

BEFORE THE ARKANSAS SECURITIES COMMISSIONER
CASE NO. S-25-0019
ORDER NO. S-25-0019-25-OR01

IN THE MATTER OF:

LPL FINANCIAL LLC

RESPONDENT

CONSENT ORDER

This Consent Order ("Order") is entered pursuant to the Arkansas Securities Act ("Act"), codified at Ark. Code Ann. §§ 23-42-101 through 23-42-509, the Rules of the Arkansas Securities Commissioner ("Rules") promulgated pursuant to the Act and codified at 23 CAR §§ 300-101 through 300-609, and the Arkansas Administrative Procedures Act, codified at Ark. Code Ann. §§ 25-15-201 through 25-15-221, in accordance with an agreement between the staff of the Arkansas Securities Department ("Staff") and Respondent, LPL Financial LLC ("LPL") (CRD No. 6413).

This Order is submitted solely for the purpose of settlement and with the understanding that it will not be used in any proceeding unless it is accepted by the Arkansas Securities Commissioner ("Commissioner") as hereafter set forth. If this Order is not accepted by the Commissioner, the Order is withdrawn and shall not be used in or become part of any proceeding. If the Order is accepted, it will conclude the Staff's investigation and any civil or administrative actions that could be commenced pursuant to the Act for the specific violations resolved herein, solely as it relates to LPL.

Pursuant to the authority granted to the Commissioner, under the Act, and after investigation, careful review, and due consideration of the facts and statutory provisions set forth below, the Commissioner hereby finds that there is good cause, and it is in the public interest to

enter into this Order with LPL, which hereby agrees to resolve any and all issues in controversy regarding the specific conduct described herein on the terms set forth in this Order.

JURISDICTION

1. The Commissioner has jurisdiction over matter relating to securities pursuant to Ark. Code Ann. § 23-42-201(a)(1).
2. This Order is entered in accordance with Ark. Code Ann. §23-42-308(h).
3. The acts and practices that are subject of the Staff's investigation occurred while LPL was registered as a broker-dealer in Arkansas.
4. LPL admits the jurisdiction of the Act and the Commissioner, waives its right to a formal hearing and appeal, consents to the entry of this Order, neither admits nor denies the Findings of Fact, and neither admits nor denies the Conclusions of Law, and agrees to abide by its terms.

RESPONDENT

5. LPL is a broker-dealer registered in Arkansas with a main address of 1055 LPL Way, Fort Mill, South Carolina. LPL maintains 115 branch offices in Arkansas.

FINDINGS OF FACTS

LPL's Minimum Commission Practices for Equity Transactions Failed to Ensure Transactions Were Executed at a Fair and Reasonable Price

6. As the result of a coordinated multi-state investigation led by Massachusetts, Montana, Missouri, Alabama, Washington, Texas, and Iowa (the "Multi-State Group"), the Staff concluded that between April 30, 2020 and April 30, 2025 (the "Relevant Time Period"), LPL charged unreasonable commissions to retail customers in excess of five percent (5%) of the principal amount on certain small principal equity transactions.

7. Nationwide, LPL charged unreasonable commissions on approximately 127,045 equity transactions over a five-year period, the Relevant Time Period, totaling \$2,486,739.20, which included 889 accounts of residents of Arkansas who were charged commissions in excess of five percent (5%) totaling \$30,825.89.

8. For equity transactions executed during the Relevant Time Period, LPL generally charged retail brokerage customers according to a tiered commission schedule—calculated based on the principal amount of the trade.

9. The commission schedule ranged from sixty hundredths of a percent (.60%) to one and one-half percent (1.5%) of principal plus a five dollar (\$5.00) confirmation fee for each trade.

10. LPL charged a minimum commission of thirty dollars (\$30) on equity transactions (the “Minimum Equity Commission”).

11. LPL’s fee schedule notes that the maximum commission shall not exceed five percent (5%) of the principal. LPL’s policies and procedures did not contain a similar restriction on transactions involving the Minimum Equity Commission.

12. The Act and Rules prohibit LPL from charging unreasonable commissions for services performed.

13. FINRA Rule 2121 Supplementary Material .01 (Rule 2121.01) provides a guideline of five percent (5%) for determining whether a commission is unfair or unreasonable. However, the “5% Policy” is a guide, not a rule. A commission pattern of five percent (5%) or even less may be considered unfair or unreasonable under the “5% Policy.”

