



## PRESS RELEASE

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### **Attorney General Frosh Announces Settlement with LPL Financial**

**BALTIMORE, MD (January 31, 2019)** – Maryland Attorney General Brian E. Frosh today announced a [settlement](#) with LPL Financial LLC requiring the firm to repurchase from investors certain securities and to pay civil penalties that could total more than \$26 million nationwide.

The settlement stems from a multistate investigation regarding 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.

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

“As a result of this multistate settlement, Maryland investors will have their money returned plus interest,” stated Attorney General Frosh. “Before investing hard-earned savings, call the Securities Division of my office to determine the status of an investment advisor or security.”

The multistate 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. State securities regulators 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.

The regulators concluded that LPL:

- offered and sold unregistered, non-exempt securities;
- failed to reasonably supervise the flow of information to ensure full and proper compliance with state securities registration requirements;
- failed to maintain books and records necessary to ensure full and proper compliance with state securities registration requirements;
- 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;
- 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 agreed to a “top-to-bottom” review of the integration of new securities products to assess the 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.

In addition to the rescission offers and restitution made to Maryland investors, LPL will pay a \$499,000 civil penalty.

Attorney General Frosh and Securities Commissioner Melanie Senter Lubin remind investors that they can contact the Securities Division of his office at 410-576-6360 if they have questions concerning the status of investment promoters or the securities in which they plan to invest. Attorney General Frosh cautions potential investors to thoroughly check out any investment opportunity by contacting the Securities Division regarding securities broker-dealers, agents, investment advisors, investment advisor representatives, financial planners, the registration status of securities, or to report suspected fraud.