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Texas State Securities Board

208 E. 10th Street, 5th Floor
Austin, Texas 78701-2407
www.ssb.state.tx.us

IN THE MATTER OF
THE DEALER REGISTRATION OF
LPL FINANCIAL LLC

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Order No. IC16-CAF-02

TO:

Emily Gordy, Deputy General Counsel
LPL Financial LLC (CRD #6413)
75 State Street, 24th Floor
Boston, MA 02109

CONSENT ORDER

Be it remembered that LPL Financial, LLC ("Respondent") appeared before the Securities Commissioner of the State of Texas ("Securities Commissioner") and consented to the entry of this order ("Order") and the Findings of Fact and Conclusions of Law contained herein.

This order is entered into solely for the purpose of resolving the investigation by the Texas State Securities Board, and is not intended to be used for any other purpose. For any person or entity not a party to the Order, this Order does not limit or create any private rights or remedies against Respondent, limit or create liability of Respondent, or limit or create defenses of Respondent, to any claims.

FINDINGS OF FACT

1. Respondent has waived (a) Respondent's rights to notice and hearing in this matter; (b) Respondent's rights to appear and present evidence in this matter; (c) Respondent's rights to appeal this Order; and (d) all other procedural rights granted to the Respondent by The Securities Act, Tex. Rev. Civ. Stat. Ann. arts. 581-1 to 581-43 (West 2010 & Supp. 2014)("Texas Securities Act"), and the Administrative Procedure Act, Tex. Gov't Code Ann. §§ 2001.001 to 2001.902 (West 2008 & Supp. 2015)("Administrative Procedure Act").
2. On July 25, 1983 Respondent registered with the Securities Commissioner as a dealer. This registration is currently effective.

Financial Statement Reviews

3. Respondent's supervision of its agents using a fictitious business name or "doing business as" (DBA) name includes certain reviews of the financial activity in accounts related to such agents' fictitious business or DBA names.
4. Since 2011, Respondent has conducted these reviews in accordance with Respondent's "Financial Statement Review" written supervisory procedures.
5. In May 2015, the Staff of the Texas State Securities Board (the "Staff"), initiated an investigation into Respondent's Financial Statement Reviews. The relevant period ("Relevant Period") includes January 2011 through September 2011 and June 2014 through December 2014.
6. Respondent's written supervisory procedures require that Financial Statement Reviews be "conducted primarily on a risk based approach." Analysts will review financial documents and statements pertaining to accounts related to the agent's DBA name.
7. Respondent's written supervisory procedures for Financial Statement Reviews that Respondent's analysts will request an explanation on the source of funds for all deposits that are not LPL commissions and are over one thousand dollars (\$1,000).
8. Respondent's written supervisory procedures direct analysts to review all accounts for suspicious activity and any payment or deposit that seems out of the ordinary. Furthermore, analysts are required to document and maintain the satisfactory resolution of the item or its escalation.
9. For the Relevant Period, Staff reviewed records related to Financial Statement Reviews for agents registered with the Securities Commissioner.
10. In certain instances, during the Relevant Period, the Financial Statement Reviews were not conducted in accordance with Respondent's written supervisory procedures.
11. With respect to several reviews analysts did not request explanations and responses regarding deposits over one thousand dollars (\$1,000).
12. In one instance, Respondent received a tip that an agent ("Agent") had received a loan from a client. An analyst performed a Financial Statement Review based upon the tip. The analyst reviewed a one million dollar (\$1,000,000) deposit listed on a bank statement. The analyst requested that the Agent identify the source of funds for the deposit. The Agent provided the name of an entity purportedly associated with the deposit. The entity name provided by the Agent included the last name of one of the Agent's clients.

The analyst did not compare the name provided by the Agent to the Agent's client list. Furthermore, Respondent did not maintain the documentation as to the resolution of the review. The deposit was a loan from a client. Eighteen (18) months later that same client made an additional one million dollar (\$1,000,000) loan to the same Agent.

Remedial Efforts

13. Immediately upon receiving a tip regarding potential misconduct involving a loan and possible selling away by the Agent in late August 2014, LPL undertook and completed an investigation. The Firm's investigation resulted in the prompt termination of the Agent on September 24, 2014. LPL also voluntarily disclosed results of its investigation to the Staff.
14. LPL has undertaken a number of enhancements to its policies and procedures relating to financial statement reviews. The enhancements included, among other things, manager escalation meetings, as well as creating an escalation review committee, additional quality control reviews, centralization of review documentation, and a requirement for DBA owners to keep at least the most recent six months of all DBA statements and check copies on file.
15. In addition, pursuant to the Undertakings discussed below, LPL will be implementing further enhancements to its procedures, focused primarily on creating monetary thresholds that define escalation criteria and the requirement, in certain circumstances, to obtain additional supporting documentation from the advisor.
16. Respondents rendered substantial cooperation in the Staff's investigation.

CONCLUSIONS OF LAW

1. Respondent's failures, in certain circumstances, to perform Financial Statement Reviews in accordance with its written supervisory procedures constitute failures to enforce Respondent's written supervisory procedures, and are violations of §115.10(b)(1) of the Rules and Regulations of the Texas State Securities Board (the "Board Rules").
2. The foregoing violations of §115.10(1) of the Board Rules constitute bases for the issuance of an Order reprimanding the Respondent pursuant to Section 14.(A)(6) of the Texas Securities Act.

3. Pursuant to Section 23-1 of the Texas Securities Act, the aforementioned violations of a Board Rule constitute bases for the assessment of an administrative fine against Respondent

UNDERTAKING

1. Respondent undertakes and agrees to implement procedural enhancements, within ninety (90) days of this order, designed to account for the dollar amount of deposits for debits and credits, excluding those made to the agent by the Respondent, and whether the recipient of the payment is an entity or individual.
2. Respondent further undertakes and agrees to implement procedural enhancements, within ninety (90) days of this order, which require supporting documentation for certain deposits not made by Respondent to the agent.

ORDER

1. It is further ORDERED that LPL Financial, LLC shall pay an ADMINISTRATIVE FINE in the amount of Ninety-five Thousand Dollars (\$95,000.00) to the general fund of the State of Texas within ten (10) days of the entry of this Order.
2. It is further ORDERED that LPL Financial, LLC is hereby REPRIMANDED.

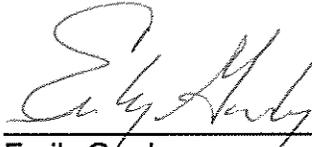
SIGNED AND ENTERED BY THE SECURITIES COMMISSIONER this 18th
day of February, 2016.


JOHN MORGAN
Securities Commissioner

Approved as to Form:



Ronak V. Patel
Deputy Securities Commissioner



Emily Gordy
Deputy General Counsel
LPL Financial, LLC



Callie A. Baker
Attorney
Inspections and Compliance Division

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California
County of San Diego

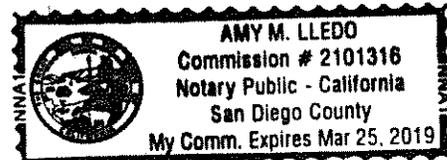
On February 12, 2016 before me, Amy M. Lledo
(insert name and title of the officer)

personally appeared Emily Gordy
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature Amy M. Lledo



(Seal)