

FEB 05 2019

ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF SOUTH CAROLINA
SECURITIES DIVISION

IN THE MATTER OF:)	
)	CONSENT ORDER
LPL Financial, LLC,)	
)	Matter No. 20167652
Respondent.)	
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I. PRELIMINARY STATEMENT

This Consent Order is entered into between the Securities Division of the Office of the Attorney General of South Carolina (the "Division") and LPL Financial LLC, CRD No. 6413 ("LPL" or the "Respondent"), in order to resolve the Division's investigation under Matter No. 20167652 into whether certain LPL conduct violated the provisions of S.C Code Ann. § 35-1-101, *et seq.*, the South Carolina Uniform Securities Act of 2005 (the "Act") and the regulations promulgated thereunder.

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 Securities Commissioner of South Carolina (the "Securities Commissioner") over it and the subject matter of this proceeding, which are admitted, the Respondent expressly consents to the entry of this Consent Order.

II. JURISDICTION

1. The Securities Commissioner has jurisdiction over this matter pursuant to S.C. Code Ann. § 35-1-601(a).

III. FINDINGS OF FACT

2. LPL is registered with the Division as a broker-dealer with a home office address of 75 State Street, 22nd Floor, Boston, Massachusetts, 02109.

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 client, 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 Division conducted an investigation into LPL's classification of certain securities on its customer account statements.

7. During its investigation, the Division identified certain non-traded real estate investment trusts ("non-traded REITs") and non-traded business development companies ("non-traded BDCs") that were classified as equities. Client statements dating 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.

IV. 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 as set forth in S.C. Code Ann. § 35-1-411(c)(1) and S.C. Code of Regulations § 13-405(A)(1).

11. Pursuant to the Act, the violation set forth above provides the basis for the imposition of an administrative penalty on LPL.

12. This Consent Order is in the public interest.

V. ORDER

It is hereby ORDERED that LPL will, contemporaneously with the execution of this Consent Order, pay a total fine in the amount of Forty Thousand Dollars (\$40,000) to the State of South Carolina.

This Order waives any disqualification in South Carolina 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 South Carolina statute, rule, or regulation that prohibits fraudulent, manipulative or deceptive conduct.

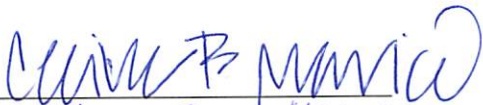
Upon execution by the Securities Commissioner, this Consent Order resolves Administrative Proceeding No. 20167652.

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 14 day of February, 2019.


By: Alan Wilson
The Honorable Alan Wilson
Securities Commissioner
State of South Carolina

Respondent LPL Financial, LLC


Name CECILIA BAUTE MAVICO
Title SUP, Head of Regulatory
Inquiries + Strategy

Date: January 28, 2019

Reviewed by:


Neal E. Sullivan, Esq.
Sidley Austin LLP
Counsel for Respondent

Date: 1/29/19

Approved as to Form:

Ian P. Weschler
Assistant Attorney General
Securities Division

Date: _____

Respondent LPL Financial, LLC

Name
Title

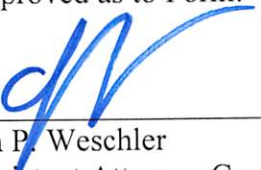
Date: _____

Reviewed by:

Neal E. Sullivan, Esq.
Sidley Austin LLP
Counsel for Respondent

Date: _____

Approved as to Form:



Ian P. Weschler
Assistant Attorney General
Securities Division

Date: 2-5-2019