FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20130351097O1

TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: LPL Financial LLC, Respondent
CRD No. 6413

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, LPL Financial LLC ("LPL" or the "Firm") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against LPL alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

A. LPL hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

LPL has been a member of FINRA since 1973. The Firm is also registered with the Municipal Securities Rulemaking Board ("MSRB"). The Firm, headquartered in Boston, Massachusetts, conducts a general securities business and has approximately 18,343 registered representatives operating from approximately 10,702 registered branch office locations and 18,396 non-registered office locations.

RELEVANT DISCIPLINARY HISTORY

In File No. 1200385 (June 2014), the Illinois Securities Department found that, from 2009 to 2013, LPL failed to adequately maintain certain books and records documenting its variable annuity exchange business and failed to enforce its supervisory system and procedures in connection with the documentation of certain salespersons' variable annuity exchange activities. The Illinois Securities Department censured the Firm, fined it $2 million and imposed undertakings.

In Letter of Acceptance, Waiver and Consent No. 20110277090l (March 2014), FINRA found that, from January 2008 to July 2012, LPL failed to implement an adequate supervisory system for the sale of alternative investments that was reasonably designed to ensure compliance with

FINRA suitability requirements under NASD Rule 2310. The Firm did not have reasonably designed procedures to determine whether purchases of alternative investments complied with concentration limits set by LPL, prospectus and State suitability standards. FINRA censured the Firm, fined it $950,000 and imposed undertakings.

In Letter of Acceptance, Waiver and Consent No. 2012032218001 (May 2013), FINRA found that, from 2007 to 2013, LPL failed to retain and review hundreds of millions of emails, including approximately 28 million "doing business as" emails. LPL's email review and retention systems repeatedly failed and, as a result, LPL was unable to meet its obligations to supervise its registered representatives and to respond fully to regulatory requests. Additionally, LPL made material misstatements to FINRA regarding its email deficiencies. FINRA censured the Firm, fined it $7.5 million and imposed undertakings.

In Order No. E-2012-0036 (February 2013), the Massachusetts Securities Division found that LPL sold non-traded real estate investment trusts in violation of Massachusetts suitability criteria including annual income and concentration limits, among others. The Massachusetts Securities Division fined LPL $500,000, required the Firm to offer approximately $2 million in restitution and imposed undertakings.

In Letter of Acceptance, Waiver and Consent No. 20110291015O1 (December 2012), FINRA found that, from January 2009 to June 2011, LPL failed to establish, maintain and enforce supervisory procedures reasonably designed to ensure timely delivery to certain of its customers mutual fund prospectuses, as required by Section 5(b)(2) of the Securities Act of 1933. FINRA censured the Firm and fined it $400,000.

In Letter of Acceptance, Waiver and Consent No 20100249754O1 (June 2012), FINRA found that, from October 1, 2010 to December 31, 2010, LPL failed to comply with TRACE reporting requirements, engaged in a pattern or practice of late reporting, and, from July 1, 2010 to September 30, 2012, LPL failed to comply with MSRB late reporting requirements. FINRA censured the Firm and fined it $17,500.

In Letter of Acceptance, Waiver and Consent No. 20080125372O1 (July 2011), FINRA found that, from October 1, 2008 to December 31, 2008, LPL failed to comply with TRACE reporting requirements, engaged in a pattern or practice of late reporting, and failed to establish and maintain supervisor procedures reasonably designed to ensure compliance with TRACE reporting requirement. FINRA censured the Firm and fined it $22,500.

In Letter of Acceptance, Waiver and Consent No. 20100215452O1 (June 2011), FINRA found that, from March 2005 to March 2010, LPL failed to supervise the radio broadcasts of two former LPL representatives. The representatives aired approximately 520 live call-in radio shows, but LPL failed to request or review copies of the transcripts of those shows in violation of its procedures. FINRA censured the Firm and fined it $25,000.

In Letter of Acceptance, Waiver and Consent No. 20090165700O1 (January 2011), FINRA found that LPL failed to enforce its supervisory procedures for the review of emails. FINRA found that for a year and a half, approximately three million emails involving 150 financial advisors located

in 769 Sovereign Bank branches were not subject to supervisory review. FINRA censured the Firm and fined it $100,000.

In Letter of Acceptance, Waiver and Consent No. 2009017682701 (December 2010), FINRA found that, from October 2008 to October 2009, LPL failed to enforce its supervisory procedures relating to certain variable annuity exchange transactions, despite attestations to FINRA to the contrary. FINRA censured the Firm and fined it $175,000.

In Letter of Acceptance, Waiver and Consent No. 2009016922702 (December 2010), FINRA found that, from December 2005 to October 2008, LPL failed to maintain and enforce a supervisory system reasonably designed to monitor all transmittals of funds from customer accounts to third-party accounts. LPL's control procedures for review of third-party transmittals did not address third-party journal transactions, LPL failed to document management approval of third-party journals, and LPL failed to send confirmation letters to customers on seven occasions. FINRA censured the Firm and fined it $100,000.

OVERVIEW

Beginning in 2007, LPL Financial Holdings, Inc., pursued a strategy of significantly increasing the size of its wholly-owned broker-dealer subsidiary, LPL. This strategy included acquiring numerous financial services firms, consolidating them with LPL and recruiting registered representatives from other broker-dealers. From 2007 to 2013, the number of registered representatives grew from approximately 8,322 to 17,601; and the Firm's revenues grew from approximately $2.28 billion for the fiscal year ended December 31, 2007 to approximately $4.05 billion for the fiscal year ended December 31, 2013.

The Firm, however, did not accompany this rapid growth with a concomitant dedication of sufficient resources to permit the Firm to meet its supervisory obligations. As a result, the Firm failed to have adequate systems and procedures in place to supervise certain aspects of its business, including the sales of particular complex products, and the review of trades and delivery of trade confirmations.

For example, LPL failed to reasonably supervise its sales of complex non-traditional exchange traded funds ("ETFs"). The Firm failed to monitor the length of time these securities were held in customer accounts, permitted the breach of the Firm's allocation limits, failed to deliver prospectuses to customers buying these securities, and permitted sales by certain representatives who had not taken the mandatory Firm-developed training on the risks of these products. LPL failed to reasonably supervise its sales of variable annuities, in some instances permitting sales without disclosing surrender fees. The Firm used a faulty automated surveillance system that excluded certain mutual fund "switch" transactions from supervisory review, and it failed to reasonably supervise sales of Class C mutual fund shares. The Firm also failed to supervise sales of non-traded real estate investment trusts ("REITs") by, among other things, failing to identify accounts eligible for volume sales charge discounts ("volume discount").

Multiple deficiencies affected LPL's systems for reviewing trading activity in customer accounts. The Firm used a surveillance system, which, due to technical flaws, failed to generate

alerts for certain high-risk activity including low priced equity transactions, actively traded accounts, asset movements and potential employee front-running. The Firm used a separate, but faulty, automated system to review its trade blotter, but this system failed to display trading activity past due for supervisory review. The Firm failed to deliver trade confirmations to customers investing in LPL advisory programs resulting from deficiencies that affected over 67,000 accounts and 14 million trades, and it failed to report certain trades to FINRA and MSRB.

As a result, LPL violated numerous federal securities laws and FINRA and MSRB rules.

FACTS AND VIOLATIVE CONDUCT

A. LPL Failed to Reasonably Supervise Certain ETF, Variable Annuity, Mutual Fund and Non-Traded REIT Transactions

1. LPL Failed To Reasonably Supervise Sales of Non-Traditional ETFs

LPL failed to enforce its supervisory procedures for the sales of leveraged, inverse and inverse-leveraged ETFs ("non-traditional ETFs"). Non-traditional ETFs are complex products that seek to return a multiple of the performance of the underlying index or benchmark, the inverse of the performance, or both, and use swaps, futures contracts, and other derivative instruments to achieve these objectives. Most non-traditional ETFs "reset" daily, meaning they are designed to achieve their stated objectives only on a daily basis and thus typically are inappropriate as an intermediate or long-term investment in a brokerage account. Additionally, due to the effect of compounding, the performance of non-traditional ETFs can differ significantly from the performance of their underlying index or benchmark, an effect that can be magnified in volatile markets.

