

**OFFICE OF THE MISSISSIPPI SECRETARY OF STATE
SECURITIES DIVISION**

IN THE MATTER OF:

WILLIAM DANNY CHANCELLOR

**ADMINISTRATIVE CONSENT
ORDER LS-17-2291**

Respondent

CONSENT ORDER

WHEREAS, the Securities Division of the Mississippi Secretary of State (“Division”), having the authority to administer and provide for the enforcement of all provisions of the Mississippi Securities Act (“Act”) codified at Mississippi Code Annotated Sections 75-71-101, *et. seq.*;

WHEREAS, the Division has been made aware of, and reviewed the complaint and actions of the Financial Industry Regulatory Authority (“FINRA”) with respect to Respondent, and reviewed FINRA’s December 15, 2016 “Order Accepting Offer of Settlement with Respondent;”

WHEREAS, the Division then conducted its own investigation into Respondent’s actions giving rise to the FINRA complaint and subsequent actions, including the FINRA order;

WHEREAS, Respondent has cooperated with the Division’s investigation by responding to inquiries, making himself available for interviews, and providing the Division with access to facts relating to the investigation;

WHEREAS, Respondent has advised the Division of his agreement to resolve the matter without the expense and delay that formal proceedings would involve;

WHEREAS, Respondent elects to permanently waive any right to a hearing and appeal under the Act in Sections 75-71-604 and 75-71-609 and under Section 75-71-604(b) and (c) of the Predecessor Act with respect to this Order; and

WHEREAS, Respondent, admits the jurisdictional allegations and agrees to take certain actions described herein, consents to the terms and conditions of this Administrative Consent Order (“Order”), but neither admits nor denies the findings of fact and conclusions of law contained in this Order. Neither this Order nor any acts performed and documents executed in furtherance of this Order (a) may be deemed or used as an admission of, or evidence of, the validity of any alleged wrongdoing or liability including, but not limited to, the assertions contained in the findings of fact or conclusions of law herein; or (b) as an admission of, or evidence of, any fault or omission of Respondent in any civil, criminal, or administrative proceeding in any court, administrative agency, or other tribunal. This Order is not intended to, and shall not confer any rights upon any person or entities who are not a party to this proceeding;

NOW, THEREFORE, the Division, as Administrator of the Act, hereby enters this Order:

I. FINDINGS OF FACT

1. Respondent admits to the jurisdiction of the Division in this matter.
2. The Mississippi Securities Act was revised in 2009 and the Predecessor Act was repealed in 2010. As the alleged actions of Respondent took place prior to January 1, 2010 and after January 1, 2010, both the Predecessor Act and the current Act apply. However, as the two are substantially the same for the relevant time period of the alleged actions, all further citations are to the current Act.

Parties

3. The Secretary of State has the authority pursuant to the Act to administer and enforce the Act and regulate the offer and sale of securities in Mississippi including the firms and persons who offer or sell securities or who provide investment advice regarding securities.

4. Respondent is an individual who currently resides at 101 Ivy Brook, in Madison, Mississippi. The Central Registrations Depository ("CRD") number for Respondent is 1277838.

5. From October 2012 to January 4, 2017, Respondent was registered with the Division as a broker-dealer agent for First Allied Securities, Inc. ("First Allied"). Respondent is no longer employed by First Allied, nor is he registered with the Division in any capacity.

Events

6. In October 2003, Respondent completed a Form U4 (Uniform Registration Application), as required by the Financial Industry Regulatory Authority ("FINRA") to become associated with Mutual. Under FINRA rules, Respondent, as a registrant, was required to amend his Form U4, the uniform registration application, within 30 days after learning of any facts or circumstances that would change any responses given on the Form U4. Respondent's FINRA filings also constitute filings to the Division, as the same filings for all broker-dealers and broker-dealer agents are filed with the Division through CRD pursuant to the Act and its Rules.

7. While associated with Mutual, on March 31, 2009, Respondent had a federal tax lien in the amount of \$57,289.00 recorded against him. Respondent did not timely amend his Form U4 to disclose the tax lien.

8. Respondent completed a Form U4 in August 2009 in order to become associated with Cambridge. At the time Respondent executed the Form U4, he willfully failed to disclose both the March 2009 federal tax lien, and a \$12,995 federal tax lien filed against him on July 13, 2009.

