FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2024081776401

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

RE: Merrill Lynch, Pierce, Fenner & Smith Incorporated (Respondent)
Member Firm
CRD No. 7691

Pursuant to FINRA Rule 9216, Respondent Merrill Lynch, Pierce, Fenner & Smith Incorporated 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

Merrill Lynch has been a FINRA member firm since 1937. It is a global investment banking and brokerage firm headquartered in New York, NY. The firm has more than 27,500 registered representatives and over 4,000 branches.[1]

OVERVIEW

From January 2018 through December 2023, Merrill Lynch invited customers who phoned its call centers to complete a post-call survey, which included a written commentary section. However, the firm did not reasonably review the written responses to identify customer complaints and failed to reasonably supervise to achieve compliance with its quarterly summary and statistical customer complaint reporting obligations under FINRA Rule 4530(d). As a result, Merrill Lynch did not report thousands of customer complaints in the survey responses to FINRA. Therefore, the firm violated FINRA Rules 4530(d), 3110(a) and (b), and 2010, and is censured and fined $225,000.

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

FACTS AND VIOLATIVE CONDUCT

The matter originated from Merrill Lynch's self-disclosure pursuant to FINRA Rule 4530(b) in April 2024.

Merrill Lynch failed to accurately report statistical and summary information regarding customer complaints.

FINRA Rule 4530 requires member firms to report to FINRA certain customer complaints. FINRA Rule 4530(d) requires member firms to report on a quarterly basis statistical and summary information regarding written customer complaints, in such detail as FINRA shall specify, by the 15th day of the month following the calendar quarter in which customer complaints are received by the member. FINRA Rule 4530 Supplementary Material .08 (Rule 4530.08) requires that member firms report any written grievance by a customer involving the member or any person associated with the member. FINRA uses the information received pursuant to Rule 4530 for regulatory purposes, including to identify and initiate investigations of member firms, associated persons, and others that may pose a risk to investors.

A violation of FINRA Rule 4530(d) is also 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.

From January 2018 through December 2023, Merrill Lynch operated support centers that customers could call for account-related assistance. After completing their calls, Merrill Lynch invited customers to complete a survey regarding their call center interaction, which permitted customers to include written commentary. During the relevant period, Merrill Lynch failed to accurately report to FINRA statistical and summary information regarding thousands of written customer complaints within the written commentary section of the surveys.

In a sample period from January through December 2023, Merrill Lynch received more than 220,000 written responses within the commentary section of the surveys. While the firm timely reported to FINRA 2,423 customer complaints arising from the surveys, it failed to report more than 1,600 written customer complaints in those same surveys. The majority of the unreported complaints concerned service-related issues. Some complaints also included issues such as inability to access funds; difficulties obtaining account information and documentation; technical problems with the firm's online system; and security incidents.

Therefore, Merrill Lynch violated FINRA Rules 4530(d) and 2010.

Merrill Lynch failed to establish and maintain a supervisory system reasonably designed to achieve compliance with FINRA Rule 4530(d).

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. A violation of FINRA Rule 3110 is also a violation of FINRA Rule 2010.

From January 2018 through December 2023, Merrill Lynch did not establish, maintain, and enforce a system, including written supervisory procedures, reasonably designed to achieve compliance with FINRA Rule 4530(d) quarterly summary and statistical complaint reporting as it related to the written commentary section of customer survey responses. The firm required supervisory review of survey responses that hit on a lexicon of search terms or were flagged based on other criteria. However, the lexicon of search terms applied to survey responses was originally developed for use with consumer banking products and was not the lexicon employed by Merrill Lynch generally to review electronic communications for potential broker-dealer complaints. The system that the firm used for supervisory review affixed a "potential complaint" flag only to survey responses that hit on those lexicon search terms. And firm guidance documents provided clearer instructions regarding complaint identification where a "potential complaint" flag was present. As a result, the firm frequently failed to identify reportable customer survey responses as complaints because they were not tagged by the lexicon search as "potential complaint."[2]

Merrill Lynch detected this issue, conducted a lookback of 2023 survey responses, and resolved the outstanding complaints it identified in the lookback. In January 2024, the firm suspended the written commentary field in its customer surveys.

By failing to establish, maintain, and enforce a supervisory system reasonably designed to achieve compliance with FINRA Rule 4530(d) involving written survey responses, Merrill Lynch violated FINRA Rules 3110(a) and (b) and 2010.

<u>Sanctions Considerations</u>

In determining the appropriate sanctions, FINRA considered, among other factors, that the firm self-disclosed its failure to report customer complaints, conducted a one-year lookback to determine the scope of its failure, resolved complaints identified in its lookback, and reported complaints identified in its lookback to FINRA.

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

- a censure and
- a $225,000 fine.

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[2] More than 85% of the unreported customer complaints arising out of survey responses in 2023 did not have a "potential complaint" flag.

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.

6/3/2026
Date

Jill Del Monico
Merrill Lynch, Pierce, Fenner & Smith Incorporated
Respondent

Print Name: Jill Del Monico

Title: Associate General Counsel

Reviewed by:

Thomas J. Hennessey
Counsel for Respondent
Morgan, Lewis & Bockius LLP
One Federal Street
Boston, MA 02110

Accepted by FINRA:

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

June 10, 2026
Date

Jessica Moran
Jessica Moran
Senior Counsel
FINRA
Department of Enforcement
99 High Street
Boston, MA 02110