

**COMMONWEALTH OF MASSACHUSETTS
OFFICE OF THE SECRETARY OF THE COMMONWEALTH
SECURITIES DIVISION
ONE ASHBURTON PLACE, ROOM 1701
BOSTON, MASSACHUSETTS 02108**

)	
IN THE MATTER OF:)	
)	
LPL FINANCIAL LLC – RETAIL)	
MINIMUM COMMISSIONS,)	
)	
RESPONDENT.)	Docket No. 2025-0189
)	

CONSENT ORDER

I. PRELIMINARY STATEMENT

This Consent Order (the “Order”) is entered into by the Securities Division of the Office of the Secretary of the Commonwealth of Massachusetts (the “Division”) and LPL Financial LLC (“LPL” or “Respondent”) with respect to an investigation by the Enforcement Section of the Division into whether Respondent’s acts and practices constituted violations of the Massachusetts Uniform Securities Act, M.G.L. c. 110A (the “Act”), and the regulations promulgated thereunder at 950 CMR 10.00-14.413 (the “Regulations”). As the result of a coordinated investigation, with the Division serving as a lead state, the Division concluded that LPL charged unreasonable commissions to retail customers in excess of five percent (5%) of the principal amount on certain small principal equity transactions. Nationwide, LPL charged unreasonable commissions on approximately 127,045 equity transactions over a five-year period from April 30, 2020 to April 30, 2025 (the “Relevant Time Period”) totaling \$2,486,739.20 which included 1,280

residents of Massachusetts who were charged commissions in excess of 5% totaling \$47,422.32.

On May 19, 2025, Respondent submitted an Offer of Settlement (the “Offer”) to the Division. Respondent neither admits nor denies the Statement of Facts set forth in Section V below and neither admits nor denies the Violations of Law set forth in Section VI below, and consents to the entry of this Order by the Division, consistent with the language and terms of the Offer, settling the above-captioned matter (2025-0189)¹ with prejudice. Pursuant to M.G.L. c. 110A, § 412(b), this Order “is necessary or appropriate in the public interest or for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of [the Act].”

II. JURISDICTION AND AUTHORITY

1. The Division has jurisdiction over matters related to securities pursuant to the Act and Regulations.
2. The Offer was made and this Order is entered in accordance with the Act and Section 10.10 of the Regulations.
3. The acts and practices that are the subject of the Division’s investigations occurred while LPL was registered as broker-dealer in Massachusetts.

III. RELEVANT TIME PERIOD

4. Except as otherwise expressly stated, the conduct described herein occurred during the approximate time period of April 30, 2020 to April 30, 2025 (the “Relevant Time Period”).

¹ The above captioned docket number reflects the conclusion of previously captioned investigation 2023-0061, solely as it pertains to LPL. 2023-0061 remains an ongoing investigation into registered broker-dealer commission practices.

IV. RESPONDENT

5. LPL Financial LLC (“LPL”) is a broker-dealer registered in Massachusetts with a main address of 1055 LPL Way, Fort Mill, South Carolina. LPL is identified by Financial Industry Regulatory Authority (“FINRA”) CRD No. 6413. LPL maintains 652 branch offices in Massachusetts.

V. STATEMENT OF FACTS

A. LPL’s Minimum Commission Practices for Equity Transactions Failed to Ensure Transactions Were Executed at a Fair and Reasonable Price

6. During the Relevant Time Period, LPL charged unreasonable commissions to thousands of retail brokerage customers transactions that exceeded 5% of the principal amount of the customers’ transactions.

7. For equity transactions executed during the Relevant Time Period, LPL generally charged retail brokerage customers according to a tiered commission schedule—calculated based on the principal amount of the trade.

8. The commission schedule ranged from .60% to 1.5% of principal plus a \$5.00 confirmation fee for each trade.

9. LPL charged a minimum commission of \$30 on equity transactions (the “Minimum Equity Commission”).

10. LPL’s fee schedule notes that the maximum commission shall not exceed 5% of the principal. LPL’s policies and procedures did not contain a similar restriction on transactions involving the Minimum Equity Commission.

