

**BEFORE THE INVESTOR PROTECTION DIRECTOR
OF THE STATE OF DELAWARE**

IN THE MATTER OF:)
LPL FINANCIAL LLC – RETAIL) CONSENT ORDER
MINIMUM COMMISSIONS)
RESPONDENT.)

)

I. PRELIMINARY STATEMENT

LPL Financial LLC (“LPL”) submits this Order with respect to the above captioned investigation by the Investor Protection Unit of the Delaware Department of Justice (the “Unit”) into whether LPL engaged in acts or practices that violated the Delaware Securities Act, 6 *Del. C.* § 73-101, *et seq.* (the “Act”), and the rules promulgated thereunder at the Rules Pursuant to the Delaware Securities Act, 6 *Del. Admin C.* § 200 (the “Rules”). As the result of a coordinated investigation, the Unit concluded that LPL charged unreasonable commissions to retail customers in excess of five percent (5%) of the principal amount 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 339 accounts of residents of the State of Delaware who were charged commissions in excess of 5% totaling \$13,791.58.

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 Unit as hereafter set forth. If this Order is not accepted by the Unit, the Order is withdrawn and shall not be used in or become part of any proceeding.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 Unit’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.

LPL neither admits nor denies the facts set forth in Section V and the violations 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 Unit 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 and Rules.

II. JURISDICTION

1. The Director of the Investor Protection Unit of the Department of Justice of the State of Delaware (the “Director”) has jurisdiction over matters relating to securities pursuant to the *6 Del. C.* §§ 73-102 and 73-501.
2. This Order is made in accordance with the Act and Rules.
3. The acts and practices that are the subject of the Unit’s investigations occurred while LPL was registered as broker-dealer in State of Delaware.

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 Financial LLC (“LPL”) is a broker-dealer registered in State of Delaware 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 14 branch offices in the State of Delaware.

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 Act and Rules 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 the State of Delaware, LPL executed approximately 675 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 \$13,791.58.

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. VIOLATIONS OF LAW

Count I –Failure to Supervise Pursuant to 6 Del. C. § 73-304(a)(10)

19. Section 73-304(a)(10) of the Act provides:

(a) The Director may by order deny, suspend or revoke any registration or take such other action authorized by this chapter if the Director finds that the order is in the public interest and that the applicant or registrant or, in the case of a broker-dealer or investment adviser, any partner, officer, director or any person occupying a

similar status or performing similar functions, or any person directly or indirectly controlling the broker-dealer or investment adviser, does any of the following:

(10) Has failed reasonably to supervise (A) the person's agents or employees if the person is a broker-dealer or broker-dealer agent with supervisory responsibilities, or (B) the person's adviser representatives or employees if the person is an investment adviser or investment adviser representative with supervisory responsibilities, and the Director may infer such failure from an agent's, investment adviser representative's or employee's violations.

6 Del. C. § 73-304(a)(10).

20. LPL's acts and practices, as described above, constitute a violation of Section 73-304(a)(10) of the Act.

VII. REPRESENTATIONS AND UNDERTAKINGS

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 Violations 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 Section 73-304(a)(10);
- B. LPL agrees to be censured by the Director;
- C. LPL agrees to provide restitution in an amount of no less than \$13,791.58 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 State of Delaware 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 of any Order issued pursuant to 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 Unit with a list of all State of Delaware residents for whom LPL receives a Notice as returned to sender ("Undeliverable Delaware Residents"). To the extent the Unit has access to different address information, LPL shall send a second Notice to each Delaware resident within thirty (30) days of the Unit 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 Unit, 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 the State of Delaware 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 "Investor Protection Fund"; (3) either hand-delivered, mailed to Delaware Department of Justice, Division of Fraud and Consumer Protection, Investor Protection Unit, 820 N. French St., Wilmington, DE 19801, Attention: Jillian Lazar; or wired per the Unit's instructions; and (4) submitted under cover letter or

other documentation that identifies payment by LPL and the docket number of the proceeding;

A. LPL agrees that a person not unacceptable to Massachusetts, Montana, Alabama, Washington, Texas, and Iowa (the “Multi-state Group”) shall certify in writing to the Unit 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.

B. 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.

C. 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;

D. 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 Unit within five (5) days of the date of the petition.

- E. LPL agrees that any fine, penalty, and/or money that LPL shall pay in accordance with this Order is intended by LPL and the Unit 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).
- F. LPL agrees that, upon the issuance of an Order by the Director that contains the terms as set forth above, if LPL fails to comply with any of the terms set forth in the Order, the Unit 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 Unit 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
- G. For good cause shown, the Director 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 Director.

VIII. WAIVER

LPL hereby waives all rights to contest an Order entered by the Director 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 the Act and Rules, and the right to seek judicial review of the Order under the Act and Rules.

IX. NO DISQUALIFICATION

A signed order issued pursuant to this Order waives any disqualification in the laws of the State of Delaware, 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 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 Unit 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 JILLIAN LAZAR, DIRECTOR, INVESTOR PROTECTION UNIT, this 21st day of January, 2026

By: /s/ Jillian Lazar

Jillian Lazar
Director, Investor Protection Unit
Delaware Department of Justice

LPL FINANCIAL LLC by:

Signature: *Michael K. Freedman*
Michael K. Freedman (Dec 31, 2025 15:38:02 EST)

Print Name: Michael K. Freedman

Title: EVP, Deputy General Counsel

Dated: 12/31/2025