

STATE OF NORTH DAKOTA

NORTH DAKOTA INSURANCE AND SECURITIES DEPARTMENT

IN THE MATTER OF: )  
 )  
 ) **CONSENT ORDER**  
 )  
 LPL FINANCIAL LLC, ) Case No. SO-25-910  
 ) 25-2018  
 )  
 )  
 Respondent. )

**I. PRELIMINARY STATEMENT**

LPL Financial LLC (“LPL” or “Respondent”) submits this Order with respect to an investigation by the North Dakota Insurance & Securities Department (“Department”) into whether Respondent engaged in acts or practices that violated the Securities Act, N.D.C.C. Chapter 10-04, (the “Act”), and the regulations promulgated thereunder in Title 73 of the North Dakota Administrative Code, (the “Regulations”).

As the result of a coordinated investigation, the Department concluded that Respondent charged unreasonable commissions to retail customers in excess of five percent (5%) of the principal amount on certain small principal equity transactions. Nationwide, Respondent 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 551 accounts of residents of North Dakota who were charged commissions in excess of 5% totaling \$17,500.09.

This Order is submitted solely for the purpose of settlement and with the understanding that it will not be used in any proceeding unless it is accepted by the Department as hereafter set forth. If this Order is not accepted by the Department, the

Order is withdrawn and shall not be used in or become part of any proceeding. If the Order is accepted, it will conclude the Department's investigation and any civil or administrative actions that could be commenced pursuant to the Act for the specific violations resolved herein, solely as it relates to Respondent.

Respondent 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 North Dakota Insurance Commissioner (the "Commissioner") 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 Act.

## **II. JURISDICTION**

1. The Department has jurisdiction over matters relating to securities pursuant to the Act and the Regulations.
2. This Order is made in accordance with the Act and the Regulations.
3. The acts and practices that are the subject of the Department's investigations occurred while Respondent was registered as broker-dealer in North Dakota.

## **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 North Dakota with a main address of 1055 LPL Way, Fort Mill, South Carolina. Respondent is identified by Financial Industry Regulatory Authority ("FINRA") CRD No. 6413.

#### V. FINDINGS OF FACT

##### A. Respondent'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, Respondent 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, Respondent 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. Respondent charged a minimum commission of \$30 on equity transactions (the "Minimum Equity Commission").
10. Respondent's fee schedule notes that the maximum commission shall not exceed 5% of the principal. Respondent's policies and procedures did not contain a similar restriction on transactions involving the Minimum Equity Commission.
11. The Act and the Regulations prohibit the Respondent 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 North Dakota, Respondent executed approximately 856 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 \$17,500.09.

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

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

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

16. Respondent 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. Respondent 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, Respondent failed to adequately supervise small principal equity transactions where the Minimum Equity Commission was in excess of 5%.

## **VI. CONCLUSIONS OF LAW**

### **Count I – N.D.C.C § 10-04-11(1)(m)**

19. N.D.C.C. § 10-04-11(1)(m) of the Act requires that Respondent establish and maintain a system to supervise the activities of its broker-dealer agents that is reasonably designed to achieve compliance with the North Dakota Securities Act, rules adopted thereunder, and all applicable securities laws and regulations, including the establishment and maintenance of written procedures.

20. Respondent's acts and practices, as described above, constitute a violation of N.D.C.C. § 10-04-11(1)(m).

## **VII. ORDER**

Respondent in full settlement of these matters neither admits nor denies the Findings 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. Respondent agrees to permanently cease and desist from conduct in violation of N.D.C.C. § 10-04-11(1)(m);
- B. Respondent agrees to be censured by the North Dakota Insurance Commissioner pursuant to the provisions of N.D.C.C. §§ 10-04-11(1)(m) and 10-04-16(1);
- C. Respondent agrees to provide restitution in an amount of no less than \$17,500.09 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 North Dakota customers set forth in Exhibit A, plus interest in the amount of 6% from the date of the transaction to May 19, 2025. Respondent

agrees to provide restitution within sixty (60) days of execution of any Order issued pursuant to this Order;