14. In Arkansas, LPL executed approximately 1,577 equity transactions for which the principal trade amount was \$2,500 or less that included an unreasonable commission for services performed (i.e. in excess of five percent (5%) of the principal trade amount), totaling \$30,825.89.

15. Certain equity transactions executed by LPL included a commission well in excess of five percent (5%) of the principal value of the transaction.

LPL Did Not Reasonably Supervise Transactions Which Applied the Minimum Equity Commission

16. LPL did not reasonably supervise transactions that included a Minimum Equity Commission charge to ensure that LPL charged its customers a reasonable commission.

17. LPL only systematically surveilled commissions in ancillary instances of potential sales practice violations—including an alert used to review accounts with potential excessive trading, an alert used to surveil account concentrations, and an alert to identify either customer specific or overall commissions generated by an agent.

18. LPL did not have in place surveillance sufficient to supervise small principal transactions where the Minimum Equity Commission was in excess of five percent (5%).

19. As a result, LPL failed to adequately supervise small principal equity transactions where the Minimum Equity Commission was in excess of five percent (5%).

CONCLUSIONS OF LAW

20. Section 23-42-301(f)(1) of the Act provides: “[a] broker dealer shall establish, maintain, and enforce a system to supervise the activities of its agents and employees that is reasonably designed to achieve compliance with [the Act], the [Rules] and orders of the commissioner, all other applicable state and federal securities laws, and the rules of self-regulatory organizations.” Ark. Code Ann. § 23-42-301(f)(1).

21. LPL’s acts and practices, as described above, constitute a violation of the Act’s supervision requirement for broker-dealers, Ark. Code Ann. § 23-42-301(f)(1).

REPRESENTATIONS AND UNDERTAKINGS

22. LPL in full settlement of these matters neither admits nor denies the Findings of Fact, neither admits nor denies the Conclusions of Law, makes the following representations, and agrees to the undertakings herein as part of the Order:

- a. LPL agrees to permanently cease and desist from conduct violating the Act's supervision requirement for broker-dealers, Ark. Code Ann. § 23-42-301(f)(1);
- b. LPL agrees to be censured by the Commissioner;
- c. LPL agrees to provide restitution in an amount of no less than \$30,825.89, which is the amount of the commission on certain small principal equity transactions for which the principal trade amount was \$2,500 or less that exceeded five percent (5%) of the principal trade amount during the Relevant Time Period to the affected Arkansas customers, plus interest in the amount of six percent (6%) from the date of the transaction to May 19, 2025. LPL agrees to provide restitution within sixty (60) days of the entry of to this Order;
- d. LPL agrees that restitution shall be in the form of a dollar credit to current customer accounts, or a check for all former customers or current customers who are entitled to restitution as a result of transactions involving an individual retirement account;
- e. LPL agrees to provide a notice of restitution ("Notice") to customers. The Notice shall be sent with the distribution of any restitution. Within forty-five (45) days of the transmission of the Notice, LPL shall provide the Commissioner with a list of all Arkansas residents for whom LPL receives a Notice as returned to sender ("Undeliverable Arkansas Residents"). To the extent the Commissioner has access to different address information, LPL shall send a Notice to the Undeliverable

Arkansas Residents within thirty (30) days of the Commissioner providing such different address;

f. LPL agrees that within one hundred twenty days (120) of the transmission of the Notice, pursuant to paragraph 22(e), it will prepare and submit to the Commissioner a report detailing the restitution paid pursuant to the Order, which shall include:

- i. Identification of all payments made; and
- ii. Dates, amounts, and methods of the transfer of funds for all restitution payments;

g. LPL agrees to pay an administrative fine in the amount of \$20,000.00 to the Arkansas Securities Department within fifteen (15) days following the date of entry of this Order;

h. LPL agrees that a person, not unacceptable to the Multi-State Group, shall certify in writing to the Commissioner within sixty (60) days of the date of this Order that LPL's policies and procedures have been changed and enhanced to ensure that all commissions are fair and reasonable. At a minimum, LPL shall certify that its policies and procedures include the following:

- i. Compliance and Operational systems to prevent the imposition of unreasonable or unfair commissions;
- ii. Incorporation of all securities transactions, regardless of the principal amount of the transaction, into any systems used to identify and review potentially excessive commissions; and
- iii. Revisions to its policies and procedures sufficient to ensure the adequate implementation of the above.