LPL failed to reasonably supervise sales of these complex securities in several respects.

For example, from April 2010 through April 2015, the Firm failed to review the length of time its customers held certain of these securities. Certain of LPL's customers held these securities for more than a year, despite the risks associated with such lengthy holding periods. The Firm's written supervisory procedures required its representatives to monitor non-traditional ETFs held in customer accounts on a daily basis. Its written procedures further stated that these securities generally should not be recommended as an intermediate or long-term holding. However, during this time period, the Firm did not have a supervisory system in place to monitor holding periods for non-traditional ETFs in customer accounts.

Additionally, LPL failed to enforce allocation limits in connection with its sales of non-traditional ETFs. The Firm's own procedures established "allocation limits" at the point of sale permitting a "maximum aggregate allocation allowable per client account" ranging from 0 percent (in accounts with an "income" investment objective) to 15 percent (in accounts with "growth" or "trading" investment objectives). The Firm did not follow these procedures.

Finally, LPL failed to ensure that certain registered representatives were adequately trained to sell non-traditional ETFs. LPL's procedures required its representatives to complete an ETF training course before purchasing or holding non-traditional ETFs in customer accounts. Some of the Firm's representatives, however, did not complete Firm-mandated training before they began selling non-traditional ETFs to their customers.

By failing to reasonably supervise the sale of non-traditional ETFs and ensure that its brokers were adequately trained to sell these complex products, including taking required training, LPL violated NASD Rule 3010(b) and FINRA Rule 2010.

2. LPL Failed To Reasonably Supervise Sales of Variable Annuity Contracts

LPL failed to reasonably supervise its sales of variable annuity contracts funded by the sale of other annuity contracts or mutual funds. For example, from June 2012 to July 2013, LPL required its representatives to disclose, through an automated program known as the "Annuity Order Entry" ("AOE") system, whether customers would incur fees or sacrifice pecuniary benefits when they surrendered their annuities and mutual funds to pay for the variable annuity contracts recommended by the Firm's representatives.

The Firm, however, did not take adequate steps to ensure its representatives provided accurate information through the AOE system.

In certain instances, LPL failed to identify that its representatives did not disclose through AOE that customers lost "death benefits" or "living benefits" on the annuities that they surrendered to pay for their variable annuity purchases. In other instances, LPL failed to disclose to customers that they incurred "surrender fees" on the exchange of their existing variable annuity holdings for new contracts.

Additionally, LPL systems and procedures automatically approved some of the variable annuity transactions entered by the Firm's OSJ managers. As a result, the Firm failed to review whether its OSJ managers provided information through AOE about surrender fees that matched the information the Firm provided to customers. In some instances, OSJ managers identified those fees through AOE, but the Firm failed to disclose the fees on the forms it gave to customers. Similarly, in other instances, OSJ managers identified through AOE that their customers incurred fees on the sale of their mutual funds to pay for their variable annuity purchases, but the Firm did not disclose those fees on the forms it gave to customers.

By failing to reasonably supervise its sales of variable annuity contracts funded by the sale of another annuity contract or mutual fund, LPL violated NASD Rule 3010(b) and FINRA Rules 2330(c) and 2010.

3. LPL Failed To Conduct Reasonable Supervision or Surveillance Regarding Mutual Fund "Switch" Transactions

LPL failed to enforce its procedures requiring its representatives to complete timely and accurate forms used to appropriately disclose mutual fund switches to customers and to document the rationale for such switches ("Switch Forms"). For example, from June 2012 through July 2013, LPL representatives at times failed to accurately describe fees incurred by customers through the sale of existing mutual funds. In some instances, LPL representatives did not complete Switch Forms until months after a "switch" transaction occurred and LPL had already reviewed the transaction. In other instances, LPL was not able to provide FINRA with copies of Switch Forms.

Additionally, although LPL generated monthly and semi-annual reports on mutual fund "switching" transactions, the automated surveillance system used by the Firm contained programming flaws that caused it to exclude certain switch transactions from supervisory review. For example, LPL's automated surveillance system failed to identify switch transactions in situations when a customer liquidated a mutual fund holding and purchased another mutual fund within the same week, or if a representative's supervisor changed between the date a customer sold its mutual fund and bought another.

Finally, LPL failed to create and enforce supervisory procedures reasonably designed to ensure that its employees provided accurate information to regulators about the Firm's supervision of its representatives' trading. For example, in response to a FINRA inquiry about mutual fund switching at certain of the Firm's branch offices, LPL "filtered" the data it provided to FINRA, thereby not providing all the information FINRA had requested. In particular, LPL populated a FINRA form known as the "Branch Office Risk Assessment Matrix" with incomplete information about mutual fund switching transactions at some of the Firm's branch offices and provided the form to FINRA. The Firm provided inaccurate information to FINRA due to a breakdown in communication within the Firm, and the Firm failed to inform FINRA that the switch data it provided was subject to certain limitations.

By failing to reasonably supervise purchases and sales of mutual funds in "switching" transactions, LPL violated NASD Rule 3010(b) and FINRA Rule 2010.

4. LPL Failed To Reasonably Supervise Sales of Class C Mutual Fund Shares

During the period of January 2007 through August 2014, the Firm's procedures with respect to Class C Mutual Fund shares were inadequate. Specifically, the thresholds set by the firm for determining whether Class C shares were appropriate were set too high to be effective. Additionally, LPL's supervisory system was inadequate in that the transactions it was designed to detect, singular Class C purchases made on a single date and in the amount of $500,000 or more, was too limited in scope.

By failing to reasonably supervise sales of Class C Mutual Fund Shares, LPL violated NASD Rules 3010(a) and (b), 2110 and FINRA Rule 2010.[1]

[1] FINRA Rule 2010 superseded NASD Rule 2110, effective December 15, 2008.

5. LPL Failed To Supervise Sales of Non-Traded REITs

During the period of January 2007 through August 2014, LPL failed to maintain an adequate supervisory system and adequate supervisory guidelines with respect to the sale of Non-Traded REITS and volume sales charge discounts ("volume discount"). During this time period, the Firm did not have adequate procedures in place to identify accounts that would be eligible for volume price discounts.

By failing to reasonably supervise volume discounts in connection with sales of non-traded REITs, LPL violated NASD Rules 3010(a) and (b), 2110 and FINRA Rule 2010.

B. LPL Failed to Implement Adequate Systems For the Review and Accurate Reporting of Trades and for the Delivery of Trade Confirmations

1. LPL Failed to Review Potentially Problematic Trades

LPL failed to review low priced equity trades, concentrated positions, actively traded accounts and potential employee front-running. In or about September 2005, LPL began using a new surveillance system (the "Surveillance System") to review, among other items, equity transactions for trades that potentially violated the Firm's policies and procedures and applicable FINRA rules with respect to low priced securities, actively traded accounts, and concentrated positions. Beginning in November 2007, LPL also used the Surveillance System to monitor for potential employee front-running.

LPL implemented the Surveillance System to generate alerts identifying transactions that fell within certain parameters. The Surveillance System alerts then would be reviewed for compliance with applicable Firm procedures and FINRA rules. The Surveillance System alerts for concentrated positions, actively traded and low priced securities also fed into the Firm's proprietary supervisory system, *i.e.*, the OSJ Review Tool ("ORT"), which the Firm's designated principals, home office supervisory principals and OSJ managers used to identify irregular transactions requiring further supervisory review.

