

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2014042566201**

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

RE: Cetera Investment Services LLC Respondent
CRD No. 15340

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Cetera Investment Services LLC. ("Cetera") 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 self-clearing firm based in St. Cloud, Minnesota. The firm currently has 1,482 branch offices and approximately 1,891 registered representatives.

RELEVANT DISCIPLINARY HISTORY

Cetera has no relevant disciplinary history.

OVERVIEW

From April 1, 2009 to April 30, 2014 (the "Relevant Period") Cetera failed to apply volume discounts to certain customers' eligible purchases of non-traded real estate investment trusts (REITs) and business development companies (BDCs) in violation of FINRA Rule 2010. In addition, Cetera failed to have in place an adequate supervisory system and written supervisory procedures reasonably designed to ensure that its customers received appropriate volume discounts on eligible purchases of non-traded REITs and BDCs in violation of NASD Rule 3010(a) and (b) and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

Background on Non-Traded REITs and BDCs

A REIT is a corporation, trust or association that owns or manages income-producing real estate. There are two types of public REITs: those that trade on a national securities exchange and those that do not. REITs in this latter category are generally referred to as publicly registered non-exchange traded, or simply, non-traded REITs.

A BDC is a closed-end investment company that invests in private or thinly traded public companies. As with non-traded REITs, non-traded BDCs are not traded on a national securities exchange.

Non-traded REITs and BDCs may offer volume discounts to investors. A volume discount is a discounted price per share received by the investor when the investor reaches an accumulated level of investment. The manner in which an investor can obtain a volume discount is set forth in the offering's prospectus. The discount is funded by reducing the selling commission paid by the investment product's wholesaler to the broker-dealer.

Cetera's Supervisory Failures With Respect to Non-Traded REITs and BDCs

During the Relevant Period, Cetera failed to identify and apply volume discounts to ten (10) eligible purchases of non-traded REITs and BDCs, resulting in customers failing to receive the benefit of approximately \$18,000 of available sales charge discounts.

Also during the Relevant Period, Cetera failed to establish, maintain and enforce an adequate supervisory system and written supervisory procedures with respect to the sale of non-traded REITs and BDCs. During this time period, the Firm did not have procedures in place reasonably designed to identify accounts that would be eligible for volume discounts.

The Firm relied on its associated persons to ensure its customers received the volume discounts to which they were entitled, but failed to provide adequate guidelines, instructions or policies for its associated persons and supervisors to follow to ensure that the customer sales volume discounts were applied.

Based on the foregoing, Cetera violated NASD Conduct Rules 3010(a) and (b) and FINRA Rule 2010.

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

A censure, a \$30,000 fine and restitution of \$17,883.66, plus interest.

Restitution is ordered to be paid to customers listed in Attachment A hereto in the total amount of \$17,883.66, plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2), from the date of the overcharge, until the date this AWC is accepted by the NAC.

Cetera is ordered to review all non-traded REIT and BDC sales it made during the Relevant Period and certify that it has identified all transactions for which a customer did not receive the volume discount for which it was eligible. To the extent the Firm identifies customers and/or transactions not included on Attachment A, Cetera will provide restitution to the affected customer in the manner set forth in the previous paragraph.

A registered principal on behalf of Respondent firm shall submit satisfactory proof of payment of restitution or of reasonable and documented efforts undertaken to effect restitution. Such proof shall be submitted to Suzanne Bertolett, FINRA, 5200 Town Center Circle, Tower 1, Suite 200, Boca Raton, FL 33486 either by letter that identifies Cetera and Case No. 20140425657 or by e-mail from a work-related account of the registered principal of Respondent firm to EnforcementNotice@FINRA.org. This proof shall be provided to the FINRA staff member listed above no later than 120 days after acceptance of the AWC.

If for any reason Respondent cannot locate any customer identified in Attachment A or subsequently identified after reasonable and documented efforts within 120 days from the date the AWC is accepted, or such additional period agreed to by a FINRA staff member in writing, Respondent shall forward any undistributed restitution and interest to the appropriate escheat, unclaimed property or abandoned property fund for the state in which the customer is last known to have resided. Respondent shall provide satisfactory proof of such action to the FINRA staff member identified above and in the manner described above, within 14 days of forwarding the undistributed restitution and interest to the appropriate state authority.

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

The imposition of a restitution order or any other monetary sanction herein, and the timing of such ordered payments, does not preclude customers from pursuing their own actions to obtain restitution or other remedies.

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

Within 90 days of the acceptance of the AWC, a registered principal on behalf of Cetera shall submit a report that explains how the Firm has corrected its systems and procedures with respect to the sale of non-traded REITs and BDCs to address the violations described in this AWC. Such report shall be submitted to Suzanne Bertolett, FINRA, 5200 Town Center Circle, Tower 1, Suite 200, Boca Raton, FL 33486 by letter that identifies Cetera and Case No. 20140425657. The report shall be accompanied by a copy of the firm's policies and procedures relating to the sale of non-traded REITs and BDCs. The Department of Enforcement may, upon a showing of good cause and at its sole discretion, extend the time for compliance with this provision.

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

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 acceptance or rejection of this AWC.

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 actions brought by FINRA or any other regulator against it;
 - 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. 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: (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. 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 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,

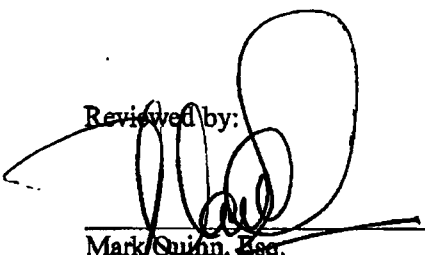
threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the Firm to submit it.

August 14, 2015
Date (mm/dd/yyyy)
08/14/2015

Catherine M. Bonneau
Respondent – Cetera Investment Services LLC

By: Catherine M. Bonneau
President + CEO

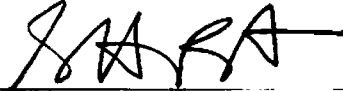
Reviewed by:


Mark Quinn, Esq.
Director of Regulatory Affairs
Cetera Financial Group
655 W. Broadway, 12th Floor
San Diego, CA 92101
Tel: 619.702.9735
Fax: 619.881.5217

Accepted by FINRA:

09-09-2015
Date

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



Suzanne H. Bertollett
Senior Regional Counsel
Enforcement Department
FINRA – Florida District Office
5200 Town Center Circle
Tower 1, Suite 200
Boca Raton, FL 33486
561.443.8127/561.443.7998 (f)
suzanne.bertollett@finra.org
Authorized House Counsel
Member Georgia Bar Only

ATTACHMENT A
FINANCIAL INDUSTRY REGULATORY AUTHORITY
ACCEPTANCE WAIVER AND CONSENT
CETERA INVESTMENT SERVICES LLC

<u>Cetera Customer</u>	<u>Restitution Amount</u>
A	\$1,828.36
B	\$402.05
C	\$693.12
D	\$1,155.59
E	\$1,489.86
F	\$1,264.13
G	\$67.25
H	\$684.17
I	\$3,428.12
J	\$561.37
K	\$2,200.13
L	\$4,109.51
Total	\$17,883.66