

***** FOR IMMEDIATE RELEASE *****

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**ARKANSAS SECURITIES COMMISSIONER ENTERS CONSENT ORDER
WITH LPL FINANCIAL LLC FOR A \$499,000 SETTLEMENT
INVOLVING SALES OF UNREGISTERED, NON-EXEMPT SECURITIES**

On October 24, 2018, Arkansas Securities Commissioner B. Edmond Waters approved a Consent Order between the Staff of the Arkansas Securities Department (“Staff”) and LPL Financial LLC (“LPL”). Under the terms of the Consent Order, LPL has agreed to repurchase from investors certain securities sold since October 2006 and to pay civil penalties of \$499,000 to the Arkansas Securities Department upon entering a final order.

In addition to the civil penalty, LPL agreed to offer to repurchase from investors securities held in LPL accounts determined to have been unregistered, non-exempt equity or fixed-income securities sold since October 1, 2006. Each offer also shall include 3 percent simple interest per year. Other requirements were agreed upon for investors holding affected securities sold or transferred from an LPL account.

The Arkansas Order is part of a multi-state effort that led LPL to reach an agreement with the participating states. The settlement stems from an investigation led by state securities regulators from Alabama and Massachusetts regarding the failure to establish and maintain reasonable policies and procedures to prevent the sale of unregistered, non-exempt securities by LPL to its customers.

In July 2017, the North American Securities Administrators Association (NASAA), of which the Arkansas Securities Department is a member, established a task force with Massachusetts and Alabama as lead states to investigate LPL’s failure to establish and maintain reasonable policies and procedures to prevent the sale of unregistered, non-exempt securities by LPL to its customers. Former NASAA President Joseph P. Borg said LPL fully cooperated with the NASAA task force.

The investigation focused on LPL’s retention, use, and subsequent cancellation of certain third-party services integral to LPL’s compliance with state securities registration requirements. Investigators also looked into certain other legacy deficiencies within LPL’s compliance structure related to LPL’s controls, monitoring and reporting tools, and escalation protocols regarding the firm’s response to significant compliance issues.

State securities regulators concluded that LPL offered and sold unregistered, non-exempt securities and failed to reasonably supervise the flow of information to ensure full and proper compliance with state securities registration requirements.

While no evidence was found of willful, reckless, or fraudulent conduct by LPL, investigators did find that the firm failed to maintain adequate systems to reasonably supervise agents, staff, and employees to prevent the sale of unregistered, non-exempt securities. State investigators also determined that LPL failed to maintain books and records necessary to ensure full and proper compliance with state securities registration requirements; and failed to conduct appropriate and necessary due diligence regarding the retention, use, and subsequent cancellation of certain third-party services critical for compliance with state securities registration requirements.

LPL also was found to have acted negligently in canceling certain third-party services critical for compliance with state securities registration requirements; failed to supervise agents, staff, and employees in the performance of duties with respect to systems operation, process, and checks and balances to ensure compliance with state securities registration statutes, rules, and regulations; and failed to invest sufficient and appropriate resources in personnel, expertise, systems, and operations to adequately comply with state securities registration statutes, rules, and regulations.

As part of the settlement, LPL also agreed to a “top-to-bottom” review of the integration of new securities products to assess this firm’s ability to comply with all state securities registration requirements, and all operations and procedures in connection with state registration requirements, that apply to the offer and sale of that product. The firm also agreed to a similar review of its vendor service protocols to ensure processes are in place for identification and management of critical services used to ensure compliance with state securities laws.

A copy of the order is available on the Arkansas Securities Department website, www.securities.arkansas.gov, under legal – orders section, Order no. S-17-0078-18-OR-01, In the Matter of LPL Financial LLC.