

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2014042979701**

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

RE: Arvest Wealth Management, Respondent
CRD No. 42057

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Arvest Wealth Management ("Arvest" 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 Arvest alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Arvest 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

Arvest, a FINRA member since 1997, is a subsidiary of Arvest Bank and provides brokerage services to retail customers, including the sale of corporate equity and debt securities, mutual funds, government securities, municipal securities, annuities, options, and private placements. Headquartered in Lowell, Arkansas, as of April 2018, Arvest had 237 registered persons and 143 branch offices.

OVERVIEW

Between January 2009 and December 2016 (the "Relevant Period"), Arvest failed to provide required initial and annual privacy notices to certain brokerage customers and also failed to establish and maintain a supervisory system, including written supervisory procedures, reasonably designed to ensure that it was meeting its privacy notice obligations. By virtue of the foregoing, Arvest violated Rules 4 and 5 of SEC Regulation S-P, NASD Rule 3010(a)(2) and

(b)(1),¹ and FINRA Rules 3110 (a)(2), (b)(1) and 2010.

FACTS AND VIOLATIVE CONDUCT

Arvest Failed to Provide Required Privacy Notices

SEC Regulation S-P (“Privacy of Consumer Financial Information and Safeguarding Personal Information”) requires financial institutions including brokers and dealers to provide clear and conspicuous privacy notices to their customers that accurately reflect the financial institution’s privacy policies and practices. The privacy notices are to be provided to customers when a customer relationship is initially established and annually thereafter for as long as the customer relationship continues, unless certain exceptions apply.² Initial and annual privacy notices have certain specified content requirements as established by regulation.³ Effective December 4, 2015, pursuant to the Fixing America’s Surface Transportation Act (“FAST Act”), financial institutions whose privacy policies meet certain criteria are no longer required to provide an annual privacy notice to customers.⁴ Arvest complied with these criteria and, accordingly, after December 4, 2015, Arvest was not required to send annual privacy notices to its customers.

Between January 2009 and December 2014, Arvest had clearing agreements with two clearing firms. Although Arvest provided one of its clearing firms with an initial privacy notice to be provided to its brokerage customers, Arvest failed to provide the notice to the second clearing firm. As a result, certain of its brokerage customers did not receive an initial privacy notice when the customer relationship was established. In total during the above time period, Arvest failed to provide approximately 940 initial privacy notices, as required by Rule 4 of Regulation S-P.

Between January 2009 and December 2013, Arvest also failed to provide its brokerage customers with annual privacy notices. Although certain Arvest brokerage customers, who were also Arvest Bank customers, received an annual privacy notice from Arvest Bank, those notices did not meet the requirements of a “joint notice” under Regulation S-P.⁵ During this time period, approximately 146,000 annual privacy notices were provided by Arvest Bank to Arvest brokerage customers. Because these notices were created for Arvest Bank customers and did not include any of the required references to the broker-dealer,

¹ NASD Rule 3010 was replaced by FINRA Rule 3110 effective December 1, 2014. Accordingly, NASD Rule 3010 applies to the Firm’s conduct prior to December 1, 2014. FINRA Rule 3110 applies to the Firm’s conduct beginning on December 1, 2014 and thereafter.

² 17 C.F.R. § 248.1-5.

³ 17 C.F.R. § 248.3(t).

⁴ Pub. L. No. 114-94, 129 Stat. 1312 (2015). *See*, Title LXXV, Section 75001. Eliminate Privacy Notice Confusion.

⁵ A financial institution, along with one or more affiliate financial institutions, may provide customers with a joint privacy notice, as long as the notice is accurate with respect to the financial institution and other affiliate institutions. *See* 17 C.F.R. § 248.9(f).

they were not compliant with Regulation S-P. During this same period, Arvest also failed to provide approximately 34,400 annual privacy notices to customers who did not have a relationship with Arvest Bank and thus who did not receive any annual privacy notice at all.