The Surveillance System and ORT systems and the Firm's implementation of them were beset by multiple deficiencies that hampered the Firm's review for potentially problematic trades in customer accounts.

The Surveillance System failed to generate alerts that would have triggered supervisory review. For example, from January 2007 through at least December 2012, the Surveillance System failed to generate alerts consistent with the Firm's set parameters for low priced equity transactions, actively traded and concentrated positions. Similar failures occurred with respect to potential employee front-running for the period November 2007 through at least December 2012.

The Firm failed timely to complete hundreds of thousands of supervisory tasks as a result of an ORT systems failure. The Firm implemented ORT in 2007 to notify supervisors of activity needing review. The system collects data from various sources within the Firm and displays it in three categories: (i) general ORT tasks (which include outside business activity requests, trade

corrections, changes to customer addresses, front-running, low priced securities, mutual fund exceptions and actively traded accounts); (ii) email review tasks; and (iii) trade blotter review tasks. The Firm, however, failed to detect or correct technical issues that caused ORT to fail to display tasks that were past due for supervisory review. For example, from January 2007 to December 2012, approximately 31,467 general ORT tasks were more than 30 days past due, 315,107 email review tasks were more than 7 days past due and 555,873 trade blotter review tasks were more than 7 days past due.

Additionally, as designed, ORT did not permit for adequate supervisory review of the trade blotter. Designated principals reviewed, on average, 1,154 trades per day, and Home Office principals reviewed approximately 349 trades per day. The ORT trade blotter, however, only displayed ten trades per screen and did not allow for user filtering by price or other parameters. These system limitations potentially adversely affected supervisors' ability to reasonably detect improper trading activity. While both supervisors and managers expressed concerns regarding the functionality of the ORT trade blotter, no enhancements were made until November 2012, when the system was modified to permit the display of 50 trades per screen.

Finally, during the period of November 2007 through 2014, coding defects improperly allowed OSJ managers and OSJ delegates to self-review trades and the above-discussed general ORT tasks. Specifically, during this time period, OSJ managers and OSJ delegates could self-review their own transactions and their own activities in ORT, including, but not limited to, new accounts, concentrated positions, outside business activities, third-party disbursements, changes of address, mutual fund exceptions, trade corrections, low priced securities positions, account changes, and possible front running.

By failing to implement adequate systems to monitor for low priced securities, concentrated positions, actively traded accounts, and potential employee front-running; by allowing OSJ managers and OSJ delegates to self-review trades and related tasks; by failing to complete all supervisory tasks in a timely manner; and, by failing to conduct adequate reviews of its trade blotter, LPL violated NASD Rules 3010(a) and (b), 2110 and FINRA Rule 2010.

2. *LPL Failed Accurately to Report Trades*

a. LOPR Reporting

LPL failed to accurately report to the Options Clearing Corporation ("OCC") options data using the Large Options Positions Report ("LOPR") as required by FINRA Rule 2360(b)(5).[2] In particular, from January 19, 2010 through May 31, 2012, the Firm: (a) incorrectly reported customer account information to the OCC LOPR in approximately 840,729 instances where the account name was either truncated (795,231 instances) and or overran into the address field (45,498 instances) due to character limits employed by the third-party vendor used by the Firm to

[2] LOPR data is used extensively by FINRA and other self-regulatory organizations to identify and deter the establishment of options positions that may provide an incentive to manipulate the market. The accuracy of LOPR data is essential for the analysis of potential violations related to insider trading, position limits, exercise limits, front-running, capping and pegging, mini-manipulation, and marking-the-close.

report its reportable options positions; and (b) reported approximately 11,045 positions to the OCC LOPR with incorrect effective dates.[3]

Additionally, from January 19, 2013 through June 30, 2014, the Firm: (a) failed to report records to the OCC LOPR in approximately 40,015 instances because it had failed to aggregate certain accounts as acting-in-concert; and (b) failed to report the in-concert identification number to the OCC LOPR in approximately 55,418 instances. From July 18, 2013 through September 26, 2013, the Firm failed to report approximately 46,169 records to the OCC LOPR, due to a file transmission change that had caused its daily submissions to be routed to an incorrect directory. On November 20, 2013, the Firm over-reported seven positions in 238 instances and failed to report 60 positions in 1,422 instances to the OCC LOPR as a result of its failing to include 40 "ADD" and seven "DELETE" records.

The Firm also failed to maintain an adequate system of supervision, including effective monitoring, reasonably designed to achieve compliance with its options reporting requirements under FINRA Rule 2360(b)(5).

By failing to accurately report options data in LOPR, LPL violated FINRA Rules 2360(b)(5) and 2010. Additionally, by failing to maintain a supervisory system reasonably designed to achieve compliance with its options reporting requirements under FINRA Rule 2360(b)(5), LPL violated NASD Rule 3010(a) and (b) and FINRA Rule 2010.

b. RTRS and TRACE Reporting

The Firm also failed to report its correct capacity to the Real-time Transaction Reporting System ("RTRS"). For example, from June 2006 to July 2012, the Firm failed to report its correct capacity in 1,434 reports of transactions in municipal securities. The Firm also failed to report to TRACE the correct capacity for 8,718 transactions in TRACE-eligible securities.

During the aforementioned period, the Firm further failed to establish and maintain supervisory procedures reasonably designed to ensure compliance with these requirements. The Firm's procedures did not provide for (1) identification of persons responsible for supervision; (2) supervisory steps to be taken by the persons identified; (3) when such supervisory steps were to be undertaken; and (4) how such supervisory steps were to be documented.

By failing to comply with RTRS and TRACE reporting, disclosure and related supervisory requirements, LPL violated MSRB Rules G-14, G-15 and G-27 (as to RTRS) and NASD Rules 6230, 3010(a) and (b) and 2110 and FINRA Rules 6730 and 2010 (as to TRACE).[4]

[3] An "instance" is a single failure to report, or inaccurately report, a given options position. The number of instances is determined by multiplying a given reportable position by the number of trade dates the position had not been reported or had been reported inaccurately.

[4] FINRA Rule 6730 superseded NASD Rule 6230, effective December 15, 2008.

3. LPL Failed to Deliver Contemporaneous Trade Confirmations

Beginning in July 2005, LPL began offering certain high net worth customers centrally managed advisory investment programs consisting of various exchange-traded portfolios and mutual funds. From July 2005 to November 2010, LPL failed to deliver confirmations to customers participating in four LPL advisory investment programs, but did so under the incorrect belief that it was entitled to an exemption from Rule 10b-10(a) delivery requirements as set forth in a series of SEC no-action letters. The Firm, however, was not entitled to an exemption because it never applied for one under the Exchange Act Rule 10b-10(f) and failed to fully comply with the SEC's industry-wide conditions for such relief. These confirmation delivery failures affected 47,634 accounts and over 13 million transactions.

For one of the Firm's advisory investment programs, the Model Wealth Portfolio ("MWP"), LPL implemented an automated tool, or "macro," which was programmed to automatically suppress delivery of confirmations. In November 2010, the Firm changed this practice to automatically deliver, rather than automatically suppress, confirmations. LPL, however, failed to reprogram the macro which continued to run nightly, overriding those accounts manually coded for delivery. Accordingly, from November 2010 to November 2012 when the macro was finally disabled, the Firm suppressed confirmations for MWP customers even though the customers had indicated to the Firm that they wanted the confirmations delivered. LPL was alerted to the issue when one of its registered representatives notified the Firm that several customers who wanted to receive confirmations were not receiving them. These MWP confirmation delivery failures affected 19,800 accounts and 1,097,000 transactions.

LPL also failed to deliver confirmations due to coding errors in certain fixed-income accounts. The Firm's coding errors for these fixed income accounts went undetected for nearly ten years. LPL's confirmation delivery failures affected 3,686 transactions in these accounts.

