



3. The acts and practices that are the subject of TSSB's investigation occurred while LPL was registered with the Securities Commissioner of Texas ("Securities Commissioner") as a dealer in Texas.

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

### **V. STATEMENT OF FACTS**

#### **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 0.60% to 1.5% of principal plus a five-dollar (\$5.00) confirmation fee for each trade.
9. LPL charged a minimum commission of thirty dollars (\$30.00) 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 Board 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 Texas, LPL executed approximately 7,469 equity transactions for which the principal trade amount was \$2,500.00 or less that included an unreasonable commission for services performed (i.e. in excess of 5% of the principal trade amount) totaling \$146,235.88.
14. Certain equity transactions executed by LPL included a commission well in excess of 5% of the principal value of the transaction

**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**

19. Sections 115.10(a) of the Board Rules requires dealers to establish, maintain, and enforce a system to supervise the activities of its agents that is reasonably designed to achieve compliance with the Texas Securities Act, the Board Rules, and all applicable securities laws and regulations.
20. LPL's acts and practices, as described above, constitute a violation of § 115.10(a) of the Board Rules.
21. Pursuant to § 4007.105(a)(13)(B) of the Texas Securities Act, LPL's violations of § 115.10(a) of the Board Rules constitute a basis for the issuance of an Order reprimanding LPL.
22. Pursuant to § 4007.106(a)(3) of the Texas Securities Act, LPL's violations of § 115.10(a) of the Board Rules also constitute a basis for the assessment of an administrative fine.

## VII. ORDER

### IT IS HEREBY ORDERED:

- A. LPL agrees to permanently cease and desist from conduct in violation of § 115.10(a) of the Board Rules in Texas;
- B. LPL is reprimanded by the TSSB;
- C. LPL agrees to provide restitution in an amount of no less than \$146,235.88 providing the amount of the commission on certain small principal equity transactions for which the principal trade amount was \$2,500.00 or less that exceeded five percent (5%) of the principal trade amount during the Relevant Time Period to the affected Texas customers set forth in Exhibit A, plus interest in the amount of six percent (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 ("Notice") 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 TSSB with a list of all Texas residents for whom LPL receives a Notice as returned to sender ("Undeliverable Texas Residents"). To the extent the TSSB has access to different address information, LPL shall send a second Notice to each Undeliverable Texas Resident within thirty (30) days of the TSSB 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 TSSB, 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 \$25,000.00 to Texas within fifteen (15) days following the date of entry of this Order. Payment shall be: (1) made by check; (2) made payable to the "State of Texas," and (3) mailed by FedEx or UPS to 208 East 10<sup>th</sup> Street, Room 610, Austin, Texas 78701-2407.

- E. LPL agrees that a person not unacceptable to the Multi-State Group shall certify in writing to the TSSB 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.
- F. 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.
- G. 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;
- H. 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 TSSB within five (5) days of the date of the petition.
- I. LPL agrees that any fine, penalty, and/or money that LPL shall pay in accordance with this Order is intended by LPL and the TSSB 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).
- J. LPL agrees that, upon the issuance of an Order by the TSSB that contains the terms as set forth above, if LPL fails to comply with any of the terms set forth in the Order, the TSSB 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 TSSB 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
- K. For good cause shown, the TSSB 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 TSSB.

### **VIII. WAIVER**

LPL has waived (a) LPL's right to notice and hearing in this matter; (b) LPL's right to appear and present evidence in this matter; (c) LPL's right to appeal this Order; and (d) all other procedural rights granted to the LPL by The Securities Act, Tex. Gov't Code §§ 4001.001-4008.105 ("Texas Securities Act"), and the Administrative Procedure Act, Tex. Gov't Code Ann. §§ 2001.001-2001.903.

### **IX. NO DISQUALIFICATION**

This Order waives any disqualification in the Texas Securities Act and Board Rules, including any disqualification from relying upon the registration exemptions or safe harbor provisions to which Respondents may be subject. This Order is not intended to be a final order based upon violations of the Texas Securities 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 TSSB 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 Respondents in any civil, criminal, arbitration, or administrative proceeding in any court, administrative agency, or tribunal.

SIGNED AND ENTERED BY THE SECURITIES COMMISSIONER this 19th day of December, 2025.



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TRAVIS J. ILES  
Securities Commissioner

Respondent:



Michael K. Freedman  
EVP, Interim CO-Chief Legal Officer  
LPL Financial LLC

Approved as to Form:



Cristi Ochoa,  
Deputy Securities Commissioner



Elliott Wolf,  
Attorney  
Legal and Investigations Division