9. On September 8, 2010, the IRS filed a new federal tax lien against Respondent in the amount of \$7,568.00. Respondent did not timely amend his Form U4 to disclose the tax lien.

10. On November 30, 2010, the IRS filed a new federal tax lien against Respondent in the amount of \$90,558.00. Respondent did not timely amend his Form U4 to disclose the tax lien.

11. On February 1, 2011, the IRS filed a new federal tax lien against Respondent in the amount of \$3,934.00. Respondent did not timely amend his Form U4 to disclose the tax lien.

12. On April 18, 2012, the IRS filed a new federal tax lien against Respondent in the amount of \$64,962.00. Respondent did not timely amend his Form U4 to disclose the tax lien.

13. Respondent completed a Form U4 in October 2012 in order to become associated with First Allied. As with his association with Cambridge, Respondent willfully failed to disclose settlement of the federal tax liens set forth above as required by the Form U4, which asks “within the past 10 years: (1) have you made a compromise with creditors...?” Respondent had settled each of the federal tax liens set forth above – the last as recently as six months before associating with First Allied – but did not report the liens or the settlement of the liens on his U4.

14. Respondent did not cause his U4 to be amended to disclose any of the above-referenced federal tax liens until December 2, 2014, at which time he disclosed all six liens.

State Regulatory Action and State Tax Liens

15. While employed by Cambridge, Respondent annually completed questionnaires from Cambridge affirming that he had read, understood, and was in compliance with the firm's policies requiring amendment to his Form U4 to disclose qualifying events within 30 days of those events occurring, including tax liens.

16. On or about September 22, 2010, Cambridge ran a credit report on Respondent and found 10 state tax liens recorded by the State of Mississippi against Respondent, which Respondent had failed to disclose. Cambridge amended Respondent's Form U4 in October 2010, despite Respondent failing to cause Cambridge to do so.

17. In July 2011, FINRA formally cautioned Respondent based on his failure to disclose the state tax liens. Respondent continued his pattern of omitting material.

18. On September 18, 2012, as a result of its own investigation, this Division entered a Consent Agreement with Respondent to resolve allegations against Respondent for violations of the Act and its Rules, said violations included allowing a subordinate to forge a client's signature, executing a transaction without Respondent's client understanding the consequences of the transaction, and making material misstatements. Per the 2012 Consent Agreement, Respondent agreed to comply with provisions of the Act and Rules, and further agreed that his actions giving rise to the 2012 Consent Agreement could be used as a basis for determining penalties for future violations of the Act.

19. The September 2012 Consent Agreement also required heightened supervision of Respondent for two years, to terminate no sooner than September 18, 2014. Respondent's association with Cambridge ended and Respondent's association with First Allied began in October 2012.

FINRA Order

20. On May 12, 2016, following an investigation into Respondent's failure to timely amend Forms U4, FINRA issued a formal complaint against Respondent. FINRA's Complaint asserted that Respondent willfully failed to amend his Form U4 to correct material information that had become inaccurate with respect to six federal tax liens (set forth above), from March 31, 2009 through April 18, 2012, totaling approximately \$237,306.00. Respondent disclosed none of these liens until December 2, 2014.

21. On December 15, 2016, FINRA entered its Order Accepting Offer of Settlement with Respondent. While not admitting or denying any of the factual allegations, Respondent consented to FINRA's findings that Respondent willfully failed to timely amend Form U4 in violation of mandatory disclosure rules, and that Respondent willfully failed to disclose material facts in violation of mandatory disclosure rules. FINRA's findings were based on Respondent failing to disclose timely, or amend existing filings to disclose timely, various state and federal tax liens. FINRA imposed sanctions of \$5,000.00 and suspended Respondent from association with any FINRA member in all capacities for three months.

22. Just as with FINRA, the Act and its Rules require Respondent to notify the Division within 30 days whenever the information contained in any application or amendment for registration as a broker-dealer and/or agent changes in a material way or is, or becomes, inaccurate or incomplete in any respect. Respondent did not timely disclose to the Division material changes to his Form U4 as required by the Act and Rules.

II. APPLICABLE LAW

23. **Section 75-71-102** of the Act sets forth:

General Provisions

(1) "Administrator" means the Secretary of State.

