

BEFORE THE ARKANSAS SECURITIES COMMISSIONER
CASE NO S-15-0015

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ARKANSAS SECURITIES DEPT.

IN THE MATTER OF:
BILLY WAYNE ALLEN

RESPONDENT

COMPLAINT FOR REVOCATION OF REGISTRATIONS
AND IMPOSITION OF FINES

The Staff of the Arkansas Securities Department (“Staff”) by and through its attorney, Scott Freydl, for its Complaint for Revocation of Registrations and Imposition of Fines against Billy Wayne Allen (“Allen”) for violations of the Arkansas Securities Act and the Rules of the Arkansas Securities Commissioner, states:

I. Administrative Authority

This proceeding is instituted pursuant to the Arkansas Securities Act, Ark. Code Ann. §§ 23-42-101 through 23-42-509, (“Act”), the Rules of the Arkansas Securities Commissioner (“Rules”) promulgated thereunder, and the Arkansas Administrative Procedure Act, Ark. Code Ann. §§ 25-15-201 through 25-15-219.

II. Respondent

1. Allen, CRD number 5515997, was registered with the Arkansas Securities Department (“Department”) from October 5, 2012 through January 28, 2015 as an agent of, and from October 9, 2012 through January 28, 2015 as a registered representative of, Merrill Lynch, Pierce, Fenner & Smith Inc. (“Merrill Lynch”).

III. Facts to be Presented by the Staff

2. On July 19, 2014 Allen sent a text message to one of his clients, Arkansas Resident one (“AR1”), requesting a meeting. At the meeting Allen told AR1 that his wife had left him and took

everything. Allen asked AR1 to loan him \$500 for food and a place to stay. AR1 loaned Allen the \$500. Allen continued to ask and borrow money from AR1 in \$300 to \$500 increments until on or about December 2014. Allen borrowed a total of \$7,800.00 from AR1. Allen used various reasons for his continued need for these loans from AR1. Allen's reasons included: needing to travel to Missouri to take care of his sick mother, needing to travel to make funeral arrangements for his mother, and needing medical treatments for Allen's stage two stomach cancer. In spite of repeated requests from AR1 for Allen to repay this money, Allen failed and refused to pay back any amount of said money to AR1.

3. After AR1 realized that Allen had lied to him, AR1 filed a complaint with Allen's employer, Merrill Lynch, concerning the loans. Allen borrowed the money from AR1 without the knowledge of his employer, Merrill Lynch. Once Merrill Lynch learned of this activity, Merrill Lynch conducted an internal investigation. The result of Merrill Lynch's internal investigation was that Allen was fired, and Merrill Lynch paid AR1 \$7,800.00 to settle his complaint.

4. Allen admitted to the Staff that he also borrowed money from another client, who is also Allen's grandmother, Arkansas Resident two ("AR2"). Allen admitted borrowing money from AR2 in a written statement to the Staff dated April 14, 2015. Allen did not tell his employer, Merrill Lynch, about borrowing money from AR2.

5. On three separate occasions Allen failed and refused to appear at the Arkansas Securities Department in order to answer questions and/or provide a statement to the Staff concerning the circumstances surrounding his termination from Merrill Lynch, as well as his borrowing money from clients. The meetings between the Staff and Allen were set for June 4, 15, and 30, 2015. Prior to each of these meetings, the Staff sent an email or letter to Allen confirming the time, date, and the need for Allen to discuss or provide testimony to the Staff. Further, when Allen was

questioned by the Staff during telephone conversations about his termination from Merrill Lynch and borrowing cash from clients, Allen was not truthful in his verbal statements to the Staff.

IV. Applicable Law

6. Ark. Code Ann. § 23-42-308(a)(2)(G) states that the Commissioner may by order suspend or revoke any registration, if he finds that the registrant has engaged in dishonest or unethical practices in the securities business.

7. Ark. Code Ann. § 23-42-308(g) states that the commissioner may for each violation of this chapter fine any agent of a broker-dealer not to exceed ten thousand dollars (\$10,000) or an amount equal to the total amount of money received in connection with each separate violation.

8. Rule 308.01(p) states that borrowing customer's funds is grounds to suspend or revoke an agent's registration.

9. Rule 308.02(f) states that borrowing money or anything of value from a client unless the client is a broker-dealer, and affiliate investment advisor, or a financial institution engaged in the business of loaning funds is grounds to suspend or revoke a representative's registration.

10. Rule 308.01(v) states that unreasonably failing to appear to provide testimony or documents to the Commissioner, after receipt of a written request from the Commissioner is grounds to suspend or revoke an agent's registration.

11. Rule 308.02(r) states that unreasonably failing to appear to provide testimony or documents to the Commissioner, after receipt of a written request from the Commissioner is grounds to suspend or revoke a representative's registration.

V. Violations of Law

12. Allen violated Ark. Code Ann. § 23-42-308(a)(2)(G) and Rule 308.01(p), when Allen borrowed money from his clients AR1 and AR2 as detailed in paragraphs two through four.

13. Allen violated Ark. Code Ann. § 23-42-308(a)(2)(G) and Rule 308.02(f) of the Rules, when Allen borrowed money from his clients AR1 and AR2 as detailed in paragraphs two through four.

14. Allen violated Ark. Code Ann. § 23-42-308(a)(2)(G) and Rule 308.01(v) of the Rules, when three times Allen failed and refused to appear and provide testimony to the Staff as detailed in paragraph five.

15. Allen violated Ark. Code Ann. § 23-42-308(a)(2)(G) and Rule 308.02(r) of the Rules, when three times Allen failed and refused to appear and provide testimony to the Staff as detailed in paragraph five.

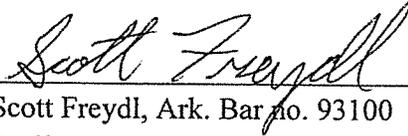
16. The registrations of Allen should be revoked by the Commissioner pursuant to Ark. Code Ann. § 23-42-308(a)(2)(G), Rule 308.01(p), Rule 308.02(f), Rule 308.01(v), and Rule 308.02(r) as detailed in paragraphs two through five.

17. Pursuant to Ark. Code Ann. § 23-42-308(g), the Commissioner should impose an appropriate fine against Allen.

VI. Notice of Hearing

This Complaint hereby serves notice of the institution of formal administrative proceedings against the Respondent, Allen. With the filing of this Complaint the Staff requests that the Arkansas Securities Commissioner appoint a hearing officer and set a date for a hearing before said hearing officer, pursuant to Rule 607.01, to consider whether the registrations of the Respondent, Allen, should be revoked, fines should be imposed, and other appropriate action should be taken.

Respectfully Submitted,



Scott Freydl, Ark. Bar no. 93100

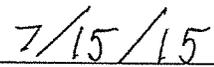
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Date