

FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant,

v.

Charles H. Melvin, Jr.
(CRD No. 1274431),

Respondent.

DISCIPLINARY PROCEEDING
No. 2012034045101

HEARING OFFICER:

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. Respondent Charles H. Melvin, Jr. ("Melvin" or "Respondent") willfully failed to timely amend his Uniform Application for Securities Industry Registration ("Form U4") to disclose three federal tax liens that were filed against him in July 2010 and in February 2012. By engaging in such misconduct, Melvin acted in contravention of Article V, Section 2(c) of FINRA's By-Laws and violated FINRA Rules 1122 and 2010.

RESPONDENT(S) AND JURISDICTION

2. Respondent first became registered with FINRA on March 1, 1988, as an Investment Company Shares and Variable Contracts Representative of FINRA member

Northwestern Mutual Investment Services, LLC ("NMIS"). Respondent remained registered with NMIS through September 7, 2012.

3. On September 13, 2012, NMIS filed a Uniform Termination Notice for Securities Industry Registration ("Form U5") on behalf of Respondent, reporting that Respondent's registration was terminated on September 7, 2012 and, further, that Respondent was permitted to resign following his failure to adhere to the terms of a corrective action plan.
4. Respondent subsequently became registered with another FINRA member, on September 18, 2012. On October 10, 2012, the FINRA member filed a Form U5 on behalf of Respondent, reporting that Respondent's registration was terminated on October 10, 2012, due to issues relating to state registration.
5. Respondent has not been registered or associated with a FINRA member since October 10, 2012.
6. Although Respondent is no longer registered or associated with a FINRA member, he remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because: (i) the Complaint was filed within two years after the effective date of the termination of Respondent's last period of registration with a FINRA member, October 10, 2012; and (ii) the Complaint charges Respondent with misconduct committed while he was registered or associated with a FINRA member.

CAUSE OF ACTION

**Willful Failure to Amend Form U4 to Disclose Federal Tax Liens
(Article V, Section 2(c) of the FINRA By-Laws and FINRA Rules 1122 and 2010)**

7. The Department realleges and incorporates by reference paragraphs 1 through 6, above.
8. A person registering with FINRA must comply with FINRA's By-Laws by filing a Form U4 to provide the information FINRA requires. Article V, Section 2(c) of the FINRA By-Laws generally provides that every application for registration filed with FINRA shall be kept current at all times by supplementary amendments that must be filed within 30 days after learning of the facts or circumstances giving rise to the amendment.
9. FINRA Rule 1122 provides that: "[n]o 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. Question 14M of the Form U4 asks, "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 lien or judgment.

11. On or about July 22, 2010, the Internal Revenue Service ("IRS") filed with the Recorder of Deeds for the County of Mecklenburg, State of North Carolina, a federal tax lien on property owned by Respondent, pertaining to the following outstanding tax, penalty, and interest payments owed by Respondent:

Tax Period	Amount Owed
2008	\$182,491.01

12. On or about July 22, 2010, the IRS sent a letter to Respondent, via certified mail, addressed to Respondent at his primary residence (2217 Selwyn Avenue, Charlotte, North Carolina, 28207-2711), informing Respondent of the filing of the above-described lien.
13. Respondent received the letter approximately three to five days later and was on notice regarding the lien.
14. Respondent did not file or cause to be filed a supplementary amendment to his Form U4 within 30 days after learning of the above-described lien.
15. On or about February 9, 2012, the IRS filed with the Recorder of Deeds for the County of Mecklenburg, State of North Carolina, a federal tax lien on property owned by Respondent, pertaining to the following outstanding tax, penalty, and interest payments owed by Respondent:

Tax Period	Amount Owed
2009	\$48,883.47

16. On or about February 9, 2012, the IRS sent a letter to Respondent, via certified mail, addressed to Respondent at his primary residence (2217 Selwyn Avenue, Charlotte,

North Carolina, 28207-2711), informing Respondent of the filing of the above-described lien.

