

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2018057331002**

TO: Department of Enforcement
Financial Industry Regulatory Authority (FINRA)

RE: Cetera Advisors LLC
Member Firm
CRD No. 10299

Cetera Wealth Services, LLC, formerly known as Cetera Advisor Networks LLC
Member Firm
CRD No. 13572

Cetera Investment Services LLC
Member Firm
CRD No. 15340

Pursuant to FINRA Rule 9216, Respondents Cetera Advisors LLC, Cetera Wealth Services, LLC, and Cetera Investment Services LLC (collectively, the Cetera Firms) submit this Letter of Acceptance, Waiver, and Consent (AWC) for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Respondents alleging violations based on the same factual findings described in this AWC.

I.

ACCEPTANCE AND CONSENT

A. Respondents accept and consent to the following findings by FINRA without admitting or denying them:

BACKGROUND

Cetera Advisors has been a FINRA member since January 1982. The firm is headquartered in Greenwood Village, Colorado, and currently has approximately 2,400 registered representatives and maintains approximately 960 branch offices.

Cetera Wealth Services has been a FINRA member since June 1983. The firm is headquartered in El Segundo, California, and currently has approximately 8,600 registered representatives and maintains approximately 4,200 branch offices. Until June 2025, Cetera Wealth Services was known as Cetera Advisor Networks.

Cetera Investment Services has been a FINRA member since November 1984. The firm is headquartered in St. Cloud, Minnesota, and currently has approximately 2,800 registered representatives and maintains approximately 1,500 branch offices.

At all times relevant to this AWC, the Cetera Firms were owned by the parent company, Cetera Financial Group, a non-registered entity. Each Cetera Firm conducts a general securities business.¹

OVERVIEW

From at least March 2019 through August 2021, the Cetera Firms' supervisory systems, including their written supervisory procedures (WSPs), were not reasonably designed to achieve compliance with Section 5 of the Securities Act of 1933, in violation of FINRA Rules 3110 and 2010.

Over the same period, the Cetera Firms' anti-money laundering (AML) compliance program was not reasonably designed to detect and cause the reporting of suspicious transactions, in violation of FINRA Rules 3310(a), 3310(f)(ii), and 2010.

Additionally, from at least January 2017 through August 2021, Cetera Advisors failed to reasonably supervise the creation and dissemination of consolidated reports and failed to preserve such reports, in violation of Section 17(a) of the Securities Exchange Act of 1934, Exchange Act Rule 17a-4(b)(4), and FINRA Rules 3110, 4511 and 2010.

For these violations, the Cetera Firms are censured, fined \$1.1 million, and have agreed to an undertaking.

FACTS AND VIOLATIVE CONDUCT

The Cetera Firms' supervisory systems, including WSPs, were not reasonably designed to achieve compliance with the registration requirements of Section 5 of the Securities Act.

FINRA Rule 3110(a) requires each member firm to establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules. FINRA Rule 3110(b) requires each member firm to establish, maintain, and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules. The duty to supervise under Rule 3110 also includes the responsibility to reasonably investigate red flags that suggest that misconduct may be occurring and to act upon the results of such investigation.

A violation of FINRA Rule 3110 also is a violation of FINRA Rule 2010, which requires member firms to "observe high standards of commercial honor and just and equitable principles of trade" in the conduct of their business.

¹For more information about the Respondents, including prior regulatory events, visit BrokerCheck® at www.finra.org/brokercheck.

Section 5 of the Securities Act prohibits the offer or sale of any security unless there is a registration statement in effect as to that security or there is an exemption available for that securities transaction. Unregistered securities that are not freely transferable are considered restricted securities and may contain a restricted legend. Firms that accept delivery of low-priced securities, either in certificate form or by electronic transfer, and effect sales in these securities, are required to have reasonable written procedures and controls in place to prevent participation in an illegal, unregistered distribution of securities. In Regulatory Notice (RN) 09-05 from January 2009, FINRA reminded firms that their written procedures should include a “mandatory, standardized process” that communicates each step in the review, approval, and post-approval process, clearly assigns ownership of each step in the process, and is easily accessible to the people involved in the process. RN 09-05 also stated that “firms may not rely solely on others, such as clearing firms, transfer agents, or issuers’ counsel, to fulfill these obligations.” RN 09-05 further observed that a “searching inquiry” may be required where the surrounding circumstances raise a question as to whether a transaction complies with Section 5.

