

COMMONWEALTH OF PENNSYLVANIA

_____	)	
IN THE MATTER OF:	)	
	)	Docket No.: 250033(SEC-CAO)
LPL FINANCIAL LLC – RETAIL	)	
MINIMUM COMMISSIONS	)	CONSENT ORDER
	)	
RESPONDENT.	)	
	)	
_____	)	

I. PRELIMINARY STATEMENT

Pursuant to the authority granted to the Deputy Secretary of Securities, Pennsylvania Department of Banking and Securities, under the Pennsylvania Securities Act of 1972, 70 P.S. §§ 1-101 et seq. ("1972 Act"), and after investigation, careful review, and due consideration of the facts and statutory provisions set forth below, the Deputy Secretary of Securities, Pennsylvania Department of Banking and Securities, hereby finds that there is good cause, and it is in the public interest to enter into a Consent Order (the "Order") with LPL Financial LLC ("LPL"), which hereby agrees to resolve any and all issues in controversy regarding the specific conduct described herein on the terms set forth in this Order. As the result of a coordinated investigation, Pennsylvania concluded that LPL charged unreasonable commissions 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 3,087 accounts of residents of Pennsylvania who were charged commissions in excess of 5% totaling \$111,354.16.

LPL neither admits nor denies the facts set forth in Section V and the conclusions of law set forth in Section VI below, agrees to the representations and undertakings set forth below, and

consents to the entry of this Order by the Pennsylvania Department of Banking and Securities thereby settling the above-captioned matter with prejudice. 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 provision of the 1972 Act, 70 P.S. §§ 1-101 et seq.

II. JURISDICTION

1. The Pennsylvania Department of Banking and Securities has jurisdiction over matters relating to securities pursuant to the 1972 Act, 70 P.S. §§ 1-101 et seq.

2. This Order is made in accordance with 1972 Act, 70 P.S. §§ 1-101 et seq. and the Regulations, 10 Pa. Code §§ 101.000 et seq.

3. The acts and practices that are the subject of the Pennsylvania Department of Banking and Securities' investigations occurred while LPL was registered as broker-dealer in Pennsylvania.

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").

IV. RESPONDENT

5. LPL is a broker-dealer registered in Pennsylvania 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 1,357 branch offices in Pennsylvania.

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 provisions of the 1972 Act, 70 P.S. §§ 1-101 et seq. and the Regulations 10 Pa. Code §§ 101.000 et seq. 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 Pennsylvania, LPL executed approximately 5,670 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 \$111,354.16.

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. CONCLUSIONS OF LAW

19. It is a violation, pursuant to 70 P.S. § 1-305 (a)(vii) of the 1972 Act, for a registered broker-dealer firm that fails to establish and maintain a system to reasonably supervise its agents.

20. LPL's acts and practices, as described above constitute a failure to enforce a reasonably designed supervisory system, which acts and conduct form a basis to deny, suspend, revoke, or condition the registration of LPL or to censure LPL pursuant to 70 P.S. § 1-305 (a)(vii)..

VII. REPRESENTATIONS AND UNDERTAKINGS

21. LPL in full settlement of these matters neither admits nor denies the Statement of Facts as set forth in Section V, and neither admits nor denies the Conclusions of Law set out in Section VI, makes the following representations, and agrees to the undertakings herein as part of the Order:

A. LPL agrees to permanently cease and desist from conduct in violation of 1972 Act, 70 P.S.

§§ 1-101 et seq. and the Regulations 10 Pa. Code §§ 101.000 et seq. in Pennsylvania;

B. LPL agrees to be censured by the Pennsylvania Department of Banking and Securities;

C. LPL agrees to provide restitution in an amount of no less than \$111,354.16 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 Pennsylvania customers set forth in Exhibit A, plus interest in the amount of 6% from the date of the transaction to May 19, 2025. LPL agrees to provide restitution within sixty (60) days of execution this Order;

