

UNITED STATES OF AMERICA  
DEPARTMENT OF THE TREASURY  
OFFICE OF THE COMPTROLLER OF THE CURRENCY

In the Matter of:	)	
	)	
Denton Douglas	)	AA-EC-20-39
Former Vice President of Business Banking	)	
	)	
PNC Bank, N.A.	)	
Wilmington, Delaware	)	

**NOTICE OF CHARGES FOR PROHIBITION AND  
NOTICE OF ASSESSMENT OF CIVIL MONEY PENALTY**

Take notice that on a date to be determined by the Administrative Law Judge, a hearing will commence in the District of Delaware, unless the parties consent to another place, pursuant to 12 U.S.C. § 1818(e) and (i), concerning the charges set forth herein to determine whether Orders should be issued against Denton Douglas (“Respondent”), former Vice President of Business Banking at PNC Bank, National Association, Wilmington, Delaware (“Bank”), by the Office of the Comptroller of the Currency (“OCC”), prohibiting Respondent from participating in any manner in the conduct of the affairs of any federally insured depository institution or any other institution, credit union, agency or entity referred to in 12 U.S.C. § 1818(e), and requiring Respondent to pay a civil money penalty.

After taking into account the factors set forth in 12 U.S.C. § 1818(i)(2)(G), and after soliciting and giving full consideration to Respondent’s views, the Comptroller of the Currency (“Comptroller”) hereby assesses a civil money penalty in the amount of thirty-five thousand dollars (\$35,000) against Respondent, pursuant to the provisions of 12 U.S.C. § 1818(i). This penalty is payable to the Treasurer of the United States.

The hearing afforded Respondent shall be open to the public unless the Comptroller, in his discretion, determines that holding an open hearing would be contrary to the public interest.

In support of this Notice of Charges for Prohibition and Notice of Assessment of Civil Money Penalty (“Notice”), the OCC charges the following:

## **ARTICLE I**

### **JURISDICTION**

At all times relevant to the charges set forth below:

- (1) The Bank is an “insured depository institution” as defined in 12 U.S.C. § 1813(c)(2).
- (2) Respondent was a Vice President of Business Banking of the Bank and was an “institution-affiliated party” of the Bank as that term is defined in 12 U.S.C. § 1813(u), having served in such capacity within six (6) years from the date hereof. *See* 12 U.S.C. § 1813(i)(3).
- (3) The Bank is a national banking association within the meaning of 12 U.S.C. § 1813(q)(1)(A), and is chartered and examined by the OCC. *See* 12 U.S.C. § 1 *et seq.*
- (4) The OCC is the “appropriate Federal banking agency” as that term is defined in 12 U.S.C. § 1813(q) and is therefore authorized to initiate and maintain this prohibition and civil money penalty action against Respondent pursuant to 12 U.S.C. § 1818(e) and (i).

## **ARTICLE II**

### **BACKGROUND**

- (5) Beginning in August 2011, Respondent served as a Loan Officer at the Bank.
- (6) During his employment, and prior to May 2015, Respondent became a Vice President of Business Banking and remained in that position until he was terminated in or around December 2017.

(7) As a Vice President of Business Banking, Respondent was obligated to comply with all applicable laws and regulations and to otherwise carry out his duties and responsibilities in a safe and sound manner.

(8) As a Vice President of Business Banking, Respondent owed fiduciary duties of care, loyalty, and candor to the Bank.

(a) The fiduciary duty of care required that Respondent act diligently, prudently, honestly, and carefully in carrying out his responsibilities.

(b) The fiduciary duty of loyalty required that Respondent avoid conflicts of interest and self-dealing.

(c) The fiduciary duty of candor required Respondent to disclose all material information about transactions in which he had a personal interest.

(9) As Vice President of Business Banking, Respondent was responsible for conducting customer due diligence for new accounts that he opened, including know your customer (“KYC”) procedures. This due diligence included collecting relevant documents from the business seeking to open the accounts, including but not limited to, articles of incorporation and subsequent articles of amendment (“KYC Documentation”).

(10) The Bank’s KYC policies in effect from May through July 2015 stated that the Bank’s KYC process “is more than simply obtaining identification and documents. It should entail a full conversation and an understanding of the business (i.e., the business purpose, the service/product the business provides, and the typical types of transactions based on how the business operates).”

### ARTICLE III

#### **RESPONDENT ENGAGED IN UNSAFE OR UNSOUND PRACTICES AND BREACHED HIS FIDUCIARY DUTIES**

(11) This Article repeats and realleges all previous Articles in this Notice.

(12) As described herein, in 2015, Respondent engaged in unsafe or unsound practices and breached his fiduciary duties of care, loyalty, and candor to the Bank by circumventing the Bank's KYC controls by carrying out a plan with Person A<sup>1</sup> to use Person B as a "nominee" or "straw" account holder/signer for businesses that Respondent knew would continue to be controlled by Person A. Respondent also failed to perform adequate due diligence in opening the accounts.