Additionally, from June 2006 to July 2012, LPL failed to provide to its customers written notification disclosing its capacity in the transaction on 15,371 occasions. The Firm also failed to provide to its customers written notification disclosing whether the transaction was discretionary or non-discretionary.

Finally, LPL failed to establish and maintain a supervisory system, including written procedures, reasonably designed to ensure delivery of contemporaneous trade confirmations.

By failing to deliver contemporaneous trade confirmations, LPL violated Section 10 of the Exchange Act, Rule 10b-10(a), NASD Rules 2230 and 2110 and FINRA Rule 2232 and 2010.[5] By failing to establish supervisory procedures, including written procedures, reasonably designed to comply with confirmation delivery requirements, LPL violated NASD Rules 3010(a) and (b) and 2110 and FINRA Rule 2010.

[5] FINRA Rule 2232 superseded NASD Rule 2230, effective June 30, 2011.

C. LPL Failed to Implement Adequate Systems to Monitor for Certain Suspicious Activity

LPL also relied on the Surveillance System to detect, where appropriate, suspicious activity as part of the Firm's anti-money laundering ("AML") compliance program. The Surveillance System, when operating properly, should have generated AML alerts related to transactional anomalies identified through two pre-existing risk-based scenarios for customer ATM withdrawals. An effective AML system should have processes and procedures in place to address and investigate, where appropriate, alerts generated by an automated system. However, due to coding errors in the Surveillance System, beginning on March 28, 2014 that were undetected for approximately six weeks, the two AML scenarios were not operating properly, such that no alerts were generated based on these scenarios.

Thereafter, the Firm was unable to correct the coding promptly. Specifically, the scenarios monitoring excessive ATM withdrawals and ATM withdrawals in foreign jurisdictions failed to generate AML alerts during the period of March 28, 2014 through February 2, 2015 that could have been utilized to investigate potentially suspicious customer ATM activity. As a result of the failure to surveil the activity designed to be monitored by the two inoperable scenarios during the aforementioned time period, LPL failed to have a system reasonably designed to monitor for suspicious activity relating to customer ATM use.

By failing to implement adequate systems to detect, investigate and report, where appropriate, the suspicious activity described above, LPL violated FINRA Rules 3310(a) and 2010.

D. LPL Failed to Ensure that it Provided Complete and Accurate Information to Regulators about Variable Annuity Transactions

LPL failed to create and enforce supervisory procedures reasonably designed to ensure that its employees provided complete and accurate information to FINRA and federal and state regulators about the Firm's supervision of registered representatives' variable annuity ("VA") transactions. From at least 2008 through August 2014, LPL responded to regulatory inquiries about VA transactions by accessing a proprietary system, known as the "AOE Database," that stores transaction data provided to the Firm by a third-party vendor.

The Firm, however, was deficient in processing the data it received from its vendor, and in accessing that data in response to regulatory inquiries. In 2014, the Firm identified and notified a state securities regulator that it had failed to provide complete information to the regulator about its registered representatives' VA transactions, and consequently may have initially excluded customers from a settlement that the Firm entered with that regulator which provided restitution to investors.

Between 2010 and 2014, LPL provided information to FINRA, federal, and state regulators in at least 74 examinations and inquiries about its registered representatives' VA transactions. During that period, LPL provided VA transaction data to FINRA in 38 matters. LPL's production of that data was not accurate and complete. In June 2013, for example, the Firm stated that it could not produce information regarding the surrender charges its customers incurred in VA exchange

transactions, although that information is included in the data that LPL's vendor provides to the Firm. LPL's failure to provide complete and accurate information about VA transactions may have impeded regulatory examinations of LPL registered representatives and the Firm's supervision of those representatives.

By failing to adequately supervise its production of VA transaction data to FINRA and federal and state regulators, LPL violated NASD Rules 3010(a) and (b) and 2110, and FINRA Rule 2010. By failing to make and preserve accurate records of its registered representatives' VA transactions, LPL also violated Section 17 of the Securities Exchange Act of 1934 and SEC Rule 17a-3 thereunder, and NASD Rules 3110 (a) and 2110, and FINRA Rules 4511 and 2010.

E. LPL Failed to Reasonably Supervise its Advertising and Other Communications

1. LPL Failed to Reasonably Supervise Consolidated Reports

LPL failed to establish, maintain, and enforce a reasonable supervisory system regarding its registered representatives' use of consolidated reports. A consolidated report is a single document that combines information concerning most or all of a customer's financial holdings, regardless of where those assets are held. Consolidated reports supplement, but do not replace customer account statements required pursuant to NASD Rule 2340. In April 2010, FINRA issued Regulatory Notice 10-19, which reminded firms of their obligation to supervise their registered representatives who create consolidated reports.

LPL permitted its registered representatives to use multiple systems to create and review consolidated reports to provide to customers, including two proprietary programs and those offered by at least seven third-party providers. Additionally, some of the Firm's registered representatives created consolidated reports using software such as Microsoft Word or Excel. Each of those systems allowed representatives to manually enter values for assets held away from the Firm. LPL failed reasonably to supervise its registered representatives' use of those systems in several respects.

Between December 2011 and December 2014, for example, the Firm's registered representatives created approximately 16.1 million consolidated reports using an LPL program known as "Portfolio Manager," and manually entered asset values in approximately 80,000 of those consolidated reports. During the same period, the Firm's registered representatives also created at least 202,000 consolidated reports using another LPL-provided system known as "Portfolio Review Tool," which included at least 35,000 consolidated reports with manually-entered asset values. LPL, however, chose not to retain the consolidated reports that its registered representatives generated with those two systems: it purged the consolidated reports created with Portfolio Manager from its computers after 13 months, and purged the reports created with Portfolio Review Tool after 24 months. Moreover, a programming flaw in Portfolio Review Tool permitted registered representatives to delete immediately the consolidated reports they created with that system from LPL's computers, along with the data the representatives used to create the reports. Consequently, LPL is not able to determine which of its registered representatives generated consolidated reports using Firm-provided systems or whether customers received inaccurate or misleading consolidated reports.

LPL also is not able to identify its registered representatives who generated consolidated reports using systems from third-party providers. Since at least 2009, LPL has permitted its registered representatives to purchase licenses directly from vendors for access to systems that create consolidated reports. Because the Firm's registered representatives contract directly with third-party vendors, LPL is not able to identify with certainty all of the systems that its representatives use to create consolidated reports or the number of consolidated reports those representatives generated. Moreover, LPL does not know whether some of those third-party providers allow the Firm's registered representatives to manually enter asset values in consolidated reports, or whether the third-party providers store confidential customer information on their systems. Similarly, the Firm is not able to identify all of its registered representatives whom it believes generated consolidated reports using software such as Excel, Word, and similar products.

Since at least 2010, the Firm has reviewed its policies and procedures governing the use and supervision of consolidated reports and considered revising its supervisory procedures to limit its registered representatives' use of third-party systems for consolidated reports and to prohibit their creation of consolidated reports using software such as Excel and Word. The Firm, however, did not begin to modify its supervisory procedures until November 2014.

By failing to reasonably supervise the use of consolidated reports by its registered representatives, LPL violated NASD Rules 3010(a) and (b) and FINRA Rule 2010. By failing to retain some of the consolidated reports, LPL also violated Section 17 of the Securities Exchange Act of 1934 and SEC Rule 17a-4 thereunder; NASD Rules 3110 and 3010(d)(3); and FINRA Rules 4511 and 2010.

2. *LPL Failed to Reasonably Supervise Radio Shows Broadcast By Two Representatives and to Review Other Advertising Materials*

In June 2011, LPL executed an AWC consenting to findings that it failed to supervise two representatives in a California branch office. For five years, from March 2005 through March 2010, the two representatives aired approximately 520 live, call-in radio shows on "Radio Iran," an AM radio station in California. The representatives broadcast their program in Farsi. Over that five-year period, LPL failed to request or review any translated copies of the representatives' broadcasts. FINRA censured LPL and fined it $25,000. At that time, the Firm informed FINRA that it had changed its "internal processes" in response to its "administrative oversight" in failing to supervise the representatives' broadcasts.