17. Respondent received the letter approximately three to five days later and was on notice regarding the lien.
18. Respondent did not file or cause to be filed a supplementary amendment to his Form U4 within 30 days after learning of the above-described lien.
19. On or about February 9, 2012, the IRS filed with the Recorder of Deeds for the County of Brunswick, State of North Carolina, a federal tax lien on property owned by Respondent, pertaining to the following outstanding tax, penalty, and interest payments owed by Respondent:

Tax Period	Amount Owed
2006	\$56,851.41
2007	\$296,559.22
2008	\$182,497.01
2009	\$48,883.47

20. On or about February 9, 2012, the IRS sent a letter to Respondent, via certified mail, addressed to Respondent at his secondary residence (409 Marlin Street, Sunset Beach, North Carolina, 28468), informing Respondent of the above-described lien.
21. Respondent received the letter approximately three to five days later and was on notice regarding the lien.
22. Respondent did not file or cause to be filed a supplementary amendment to his Form U4 within 30 days after learning of the above-described lien.

23. Respondent failed to amend his Form U4 to disclose the tax liens referenced in paragraphs 11, 15 and 19 herein until September 18, 2012, and then did so only in the process of becoming registered with another FINRA member after he was terminated by NMIS.
24. Respondent's failure to amend his Form U4 in accordance with the timeframe set forth in FINRA By-Law Article V, Section 2 was willful.
25. Not only did Respondent receive notice of the liens in both July 2010 and February 2012 such that he was aware of their existence, but on at least two occasions in the months following Respondent's receipt of notice of the liens filed in February 2012, Respondent's immediate supervisor at NMIS, RW, specifically instructed Respondent to disclose any tax liens that had been filed against Respondent by the IRS or any other reportable events. Respondent failed to disclose the above-described tax liens despite that instruction.
26. In a letter from RW to Respondent, dated February 21, 2012, RW stated:
- [...] It has come to my attention that you have been defending and may have settled a significant IRS claim against you. As I am sure you understand, it is a source of concern if any Northwestern Mutual – Charlotte agent has legal or financial problems that could adversely affect his or her ability to fully and properly represent the interests of our clients and to adhere to Northwestern Mutual and Network Office standards of conduct.

In order to assist me in my decision-making process, please provide to me the following information no later than March 7, 2012:

[...] Specific details of all IRS claims against you in the past five years. Please include copies of all pertinent documents[,] including settlement statements, judgments, liens, etc. [...]

27. Respondent failed to inform RW of the above-described tax liens despite the instructions given in the February 21, 2012 letter.
28. In a memo from RW to Respondent, dated April 24, 2012, discussing conditions for Respondent's continued employment with NMIS, RW stated:

In follow-up to our meeting yesterday, this is to confirm that I will offer you the opportunity to contract with me based on your agreeing to the following: [...]

- You will provide me with any financial information I request on a timely basis, including but not limited to any and all communications with the Internal Revenue Service, as well as quarterly and annual Income (sic) tax returns.
- You will immediately disclose all reportable events or circumstances as outlined in the Field Compliance Manual[,] including but not limited to liens, garnishments, bankruptcy, or judgments. [...]

29. On April 25, 2012, Respondent signed and dated the memo, indicating his understanding of, and agreement to, the conditions outlined in the April 24, 2012 memo.
30. Respondent failed to disclose the above-described tax liens to RW despite agreeing to do so in the April 24, 2012 memo, despite being asked to do so in prior communications with RW and despite being required to do so by FINRA By-Law Article V, Section 2(c).
31. Accordingly, Respondent was terminated by NMIS, effective on September 7, 2012, after which Respondent sought to be registered with another FINRA member. On September 18, 2012, the FINRA member with whom Respondent sought registration filed a Form U4 on behalf of Respondent finally disclosing the above-described tax liens.
32. By reason of the foregoing, Respondent acted in contravention of Article V, Section 2(c) of FINRA's By-Laws and violated FINRA Rules 1122 and 2010.

RELIEF REQUESTED

WHEREFORE, the Department respectfully requests that the Panel:

- A. make findings of fact and conclusions of law that Respondent 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 Respondent 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 Respondent's conduct, as alleged herein, was a willful; the omitted information was material; and the omission to state material facts was on a Form U4 application.

FINRA DEPARTMENT OF ENFORCEMENT

Date: June 23, 2014



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