(13) Person A used Person B to open new accounts at the Bank because Person A had business accounts at the Bank that the Bank had previously closed for suspicious activity in or around July 2014.

(14) In subsequent litigation against the Bank (see Paragraph (32)), Respondent testified that prior to the Bank closing Person A's accounts in 2014, he was, at a minimum, aware of the following:

- (a) Person A's business accounts ran negative balances;
- (b) There were excessive wires running through the accounts; and
- (c) Person A's partner also engaged in suspicious checking activity.

(15) In subsequent litigation against the Bank (see Paragraph (32)), Respondent further testified:

- (a) In or around May 2015, Person A approached Respondent about opening new business accounts at the Bank;

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<sup>1</sup> The OCC will separately notify Respondent of the identities of Person A and Person B.

(b) Person A told Respondent that his accounts at another bank had also been closed because that bank “didn’t understand his transactions”; and

(c) Respondent believed it would be “a bit difficult” to open accounts for Person A based on Person A’s prior history at the Bank.

(16) To address these issues, Respondent and Person A carried out a plan to use Person B, an associate of Person A, as the nominal authorized signer of the businesses on the relevant KYC Documentation.

(17) Person A also made other changes to the relevant KYC Documentation, such as subtly changing company names (*i.e.*, by removing a space) to conceal Person A’s involvement in the businesses and thereby circumvent the Bank’s KYC controls.

(18) In subsequent litigation against the Bank (see Paragraph (32)), when asked under oath whether it was Respondent’s idea to use Person B’s name as the authorized signer of the businesses, Respondent answered: “I don’t know if it was mine or [Person A’s]. It could have been me because of his – it could have been mine, it could have been [Person A’s]. It could be either one of us.”

(19) Respondent also directed Person A’s attorney to remove Person A from documents on the Florida Secretary of State’s website (a source of KYC documentation Respondent used in opening the accounts) for at least one of the businesses to further Respondent’s effort to evade the Bank’s KYC controls.

(20) Between May 26, 2015, and July 29, 2015, Respondent caused the Bank to open 11 business accounts for Person A with Person B as the nominal authorized signer.

(21) Respondent communicated with Person A, and not Person B, before, during, and after the opening of the accounts described herein.

(22) Respondent's conduct described herein exposed the Bank to abnormal risk or loss or other damage from Person A's suspicious and unlawful activities being carried out through the accounts, including losses on the new accounts, legal expense and/or liability from aiding and abetting Person A, and reputational damage.

(23) Almost immediately after Respondent improperly caused the Bank to open new accounts for Person A, suspicious activity began flowing through the accounts.

(24) In October 2015, Respondent's supervisor filed an ethics complaint against Respondent and conducted a review of the KYC Documentation on 10 of the 11 accounts that Respondent caused the Bank to open for Person A. This review stated:

The proper business documentation was not collected on the majority of these files as noted below. I also found [Person A] to be linked to all of the relationships. However, [Person A] is not listed on any of the accounts opened. [Person B] is the account initiator and sole signor [sic] for all relationships.

(25) Based on the supervisor's review, in October 2015, the Bank issued a written warning to Respondent, which stated:

Improper KYC – Putting the Bank at risk of loss with opening accounts for a person ([Person A]) that [Respondent] opened new group of accounts [sic] for him in June, knowing he [was] ([Person A]) shut down for suspicious activity last year. Given we lost money on some of the accounts, doing business again with this individual as an "investor" could put PNC at risk of future losses.

(26) In or around December 2015, Respondent's supervisor worked with the Bank's loss prevention department to close all of Person A's business accounts, and the Bank closed the accounts.

(27) In or around December 2015, shortly after the Bank closed Person A's accounts, Person A filed articles of amendment for the businesses with the Florida Secretary of State (a

source of KYC Documentation used by Respondent in opening the accounts) to remove Person B's name and add back Person A's name to the businesses.

(28) In May 2017, the Federal Trade Commission and the State of Florida filed a civil lawsuit against Person A and other codefendants involved in his businesses alleging that they had “engaged in a massive scheme to offer consumers phony debt relief services, including fake loans.”

(29) In April 2018, that lawsuit was settled with the entry of a monetary judgment against defendants including Person A, jointly and severally, for \$85,326,648.

(30) The United States District Court presiding over that lawsuit appointed a receiver for the then-defunct businesses that had been part of Person A's scheme (“Receiver”).

#### **The Bank's Probable Losses and Other Damage**

(31) By circumventing the Bank's KYC controls and/or performing inadequate due diligence, Respondent's misconduct caused, or will probably cause, financial loss or other damage to the Bank in the form of legal expenses and/or liability and other reputational damage from the suspicious and unlawful activities carried out through Person A's accounts at the Bank.

(32) On June 3, 2019, the Receiver filed a civil lawsuit against the Bank, alleging, among other claims, that it had aided and abetted Person A and his scheme by providing financial services to his businesses. The Receiver's complaint specifically references Respondent and his conduct described herein.

