FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2023077058901

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

RE: Oppenheimer & Co. Inc. (Respondent)
Member Firm
CRD No. 249

Pursuant to FINRA Rule 9216, Respondent Oppenheimer & Co. Inc. submits 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 Respondent alleging violations based on the same factual findings described in this AWC.

I.

ACCEPTANCE AND CONSENT

A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

Oppenheimer has been a FINRA member since 1945. The firm is a full-service broker-dealer that is headquartered in New York, New York. Oppenheimer has approximately 190 branch offices and over 1,900 registered representatives.

In April 2021, FINRA issued an AWC finding that Oppenheimer negligently misrepresented cost basis information on customer account statements and Forms 1099, which also caused the firm to make and preserve inaccurate customer account statements. For this conduct, the firm consented to a censure, a $525,000 fine, and an undertaking.[1]

OVERVIEW

From at least January 2006 to the present, Oppenheimer sent an estimated 167,000 account statements to more than 800 customers that misidentified collateralized mortgage obligations (CMOs) issued by private entities (private label CMOs) as government agency bonds or corporate bonds. By making misleading statements in communications with customers, the firm violated NASD Rules 2210(d)(1) and 2110 and FINRA Rules 2210(d)(1) and 2010. The firm also violated NASD Rules 3110 and 2110 and FINRA Rules 4511 and 2010 by maintaining inaccurate customer account statements.

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

During the same period, Oppenheimer failed to reasonably supervise the content of account statements that it sent to customers, in violation of NASD Rules 3010 and 2110 and FINRA Rules 3110 and 2010.

For these violations, the firm is censured, fined $250,000, and agrees to an undertaking.

FACTS AND VIOLATIVE CONDUCT

This matter originated from a FINRA cycle examination.

Background on CMOs

A CMO is a type of mortgage-backed security that is collateralized by a pool of mortgages. The principal and interest from the mortgages underlying the CMO are used to pay investors' principal and/or interest, depending on the type or tranche of CMO owned. CMOs are classified, in part, based on the entity that guarantees them. CMOs guaranteed by the Government National Mortgage Association (GNMA or Ginnie Mae), a government agency, are guaranteed by the United States government. CMOs issued by Ginnie Mae, along with those guaranteed by government-sponsored entities Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac), are referred to as "agency" CMOs. In contrast to agency CMOs, private label CMOs are not guaranteed by the government or a government-sponsored entity and therefore present increased credit risk.

Oppenheimer's customer account statements contained inaccurate and misleading information concerning private label CMOs.

FINRA Rule 2210 and its predecessor, NASD Rule 2210, address FINRA member communications with the public and include content standards that apply to all member firm communications.[2] FINRA Rule 2210(d)(1)(B), like its predecessor NASD Rule 2210(d)(1)(B), states that no member may make any false, exaggerated, unwarranted, promissory, or misleading statement or claim in any communication or publish, circulate, or distribute any communication that the member knows or has reason to know contains any untrue statement of a material fact or is otherwise false or misleading. Account statements sent to customers are member communications subject to the content requirements of FINRA Rule 2210 and NASD Rule 2210.

FINRA Rule 4511(a), like its predecessor NASD Rule 3110(a), requires member firms to make and preserve books and records as required under FINRA rules, the Securities Exchange Act of 1934, and the applicable Exchange Act rules.[3] FINRA Rule 2231(a), like its predecessor NASD Rule 2340(a), requires member firms to create account

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[2] FINRA Rule 2210 superseded NASD Rule 2210 effective February 4, 2013.

[3] FINRA Rule 4511 superseded NASD Rule 3110 effective December 5, 2011.

statements and send them to customers at least quarterly.[4] Inherent in the obligation to make and preserve books and records is the requirement that information in those books and records be accurate.

Violations of FINRA Rules 2210 and 4511 or NASD Rules 2210 and 3110 are also violations of FINRA Rule 2010 or NASD Rule 2110, which require member firms, in the conduct of their business, to observe high standards of commercial honor and just and equitable principles of trade.[5]

During the relevant period, Oppenheimer generated and sent to customers account statements that categorized the holdings in the customers' accounts under various headings, including "Common Stock," "Fixed Income," and "Mutual Funds." From at least January 2006 through January 2024, Oppenheimer generated and sent an estimated 150,000 account statements to more than 800 customers that miscategorized all private label CMOs in each customer's account under the heading "Government Agency Bonds." Categorizing private label CMOs as government agency bonds was inaccurate and misleading because it suggested that the CMOs were guaranteed by the U.S. government or a government-sponsored entity.