Despite the findings in the AWC and its undertaking to remedy its deficient supervision of these brokers' radio broadcasts, the Firm failed to adequately supervise the radio shows for an additional two years. From July 2011 through July 2012, the two representatives continued to host their radio show about four times each month on Radio Iran. During their broadcasts, the two representatives promoted products through unwarranted and misleading claims, and made numerous assertions that violated FINRA's advertising rules. LPL reviewed transcripts of four of the 44 shows that the representatives broadcast, but not until approximately seven to ten months after each of the shows aired. LPL's review of the transcripts was therefore ineffective. For example, LPL's review of transcripts from shows that were broadcast in December 2011 and

February 2012 highlighted "deficiencies ... which must be addressed immediately," but the Firm did not provide those comments to the representatives until many months later, by which time they had broadcast at least 20 more shows.

Additionally, the Firm failed to supervise advertising materials used by other representatives. For example, during the period July 2011 through June 2012, LPL approved at least 17 advertisements for use by its representatives that violated FINRA's advertising rules. Some of those advertisements, moreover, included misleading claims or omitted material information about the risks of the investments discussed in the advertisements. In one instance, LPL approved an advertisement for a seminar presentation to retired individuals, but the advertisement incorporated outdated market data and misleadingly characterized certain investments as having "no risk." LPL also filed 16 public communications with FINRA more than 10 days after the Firm's representatives first used them.

By failing to reasonably supervise the two representatives' radio programs, LPL violated NASD Rule 3010(a) and FINRA Rule 2010. Additionally, by failing to reasonably supervise advertising materials used by other representatives, LPL violated NASD Rules 2210(d)(1)(A), 2210(d)(1)(B), 2210(c)(2), 3010(a), and FINRA Rule 2010.

3. LPL Failed to Review Written Correspondence in a Timely Manner

LPL failed to reasonably supervise certain of its representatives' business-related correspondence. During the period April 2010 through July 2011, the Firm's OSJ located in San Diego, California, failed timely to review correspondence from the branch offices and representatives that it supervised, contrary to LPL's procedures. The San Diego OSJ was responsible for supervising a significant number of the Firm's registered representatives. The OSJ did not review most of that correspondence until FINRA announced that it would conduct an on-site examination of the office. Of the 391 pieces of correspondence that the OSJ reviewed during that period, 213 pieces were approved by a registered principal and dated on the business day before FINRA began an on-site examination at the OSJ. Another 67 pieces of correspondence bore a registered principal's initials, but were not dated.

By failing timely to review business-related written correspondence, LPL violated NASD Rule 3010(a) and (b) and FINRA Rule 2010.

4. LPL Failed To Reasonably Supervise Certain Non-Solicitation Letters

From January 2007 through December 2012, LPL failed to track and monitor non-solicitation letters for low priced securities. The Firm's procedures required that its registered representatives obtain, and maintain in the branch office, a letter of non-solicitation signed by the client for each unsolicited trade involving a low priced security. LPL, however, failed to implement adequate supervisory controls to ensure that these procedures were followed. Non-solicitation letters were not maintained electronically, thus the Firm's designated principals and home office supervisory principals could not readily determine if the required letters had been obtained by the registered representatives whom they supervised.

By failing to implement and maintain an adequate system to review non-solicitation letters, LPL violated NASD Rules 3010(b) and 2110 and FINRA Rule 2010.

F. LPL Failed to Comply with Certain Registration Requirements

The Firm failed to verify prior employment of certain of its registered representatives when they registered with the Firm. For example, from July 2011 through June 2012, approximately 3,300 registered representatives became associated with LPL. During that period, LPL failed to verify the prior employment of approximately 1,782 of those representatives when they registered with the Firm, in violation of FINRA and MSRB rules. Additionally, from approximately April 2013 until October 2013, LPL failed to enforce its procedures, which required the Firm to re-verify the registration status and financial information of "candidates" whose registration through LPL was still pending 90 days after they submitted their applications.

Additionally, from July 2011 through at least December 2012, LPL failed to make timely filings of Form U4 amendments and Forms U5. For example, in at least 34 instances during the one-year period between July 2011 and June 2012, LPL failed timely to amend its representatives' Forms U4. In 33 of those instances, LPL filed amendments to its representatives' Forms U4 between 31 and 179 days after the Firm learned of events triggering its obligation to file the amendments. In 10 of those instances, LPL failed to amend its representatives' Forms U4 until FINRA Staff notified the Firm that it had not made the required filings. From October 2012 through December 2012, LPL similarly failed to file 54 amendments to its representatives' Forms U4 in timely fashion.

Additionally, during the one-year period between July 2011 and June 2012, LPL failed timely to file or amend 18 Forms U5 after it terminated those representatives' registrations with the Firm, and therefore failed timely to disclose customer complaints against the representatives or the results of LPL's internal reviews.

By failing to establish and enforce supervisory procedures reasonably designed to verify certain registered representatives' prior employment, LPL violated NASD Rule 3010(a) and (b), FINRA Rule 2010, and MSRB Rules G-7 and G-27. By failing timely to file Form U4 amendments and Forms U5, LPL violated FINRA Rules 1122 and 2010, and Article V, Sections 2 and 3 of the FINRA By-laws.

G. LPL Failed to Comply with Rule 204 of Regulation SHO

Rule 204 of Regulation SHO requires a firm that has a fail-to-deliver position at a registered clearing agency in any equity security for a long or short sale transaction in that equity security to close out its fail-to-deliver position by borrowing or purchasing securities of like kind or quality. LPL did not comply with this requirement. From November 30, 2011 to April 9, 2012, the Firm, on 17 occasions, had a fail to deliver position at a registered clearing agency in an equity security resulting from a long sale trade. LPL, however, did not close-out the position by purchasing or borrowing securities of like kind and quantity within the time frame and manner required by Rule 204(a)(1) of Regulation SHO.

Additionally, the Firm failed to establish and maintain written supervisory procedures reasonably designed to achieve compliance with Rule 204 of Regulation SHO. In particular, the Firm's procedures did not provide for (1) identification of persons responsible for supervision; (2) supervisory steps to be taken by the persons identified; (3) when such supervisory steps were to be undertaken; and (4) how such supervisory steps were to be documented.

Based on the foregoing, LPL violated Rule 204(a)(1) of Regulation SHO, NASD Rules 3010(a) and (b) and FINRA Rule 2010.

OTHER FACTORS

In determining the appropriate sanctions in this matter, FINRA considered the Firm's substantial commitment of additional resources, including the hiring of additional legal and compliance personnel, and its representation that it will continue its increased commitment of resources to improve its supervisory systems and procedures so as to meet its regulatory obligations.