(33) The Bank has suffered, or will probably suffer, financial loss arising from legal expenses and/or liability from the Receiver's lawsuit, which features Respondent's misconduct described herein.

(34) The Bank has suffered reputational damage because news outlets have reported on the Receiver's lawsuit against the Bank and Respondent's conduct described herein.

**Financial Gain or Other Benefit to Respondent**

(35) As a consequence of Respondent's conspiring to open accounts for Person A's businesses, Respondent advanced his personal business relationship (outside of the Bank) with Person A. For example:

- (a) Respondent repeatedly referred loan business to Person A and, in some cases, obtained referral fees for doing so; and
- (b) In August 2015 (shortly after Respondent improperly caused the Bank to open accounts for Person A), Respondent obtained a \$185,000 loan from Person A to purchase real property from one of Person A's businesses.

**ARTICLE IV**

**LEGAL BASES FOR REQUESTED RELIEF**

(36) This Article repeats and realleges all previous Articles in this Notice.

(37) By reason of Respondent's misconduct as described in Article III, the Comptroller seeks a Prohibition Order against Respondent pursuant to 12 U.S.C. § 1818(e) on the following grounds:

- (a) Respondent engaged in unsafe or unsound practices in conducting the affairs of the Bank and/or breached his fiduciary duties to the Bank as a Vice President of Business Banking;



(b) By reason of Respondent's misconduct, the Bank has suffered or will probably suffer financial loss or other damage and/or Respondent received financial gain or other benefit; and

(c) Respondent's unsafe or unsound practices and/or breaches of fiduciary duties involved personal dishonesty and/or demonstrated a willful or continuing disregard for the safety or soundness of the Bank.

(38) By reason of Respondent's misconduct as described in Article III, the Comptroller seeks imposition of a civil money penalty against Respondent pursuant to 12 U.S.C. § 1818(i)(2)(B) on the following grounds:

(a) Respondent recklessly engaged in unsafe or unsound practices in conducting the affairs of the Bank and/or breached his fiduciary duties to the Bank as a Vice President of Business Banking; and

(b) Respondent's unsafe or unsound practices and/or breaches of his fiduciary duties were part of a pattern of misconduct, resulted in pecuniary gain or other benefit to Respondent, and/or caused or are likely to cause more than minimal loss to the Bank.

## **ARTICLE V**

### **ANSWER AND OPPORTUNITY FOR HEARING**

(39) Respondent is directed to file a written Answer to this Notice within twenty (20) days from the date of service of this Notice in accordance with 12 C.F.R. § 19.19(a) and (b). The original and one copy of any Answer shall be filed with the Office of Financial Institution Adjudication, 3501 North Fairfax Drive, Suite VS-D8113, Arlington, VA 22226-3500. Respondent is encouraged to file any Answer electronically with the Office of Financial

Institution Adjudication at ofia@fdic.gov. A copy of any Answer shall also be filed with the Hearing Clerk, Office of the Chief Counsel, Office of the Comptroller of the Currency, Washington, D.C. 20219, HearingClerk@occ.treas.gov, and with the attorney whose name appears on the accompanying certificate of service. **Failure to Answer within this time period shall constitute a waiver of the right to appear and contest the allegations contained in this Notice, and shall, upon the Comptroller's motion, cause the administrative law judge or the Comptroller to find the facts in this Notice to be as alleged, upon which an appropriate order may be issued.**

(40) Respondent is also directed to file a written request for a hearing before the Comptroller, along with the written Answer, concerning the Civil Money Penalty assessment contained in this Notice within twenty (20) days after date of service of this Notice, in accordance with 12 U.S.C. § 1818(i) and 12 C.F.R. § 19.19(a) and (b). The original and one copy of any request shall be filed, along with the written Answer, with the Office of Financial Institution Adjudication, 3501 North Fairfax Drive, Suite VS-D8113, Arlington, VA 22226-3500. Respondent is encouraged to file any request electronically with the Office of Financial Institution Adjudication at ofia@fdic.gov. A copy of any request, along with the written Answer, shall also be served on the Hearing Clerk, Office of the Chief Counsel, Office of the Comptroller of the Currency, Washington, D.C. 20219, HearingClerk@occ.treas.gov, and with the attorney whose name appears on the accompanying certificate of service. **Failure to request a hearing within this time period shall cause this assessment to constitute a final and unappealable order for a civil money penalty against Respondent pursuant to 12 U.S.C. § 1818(i).**

**PRAYER FOR RELIEF**

The Comptroller prays for relief in the form of the issuance of an Order of Prohibition pursuant to 12 U.S.C. § 1818(e) and an Order of Civil Money Penalty Assessment in the amount of thirty-five thousand dollars (\$35,000) against Respondent pursuant to 12 U.S.C. § 1818(i)(2)(B).

Witness, my hand on behalf of the Office of the Comptroller of the Currency, this 22th day of June, 2020.

//s// Digitally Signed, Date: 2020.06.22

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Mark D. Richardson  
Deputy Comptroller for Large Bank Supervision