In addition, RN 09-05 cautioned that firms should recognize, and take action to address, red flags of improper unregistered distributions of securities, including when:

- a customer opens a new account and delivers physical certificates representing a large block of thinly traded or low-priced securities;
- a customer has a pattern of depositing physical share certificates, immediately selling the shares and then wiring out the proceeds of the resale;
- a customer deposits share certificates that are recently issued or represent a large percentage of the float for the security;
- the lack of a restrictive legend on deposited shares seems inconsistent with the date the customer acquired the securities or the nature of the transaction in which the securities were acquired; or
- a customer with limited or no other assets under management at the firm receives an electronic transfer or journal transactions of large amounts of low-priced, unlisted securities.

From at least March 2019 through August 2021, the Cetera Firms’ supervisory systems were not reasonably designed to achieve compliance with Section 5. The firms required representatives to complete a questionnaire that asked about registration status for deposits of low-priced securities in physical certificate form. Before April 2021, however, the firms did not require representatives to complete questionnaires for electronic deposits of low-priced securities, unless trading activity was flagged, notwithstanding that most of the low-priced securities the Cetera Firms received during the relevant period were deposited electronically. As a result, customers were frequently able to liquidate low-priced securities before the Cetera Firms received or fully reviewed a completed questionnaire.

Although the firms reviewed reports with basic information about low-priced security deposits (*e.g.*, account, deposit date, symbol, share price, quantity), the firms' procedures did not provide reasonable guidance as to how to determine whether the deposited shares were restricted or control securities nor did the procedures provide reasonable guidance on how to determine whether sales of restricted and control securities were exempt from registration requirements. In practice, the firms did not evaluate Section 5 compliance where securities did not bear a restrictive legend, relying on the representation of the parties who removed it.

As a result, the firms allowed customers to deposit and sell millions of shares of low-priced securities during the relevant period, and wire out the proceeds, without detecting or reasonably investigating red flags. For example, Customer A opened an account at Cetera Wealth Services in June 2020, deposited 75,000 shares of low-priced Security A (an over-the-counter (OTC) issuer) in late July, and began liquidating those shares less than two weeks later. The firm permitted the liquidations despite the presence of several red flags: (i) the issuer stated in an August 2020 SEC filing that it had hired Customer A to assist with an investor promotion campaign; (ii) Customer A acquired the shares the day before opening an account at the firm and less than two months before liquidating the shares; (iii) the questionnaire did not answer the question about why the shares were not restricted; and (iv) Customer A's trading activity represented as much as 88% of daily trading activity in the security. By mid-September 2020, Customer A had liquidated all the shares it had deposited, with proceeds to the customer of approximately \$178,000. The firm did not take reasonable steps to review Customer A's deposit or liquidations until its clearing firm inquired about the account in September 2020. Although Cetera Wealth Services later closed Customer A's account, and reviewed and closed the accounts of other customers who had deposited shares of Security A, Cetera Advisors permitted one of those same customers to deposit and liquidate shares of Security A in June and August 2021, respectively, without any review.

Therefore, Respondents violated FINRA Rules 3110 and 2010.

The Cetera Firms' AML program was not reasonably designed to detect and cause the reporting of suspicious transactions.

FINRA Rule 3310 requires each member firm to develop and implement a written AML program reasonably designed to achieve and monitor the firm's compliance with the requirements of the Bank Secrecy Act and implementing regulations promulgated by the Treasury Department. FINRA Rule 3310(a) requires each firm to establish and implement policies and procedures that can be reasonably expected to detect and cause the reporting of transactions required under 31 U.S.C. § 5318(g) and its implementing regulations. Under the applicable implementing regulation, 31 C.F.R. § 1023.320, broker-dealers are required, in specified circumstances, to file with the Financial Crimes Enforcement Network a report of any suspicious transaction relevant to a possible violation of law or regulation. In addition, FINRA Rule 3310(f)(ii) requires, in relevant part, that a member firm's AML program include appropriate risk-based procedures for conducting ongoing customer due diligence, including conducting ongoing monitoring to identify and report suspicious transactions.

A violation of FINRA Rule 3310 is also a violation of FINRA Rule 2010.