(2) "Agent" means an individual, other than a broker-dealer, who represents a broker-dealer in effecting or attempting to effect purchases or sales of securities or represents an issuer in effecting or attempting to effect purchases or sales of the issuer's securities.

(4) "Broker-dealer" means a person engaged in the business of effecting transactions in securities for the account of others or for the person's own account.

24. **Section 75-71-412** sets forth:

(a) **Disciplinary conditions-applicants.** If the administrator finds that the order is in the public interest and subsection (d) authorizes the action, an order issued under this chapter may deny an application, or may condition or limit registration of an applicant to be a broker-dealer, agent, investment adviser, or investment adviser representative, and if the applicant is a broker-dealer or investment adviser, of a partner, officer, director, or person having a similar status or performing similar functions, or a person directly or indirectly in control, of the broker-dealer or investment adviser.

(b) **Disciplinary conditions-registrants.** If the administrator finds that the order is in the public interest and subsection (d) authorizes the action, an order issued under this chapter may revoke, suspend, condition, or limit the registration of a registrant and, if the registrant is a broker-dealer or investment adviser, of a partner, officer, director, or person having a similar status or performing similar function, or a person directly or indirectly in control, of the broker-dealer or investment advisor.

(d) **Grounds for discipline.** A person may be disciplined under subsection (a) through (c) if the person:

(2) Willfully violated or willfully failed to comply with this chapter or the predecessor act or a rule adopted or order issued under this chapter or the predecessor act within the previous ten (10) years.

(5) Is the subject of an order, issued after notice and opportunity for hearing by:

(C) The Securities and Exchange Commission or a self-regulatory organization suspending or expelling the registrant from membership in the self-regulatory organization;

25. **Section 75-71-406(b)** states that if the information or record contained in an application is or becomes inaccurate or incomplete in a material respect, the registrant shall promptly file a correcting amendment.

26. **Miss Code Ann. Section 75-71-505** sets forth:

It is unlawful for a person to make or cause to be made, in a record that is used in an action or proceeding or filed under this chapter, a statement that, at the time and in the light of the circumstances under which it is made, is false or misleading in a material respect, or, in connection with the statement, to omit to state a material fact necessary to make the statement made, in the light of the circumstances under which it was made, not false or misleading.

27. **Rule 5.07 Change of Material Information; Amendments** states that the Division must be notified within thirty (30) days whenever the information contained in any application or amendment for registration as a broker-dealer and/or agent changes in a material way or is, or becomes, inaccurate or incomplete in any respect. All amendments for FINRA-member broker-dealers shall be filed through the CRD.

28. **Rule 5.21 (A)(23) Standards of Conduct** sets forth:

Violating any laws or rules of the SEC or a national securities exchange or national securities association of which it is a member, or violating any federal or state securities law or any rule or regulation promulgated thereunder.

29. **Rule 5.21(B)(6) Standards of Conduct** sets forth:

Each broker-dealer and agent shall observe high standards of commercial honor and just and equitable principles of trade in the conduct of their business. Acts and practices, including, but not limited to, the following, are considered contrary to such standards and may constitute grounds for denial, suspension, or revocation of registration, imposition of fines, or such other actions authorized by statute.

(6) Engaging in conduct specified in subsection (A) 1, 2, 3, 4, 5, 6, 8, 11, 12, 16, 17, 18, 19, 23 of this Rule.

The conduct set forth above is not inclusive. Engaging in other conduct such as forgery, embezzlement, non-disclosure, incomplete disclosure, or misstatement of material facts, or manipulative or deceptive practices shall also be grounds for denial, suspension, or revocation of registration, or imposition of fines.

30. **Rule 5.23 Agent Registration and Termination (FINRA)** sets forth the registration, renewal, and termination of agents associated with members of FINRA shall be made through the CRD according to the CRD administrative rules governing the registration process with the CRD system.

31. **Section 75-71-601(a)** of the Act states: "Administration. The administrator shall administer this chapter."

32. The Division may employ remedies set out in Miss. Code Ann. **Section 75-71-604** of the Act which sets forth:

Administrative Enforcement.