After being advised by FINRA of the inaccuracies, Oppenheimer made an effort to address the issue by changing the categorization of private label CMOs in customer account statements from "Government Agency Bonds" to "Corporate Bonds." Since January 2024, the firm has sent an estimated 17,000 account statements to customers that categorized private label CMOs as corporate bonds. However, this characterization was inaccurate because private label CMOs differ from corporate bonds in several respects. For example, unlike corporate bonds, which are debt obligations of corporations subject to default risk, CMOs are backed by pools of mortgages with varying maturities and prepayment risks (i.e., risk of repayment of principal prior to maturity).

By making misleading statements about private label CMOs in customer account statements, Oppenheimer violated NASD Rules 2210(d)(1)(B) and 2110 and FINRA Rules 2210(d)(1)(B) and 2010. By making and preserving inaccurate account statements, Oppenheimer violated NASD Rules 3110 and 2110 and FINRA Rules 4511 and 2010.

Oppenheimer failed to establish and maintain a supervisory system, including written supervisory procedures, reasonably designed to review the accuracy of customer account statements.

FINRA Rule 3110(a), like its predecessor NASD Rule 3010(a), requires member firms 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.[6] FINRA Rule 3110(b), like its

[4] FINRA Rule 2231 superseded NASD Rule 2340 effective May 8, 2019.

[5] FINRA Rule 2010 superseded NASD Rule 2110 effective December 15, 2008.

[6] FINRA Rule 3110 superseded NASD Rule 3010 effective December 1, 2014.

predecessor NASD Rule 3010(b), requires member firms to establish, maintain, and enforce written procedures to supervise the types of business in which they engage and the activities of their associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules. Violations of FINRA Rule 3110 or NASD Rule 3010 are also violations of FINRA Rule 2010 or NASD Rule 2110.

From January 2006 to the present, Oppenheimer did not have a reasonable system to supervise the accuracy of information presented in customer account statements. Although the firm's written supervisory procedures required firm personnel to conduct a bi-monthly review of a sample of customer account statements, the review primarily focused on the accuracy of numerical values reported in the statements and did not include any review to determine whether customer holdings were accurately categorized. The firm failed to detect during the relevant period that private label CMOs were inaccurately categorized as government agency bonds and corporate bonds in customer account statements.

Therefore, Oppenheimer violated NASD Rules 3010 and 2110 and FINRA Rules 3110 and 2010.

B. Respondent also consents to the imposition of the following sanctions:

- a censure;
- a $250,000 fine; and
- an undertaking that, within 90 days of the date of the notice of acceptance of this AWC, a member of 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 the issues identified in this AWC and implemented a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with FINRA Rules regarding the issues identified in this AWC. The certification shall include a narrative description and supporting exhibits sufficient to demonstrate Respondent's remediation and implementation. FINRA staff may request further evidence of Respondent's remediation and implementation, and Respondent agrees to provide such evidence. Respondent shall submit the certification to Katherine Wyman, Principal Counsel, at Katherine.Wyman@finra.org, with a copy to EnforcementNotice@finra.org. Upon written request showing good cause, FINRA staff may extend this deadline.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

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

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

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

A. To have a complaint issued specifying the allegations against it;

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, Respondent specifically and voluntarily waives any right to claim bias or prejudgment 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.

Respondent further specifically and voluntarily waives 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

Respondent understands 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 Respondent; and

C. If accepted:

1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;

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. Respondent 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. Respondent 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 Respondent's 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 Respondent's testimonial obligations in any litigation or other legal proceedings.

D. Respondent may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that it 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 Respondent, certifies that a person duly authorized to act on Respondent's 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 Respondent 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 Respondent to submit this AWC.

4/21/26
Date

Oppenheimer & Co. Inc.
Respondent

Print Name: DENNIS MCNAMARA

Title: EVP AND GENERAL COUNSEL

Reviewed by:

Adam Algaze
Counsel for Respondent
Oppenheimer & Co. Inc.
85 Broad Street, 25th Floor
New York, NY 10004

Accepted by FINRA:

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

May 4, 2026
Date

Katherine Wyman
Principal Counsel
FINRA
Department of Enforcement
100 Pine Street, 18th Floor
San Francisco, CA 94111