unsatisfied. Respondent 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.

9. On or about August 25, 2006, the IRS filed a lien against Respondent in the amount of \$20,455.28 for tax year 2003 (the "August 2006 Federal Tax Lien"). The lien remains unsatisfied. Respondent 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.
10. On or about June 25, 2007, the IRS filed a lien against Respondent in the amount of \$122,638.55 for tax years 1999 through 2004 (the "June 2007 Federal Tax Lien"). The lien remains unsatisfied. Respondent 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.
11. From at least June 2006 through at least December 2007, Respondent received from the IRS and from RN, a certified public account retained by Respondent to address Dean's tax issues, numerous notices from the IRS that alerted Respondent that the IRS had filed federal tax liens against him.
12. On or about May 21, 2007, Respondent 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 Respondent for unpaid taxes.
13. On or about December 3, 2007, Respondent signed an IRS Form 433-D "Installment Agreement," which stated that "a Notice of Federal Tax Lien has already been filed" against Respondent.

14. Accordingly, by December 3, 2007, if not before, Respondent 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.
15. Despite being put on notice that the IRS had filed federal tax liens against him, Respondent 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.
16. On or about January 4, 2011, Respondent 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 Respondent completed the Annual Attestation, Respondent was aware of the January 2006 Federal Tax Lien, the August 2006 Federal Tax Lien and the June 2007 Federal Tax Lien. Nevertheless, Respondent failed to disclose the liens to the Firm and failed to update his Form U4.
17. On or about November 22, 2011, Respondent 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 Respondent completed the Annual Attestation, Respondent was aware of the January 2006 Federal Tax Lien, the August 2006 Federal Tax Lien and the June 2007 Federal Tax Lien. Nevertheless, Respondent failed to disclose the liens to the Firm and failed to update his Form U4.
18. 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, Respondent 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).

**Borrowing from Customers
(FINRA Rules 3240 and 2010)**

19. 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.
20. In or about October 2010, PP opened an account with GSS and Respondent served as the representative for PP's account.
21. From April 2011 through August 2011, while PP was a customer of the Firm, PP loaned Respondent approximately \$241,000.
22. In or about February 2010, JP opened an account with GSS and Respondent served as the representative for JP's account.
23. On or about May 11, 2011, while JP was a customer of the Firm, JP loaned Respondent \$25,000.
24. In or about December 2011, as a result of a branch inspection of Respondent's branch office, GSS uncovered two of the loan payments from Firm customer PP to Respondent amounting to a total of \$25,000. When confronted, Respondent admitted that the two payments from PP represented personal loans to Respondent.

25. On January 23, 2012, Respondent and GSS executed a compliance memorandum entitled “Internal Action – Personal Loans,” which stated that Respondent 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.

Respondent 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, Respondent 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.

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

**Providing False Information on Firm’s Annual Attestation and
Failing to Disclose the Extent of Funds Borrowed from Firm Customers
(FINRA Rule 2010)**

28. On or about November 22, 2011, Respondent 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?”

29. This answer was false. At the time that Respondent completed the Annual Attestation, Respondent 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.
30. Further, in or about December 2011, as a result of a branch inspection of Respondent's branch office, GSS uncovered two loan payments from Firm customer PP to Respondent amounting to a total of \$25,000. When confronted, Respondent admitted that the two payments from PP represented personal loans to Respondent.
31. On January 23, 2012, Respondent and GSS executed a compliance memorandum entitled "Internal Action – Personal Loans" that stated Respondent had violated GSS' procedures by borrowing money from customer PP. Respondent signed the compliance memorandum on or about January 23, 2012.
32. Despite signing the memorandum, and acknowledging that he was required to seek approval from the Firm for any loan from a Firm customer, Respondent 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.
33. Respondent 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.

Based on the foregoing, Respondent violated NASD Conduct Rule 2110 (for conduct on or before December 14, 2008), FINRA Rules 3240 and 2010 (for conduct on and after December

15, 2008), and willfully violated Article V, Section 2 of NASD's By-Laws (for conduct on or before July 29, 2007), 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), and FINRA Rule 1122 (for conduct on or after August 17, 2009).

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

- suspended from association with any FINRA member in any and all capacities for a period of eight months;
- fined \$10,000; and
- required to requalify by examination as a General Securities Representative prior to association with any member firm in that capacity.

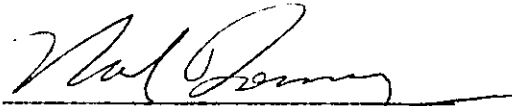
Respondent agrees to pay the monetary sanction upon notice that this Offer has been accepted and that such payments are due and payable. Respondent has submitted an Election of Payment form showing the method by which he proposes to pay the fine imposed.

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, appearing to read "Noel Downey", is written over a horizontal line.

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