11. The Act and Regulations prohibit LPL from charging unreasonable commissions for services performed.

12. FINRA Rule 2121 Supplementary Material .01 (Rule 2121.01) provides a guideline

of five percent for determining whether a commission is unfair or unreasonable. However, the “5% Policy” is a guide, not a rule. A commission pattern of five percent or even less may be considered unfair or unreasonable under the 5% Policy.

13. In Massachusetts, LPL executed 2,418 equity transactions for which the principal trade amount was \$2,500 or less that included an unreasonable commission for services performed (*i.e.* in excess of 5% of the principal trade amount) totaling \$47,422.32.

14. Certain equity transactions executed by LPL included a commission well in excess of 5% of the principal value of the transaction.

B. LPL Did Not Reasonably Supervise Transactions Which Applied the Minimum Equity Commission

15. LPL did not reasonably supervise transactions that included a Minimum Equity Commission charge to ensure that LPL charged its customers a reasonable commission.

16. LPL only systematically surveilled commissions in ancillary instances of potential sales practice violations—including an alert used to review accounts with potential excessive trading, an alert used to surveil account concentrations, and an alert to identify either customer specific or overall commissions generated by an agent.

17. LPL did not have in place surveillance sufficient to supervise small principal transactions where the Minimum Equity Commission was in excess of 5%.

18. As a result, LPL failed to adequately supervise small principal equity transactions where the Minimum Equity Commission was in excess of 5%.

VI. VIOLATIONS OF LAW

Count I – Violation of M.G.L. c. 110A, § 204(a)(2)(J)

19. Section 204 of the Act provides:

The secretary may by order deny, suspend, or revoke any registration if he finds (1) that the order is in the public interest and (2) that the applicant or registrant

...

(J) has failed reasonably to supervise agents, investment adviser representatives or other employees to assure compliance with this chapter[.]

Id. § 204(a)(2)(J).

20. LPL's acts and practices, as described above, constitute a violation of Section 204(a)(2)(J) of the Act.

VII. ORDER

IT IS HEREBY ORDERED:

- A. LPL shall permanently cease and desist from conduct in violation of the Act and Regulations in the Commonwealth;
- B. LPL is censured by the Division;
- C. LPL shall provide restitution in an amount of no less than \$47,422.32 providing the amount of the commission on certain small principal equity transactions for which the principal trade amount was \$2,500 or less that exceeded five percent 5% of the principal trade amount during the Relevant Time Period to the affected Massachusetts customers set forth in Exhibit A, plus interest in the amount of 6% from the date of the transaction to the date of the Offer. LPL agrees to provide restitution within sixty (60) days of this Order;
- i. Restitution shall be in the form of a dollar credit to current customer accounts, or a check for all former customers or current customers who are

entitled to restitution as a result of transactions involving an individual retirement account;

- ii. LPL shall provide a notice of restitution to customers on terms not unacceptable to Massachusetts, Montana, Missouri, Alabama, Washington, Texas, and Iowa (the “Multi-state Group”) (“Notice”). The Notice shall be sent with the distribution of any restitution. Within forty-five (45) days of the transmission of the Notice, LPL shall provide the Division with a list of all Massachusetts residents for whom LPL receives a Notice as returned to sender ("Undeliverable Massachusetts Residents"). To the extent the Division has access to different address information, LPL shall send a second Notice to each Massachusetts resident within thirty (30) days of the Division providing such different address; and
- iii. Within one-hundred twenty days (120) days of the transmission of the final Notice pursuant to paragraph VII(C)(ii), above, LPL shall prepare, and submit to the Division, a report detailing the restitution paid pursuant to the Order, which shall include:
 - a. Identification of all payments made; and
 - b. Dates, amounts, and methods of the transfer of funds for all restitution payments.