(a) **Issuance of an order or notice.** If the administrator determines that a person has engaged, is engaging, or is about to engage in an act, practice, or course of business constituting a violation of this chapter or a rule adopted or order issued under this chapter or that a person has materially aided, is materially aiding, or is about to materially aid an act, practice, or course of business constituting a violation of this chapter or a rule adopted or order issued under this chapter, the administrator may:

(1) Issue an order directing the person to cease and desist from engaging in the act, practice, or course of business or to take other action necessary or appropriate to comply with this chapter;

(2) Issue an order denying, suspending, revoking, or conditioning the exemptions for a broker-dealer under Section 75-71-401(b)(1)(D) or (F) or an investment adviser under Section 75-71-403(b)(1)(C); or

(3) Issue an order:

(A) Under Section 75-71-204;

(B) Imposing a civil penalty in the case of an issuer of registered securities, broker-dealer, investment advisor, agent, investment adviser representative, or other person who violated this chapter;

(C) Barring or suspending the person from association with a broker-dealer or investment advisor registered in this state; or

(D) Requiring the person to pay restitution for any loss or disgorge any profits arising from the violation, including interest.

(d) **Civil Penalty.** In a final order under subsection (c), the administrator may impose a civil penalty in an amount set forth in **Section 75-71-613** for each violation and each violation shall be considered a separate offense in a single proceeding or a series of related proceedings.

33. **Miss Code Ann. Section 75-71-613(d)** sets forth:

Amounts of civil and criminal penalties.

(d) Amount of civil penalty and further civil penalty under Section 75-71-604--administrative enforcement

(1) The amount of the civil penalty described in Section 75-71-604(d) is a maximum of Twenty-five Thousand Dollars (\$25,000.00) for each violation, provided that an additional civil penalty may be imposed up to a maximum of Fifteen Thousand Dollars (\$15,000.00) for violations of the chapter committed against elders or disabled persons.

34. **FINRA Rule 1122** sets forth:

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.

III. CONCLUSIONS OF LAW

35. The previous paragraphs are incorporated by this reference.

36. Respondent was a broker-dealer agent under Section 75-71-102(4) and is therefore bound by the Act and Rules.

37. Respondent was associated with a FINRA broker-dealer, was registered with the Division, and was subject to the Act and Rules during the period of review by the Division's examiner, the period of review by FINRA, and during the period within which the violations occurred.

38. Respondent's filings with FINRA are also filings with the Division through CRD, pursuant to Section 75-71-406 and Rule 5.23 of the Act.

39. Respondent willfully violated FINRA Rule 1122 requiring disclosure of the tax liens at registration, or subsequent amendment to his Form U4 on at least six separate occasions, and in so doing, violated Rule 5.21(A)(23) of the Act. Respondent's failure to disclose tax liens is ground for suspension, denial of registration, and imposition of fines, pursuant to Rule 5.21(B)(6).

40. Respondent willfully violated Sections 75-71-406 and 75-71-505, and Rule 5.07 by failing to timely amend his Forms U4 filed with FINRA and the Division through CRD.

41. The existence of tax liens recorded and outstanding against Respondent constitute material information to clients and prospective clients, and Respondent's failure to disclose the existence of the liens constitutes material omissions in violation of Section 75-71-505 of the Act.

42. Respondent is the subject of a FINRA order suspending his association with any FINRA member, and thus is subject to disciplinary proceedings by the Division as set forth in Section 75-71-412(d)(5)(C) of the Act.

43. Respondent breached the September 18, 2012 Consent Agreement entered with the Division by failing to comply with the provisions of the Act and Rules, as set forth in the preceding paragraphs.

44. Respondent's association with First Allied was terminated and his registration with the Division withdrawn prior to this Order, and the administrator may not therefore suspend Respondent's registration. However, pursuant to Miss. Code Ann. 75-71-412(a) and 75-71-412(d)(2), Rule 5.21(B)(6), and the improper actions of Respondent set forth above, the administrator has the authority to suspend, condition, or limit registration Respondent's registration.

45. Pursuant to Miss. Code Ann. 75-71-412(a) and 75-71-412(d)(2), Rule 5.21(B)(6), and the improper actions of Respondent set forth above, the administrator has the authority to deny Respondent's application to be a broker-dealer, broker-dealer agent, investment adviser, or investment adviser representative.