- i. Respondent 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. Respondent 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, Respondent shall provide the Department with a list of all North Dakota residents for whom Respondent receives a Notice as returned to sender ("Undeliverable North Dakota Residents"). To the extent the Department has access to different address information, Respondent shall send a second Notice to each North Dakota resident within thirty (30) days of the Department providing such different address; and
- iii. Respondent agrees to, within one-hundred twenty days (120) days of the transmission of the final Notice pursuant to paragraph VII(C)(ii), above, prepare, and submit to the Department, 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. Respondent agrees to pay an administrative fine in the amount of \$20,000 to the North Dakota Insurance & Securities Department 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 North Dakota Insurance & Securities Department; (3) either hand-delivered, mailed to 600 East Boulevard Avenue, State Capitol – 5<sup>th</sup> Floor, Bismarck, ND 58505; or wired per the Department's emailed instructions; and (4) submitted under cover letter or other documentation that identifies payment by Respondent and the docket number of the proceeding;

E. Respondent agrees that a person not unacceptable to the Multi-State Group shall certify in writing to the Department within sixty (60) days of the date of entry of this Order that Respondent's policies and procedures have been changed and enhanced to ensure that all commissions are fair and reasonable. At a minimum, Respondent 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. Respondent 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. Respondent 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 Respondent shall pay pursuant to this Order;
- H. If Respondent 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, Respondent agrees to provide written notice to the Department within five (5) days of the date of the petition.
- I. Respondent agrees that any fine, penalty, and/or money that Respondent shall pay in accordance with this Order is intended by Respondent and the Department to be a contemporaneous exchange for new value given to Respondent 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. Respondent agrees that, upon the issuance of an Order by the Commissioner that contains the terms as set forth above, if Respondent fails to comply with any of the terms set forth in the Order, the Commissioner 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 Respondent has not complied with the Order, the Commissioner 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 Respondent; and

K. For good cause shown, the Department may extend any of the procedural dates set forth above. Respondent shall make any requests for extensions of the procedural dates set forth above in writing to the Department.

#### **VIII. WAIVER**

Respondent hereby waives all rights to contest an Order entered by the Commissioner 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. Respondent further waives the procedural due process right to a hearing, all procedural rights, and the right to seek judicial review of the Order under N.D.C.C. §§ 10-04-12 and 28-32-21 with respect to the entry of this Consent Order.

#### **IX. NO DISQUALIFICATION**

A signed Order issued pursuant to this Order waives any disqualification in the laws of North Dakota, or rules or regulations thereunder, including any disqualification from relying upon the registration exemptions or safe harbor provisions to which Respondent 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. Except in an action by the Department 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 Respondent in any civil, criminal, arbitration, or administrative proceeding 2. in any court, administrative agency, or tribunal.

IN TESTIMONY WHEREOF, witness my hand and seal this 24<sup>th</sup> day of February, 2026.



  
Jon Godfread, Insurance Commissioner  
North Dakota Insurance & Securities Department  
600 East Boulevard Avenue  
State Capitol – Fifth Floor  
Bismarck, North Dakota 58505  
(701) 328-2440

**CONSENT TO ENTRY OF ADMINISTRATIVE ORDER BY RESPONDENT**

LPL Financial LLC hereby acknowledges that it has been served with a copy of this Order, has read the foregoing Order, is aware of its right to a hearing and appeal in this matter, and has waived the same.

LPL Financial LLC admits the jurisdiction of the North Dakota Insurance & Securities Department, neither admits nor denies the Findings of Facts and Conclusions of Law contained in this Order, and consents to entry of this Order by the North Dakota Insurance Commissioner as settlement of the issues contained in this Order.

LPL Financial LLC agrees that it shall not claim, assert, or apply for a tax deduction or tax credit with regard to any state, federal, or local tax for any payment that shall be made pursuant to this Order.

LPL Financial LLC states that no promise of any kind or nature whatsoever was made to it to induce it to consent to this Order and that it has consented to this Order voluntarily.

Dated this 17<sup>th</sup> day of February, 2026.

LPL FINANCIAL LLC by:

Signature: 

Print Name: Michael K. Freedman

Title: EVP, Deputy General Counsel