

**STATE OF ALABAMA
ALABAMA SECURITIES COMMISSION**

IN THE MATTER OF:

LPL Financial LLC,

Respondent.

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CONSENT ORDER

Matter No.

CO-2018-0024

I. CONSENT ORDER

The Alabama Securities Commission (“Commission”), having authority to administer and provide for the enforcement of Title 8, Chapter 6, Code of Alabama 1975, the Alabama Securities Act (“Act”), upon the consideration of the subject matter hereof, has determined as follows:

Without admitting to or denying the Findings of Fact and Conclusions of Law set forth in this Consent Order, except as to the jurisdiction of the Commission over it and the subject matter of this proceeding, which are admitted, the Respondent expressly consents to the entry of this Consent Order.

II. FINDINGS OF FACT

1. LPL Financial LLC (“LPL”), CRD # 6413, is an entity currently registered as a broker-dealer firm in Alabama, and has been registered in the State of Alabama since January 11, 1983. LPL is also an investment advisor registered with the Securities and Exchange Commission and notice filed in Alabama.

2. LPL’s principal place of business is located at 75 State Street, 22nd Floor, Boston, MA 02109. LPL currently maintains branch offices in Alabama.

LPL's Customer Account Statements.

3. LPL provides monthly account statements to its customers which include, among other information, a breakdown of their investment holdings at LPL.

4. This information is provided on the second page of each account statement in the form of a Portfolio Investment Summary (the "Investment Summary"). The Investment Summary breaks down the client's portfolio by listing the investment type, the dollar amount of each investment type and the percentage of each investment type in relation to the client's overall holdings.

5. LPL outsources certain tasks in relation to the production of customer account statements to third party vendors, Thompson Reuters' Beta platform ("Beta") and Broadridge. Beta refers to a suite of products offered through the Wealth Management Division of Thompson Reuters. Broadridge is a service provider that generates account statements based on a template that has been approved by its clients, such as LPL. LPL's customer account statements are generated by Broadridge using data it receives from LPL and Beta.

Inconsistent Classification of Certain Securities.

6. The Commission conducted an investigation into LPL's classification of certain securities on its customer account statements.

7. During its investigation, the Commission identified certain non-traded real estate investment trusts ("non-traded REIT's") and non-traded business development companies ("non-traded BDCs") that were classified as equities. Client statements dated back to January 2012 reflected an inconsistent classification of these products.

LPL's Remediation

8. Since at least 2012, LPL was aware that information provided by Beta was causing certain non-traded REITs to be categorized as equities, rather than alternative investments on client statements. In November 2015, LPL identified a coding function in Beta enabling LPL to amend the classification on non-traded REITs and non-traded BDCs on client account statements to consistently group the products within the alternative investment category. The changes were reflected on account statements beginning in April 2016.

9. LPL has instituted an Operational Review with an outside and independent consultant, which will include reviews of the onboarding of new securities products and of the vendor service protocols to ensure processes are in place for identification and management of critical services used to ensure compliance with state securities laws.

III. CONCLUSIONS OF LAW

10. LPL's inconsistent classification of securities on customer account statements was a failure to comply with the Act's books and records requirements of Rule 830-x-3-.14(1)(a) of the Alabama Securities Commission's Administrative Code.

11. Pursuant to the provision of the Act, the violation described above constitutes the basis for assessment of an administrative penalty against LPL.

12. The Commission finds the following relief appropriate and in the public interest.

IV. ORDER

Based on the Findings of Fact, Conclusions of Law, and LPL's consent to the entry of this Order, IT IS HEREBY ORDERED:

1. This Order waives any disqualification in Alabama laws, or rules or regulations hereunder, including any disqualifications from relying upon the registration exemptions or safe

harbor provisions to which LPL or any of its affiliates may be subject. Nothing in this Order is intended to form the basis for any disqualification under the laws of any state, the District of Columbia, Puerto Rico, or the U.S. Virgin Islands; under the rules or regulations of any securities or commodities regulator or self-regulatory organizations; or under the federal securities laws, including, but not limited to, Section 3(a)(39) of the Securities Exchange Act of 1934 and Regulation A and Rules 504 and 506 of Regulation D under the Securities Act of 1933. Furthermore, nothing in this Order is intended to form the basis for disqualification under the FINRA rules prohibiting continuance in membership or disqualification under other SRO rules prohibiting continuance in membership. This Order is not intended to be a final order based upon violations of any Alabama statute, rule, or regulation that prohibits fraudulent, manipulative or deceptive conduct.

2. LPL is hereby ordered to pay as a civil penalty the sum of Forty Thousand Dollars (\$40,000) to the Commission within thirty (30) days of the date of this Order. The monies received by the Commission pursuant to this paragraph shall be paid in three separate checks as follows:

a) That in accordance with Section 8-6-19(j)(1), Code of Alabama 1975, LPL shall pay to the State of Alabama an administrative assessment in the sum of Twenty-Five Thousand Dollars (\$25,000), said funds to be tendered in certified funds.

b) That in accordance with Section 8-6-19(k)(1), Code of Alabama 1975, LPL shall pay to the Alabama Securities Commission, as partial reimbursement for the Commission's cost for investigating this matter, in the sum of Ten Thousand Dollars (\$10,000), said funds to be tendered in certified funds.

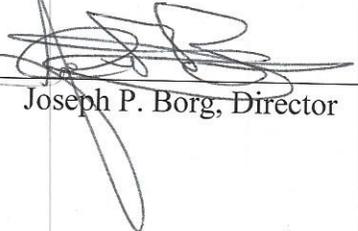
c) LPL shall pay Five Thousand Dollars (\$5,000) to the Investor Protection Institute, a national independent nonprofit organization that advances investor protection and investor education.

This Order should not be interpreted to waive any (i) criminal cause of action, (ii) private cause of action that may be accrued to investors as a result of the activities described above, or (iii) other causes of action that may result from activities of the Respondent not detailed herein or which may hereafter arise.

IT IS SO ORDERED on this the 3rd day of December, 2018.



State of Alabama
Alabama Securities Commission

By: 
Joseph P. Borg, Director

Respondent LPL Financial LLC

LEWIS B MARICO

Date: 11/27/18

Name

Title

SVP, Associate General Counsel
Head of Regulatory Inquiries + Strategy

Reviewed by:

Neal E. Sullivan

Date: 11/30/18

Neal E. Sullivan, Esq.

Sidley Austin LLP

Counsel for Respondent