

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

Department of Enforcement,

Complainant,

v.

David Paul Brown
(CRD No. 1255624),

Respondent.

Disciplinary Proceeding
No. 2014041419001

Hearing Officer - MAD

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: October 27, 2016

INTRODUCTION

Disciplinary Proceeding No. 201404149001 was filed on April 29, 2016, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent David Paul Brown submitted an Offer of Settlement (Offer) to Complainant dated April 29, 2016. 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 (as amended by the Offer of Settlement) 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 (as amended by the Offer of Settlement), 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 April 1984, Brown first became registered with FINRA as an Investment Company and Variable Contracts Representative through member firm NY Life Securities, LLC (BD No. 5167) ("NY Life" or the "Firm"). In October 1984, Brown also became registered with FINRA through NY Life as a Direct Participation Programs Representative.

In light of his current registration with a FINRA member firm, Brown remains subject to FINRA's jurisdiction pursuant to Article V of FINRA's By-Laws.

FINDINGS AND CONCLUSIONS

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

1. While registered with FINRA through a member firm, respondent David Paul Brown, willfully failed to amend his Uniform Application for Securities Industry Registration ("Form U4") to disclose two state tax warrants and five federal tax liens. The warrants and liens against Brown were filed between August 2008 and August 2013, and total approximately \$316,805.
2. In addition, between August 2009 and October 2013, Brown gave false responses to his firm in eight different firm compliance questionnaires and interview forms regarding the tax liens that had been filed against him.

3. By reason of the foregoing, Brown violated (i) Article V, Section 2(c) of the FINRA By-Laws, (ii) NASD Interpretive Material ("IM") 1000-1 (for the conduct before August 17, 2009) and FINRA Rule 1122 (for the conduct on or after August 17, 2009), and (iii) NASD Conduct Rule 2110 (for the conduct before December 15, 2008) and FINRA Rule 2010 (for the conduct on or after December 15, 2008).

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

4. 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 IM-1000-1 provided, "The filing with the Association of information with respect to membership or registration as a Registered Representative which is incomplete or inaccurate so as to be misleading, or which could in any way tend to mislead, or the failure to correct such filing after notice thereof, 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."
6. FINRA Rule 1122, which superseded NASD IM-1000-1 effective August 17, 2009, 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."

7. NASD Conduct Rule 2110 and its successor, FINRA Rule 2010 (effective December 15, 2008), require the observance of high standards of commercial honor and just and equitable principles of trade.
8. 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 the answer is yes, the registered person is required to provide details about the judgment or lien.
9. Between August 2008 and August 2013, federal and state tax authorities filed seven tax liens and warrants against Brown, as follows:
 - a. On or about August 5, 2008, the Internal Revenue Service ("IRS") recorded a tax lien against Brown in the amount of \$69,866.90. This lien was satisfied on or about October 2, 2013.
 - b. On or about November 19, 2008, the State of New York recorded a tax warrant against Brown in the amount of \$11,560.15. A tax warrant is the equivalent of a legal judgment and creates a lien against real and personal property when filed. This warrant was satisfied on or about May 14, 2009.
 - c. On or about December 7, 2009, the IRS recorded a tax lien against Brown in the amount of \$31,595.59. This lien was satisfied on or about December 3, 2014.
 - d. On or about August 5, 2010, the State of New York recorded a tax warrant against Brown in the amount of \$14,114.95. This warrant was satisfied on or about February 10, 2011.
 - e. On or about May 13, 2011, the IRS recorded a tax lien against Brown in the amount of \$45,820.38. This lien remains unsatisfied.

