

HAD TO STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCIAL REGULATION

In the Matter of:

Case No. S-25-0036

LPL FINANCIAL LLC,

Respondent.

FINAL ORDER TO CEASE AND
DESIST, FINAL ORDER TO
CENSURE, FINAL ORDER
ASSESSING RESTITUTION, FINAL
ORDER ASSESSING CIVIL
PENALTY, AND CONSENT TO
ENTRY OF ORDER

I. PRELIMINARY STATEMENT

The Division of Financial Regulation (the “Division”), acting on behalf of the Director of the Department of Consumer and Business Services for the State of Oregon (the “Director”), conducted a review of LPL Financial LLC (“LPL” or “Respondent”). The Division determined that LPL violated certain provisions of Oregon Revised Statutes (“ORS”) chapter 59 (“Securities Law”) and the Oregon Administrative Rules (“OAR”) promulgated under those laws, as set forth below. As the result of a coordinated investigation led by six jurisdictions, including Massachusetts, Montana, Missouri, Alabama, Washington, Texas, and Iowa (the “Multi-State Group”), 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 totaling \$2,486,739.20 over a five-year period from April 30, 2020 to April 30, 2025 (the “Relevant Time Period”), which included 977 accounts of residents of Oregon who were charged commissions in excess of 5% totaling \$31,526.08.

LPL neither admits nor denies the facts and the conclusions of law set forth below, agrees to the representations and undertakings set forth below.

1 LPL wishes to resolve any and all issues in controversy regarding the specific conduct
2 described herein on the terms set forth in this Consent Order (“Order) and settle this matter with
3 the Director.

4 Now, therefore, as evidenced by the signatures subscribed herein, LPL hereby consents to
5 entry of this order.

6 **II. JURISDICTION**

7 1. The Division has jurisdiction pursuant to ORS 59.235.

8 2. This Order is made in accordance with ORS 59.295, ORS 183.417(3), and ORS
9 183.745(11).

10 3. The acts and practices that are the subject of this Order occurred while LPL was
11 registered as a broker-dealer in Oregon.

12 **III. RELEVANT TIME PERIOD**

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

15 **IV. RESPONDENT**

16 5. LPL Financial LLC is a broker-dealer registered in Oregon with a main address of
17 1055 LPL Way, Fort Mill, South Carolina. LPL is identified by Financial Industry Regulatory
18 Authority (“FINRA”) CRD No. 6413. LPL maintains 283 branch offices in Oregon.

19 **V. FINDINGS OF FACTS**

20 The Director FINDS that:

21 **A. LPL’s Minimum Commission Practices for Equity Transactions Failed to** 22 **Ensure Transactions Were Executed at a Fair and Reasonable Price**

23 6. During the Relevant Time Period, LPL charged unreasonable commissions to

1 thousands of retail brokerage customers transactions that exceeded 5% of the principal amount of
2 the customers' transactions.

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

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

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

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

13 11. The Securities Law and OAR prohibit LPL from charging unreasonable
14 commissions for services performed.

15 12. FINRA Rule 2121 Supplementary Material .01 (Rule 2121.01) provides a guideline
16 of five percent for determining whether a commission is unfair or unreasonable. However, the “5%
17 Policy” is a guide, not a rule. A commission pattern of five percent or even less may be considered
18 unfair or unreasonable under the 5% Policy.

19 13. In Oregon, LPL executed approximately 1,649 equity transactions for which the
20 principal trade amount was \$2,500 or less that included an unreasonable commission for services
21 performed (i.e. in excess of 5% of the principal trade amount) totaling \$31,526.08.

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

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.

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

The Director CONCLUDES that:

19. Under ORS 59.205(13), the Division “may by order deny, suspend or revoke, or impose conditions or restrictions on, a license of a person as a broker-dealer...if the director finds that the applicant or licensee has failed, reasonably to supervise the salespersons or investment adviser representatives of the applicant or licensee.”

20. Under OAR 441-205-0210(1), “Every broker-dealer shall exercise diligent supervision over the securities activities of all of his associated persons.”

21. LPL's acts and practices, as described above, constitute a violation of ORS 59.205(13) and OAR 441-205-0210(1).

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1 **VII. ORDERS**

2 The Director issues the following ORDERS:

3 *Final Order to Cease and Desist*

4 22. LPL is ordered to permanently cease and desist from conduct in violation of ORS
5 59.205(13).

6 *Final Order to Censure*

7 23. LPL is censured by the Division.