- i. LPL agrees that 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 agrees to provide a notice of restitution to customers. 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 Pennsylvania Department of Banking and Securities with a list of all Pennsylvania residents for whom LPL receives a Notice as returned to sender ("Undeliverable Pennsylvania Residents"). To the extent the Pennsylvania Department of Banking and Securities has access to different address information, LPL shall send a second Notice to each Pennsylvania resident within thirty (30) days of the Pennsylvania Department of Banking and Securities providing such different address; and
- iii. LPL agrees to, within one-hundred twenty days (120) days of the transmission of the final Notice pursuant to paragraph VII(C)(iii), above, prepare, and submit to the Pennsylvania Department of Banking and Securities, 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 agrees to pay an administrative fine in the amount of \$20,000 to Pennsylvania 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 Pennsylvania Department of Banking and Securities; (3) either hand-delivered, mailed to 17 N. Second Street, Suite 1300, Harrisburg, PA 17101; or wired per the Pennsylvania Department of Banking and Securities' instructions; and (4) submitted under cover letter or other documentation that identifies payment by LPL and the docket number of the proceeding;

E. LPL agrees that a person not unacceptable to the Multi-State Group shall certify in writing to the Pennsylvania Department of Banking and Securities within sixty (60) days of the date of entry of this Order that the 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 agrees to 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 agrees not to 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. 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 this Order, LPL agrees to provide written notice to the Pennsylvania Department of Banking and Securities within five (5) days of the date of the petition.
- I. LPL agrees that any fine, penalty, and/or money that LPL shall pay in accordance with this Order is intended by LPL and the Pennsylvania Department of Banking and Securities 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).
- J. LPL agrees that, upon the issuance of an Order by the Pennsylvania Department of Banking and Securities that contains the terms as set forth above, if LPL fails to comply with any of the terms set forth in the Order, the Pennsylvania Department of Banking and Securities 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 the Order, the Pennsylvania Department of Banking and Securities may move to have the Order declared null and void, in whole or in part, and re-institute the associated proceeding that had been brought against LPL; and

K. For good cause shown, the Pennsylvania Department of Banking and Securities 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 Pennsylvania Department of Banking and Securities.

VIII. WAIVER

22. LPL hereby waives all rights to contest an Order entered by the Pennsylvania Department of Banking and Securities pursuant to this Order, including, but not limited to, (A) the right to contest whether the Order is fair, reasonable, and/or in the public interest, (B) the right to contest the Order's findings of fact, and (C) the right to contest the Order's conclusions of law. LPL further waives the procedural due process right to a hearing, all procedural rights provided by Section 1-607 of the 1972 Act, and the right to seek judicial review of the Order under Section 1-607 of the 1972 Act and under Sections 2 Pa. C.S.A. §§ 701-704 of the Pennsylvania Administrative Procedure Act.

IX. NO DISQUALIFICATION

23. This Order waives any disqualification in the laws of Pennsylvania, 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 1972 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. Except in an action by the Pennsylvania Department of Banking and Securities to enforce the obligations of this Order, any acts performed or documents executed in furtherance of this Order: (a) may not be deemed or used as an admission of, or evidence of, the validity of any alleged wrongdoing, liability, or lack of any wrongdoing or liability; or (b) may not be deemed or used as an admission of, or evidence of, any such alleged fault or omission of LPL in any civil, criminal, arbitration, or administrative proceeding in any court, administrative agency, or tribunal.

SIGNED AND ENTERED BY DEPUTY SECRETARY OF SECURITIES this 7th day of
October, 2025.

FOR THE COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES
BUREAU OF SECURITIES COMPLIANCE AND EXAMINATIONS

Redacted

Eric Pistilli
Deputy Secretary of Securities

Dated: 10/07/2025



LPL FINANCIAL LLC by:
Redacted

Signature: /

Print Name: Michael K. Freedman

Title: EVP, Interim Co-Chief Legal Officer

Dated: 9.30.25

Redacted