- D. LPL shall pay an administrative fine in the amount of \$25,000 to Massachusetts within fifteen (15) days following the date of entry of this Order. Payment shall be: (1) made by United States postal money order, certified check, bank cashier's check, bank money order, or wire; (2) made payable to the Commonwealth of

Massachusetts; (3) either hand delivered, mailed to One Ashburton Place, Room 1701, Boston Massachusetts 02108; or wired per the identifies payment by LPL and the docket number of the proceeding;

- E. Within sixty (60) days of this Order, a person not unacceptable to the Multi-State Group shall certify in writing that LPL's policies and procedures have been changed and enhanced to ensure that all commissions are fair and reasonable. At a minimum, LPL shall certify that its policies and procedures include the following:
- i. Compliance and Operational systems to prevent the imposition of unreasonable or unfair commissions;
 - ii. Incorporation of all securities transactions, regardless of the principal amount of the transaction, into any systems used to identify and review potentially excessive commissions; and
 - iii. Revisions to its policies and procedures sufficient to ensure the adequate implementation of the above.
- F. LPL shall retain copies of any and all report(s) as set forth in paragraphs (C) through (E) above in an easily accessible place for a period of five (5) years from the date of the reports;
- G. LPL shall not claim, assert, or apply for a tax deduction or tax credit with regard to any state, federal or local tax for any amounts that LPL shall pay pursuant to this Order;
- H. LPL shall not seek or accept, directly or indirectly, reimbursement or indemnification, including, but not limited to, any payments made pursuant to any

insurance policy, with regard to any amount that LPL shall pay pursuant to this Order;

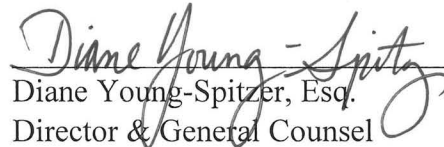
- I. If either LPL is the subject of a voluntary or involuntary bankruptcy petition under Title 11 of the United States Code within three hundred sixty-five (365) days of the entry of the Order, LPL shall provide written notice to the Division within five (5) days of the date of the petition;
- J. Any fine, penalty, and/or money that LPL shall pay in accordance with this Order is intended by LPL and the Division to be a contemporaneous exchange for new value given to LPL pursuant to 11 U.S.C. § 547(c)(1)(A) and is, in fact, a substantially contemporaneous exchange pursuant to 11 U.S.C. § 547(c)(1)(B);
- K. If LPL fails to comply with any of the terms set forth in this Order, the Division may institute an action to have this Order declared null and void. Additionally, after a fair hearing and the issuance of an order finding that LPL has not complied with this Order, the Division may move to have this Order declared null and void, in whole or in part, and re-institute the associated proceeding that had been brought against LPL; and
- L. For good cause shown, the Division may extend any of the procedural dates set forth above. LPL shall make any requests for extensions of the procedural dates set forth above in writing to the Division.

IX. NO DISQUALIFICATION

This Offer waives any disqualification in the laws of Massachusetts, or rules or regulations thereunder, including any disqualification from relying upon the registration

exemptions or safe harbor provisions to which LPL may be subject. This Order is not intended to be a final order based upon violations of the Act that prohibit fraudulent, manipulative, or deceptive conduct. This Order is not intended to form the basis of any disqualifications under Section 3(a)(39) of the Securities Exchange Act of 1934; or Rules 504(b)(3) and 506(d)(1) of Regulation D, Rule 262(a) of Regulation A and Rule 503(a) of Regulation CF under the Securities Act of 1933. This Order is not intended to form the basis of disqualification under the FINRA rules prohibiting continuance in membership absent the filing of a MC-400A application or disqualification under SRO rules prohibiting continuance in membership. This Order is not intended to form a basis of a disqualification under 204(a)(2) of the Uniform Securities Act of 1956 or Section 412(d) of the Uniform Securities Act of 2002.

WILLIAM FRANCIS GALVIN
SECRETARY OF THE COMMONWEALTH


Diane Young-Spitzer, Esq.
Director & General Counsel

Securities Division
Office of the Secretary of the Commonwealth
John W. McCormack Building, 17th Floor
One Ashburton Place
Boston, MA 02108

Dated: June 5, 2025