In April 2002, NASD issued Notice to Members (NTM) 02-21, which advised that each firm's AML program should be tailored to the particular risks of its business model and customer base and explained that firms have an obligation to monitor for and report suspicious transactions, including those that raise "red flags" suggestive of money laundering. In May 2019, FINRA published RN 19-18, which reminded firms of their suspicious activity monitoring and reporting obligations, and which updated the non-exhaustive list of red flags provided in NTM 02-21 to include, among others:

- a customer has a pattern of depositing physical share certificates, or a pattern of delivering in shares electronically, immediately selling the shares and then wiring, or otherwise transferring out their proceeds from the sale(s);
- a customer with limited or no other assets at the firm receives an electronic transfer or journal transfer of large amounts of low-priced, non-exchange-listed securities;
- seemingly unrelated clients open accounts on or at about the same time, deposit the same low-priced security and subsequently liquidate the security in a manner that suggests coordination; or
- the customer's activity represents a significant proportion of the daily trading volume in a thinly traded or low-priced security.

RN 19-18 further reminded firms that "[u]pon detection of red flags through monitoring, firms should consider whether additional investigation, customer due diligence measures[,] or a SAR [suspicious activity report] filing may be warranted."

From at least March 2019 through August 2021, the Cetera Firms failed to establish and implement policies and procedures that could be reasonably expected to detect and cause the reporting of suspicious transactions involving low-priced securities. During the relevant period, the firms' customers collectively sold approximately 800 million shares of low-priced securities. Low-priced securities transactions generated less than 0.1% of each firm's total revenue during this period.

Before December 2019, the firms' written policies and procedures required monthly reviews of low-priced securities deposits and transactions, but not for suspicious activity. Nor did the firms' policies and procedures provide any guidance regarding how to identify suspicious transactions in low-priced securities. The firms' policies and procedures did not list, nor have any mechanism for monitoring, red flags of suspicious activity in low-priced securities, including those red flags identified in NTM 02-21 and RN 19-18 that were relevant to the firms' business.

In December 2019, Cetera Advisors and Cetera Wealth Services implemented procedures requiring daily reviews of reports with basic information about all low-priced security transactions, such as the account, security, date of transaction, number of shares, price, and total dollar amount. The report did not show historical information and, therefore, was not a reasonable tool to identify patterns of suspicious activity in low-priced

securities. Although the firms' procedures identified five red flags of suspicious activity in low-priced securities, the firms failed to provide additional guidance regarding how to monitor for those red flags and failed to identify or otherwise incorporate into its procedures numerous other red flags commonly associated with low-priced securities activity that were relevant to their business, including those identified above that appeared in NTM 02-21 and RN 19-18. Moreover, the firms' AML compliance program failed to include appropriate risk-based procedures for conducting ongoing monitoring to identify and report suspicious transactions in low-priced securities. In practice, after the firms reviewed a customer's deposit of low-priced securities, they did not conduct any later review for suspicious activity when the customer then began selling the shares.

As a result, the firms frequently failed to take reasonable steps to identify, detect, and investigate red flags of potentially suspicious activity—including where the customers' trading activity represented a large portion of the daily volume, the customers were promoting the issuers, seemingly unrelated customers opened accounts at the same time and deposited and liquidated the same low-priced security, and customers with limited or no other assets at the firm deposited large amounts of low-priced securities.

For example, over approximately one month in 2019, three ostensibly unrelated customers opened accounts at Cetera Advisors, collectively deposited over 100 million shares of Security B (an OTC issuer), and immediately began liquidating those shares, with proceeds to the customers of approximately \$375,000. The firm did not conduct reasonable trade monitoring of the accounts for suspicious activity and, as a result, failed to detect numerous red flags: (i) on 30 days, these three customers accounted for more than 40% and as much as 88% of the daily market volume for Security B; (ii) there was limited other activity in the accounts; (iii) one of the customers sold 10 million shares the day after participating in a promotional campaign for the issuer; (iv) a different customer sold Security B in a cross trade with another Cetera Advisors account—a red flag of pre-arranged trading; and (v) the customers typically wired out proceeds the day after funds settled.

Therefore, Respondents violated FINRA Rules 3310(a), 3310(f)(ii), and 2010.

Cetera Advisors failed to reasonably supervise the creation, dissemination, and retention of consolidated reports.