- f. On or about December 18, 2012, the IRS recorded a tax lien against Brown in the amount of \$104,708.97. This lien remains unsatisfied.
 - g. On or about August 7, 2013, the IRS recorded a tax lien against Brown in the amount of \$39,138.75. This lien remains unsatisfied.
- 10. Brown admitted that he had knowledge and notice of each of the above federal tax liens and state tax warrants on or about the date that each was recorded.
- 11. The seven tax liens and warrants constituted material information that Brown was obligated to timely disclose on his Form U4.
- 12. Despite filing six amendments to his Form U4 subsequent to August 5, 2008 (the filing date of the earliest tax lien), Brown failed to disclose the seven tax liens and warrants on his Form U4 until December 9, 2013.
- 13. Based on the foregoing, Brown willfully failed to timely amend his Form U4 to disclose five federal tax liens and two state tax warrants in willful violation of Article V, Section 2(c) of FINRA's By-Laws, NASD IM-1000-1 (for the conduct on or before August 16, 2009), FINRA Rule 1122 (for the conduct on or after August 17, 2009), NASD Conduct Rule 2110 (for the conduct on or before December 14, 2008), and FINRA Rule 2010 (for the conduct on or after December 15, 2008).

**False Responses to Firm Compliance Questionnaires and Interview Forms
(FINRA Rule 2010)**

14. Between August 2009 and October 2013 Brown provided false responses to his firm in eight separate and distinct firm compliance questionnaires and interview forms regarding the tax liens that had been filed against him.
15. On or about August 17, 2009, Brown completed an Interview and Inspection Form and submitted it to the Firm.
16. On the 2009 Interview and Inspection Form, Brown falsely stated that he understood and had complied with the rule that required that he update his Form U4 to disclose tax liens.
17. On or about September 23, 2010, Brown completed an Interview and Inspection Form and submitted it to the Firm.
18. On the 2010 Interview and Inspection Form, Brown falsely stated that he understood and had complied with the rule that required that he update his Form U4 to disclose tax liens.
19. On or about March 11, 2011, Brown completed an Interview and Inspection Form and submitted it to the Firm.
20. On the 2011 Interview and Inspection Form, Brown falsely stated that he understood and had complied with the rule that required that he update his Form U4 to disclose tax liens.
21. On or about September 17, 2011, Brown completed a Supplemental Annual Compliance Questionnaire for Registered Representatives and submitted it to the Firm.

22. On the 2011 Supplemental Annual Compliance Questionnaire for Registered Representatives, Brown falsely stated that he understood and had complied with the rule that required him to update his Form U4 to disclose tax liens.
23. On or about October 2, 2012, Brown completed a Supplemental Annual Compliance Questionnaire for Registered Representatives and submitted it to the Firm.
24. On the 2012 Supplemental Annual Compliance Questionnaire for Registered Representatives, Brown falsely stated that he understood and had complied with the rule that required that he update his Form U4 to disclose tax liens.
25. On or about December 19, 2012, Brown completed a 2012 Supervisory Interview and Inspection Form and submitted it to the Firm.
26. On the 2012 Supervisory Interview and Inspection Form, Brown falsely stated that he had not been subject to a lien since the date of his last supervisory interview, which was in or about March 2011.
27. On or about September 17, 2013, Brown completed a 2013 Supervisory Interview and Inspection Form and submitted it to the Firm.
28. On the 2013 Supervisory Interview and Inspection Form, Brown falsely stated that he had not been subject to a lien that had not been disclosed previously on his Form U4 since the date of his last supervisory interview, which was in or about December 2012.
29. On or about October 8, 2013, Brown completed a Supplemental Annual Compliance Questionnaire for Registered Representatives and submitted it to the Firm.

30. On the 2013 Supplemental Annual Compliance Questionnaire for Registered Representatives, Brown falsely stated that he understood and had complied with the rules that required him to maintain an accurate and current Form U4 by timely disclosing liens.
31. Based on the foregoing, Brown violated NASD Conduct Rule 2110 (for the conduct on or before December 14, 2008) and FINRA Rule 2010 (for the conduct on or after December 15, 2008).

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 in any and all capacities with any FINRA member for three (3) months; and
- Fined \$5,000.

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 "Aismara J. Casanova", written over a horizontal line.

Aismara J. Casanova, Senior Regional Counsel
Christopher J. Kelly, Regional Chief Counsel
FINRA Department of Enforcement
581 Main Street, Suite 710
Woodbridge, New Jersey 07095
Phone: (732) 596-2079; Fax (202) 721-6558
aismara.abreu@finra.org
christopher.kelly@finra.org