- i. LPL agrees to retain copies of any and all reports as set forth in paragraphs 22(c) through (h) in an easily accessible place for a period of five (5) years from the date of the reports;
- j. LPL agrees not to claim, assert, or apply for a tax deduction or tax credit with regard to any state, federal or local tax for any amounts that LPL shall pay pursuant to this Order;
- k. If LPL is the subject of either a voluntary or involuntary bankruptcy petition under Title 11 of the United States Code within three hundred sixty-five (365) days of the entry of this Order, LPL agrees to provide written notice to the Commissioner within five (5) days of the date of the petition;
- l. LPL agrees that any fine, penalty, and/or money that LPL shall pay in accordance with this Order is intended by LPL and the Commissioner to be a contemporaneous exchange for new value given to LPL pursuant to 11 U.S.C. § 547(c)(1)(A) and is, in fact, a substantially contemporaneous exchange pursuant to 11 U.S.C. § 547(c)(1)(B).
- m. LPL agrees that upon entry of this Order by the Commissioner that if LPL fails to comply with any of the terms set forth in the Order, the Staff may institute an action to have this Order declared null and void. Additionally, after a fair hearing and the issuance of an order finding that LPL has not complied with the Order, the Staff may move to have the Order declared null and void, in whole or in part, and re-institute the associated proceeding that had been brought against LPL; and

- n. For good cause shown, the Commissioner may extend any of the procedural dates set forth in this Order. LPL shall make any requests for extensions of the procedures dates set forth above in writing to the Commissioner.

WAIVER

23. LPL hereby waives all rights to contest this Order entered by the Commissioner, including, but not limited to: (A) the right to contest whether the Order is fair, reasonable, and/or in the public interest, (B) the right to contest the Order's findings of fact, and (C) the right to contest the Order's conclusions of law. LPL further waives the procedural due process right to a hearing, all procedural rights provided under the Act, the Rules, and the Arkansas Administrative Procedures Act.

NO DISQUALIFICATION

24. A signed order entered pursuant to this Order waives any disqualification in the laws of Arkansas, or rules or regulations thereunder, including any disqualification from relying upon the registration exemptions or safe harbor provisions to which LPL may be subject. This Order is not intended to be a final order based upon violations of the Act and Rules that prohibit fraudulent, manipulative, or deceptive conduct. This Order is not intended to form the basis of any disqualifications under Section 3(a)(39) of the Securities Exchange Act of 1934; or Rules 504(b)(3) and 506(d)(1) of Regulation D, Rule 262(a) of Regulation A and Rule 503(a) of Regulation CF under the Securities Act of 1933. This Order is not intended to form the basis of disqualification under the FINRA rules prohibiting continuance in membership absent the filing of a MC-400A application or disqualification under SRO rules prohibiting continuance in membership. This Order is not intended to form a basis of a disqualification under 204(a)(2) of the Uniform Securities Act of 1956 or Section 412(d) of the Uniform Securities Act of 2002. Except in an action by the

Staff to enforce the obligations of this Order, any acts performed or documents executed in furtherance of this Order: (a) may not be deemed or used as an admission of, or evidence of, the validity of any alleged wrongdoing, liability, or lack of any wrongdoing or liability; or (b) may not be deemed or used as an admission of; or evidence of, any such alleged fault or omission of LPL in any civil, criminal, arbitration, or administrative proceeding in any court, administrative agency, or tribunal.

WITNESS MY HAND this the 13th day of October, 2025.

SUSANNAH T. MARSHALL
ARKANSAS SECURITIES COMMISSIONER

By: 

J. Campbell McLaurin
Deputy Commissioner
Arkansas Securities Department
1 Commerce Way, Suite 402
Little Rock, Arkansas 72202

LPL Financial LLC hereby agrees to the entry of this Consent Order, and consents to all terms, conditions, and undertakings contained therein, and waives any right to an appeal from this Order.

LPL Financial LLC by:

Signature: Michael K. Freedman

Print Name: Michael K. Freedman

Title: EVP, Interim Co-Chief Legal Officer

Dated: 9.30.25

Approved as to Form and Content:

Christina Redmann
Christina Redmann
Staff Attorney
Arkansas Securities Department

10/13/2025
Date