A consolidated report combines information about a customer's various financial holdings, including assets held away from the firm. In April 2010, FINRA issued RN 10-19, which reminded firms that unless "rigorously supervised," consolidated reports can "raise a number of regulatory concerns, including the potential for communicating inaccurate, confusing or misleading information to customers, lapses in supervisory controls, and the use of these reports for fraudulent or unethical purposes." RN 10-19 further stated that consolidated reports "can create a misconception that the firm produced or verified all of the data" contained in the reports, "including the valuation of assets held away" from the firm. Finally, RN 10-19 provided that "[a]ny firm that cannot properly supervise the dissemination of consolidated reports by its registered representatives must prohibit the dissemination of those reports," and noted that

consolidated reports are subject to regulatory requirements, including those regarding supervision and records retention.

FINRA Rule 4511(a) requires member firms to make and preserve books and records as required under FINRA rules, the Exchange Act, and applicable Exchange Act rules. Section 17(a) of the Exchange Act requires firms to create and maintain certain records relating to its business. Exchange Act Rule 17a-4(b)(4) requires member firms, among other things, to preserve “for a period of not less than three years, the first two years in an easily accessible place ... copies of all communications sent (and any approvals thereof) by the [firm] ... relating to its business as such.” Inherent in the obligation to make and preserve books and records is the requirement that they be accurate.

Violations of FINRA Rule 4511, Section 17(a) of the Exchange Act and Exchange Act Rule 17a-4 also are violations of FINRA Rule 2010.

From at least January 2017 through August 2021, Cetera Advisors representatives generated and provided consolidated reports to customers using various methods, including: (1) a Cetera Advisors proprietary system; (2) online platforms provided by third-party vendors; and (3) manually created “custom” reports. Each of these methods permitted registered representatives to manually enter information concerning away-held assets, including their valuations. Additionally, both the proprietary system and the third-party vendor platforms allowed representatives to create consolidated reports and share them with customers by sending a link to a customer to view the report on the platform, or by having the platform send a report directly to a customer’s email address. However, the firm’s supervisory system did not reasonably address these activities.

Cetera Advisors failed to establish, maintain, and enforce a reasonable supervisory system, including WSPs, concerning consolidated reports. The firm’s written procedures required representatives to verify any manually entered data on consolidated reports. But the firm did not require supervisors to (1) confirm whether representatives were complying with this responsibility or (2) verify the accuracy of information that representatives manually entered into consolidated reports (for example, by reviewing supporting documents).

Cetera Advisors procedures also failed to address consolidated reports that representatives shared with customers via the firm’s proprietary system or via third-party vendor platforms. The procedures prescribed no system for supervisory review of consolidated reports sent via such methods and failed to address the retention of those reports in the firm’s books and records. As a result, the firm failed to reasonably supervise and retain tens of thousands consolidated reports sent to firm customers.

For example, Cetera Advisors initially failed to realize that representatives used its proprietary system financial planning tool, which allowed representatives to aggregate data concerning away-held assets and to manually add information (including asset valuations), to generate consolidated reports that customers and representatives could access directly via a firm-sponsored portal. As a result, Cetera Advisors did not review or

otherwise supervise the creation of such reports; had no system to ensure that the reports were fair and balanced and not misleading; and did not preserve the reports as a part of the firm's books and records. Although Cetera Advisors was unable to quantify how many consolidated reports were disseminated to customers using this system, between August 2018 and August 2021, over 900 representatives and over 13,000 customers were enrolled or logged into the system.

In addition to the proprietary system, Cetera Advisors permitted its representatives to use two third-party vendors to generate consolidated reports. Representatives and customers had the option to download consolidated reports from the web-based vendor system, and email the reports directly from the systems. Cetera Advisors did not supervise the activity conducted through the web-based portals. While the firm's procedures required representatives to retain these consolidated reports as correspondence, the firm did not have reasonable supervisory systems for ensuring they did so. For one of the vendor systems, Cetera Advisors could identify those representatives and customers who had log-in capability or customers for whom a representative generated a consolidated report. However, the firm could not ascertain which customers received reports or had logged on to access a report. For the other vendor system, Cetera Advisors would receive notifications when representatives initially opted to use the system but was not notified when the representatives subsequently accessed the system or generated a consolidated report. As a result, the firm was unable to determine how many representatives created consolidated reports on these platforms; how many reports were sent to customers; how many reports contained manually entered information; or how many customers received reports. Based on historical usage information, the firm failed to reasonably supervise at least tens of thousands of vendor system consolidated reports and retain these reports in its books and records.