B. LPL also consents to the imposition of the following sanctions:

1. A censure;

2. A fine in the amount of $10 million ($37,500 of which pertains to violations of MSRB Rules G-7, G-14, G-15 and G-27; $175,000 of which pertains to violations of FINRA Rule 2360(b)(5); and $50,000 of which pertains to violations of Rule 204 of Regulation SHO); and

The Firm further agrees to the following:

3. Written Plan to Review and Improve Supervision

   a. Within 90 days of the date of Notice of Acceptance of this AWC, the Firm will submit to FINRA a written plan of how it will undertake to conduct a comprehensive review of the adequacy of its policies, systems and procedures (written and otherwise) and training relating to the conduct addressed in this AWC, including the length of time the review of each particular issue is anticipated to take, and will describe its additional commitment of resources and personnel to its legal and compliance functions, including control and risk functions.

   b. FINRA will review the plan submitted by LPL. If FINRA determines that the plan reasonably complies with the specific requirements set forth in this AWC, and is in keeping with the general purpose of the undertaking, FINRA will not object to the plan. The date that FINRA notifies LPL that it does not object to the plan shall be the Notice Date.

c. In the event FINRA objects to the plan, LPL may address FINRA's objection(s) and resubmit the plan within 30 days of being notified of FINRA's objection(s). A failure to resubmit to FINRA a plan that is reasonably designed to meet the specific requirements and general purpose of the undertaking shall be deemed a violation of the terms of this agreement.

d. At the conclusion of LPL's comprehensive review, which shall be no more than 180 days after the Notice Date, LPL shall certify to FINRA in a submission signed by the Firm's Chief Risk Officer that its policies, systems, procedures, and training implemented in connection with this undertaking are adequate and reasonably designed to address the conduct at issue in this AWC. In providing this certification, the Firm shall describe the review performed and the conclusions reached and shall describe the additional resources and personnel it is devoting to its legal and compliance functions.

e. In conjunction with the Firm's submission of the written plan referenced in paragraph B.3.a above, the Firm will schedule a meeting with FINRA staff to review the proposed plan. Thereafter, and continuing until such time as will be mutually agreed upon by FINRA staff and the Firm, representatives of the Firm will meet with FINRA staff on a quarterly basis to discuss the implementation of policies, systems, procedures and training relating to the conduct addressed in this AWC and the additional resources and personnel dedicated to its legal and compliance functions.

4. Report and Certification Regarding Supervision of Non-Traditional ETFs

LPL shall:

a. Retain, within 60 days of the date of Notice of Acceptance of this AWC, an Independent Consultant, not unacceptable to the FINRA staff, to conduct a comprehensive review of the adequacy of the Firm's policies, systems and procedures (written and otherwise) and training related to the sale of non-traditional ETFs. The Independent Consultant will recommend systems and procedures that the Firm will adopt to supervise the sale of non-traditional ETFs in brokerage accounts, including but not limited to those regarding the identification of customers for whom non-traditional ETFs may be suitable, limits on the concentration and holding periods of non-traditional ETFs in customer accounts, and the creation and use of "exception reports" to monitor the purchase and sale of non-traditional ETFs in customer accounts;

b. Exclusively bear all costs, including compensation and expenses, associated with the retention of the Independent Consultant;

c. Cooperate with the Independent Consultant in all respects, including by providing staff support. LPL shall place no restrictions on the Independent Consultant's communications with FINRA staff and, upon request, shall make available to

FINRA staff any and all communications between the Independent Consultant and the Firm and documents reviewed by the Independent Consultant in connection with his or her engagement. Once retained, LPL shall not terminate the relationship with the Independent Consultant without FINRA staff's written approval; LPL shall not be in and shall not have an attorney-client relationship with the Independent Consultant and shall not seek to invoke the attorney-client privilege or other doctrine or privilege to prevent the Independent Consultant from transmitting any information, reports or documents to FINRA;

d. At the conclusion of the review, which shall be no more than 180 days after the date of the Notice of Acceptance of this AWC, require the Independent Consultant to submit to the Firm and FINRA staff a Written Report. The Written Report shall address, at a minimum, (i) the adequacy of the Firm's policies, systems, procedures, and training relating to the supervision of non-traditional ETFs; (ii) a description of the review performed and the conclusions reached, and (iii) the Independent Consultant's recommendations for modifications and additions to the Firm's policies, systems, procedures and training;

e. Require the Independent Consultant to enter into a written agreement that provides that for the period of engagement and for a period of two years from completion of the engagement, the Independent Consultant shall not enter into any other employment, consultant, attorney-client, auditing or other professional relationship with LPL, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such. Any firm with which the Independent Consultant is affiliated in performing his or her duties pursuant to this AWC shall not, without prior written consent of FINRA staff, enter into any employment, consultant, attorney-client, auditing or other professional relationship with LPL or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement;

f. Within 30 days after delivery of the Written Report, LPL shall adopt and implement the recommendations of the Independent Consultant or, if it determines that a recommendation is unduly burdensome or impractical, propose an alternative system and/or procedure to the Independent Consultant designed to achieve the same objective. The Firm shall submit such proposed alternatives in writing simultaneously to the Independent Consultant and FINRA staff. Within 30 days of receipt of any proposed alternative procedure, the Independent Consultant shall: (i) reasonably evaluate the alternative system and/or procedure and determine whether it will achieve the same objective as the Independent Consultant's original recommendation; and (ii) provide the Firm with a written decision reflecting his or her determination. The Firm will abide by the Independent Consultant's ultimate determination with respect to any proposed alternative system and/or procedure and must adopt and implement all recommendations deemed appropriate by the Independent Consultant;

g. Within 30 days after the issuance of the later of the Independent Consultant's Written Report or written determination regarding an alternative system and/or procedure (if any), the Independent Consultant shall certify in writing to FINRA staff that the Firm has established systems and procedures reasonably designed to achieve compliance with the supervision requirements regarding the recommendation, purchase, and sale of non-traditional ETFs, including but not limited to the deficiencies identified herein (the "certification"); and

h. Upon written request showing good cause, FINRA staff may extend any of the procedural dates set forth above.

5. Restitution in Connection with Non-Traditional ETFs

a. LPL is ordered to pay restitution to customers affected by the Firm's failure to reasonably supervise its recommended sales of non-traditional ETFs as described in this AWC and subject to parameters agreed upon by FINRA staff, in the amount of $1,664,592.05, to the customers listed in Attachment A hereto, plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2), from the date of purchase of the ETFs, until the date of payment of restitution.

A registered principal of LPL shall submit satisfactory proof of payment of restitution or of reasonable and documented efforts undertaken to effect restitution. Such proof shall be submitted to Aimee L. Williams, Regional Chief Counsel, FINRA Department of Enforcement, 300 South Grand Avenue, Suite 1600, Los Angeles, CA 90071-3126, either by letter that identifies LPL and the case number or by email from a work-related account of the registered principal of LPL to EnforcementNotice@FINRA.org. This proof shall be provided to the FINRA staff member listed above no later than 120 days after acceptance of this AWC.

If for any reason LPL cannot locate any affected customer identified in Attachment A after reasonable and documented efforts within 120 days from the date of this AWC is accepted, or such additional period agreed to by a FINRA staff member in writing, LPL shall forward any undistributed restitution to the appropriate escheat, unclaimed property or abandoned property fund for the state in which the customer is last known to have resided. LPL shall provide satisfactory proof of such action to the FINRA staff member identified above and in the manner described above, within 14 days of forwarding the undistributed restitution to the appropriate state authority.

b. LPL additionally is ordered to pay restitution to its customers who purchase or purchased non-traditional ETFs during the period from April 10, 2015 through the date that the Firm establishes systems and procedures reasonably designed to achieve compliance with the supervision of non-traditional ETFs, as certified by the Independent Consultant. Within 10 days after the Independent Consultant has

provided such certification to FINRA staff, LPL shall identify its customers to whom such additional restitution is owed, and the amount of that additional restitution.

A registered principal of LPL shall submit satisfactory proof of payment of restitution or of reasonable and documented efforts undertaken to effect restitution in connection with this subsection (b). Such proof shall be submitted to Aimee L. Williams, Regional Chief Counsel, FINRA Department of Enforcement, 300 South Grand Avenue, Suite 1600, Los Angeles, CA 90071-3126, either by letter that identifies LPL and the case number or by email from a work-related account of the registered principal of LPL to EnforcementNotice@FINRA.org. This proof shall be provided to the FINRA staff member listed above no later than 120 days from the date that the Independent Consultant certifies that the Firm has established systems and procedures reasonably designed to achieve compliance with the supervision of non-traditional ETFs, as identified herein.