8 *Final Order for Restitution*

9 24. LPL agrees to provide restitution in an amount of no less than \$31,526.08
10 providing the amount of the commission on certain small principal equity transactions for which
11 the principal trade amount was \$2,500 or less that exceeded five percent 5% of the principal trade
12 amount during the Relevant Time Period to the affected Oregon customers set forth in Exhibit A,
13 plus interest in the amount of 6% from the date of the transaction to May 19, 2025. LPL agrees to
14 provide restitution within sixty (60) days of execution of any Order issued pursuant to this Order.

15 25. LPL agrees that restitution shall be in the form of a dollar credit to current customer
16 accounts, or a check for all former customers or current customers who are entitled to restitution
17 as a result of transactions involving an individual retirement account.

18 26. LPL agrees to provide a notice of restitution to customers. The Notice shall be sent
19 with the distribution of any restitution. Within forty-five (45) days of the transmission of the
20 Notice, LPL shall provide the Division with a list of all Oregon residents for whom LPL receives
21 a Notice as returned to sender ("Undeliverable Oregon Residents"). To the extent the Division has
22 access to different address information, LPL shall send a second Notice to each Oregon resident
23 within thirty (30) days of the Division providing such different address.

1 27. LPL agrees to, within one-hundred twenty days (120) days of the transmission of
2 the foregoing Notice, prepare, and submit to the Division, a report detailing the restitution paid
3 pursuant to the Order, which shall include:

4 A. Identification of all payments made; and

5 B. Dates, amounts, and methods of the transfer of funds for all restitution
6 payments.

7 Final Order Assessing Civil Penalties

8 28. LPL agrees to pay a civil penalty in the amount of \$20,000 to Oregon within fifteen
9 (15) days following the date of entry of this Order. Payment shall be: (1) made by check; (2) made
10 payable to the Department of Consumer and Business Services; (3) either hand-delivered, mailed
11 to: Department of Consumer and Business Services, Division of Financial Regulation, 350 Winter
12 Street NE, Room 410, Salem, Oregon 97301-3879; and (4) submitted under cover letter or other
13 documentation that identifies payment by LPL and the docket number of the proceeding, in
14 accordance with the instructions contained in an invoice the Division will provide.

15 29. LPL agrees that a person not unacceptable to the Multi-State Group shall certify in
16 writing to the Division within sixty (60) days of the date of entry of this Order that the LPL's
17 policies and procedures have been changed and enhanced to ensure that all commissions are fair
18 and reasonable. At a minimum, LPL shall certify that its policies and procedures include the
19 following:

20 A. Compliance and Operational systems to prevent the imposition of
21 unreasonable or unfair commissions;

22 B. Incorporation of all securities transactions, regardless of the principal
23 amount of the transaction, into any systems used to identify and review

1 potentially excessive commissions; and

2 C. Revisions to its policies and procedures sufficient to ensure the adequate
3 implementation of the above.

4 30. LPL agrees to retain copies of any and all report(s) as set forth in paragraphs (C)
5 through (E) above in an easily accessible place for a period of five (5) years from the date of the
6 reports.

7 31. LPL agrees not to claim, assert, or apply for a tax deduction or tax credit with regard
8 to any state, federal or local tax for any amounts that LPL shall pay pursuant to this Order.

9 32. If either LPL is the subject of a voluntary or involuntary bankruptcy petition under
10 Title 11 of the United States Code within three hundred sixty-five (365) days of the entry of this
11 Order, LPL agrees to provide written notice to the Division within five (5) days of the date of the
12 petition.

13 33. LPL agrees that any fine, penalty, and/or money that LPL shall pay in accordance
14 with this Order is intended by LPL and the Division to be a contemporaneous exchange for new
15 value given to LPL pursuant to 11 U.S.C. § 547(c)(1)(A) and is, in fact, a substantially
16 contemporaneous exchange pursuant to 11 U.S.C. § 547(c)(1)(B).

17 34. LPL agrees that, upon the issuance of an Order by the Division that contains the
18 terms as set forth above, if LPL fails to comply with any of the terms set forth in the Order, the
19 Division may institute an action to have this Order declared null and void. Additionally, after a
20 fair hearing and the issuance of an order finding that LPL has not complied with the Order, the
21 Division may move to have the Order declared null and void, in whole or in part, and re-institute
22 the associated proceeding that had been brought against LPL.

23 35. For good cause shown, the Division may extend any of the procedural dates set

1 forth above. LPL shall make any requests for extensions of the procedural dates set forth above in
2 writing to the Division.