Finally, Cetera Advisors allowed representatives to issue "custom" consolidated reports using templates created through word processing or spreadsheet software. After the firm approved the use of a template submitted by a representative, that representative could use the template to manually create consolidated reports to send to customers. While Cetera Advisors could identify the number of custom templates it approved, the firm did not track and was unable to determine how many consolidated reports were generated or provided to customers using the approved templates. The firm required representatives to retain custom consolidated reports in their customer files as correspondence. However, the firm lacked procedures or a system for reasonable supervision of this requirement and could not determine how many consolidated reports disseminated to customers its representatives failed to preserve.

Between January 2017 and June 2018, one of the firm's representatives manually entered assets on custom consolidated reports he provided to several customers with indicia that they contained inaccurate valuations of the customers' holdings. The firm failed to detect

whether the representative was providing inaccurate data because it did not review manual account entries.²

Between January 2021 and August 2021, Cetera Advisors updated its supervisory system, including its WSPs, to address the above-described issues concerning its consolidated reports.

By failing to establish, maintain, and enforce a reasonable supervisory system, including WSPs, concerning the creation and dissemination of consolidated reports, Cetera Advisors violated FINRA Rules 3110 and 2010. By failing to retain consolidated reports, Cetera Advisors also violated Section 17(a) of the Securities Exchange Act of 1934, Exchange Act Rule 17a-4(b)(4), and FINRA Rules 4511 and 2010.

B. Respondents also consent to the imposition of the following sanctions:

- a censure;
- a joint and several fine in the amount of \$1,100,000; and
- an undertaking that, within 180 days of the date of the notice of acceptance of this AWC, a member of each Respondent's senior management who is a registered principal of the firm shall certify in writing that, as of the date of the certification, the firm has remediated (1) the Section 5 issues identified in this AWC and implemented a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with Section 5 regarding the issues identified in this AWC; and (2) the AML issues identified in this AWC and developed and implemented a written AML program that complies with FINRA Rule 3310 regarding the issues identified in this AWC. Each Respondent shall submit the certification to Senior Counsel Robert Fair (robert.fair@finra.org), with a copy to EnforcementNotice@finra.org. Upon written request showing good cause, FINRA staff may extend this deadline.

Respondents agree to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondents have submitted an Election of Payment form showing the method by which they propose to pay the fine imposed.

Respondents specifically and voluntarily waive any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanctions imposed in this matter.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

² In June 2019, FINRA entered into an AWC with the registered representative barring him for his failure to cooperate with an investigation into his issuance of consolidated reports, in violation of FINRA Rules 8210 and 2010.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondents specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a complaint issued specifying the allegations against them;
- B. To be notified of the complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made, and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council (NAC) and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondents specifically and voluntarily waive any right to claim bias or prejudice of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

Respondents further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

Respondents understand that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondents; and
- C. If accepted:

1. this AWC will become part of Respondents' permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondents;
 2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
 3. FINRA may make a public announcement concerning this agreement and its subject matter in accordance with FINRA Rule 8313; and
 4. Respondents may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondents may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the Respondents' right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondents' testimonial obligations in any litigation or other legal proceedings.
- D. Respondents may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondents understand that they may not deny the charges or make any statement that is inconsistent with the AWC in this statement. This statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA.

The undersigned, on behalf of Cetera Wealth Services, LLC, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce it to submit this AWC.



January 8th, 2026

Date

Cetera Wealth Services, LLC
Respondent

Print Name: Joseph D. Neary

Title: Vice President

The undersigned, on behalf of Cetera Investment Services LLC, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce it to submit this AWC.



January 8th, 2026

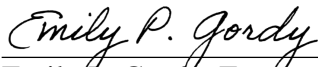
Date

Cetera Investment Services LLC
Respondent

Print Name: Joseph D. Neary

Title: Vice President

Reviewed by:



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Reviewed by:



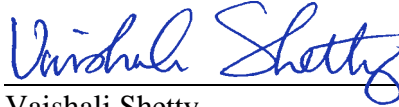
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Accepted by FINRA:

1/16/2026

Date

Signed on behalf of the
Director of ODA, by delegated authority



Vaishali Shetty
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FINRA
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