

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2013039106701**

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

RE: Cetera Investment Services, LLC, Respondent
Member Firm
CRD No. 15340

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent Cetera Investment Services, 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 Cetera 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 is a wholly-owned subsidiary of Cetera Financial Group, Inc. Cetera is a self-clearing broker-dealer firm that provides its services through networking arrangements with regional retail financial institutions. Currently, the Firm has approximately 1,900 registered representatives and over 1,400 branch offices located primarily in banks and credit unions across the United States.

RELEVANT DISCIPLINARY HISTORY

Cetera has no relevant disciplinary history.

OVERVIEW

From October 1, 2008 through November 15, 2013 (the "Relevant Period"), Cetera failed to mail or otherwise furnish a total of 57,881 notifications to account owners of record regarding changes to their account records, as required by SEC

Rule 17a-3. As a result of the foregoing conduct, Cetera violated SEC Rule 17a-3 of the Securities Exchange Act of 1934, NASD Rule 2110 and FINRA Rule 2010.

During the Relevant Period, Cetera also failed to establish adequate written supervisory procedures reasonably designed to ensure the proper supervision of the creation and maintenance of accurate account records, in violation of NASD Rules 3010(b) and 2110, and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

Failure to Provide Customer Notifications for Name Changes, Address Changes, or Investment Objective Changes

SEC Rule 17a-3(a)(17) requires a firm to create and maintain an account record for each customer including, among other things, the customer's investment objective. The rule further requires that, in the event of a change in a customer's name, address or investment objective, a firm create and maintain a record that it sent the customer a copy of the updated account record reflecting the change within 30 days of the change.

In 2008, former customers contacted Cetera to inquire about notices they received from the Firm regarding changes to their account records, specifically name changes, address changes, or investment objective changes ("Profile Update Notices"). The customers who contacted Cetera all held annuities, mutual funds, or REITs directly with the issuers of the products ("direct application accounts"), and Cetera was no longer the broker-dealer of record on those accounts. As a result of the inquiries from former customers, the Firm attempted to suppress the generation and mailing of Profile Update Notices to customers with direct application accounts for which Cetera was no longer the broker-dealer of record.

Though the suppression was intended to eliminate the mailing of Profile Update Notices to former Cetera customers, the computer coding used by the Firm assumed that customers had closed their Cetera accounts if there was no link between the customers' direct application accounts and their Cetera profiles. There were situations, however, in which existing Cetera customers had direct application accounts that were not linked to their Cetera profiles. Consequently, during the Relevant Period, Cetera customers with direct application accounts not linked to their Firm profiles did not receive Profile Update Notices, i.e., notices regarding any changes to their account names, addresses or investment objectives, as required by SEC Rule 17a-3.

During the Relevant Period, Cetera failed to generate and mail 57,881 Profile Update Notices to its customers, in violation of SEC Rule 17a-3 of the Securities Exchange Act of 1934, NASD Rule 2110, and FINRA Rule 2010.

Failure to Establish Reasonable Written Supervisory Procedures for Profile Update Notices

NASD Rule 3010(b) requires each firm to establish, maintain and enforce adequate written supervisory procedures to supervise the types of business in which it engages and the activities of its registered representatives. Each firm's written supervisory procedures must be reasonably designed to achieve compliance with applicable securities laws and regulations, as well as the applicable FINRA Rules.

During the Relevant Period, Cetera's written supervisory procedures did not contain any processes or procedures to test and verify whether Profile Update Notices were properly generated and mailed to customers. As a result, Cetera failed to detect that 57,881 Profile Update Notices were improperly suppressed during the Relevant Period.

As a result of the foregoing conduct, Cetera violated NASD Rules 3010(b) and 2110, and FINRA Rule 2010.

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

1. A censure; and
2. A fine in the amount of \$75,000.

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

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 the Firm;
- 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 the Firm; 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 Cetera;
 - 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 Cetera'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. Cetera 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 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.

Respondent Cetera Investment Services, LLC

7/12/2016
Date (mm/dd/yyyy)

By: Catherine M. Bonneau
Name: CATHERINE M BONNEAU
Title: CEO

Accepted by FINRA:

07/25/2016
Date

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

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