If for any reason LPL cannot locate any affected customer owed restitution in connection with this subsection (b) after reasonable and documented efforts within 120 days from the date that the Independent Consultant certifies that the Firm has established systems and procedures reasonably designed to achieve compliance with the supervision of non-traditional ETFs, or such additional period agreed to by a FINRA staff member in writing, LPL shall forward any undistributed restitution to the appropriate escheat, unclaimed property or abandoned property fund for the state in which the customer is last known to have resided. LPL shall provide satisfactory proof of such action to the FINRA staff member identified above and in the manner described above, within 14 days of forwarding the undistributed restitution to the appropriate state authority.

c. The imposition of a restitution order or any other monetary sanction herein, and the timing of such ordered payments, does not preclude customers from pursuing their own actions to obtain restitution or other remedies.

6. Review and Remediate Surveillance System AML Scenarios

a. LPL shall conduct a review, covering the time period of March 2014 through March 2015, of the Surveillance System AML scenarios identified in this AWC, specifically, the two alert-based scenarios focused on the excessive use of ATM withdrawals and ATM withdrawals in foreign jurisdictions. All transactions should be reviewed and a determination made whether each reviewed transaction constituted possible suspicious activity in accordance with the Bank Secrecy Act and the implementing regulations. These transactional look-back reviews should be evidenced in a manner that explains and supports the rationale for the Firm's determination. In the event that the identified Surveillance System AML scenarios are not fully functional by March 31, 2015, LPL shall continue to conduct monthly look-back reviews until the deficiencies have been corrected and appropriately document the Firm's disposition rationale.

b. Once the identified Surveillance System AML scenarios are fully functional, LPL shall provide FINRA with written notification of that fact. Written notice shall be provided within ten business-days from the date the identified Surveillance System AML scenarios are fully operational.

7. Upon written request showing good cause, the FINRA staff may extend any of the procedural dates set forth above.

The Firm agrees to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. The Firm has submitted an Election of Payment form showing the method by which the firm proposes to pay the fine imposed.

The Firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanctions imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

The Firm specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

A. To have a Complaint issued specifying the allegations against it;

B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;

C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and

D. To appeal any such decision to the NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the Firm specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

LPL further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance

or rejection.

III.

OTHER MATTERS

LPL understands that:

A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;

B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the Firm; and

C. If accepted:

1. this AWC will become part of the Firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against it;

2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about my disciplinary record;

3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and

4. the Firm may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. The Firm may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the Firm's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

D. The Firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The Firm understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that the Firm has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the Firm to submit it.

April 17, 2015
Date (mm/dd/yyyy)

LPL Financial LLC

By: David Bergers
David Bergers
General Counsel
LPL Financial LLC
75 State Street, 24th Floor
Boston, MA 02109

Reviewed by:

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101 Park Avenue
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bindek@morganlewis.com

The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that the Firm has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the Firm to submit it.

_____
Date (mm/dd/yyyy)

LPL Financial LLC

By: _____
David Bergers
General Counsel
LPL Financial LLC
75 State Street, 24th Floor
Boston, MA 02109

Reviewed by:

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bindek@morganlewis.com

Accepted by FINRA:

05/06/2015
Date (mm/dd/yyyy)

Signed on behalf of the
Director of ODA, by delegated authority

Aimee L. Williams-Ramey
Regional Chief Counsel
FINRA Department of Enforcement
300 South Grand Avenue, Suite 1600
Los Angeles, California 90071-3126
Direct: (213) 613-2616
Fax: (213) 617-1570
Aimee.Williams-Ramey@finra.org

ATTACHMENT A

FINANCIAL INDUSTRY REGULATORY AUTHORITY
ACCEPTANCE, WAIVER AND CONSENT
LPL FINANCIAL LLC, NO. 20130351097O1

LPL Account	Restitution Amount
1	$86,034.97
2	$58,547.67
3	$56,231.77
4	$55,890.37
5	$48,543.93
6	$39,407.59
7	$35,355.16
8	$29,485.12
9	$27,342.18
10	$27,249.12
11	$26,925.91
12	$26,712.05
13	$20,258.68
14	$19,959.67
15	$19,089.04
16	$18,046.19
17	$17,712.61
18	$17,306.84
19	$17,156.33
20	$16,834.15
21	$16,396.86
22	$16,096.68
23	$16,015.95
24	$15,785.71
25	$14,953.57
26	$14,534.91
27	$14,267.38
28	$13,422.42
29	$13,415.54
30	$13,141.59
31	$12,851.22
32	$12,781.24
33	$12,551.97
34	$12,256.18
35	$12,032.58
36	$11,966.03
37	$11,703.83
38	$11,339.27

ATTACHMENT A
FINANCIAL INDUSTRY REGULATORY AUTHORITY
ACCEPTANCE, WAIVER AND CONSENT
LPL FINANCIAL LLC, NO. 2013035109701

LPL Account	Restitution Amount
39	$11,247.61
40	$11,071.63
41	$10,579.05
42	$10,405.01
43	$9,975.35
44	$9,847.12
45	$9,652.34
46	$9,225.16
47	$9,192.16
48	$9,178.30
49	$9,086.73
50	$9,004.26
51	$8,926.91
52	$8,893.28
53	$8,530.97
54	$8,439.68
55	$8,248.36
56	$7,977.96
57	$7,961.45
58	$7,959.24
59	$7,956.81
60	$7,657.57
61	$7,397.27
62	$7,342.45
63	$7,292.52
64	$7,259.47
65	$7,220.01
66	$7,121.04
67	$6,985.71
68	$6,973.72
69	$6,960.41
70	$6,750.86
71	$6,639.84
72	$6,593.88
73	$6,346.37
74	$6,180.66
75	$6,109.36
76	$6,023.96

ATTACHMENT A
FINANCIAL INDUSTRY REGULATORY AUTHORITY
ACCEPTANCE, WAIVER AND CONSENT
LPL FINANCIAL LLC, NO. 20130351097O1

LPL Account	Restitution Amount
77	$6,001.88
78	$5,969.70
79	$5,769.41
80	$5,754.86
81	$5,735.00
82	$5,607.52
83	$5,580.36
84	$5,579.10
85	$5,433.53
86	$5,358.46
87	$5,290.70
88	$5,219.29
89	$5,148.00
90	$5,103.02
91	$4,989.11
92	$4,822.20
93	$4,802.20
94	$4,656.03
95	$4,632.16
96	$4,586.05
97	$4,571.09
98	$4,562.69
99	$4,512.28
100	$4,330.70
101	$4,233.30
102	$4,216.79
103	$4,145.31
104	$4,138.51
105	$4,111.04
106	$4,001.80
107	$3,984.48
108	$3,973.68
109	$3,942.41
110	$3,831.86
111	$3,685.00
112	$3,614.85
113	$3,563.39
114	$3,464.47

ATTACHMENT A
FINANCIAL INDUSTRY REGULATORY AUTHORITY
ACCEPTANCE, WAIVER AND CONSENT
LPL FINANCIAL LLC, NO. 20130351097O1

LPL Account	Restitution Amount
115	$3,413.74
116	$3,349.75
117	$3,344.20
118	$3,317.17
119	$3,269.93
120	$3,257.30
121	$3,164.54
122	$3,102.44
123	$3,096.75
124	$3,018.67
125	$2,885.73
126	$2,882.39
127	$2,865.52
128	$2,825.29
129	$2,816.29
130	$2,803.59
131	$2,747.88
132	$2,741.89
133	$2,730.55
134	$2,706.61
135	$2,677.76
136	$2,622.98
137	$2,560.06
138	$2,552.99
139	$2,544.61
140	$2,475.60
141	$2,465.69
142	$2,448.89
143	$2,436.72
144	$2,397.73
145	$2,370.47
146	$2,363.52
147	$2,323.43
148	$2,321.72
149	$2,291.26
150	$2,235.45
151	$2,226.02
152	$2,161.58