3 **VIII. WAIVER**

4 36. LPL hereby waives all rights to contest an Order entered by the Division pursuant
5 to this Order, including, but not limited to, (A) the right to contest whether the Order is fair,
6 reasonable, and/or in the public interest, (B) the right to contest the Order's findings of fact, and
7 (C) the right to contest the Order's conclusions of law. LPL further waives the procedural due
8 process right to a hearing, all procedural rights provided by ORS 59.295, and the right to seek
9 judicial review of the Order under ORS 59.305 and under ORS chapter 183.

10 **IX. NO DISQUALIFICATION**

11 37. This Order waives any disqualification in the laws of Oregon, or rules or regulations
12 thereunder, including any disqualification from relying upon the registration exemptions or safe
13 harbor provisions to which LPL may be subject. This Order is not intended to be a final order
14 based upon violations of the Oregon Securities Law that prohibit fraudulent, manipulative, or
15 deceptive conduct. This Order is not intended to form the basis of any disqualifications under
16 Section 3(a)(39) of the Securities Exchange Act of 1934; or Rules 504(b)(3) and 506(d)(1) of
17 Regulation D, Rule 262(a) of Regulation A and Rule 503(a) of Regulation CF under the Securities
18 Act of 1933. This Order is not intended to form the basis of disqualification under the FINRA rules
19 prohibiting continuance in membership absent the filing of a MC-400A application or
20 disqualification under SRO rules prohibiting continuance in membership. This Order is not
21 intended to form a basis of a disqualification under 204(a)(2) of the Uniform Securities Act of
22 1956 or Section 412(d) of the Uniform Securities Act of 2002. Except in an action by the Division
23 to enforce the obligations of this Order, any acts performed or documents executed in furtherance

1 of this Order: (a) may not be deemed or used as an admission of, or evidence of, the validity of
2 any alleged wrongdoing, liability, or lack of any wrongdoing or liability; or (b) may not be deemed
3 or used as an admission of, or evidence of, any such alleged fault or omission of LPL in any civil,
4 criminal, arbitration, or administrative proceeding in any court, administrative agency, or tribunal.

5 38. This Order shall be binding upon LPL and its successors and assigns, as well as to
6 successors and assigns of relevant affiliates, with respect to all conduct subject to the provisions
7 above and all future obligations, responsibilities, undertakings, commitments, limitations,
8 restrictions, events, and conditions.

9 39. This Order and any dispute related thereto shall be construed and enforced in
10 accordance with, and governed by, the laws of Oregon without regard to any choice of law
11 principles.

12 **X. FINAL ORDER**

13 40. This Order is a “Final Order” under ORS 183.310(6)(b). Subject to that provision,
14 entry of this Order in no way limits or prevents further remedies, sanctions, or actions which may
15 be available to the Division under Oregon law to enforce this Order, for violations of this Order,
16 for conduct or actions of Respondent that are not covered by this Order, or against any party not
17 covered by this Order.

18 IT IS SO ORDERED.

19 Dated this 6th day of October, 2025.

20 SEAN O'DAY, Interim Director
21 Department of Consumer and Business Services

22
23 /s/ Dorothy Bean
24 Dorothy Bean, Chief of Enforcement
Division of Financial Regulation

1 **CONSENT TO ENTRY OF ORDER**

2 I, Michael K. Freedman, state that I hold the title of EVP, Interim Co-Chief Legal Officer and I
3 am an authorized representative of LPL Financial LLC ("LPL") with the authority to sign this
4 Consent Order. I have read the foregoing Consent Order and I fully understand the contents
5 hereof. I have been advised of the right to a hearing and of the right to be represented by counsel
6 in this matter. LPL has been represented by counsel in this matter. LPL voluntarily consents to
7 the entry of this Consent Order without any force or duress, expressly waiving any right to a
8 hearing in this matter, as well as any rights to administrative or judicial review of this order. LPL
9 understands that this is a "Final Order" under ORS 183.310(6)(b). LPL understands that the
10 Director reserves the right to take further action to enforce this Order or to take appropriate action
11 upon discovery that it has committed other violations of the Oregon Securities Law. LPL will
12 fully comply with the terms and conditions stated herein. LPL understands that this Order is a
13 public document.

14 Signature: /s/ Michael K. Freedman
15 Name: Michael K. Freedman
16 Title: EVP, Interim Co-Chief Legal Officer

17 State of South Carolina

18 County of York

19 Signed or attested before me on this 30th day of September, 2025

20 by Michael K. Freedman.

21
22 /s/ Jacqueline Embry

23 Notary Public My Commission Expires August 6, 2029