

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2013037346101**

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

RE: Cetera Financial Specialists LLC, Respondent
Broker-Dealer
CRD No. 10358

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Cetera Financial Specialists LLC ("Cetera" or the "Firm") 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 the Firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Cetera hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

Cetera has been a FINRA member broker-dealer since February 1982.¹ Headquartered in Schaumburg, Illinois, the Firm provides brokerage, investment advisory and planning services through independent advisors which are tax and accounting professionals. Its primary lines of business are the sale of mutual funds and variable annuities. The Firm has approximately 1,000 branch locations across the United States and approximately 1,600 registered representatives.

RELEVANT DISCIPLINARY HISTORY

The firm does not have any relevant disciplinary history.

¹ It was originally registered under the name Terra Securities Corporation. In 2005 it was registered as Genworth Financial Services Corporation ("Genworth"). In 2012, Cetera became the successor by merger to Genworth and assumed substantially of Genworth's assets and liabilities.

OVERVIEW

Between July 1, 2012 and October 31, 2012 (the "Relevant Period"), Cetera failed to issue for 9,816 customer accounts statutorily required 30-day post-account opening investor profile documents, and for an additional four customer accounts, 36-month post-account opening investor profile documents. As a result of the foregoing, Cetera violated Section 17(a) of the Securities Exchange Act of 1934 (the "Exchange Act") and Rule 17a-3(a)(17) promulgated thereunder and FINRA Rules 4511(a) and 2010.

FACTS AND VIOLATIVE CONDUCT

Required Customer Notices

Rule 17a-3(a)(17)(i)(B)(1) of the Exchange Act requires FINRA member firms to make and keep a record indicating that the broker-dealer has furnished to each customer or owner, within 30 days of the opening of the account, and thereafter at intervals no greater than 36 months, a copy of an account record containing information such as the customer's or owner's name, tax identification number, contact information annual income, net worth (excluding value of primary residence), and investment objectives (hereinafter referred to as the "17a-3 account notices").²

SEC Audit of Cetera & the Firm's Internal Investigation

In April 2013, the SEC discovered during an on-site examination of the Firm that 17a-3 account notices had not been issued to certain Firm customers. Prompted by the SEC's audit findings, Cetera conducted an internal review and found that during the Relevant Period, it failed to issue 17a-3 account notices as required by SEC Rule 17a-3(a)(17)(i)(B)(1) for 9,820 retail customer accounts. Specifically, the Firm failed to issue the required 30-day post-account opening 17a-3 account notices for 9,816 customer accounts, and also failed to issue required 36-month 17a-3 account notices for four customer accounts.

These failures were caused by a computer programming error that occurred during Cetera's transition to a new internal Firm system. During the conversion process, customer profile information, including the dates triggering the issuance of 17a-3 account notices, was successfully transferred from the Firm's old system to its new one. However, a flaw in the algorithm used to trigger the mailing of account records resulted in the Firm's failure to issue the required 17a-3 account notices for the 9,820 referenced customer accounts.

² Specifically, SEC Rule 17a-3(a)(17)(i)(A) requires an account record include the customer's or owner's name, tax identification number, address, telephone number, date of birth, employment status (including occupation and whether the customer is an associated person of a member, broker or dealer), annual income, net worth (excluding value of primary residence), and the account's investment objectives.

By the foregoing, the Firm violated Section 17(a) of the Exchange Act and Rule 17a-3(a)(17)(i)(B)(1) and FINRA Rules 4511(a) and 2010.

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

1. Censure
2. A fine in the amount of \$40,000.

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

Cetera specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

Cetera 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, Cetera 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 acceptance or rejection of this AWC.

Cetera 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

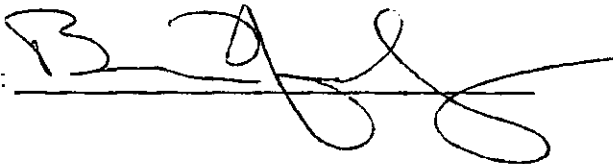
Cetera understands that:

- 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 it; and
- C. If accepted:
 - 1. this AWC will become part of the Firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the Firm;
 - 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 the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. Cetera 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. Cetera 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 Firm's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. The Firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Cetera 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 or its staff.

The undersigned, on behalf of the Firm, 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 the Firm has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the Firm to submit it.

4/18/16
Date

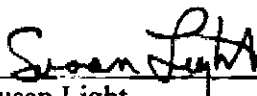
Cetera Financial Specialists LLC

By: 

Accepted by FINRA:

5/3/16
Date

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



Susan Light
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