ATTACHMENT A
FINANCIAL INDUSTRY REGULATORY AUTHORITY
ACCEPTANCE, WAIVER AND CONSENT
LPL FINANCIAL LLC, NO. 20130351097O1

LPL Account	Restitution Amount
153	$2,148.03
154	$2,144.42
155	$2,085.91
156	$2,042.57
157	$2,040.69
158	$2,040.48
159	$2,034.15
160	$2,017.93
161	$1,995.06
162	$1,981.74
163	$1,971.04
164	$1,967.00
165	$1,957.22
166	$1,952.80
167	$1,944.99
168	$1,902.43
169	$1,901.45
170	$1,856.10
171	$1,844.48
172	$1,833.37
173	$1,807.85
174	$1,788.86
175	$1,786.70
176	$1,778.61
177	$1,736.27
178	$1,721.55
179	$1,646.40
180	$1,580.38
181	$1,562.71
182	$1,556.28
183	$1,555.64
184	$1,548.25
185	$1,547.04
186	$1,515.31
187	$1,514.61
188	$1,502.18
189	$1,491.22
190	$1,484.81

ATTACHMENT A
FINANCIAL INDUSTRY REGULATORY AUTHORITY
ACCEPTANCE, WAIVER AND CONSENT
LPL FINANCIAL LLC, NO. 20130351097O1

LPL Account	Restitution Amount
191	$1,471.63
192	$1,469.79
193	$1,450.66
194	$1,448.19
195	$1,446.18
196	$1,441.80
197	$1,436.77
198	$1,417.45
199	$1,414.98
200	$1,408.97
201	$1,402.25
202	$1,397.88
203	$1,375.34
204	$1,370.56
205	$1,329.46
206	$1,322.86
207	$1,306.50
208	$1,305.82
209	$1,305.19
210	$1,276.63
211	$1,275.16
212	$1,272.10
213	$1,271.31
214	$1,265.54
215	$1,255.65
216	$1,255.31
217	$1,236.91
218	$1,225.59
219	$1,211.04
220	$1,193.47
221	$1,191.13
222	$1,165.21
223	$1,157.68
224	$1,132.34
225	$1,131.96
226	$1,127.91
227	$1,117.82
228	$1,061.40

ATTACHMENT A
FINANCIAL INDUSTRY REGULATORY AUTHORITY
ACCEPTANCE, WAIVER AND CONSENT
LPL FINANCIAL LLC, NO. 20130351097O1

LPL Account	Restitution Amount
229	$1,059.70
230	$1,046.26
231	$1,013.16
232	$996.86
233	$994.44
234	$987.80
235	$984.59
236	$980.98
237	$969.95
238	$959.51
239	$926.17
240	$908.75
241	$892.94
242	$890.47
243	$889.06
244	$869.06
245	$803.87
246	$801.36
247	$800.13
248	$797.61
249	$783.07
250	$778.54
251	$752.37
252	$726.43
253	$724.66
254	$724.41
255	$717.18
256	$707.96
257	$700.51
258	$684.80
259	$673.25
260	$664.40
261	$656.31
262	$627.09
263	$612.60
264	$575.75
265	$575.09
266	$557.62

ATTACHMENT A
FINANCIAL INDUSTRY REGULATORY AUTHORITY
ACCEPTANCE, WAIVER AND CONSENT
LPL FINANCIAL LLC, NO. 20130351097O1

LPL Account	Restitution Amount
267	$550.23
268	$484.86
269	$483.84
270	$479.03
271	$474.35
272	$470.34
273	$457.68
274	$386.82
275	$384.02
276	$383.22
277	$383.20
278	$379.77
279	$374.82
280	$364.99
281	$361.15
282	$360.13
283	$334.38
284	$330.27
285	$328.50
286	$326.03
287	$318.95
288	$303.70
289	$285.36
290	$283.07
291	$278.70
292	$278.43
293	$248.12
294	$240.92
295	$227.31
296	$207.49
297	$205.12
298	$181.06
299	$179.19
300	$162.85
301	$156.14
302	$147.93
303	$120.51
304	$100.79

ATTACHMENT A

FINANCIAL INDUSTRY REGULATORY AUTHORITY
ACCEPTANCE, WAIVER AND CONSENT
LPL FINANCIAL LLC, NO. 20130351097O1

LPL Account	Restitution Amount
305	$93.44
306	$89.56
307	$86.52
308	$81.92
309	$80.27
310	$79.11
311	$77.13
312	$75.48
313	$58.05
314	$52.57
315	$33.26
316	$32.77
317	$32.36
318	$31.67
319	$29.81
320	$29.19
321	$26.10
322	$24.08
323	$20.36
324	$14.07
325	$9.43
326	$7.23
327	$1.02
TOTAL	$1,664,592.05

Corrective Action Statement of LPL Financial LLC

In connection with the issuance of the Letter of Acceptance, Waiver and Consent No. 20130351097O1, LPL Financial LLC ("LPL" or the "Firm") submits this statement describing certain of the actions it has taken related to the issues described in the AWC.[1]

The Firm has increased personnel, made substantial capital investments, and implemented other enhancements as part of its ongoing commitment to compliance, risk management, and supervision. The Firm increased the number of persons in its Governance, Risk, and Compliance Department from 392 employees at the end of 2012 to 599 LPL employees at the end of 2014, an increase of 207 persons, or 53 percent. Since 2012, LPL also has made significant capital expenditures and commitments to improve its systems and technology infrastructure including, for example, a new trade blotter and a new branch examinations management system. The Firm also has enhanced policies, procedures, processes, testing protocols and training related to the issues described in the AWC. As a result, LPL has substantially enhanced its compliance, risk management, and supervision activities.

In particular, the Firm notes specific steps it is taking to address issues raised in this AWC in the following areas:

- **Sale of variable annuity contracts:** LPL created a dedicated team within the Firm's new Central Supervision Unit to help achieve consistent, centralized, and enhanced supervision of transactions. The team is responsible for the review of certain transactions by advisors, including all exchanges and replacements. LPL also is enhancing its training and policies surrounding the sale of variable annuity contracts.

- **Mutual fund switch transactions:** The Firm is in the process of revising its policies and procedures to enhance its disclosure to clients by establishing an automated process by which disclosures concerning a mutual fund switch will be sent within ten business days after trade date. As of June 2014, LPL corrected its surveillance report for mutual fund switches so that the report includes certain transactions that had been previously inadvertently omitted from the report as described in the AWC.

- **Sale of Class C mutual fund shares:** LPL is evaluating its policies around the purchase and aggregation limits with respect to Class C share mutual funds. Changes to the policy and aggregation limits for C shares will result in enhanced controls specific to the supervision and oversight of these products.

- **Sale of non-traded REITs eligible for discounts:** LPL works with product sponsors to identify customers eligible for a discount. The Firm is in the process of developing policies and a system that will allow LPL to more efficiently identify accounts that are eligible for volume discounts. LPL has not identified any customers who were eligible for, but did not receive, a volume discount.

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[1] This Corrective Action is submitted by the Firm. It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

- **Use of consolidated reports:** The Firm will require representatives to use Firm systems, such as Portfolio Manager, or Firm-approved third-party systems to prepare consolidated reports in order to facilitate centralized tracking and review of such reports. LPL also is increasing its supervisory review of manually entered positions and enhancing related record retention requirements.

- **Supervision of certain non-solicitation letters:** The Firm is in the process of revising its policies and procedures to enhance its disclosure to clients. Through an automated disclosure process, clients will receive consent letters articulating the Firm's policy and details of the transaction.

- **Sale of leveraged ETFs:** In 2013, LPL restricted leveraged and inverse leveraged ETFs from trading in brokerage accounts. The Firm also has provided detailed disclosures to customers who invest in leveraged ETFs.

LPL believes that the above-described, and other completed and planned, substantial enhancements will appropriately address the issues in the AWC.