Beginning in December 2014, Arvest attempted to correct its privacy notice failures by providing all of its brokerage customers with an Arvest Bank privacy notice for both initial and annual privacy notice purposes. However, these notices were not compliant as a “joint notice” because they too failed to include required references to Arvest. As a result, during the Relevant Period, Arvest provided approximately 14,400 initial notices and approximately 68,000 annual notices that were not compliant with the requirements of Regulation S-P.

By virtue of the foregoing, Arvest violated Rules 4 and 5 of SEC Regulation S-P and FINRA Rule 2010

Arvest Failed To Reasonably Supervise Its Obligation To Deliver Privacy Notices

FINRA Rule 3110(a), and its predecessor NASD Rule 3010(a), require that each member establish and maintain a system to supervise the activities of its associated persons reasonably designed to achieve compliance with applicable securities laws and regulations and NASD/FINRA Rules. FINRA Rule 3110(b)(1), and its predecessor NASD Rule 3010(b)(1), in turn, require that each member establish, maintain and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons reasonably designed to achieve compliance with the applicable securities laws and regulations and NASD/FINRA Rules.

During the Relevant Period, Arvest’s written supervisory policies and procedures (“WSPs”) required the Firm to designate a principal to ensure that its privacy obligations were compliant with Regulation S-P. The WSPs also required Arvest to provide an initial privacy notice at the time the customer relationship was established, as well as an annual privacy notice throughout the existence of the customer relationship. The WSPs further described the approval process for privacy notices; required the Firm to maintain a copy of the privacy notices provided to customers; and required the Firm to maintain a record reflecting that privacy notices were sent to customers.

The Firm, however, failed to enforce its own procedures. It failed to designate the required principal; failed to maintain a copy of the privacy notices that were provided to customers; failed to maintain documentation to evidence that the privacy notices provided had been approved for use by the Firm; and failed to maintain any records reflecting that privacy notices were sent to customers. In addition, Arvest’s WSPs did not reflect that either of its clearing firms or that its affiliate, Arvest Bank, had been delegated the responsibility of providing initial and/or annual privacy notices to Arvest brokerage customers. In fact, prior to the

initiation of FINRA's investigation, Arvest failed to detect that it was not meeting its privacy notice obligations pursuant to Regulation S-P.

By virtue of the foregoing, Arvest violated NASD Rule 3010(a)(2) and (b)(1), and FINRA Rules 3110(a)(2), (b)(1), and 2010.

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

1. A censure; and
2. A fine of \$150,000.

Arvest also agrees to comply with the following undertaking:

Within 60 days of Notice of Acceptance of this AWC, the Firm shall certify to FINRA in a submission signed by an officer of the Firm that, as of the date of the certification, the Firm has established and implemented policies, procedures, and internal controls reasonably designed to address and remediate the issues identified in this AWC. The certification shall be addressed to Carolyn Craig, Senior Director, at 15200 Omega Drive, Third Floor, Rockville, MD 20850.

Upon written request showing good cause, FINRA staff may extend the procedural date set forth above.

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

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

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

II.

WAIVER OF PROCEDURAL RIGHTS

Arvest specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against Arvest;
- 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, Arvest 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.

Arvest 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

Arvest 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 Arvest; and
- C. If accepted:
 - 1. this AWC will become part of Arvest’s permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Arvest;
 - 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. Arvest 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. Arvest 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 Arvest'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. Arvest may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Arvest 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 understood all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Arvest 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 Arvest to submit it.

04/19/2018
Date (mm/dd/yyyy)

Calvin Jarrett
Arvest Wealth Management, Respondent

By: CALVIN JARRETT
[name/title]

Reviewed by:

PRESIDENT, INVESTMENT SERVICES

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Accepted by FINRA:

5/23/2018
Date

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



Julie A. Lenaghan
Principal Counsel
FINRA Department of Enforcement
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