46. Pursuant to Miss. Code Ann. 75-71-613(d), and Rule 5.21(B)(6), the Administrator has authority to impose an administrative penalty for each violation of the Act and/or Rules.

IV. ORDER

On the basis of the findings of fact and conclusions of law, as well as Respondent's consent to entry of this Order for the sole purpose of settling this matter, prior to a hearing and without admitting or denying any of the findings of fact or conclusions of law,

IT IS HEREBY ORDERED:

1. This Order concludes the open matter with the Division with respect to Respondent's conduct and activities as a broker-dealer agent with First Allied, Cambridge, and Mutual as detailed above. However, nothing herein limits the ability of the Division,

individually or jointly with other agencies, in pursuing any investigation with respect to any other securities-related matter involving the Respondent.

2. This Order is entered into solely for the purpose of resolving the previously referenced allegations and is not intended to be used for any other purpose.

3. Prior to seeking registration with the Division, Respondent shall fully and fairly comply with all of the following requirements:

- (a) Respondent shall pay to the Mississippi Secretary of State's Securities Division an administrative penalty in the amount of Twenty Thousand Dollars (\$20,000.00), Ten Thousand Dollars (\$10,000.00) to be paid upon execution of this Order and Ten Thousand Dollars (\$10,000.00) to be paid if and when Respondent re-registers with the Division;
- (b) Respondent shall complete six (6) hours of financial industry related training approved in advance by the Division, of which three (3) hours shall focus on the topic of compliance and three (3) hours shall focus on ethics; and provide evidence of completion of the required training to the Division.

4. In addition, the Division requires as a condition of Respondent's re-registration with the Division that the firm hiring Respondent place Respondent under a program of heightened supervision for a period of two years from the date of hire.

5. Furthermore, the Division requires as a condition of Respondent's re-registration with the Division that Respondent shall not hold any supervisory or compliance position with any firm for a period of five years.

6. Respondent shall not take any action, or make or permit to be made any public statement, denying, directly or indirectly, any finding in this Order or creating the impression

that this Order is without factual basis. Nothing in this paragraph affects Respondent's (a) testimonial obligations; or (b) right to take legal or factual positions in defense of litigation or other legal proceedings to which the Administrator is not a party.

7. If Respondent defaults in any of his obligations set forth in this Order, after sufficient notice and an opportunity to cure, the Division may vacate this Order, at its sole discretion, upon fifteen (15) days' notice to Respondent and refer this matter for enforcement as provided in Section 75-71-604 (g) of the Act.

8. This Order is not intended to indicate that Respondent shall be subject to any disqualifications contained in the federal securities law, the rules and regulations thereunder, the rules and regulations of self-regulatory organizations or various states' securities laws. In addition, this Order is not intended to form the basis for any such disqualifications.

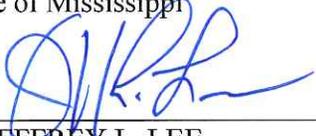
9. This Order contains, constitutes, and embodies the entire agreement between the undersigned, there being no agreement of any kind, verbal or otherwise, which varies, alters, or adds to this Order; and this Order supersedes any prior communication, understanding, or agreement, whether written or oral, concerning the subject matter of this Order.

10. In the event that one or more provisions contained in this Order shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Order.

Date:

C. DELBERT HOSEMANN, JR.
Secretary of State
State of Mississippi

By:



JEFFREY L. LEE
Senior Attorney
Securities Division

CONSENT TO ENTRY OF FINAL ORDER

William Danny Chancellor hereby acknowledges that he has been served with a copy of this Administrative Consent Order ("Order") has read this Order, is aware of his right to a hearing and appeal in this matter, and has waived the same.

William Danny Chancellor admits the jurisdiction of the Division and consents to entry of this Order by the Division solely for purposes of settlement.

William Danny Chancellor states that no promise of any kind or nature whatsoever was made to him to induce him to enter into this Order and that he has entered into this Order voluntarily.

Dated, this the 21st day of June 2017.

William Danny Chancellor

William Danny Chancellor

STATE OF MS

COUNTY OF Rankin

SUBSCRIBED AND SWORN TO before me, this the 21 day of June 2017.

Joshua R. Farnier
Notary Public

My commission expires: _____

