FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2015045234401

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

RE: Cetera Advisor Networks LLC, Respondent
Member Firm
CRD No. 13572

Cetera Financial Specialists LLC, Respondent
Member Firm
CRD No. 10358

First Allied Securities, Inc., Respondent
Member Firm
CRD No. 32444

Summit Brokerage Services, Inc., Respondent
Member Firm
CRD No. 34643

VSR Financial Services, Inc., Respondent
Member Firm
CRD No. 14503

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondents Cetera Advisors Networks LLC ("CAN"), Cetera Financial Specialists LLC ("CFS"), First Allied Securities, Inc. ("FAS"), Summit Brokerage Services, Inc. ("SBS"), and VSR Financial Services, Inc. ("VSR") (collectively the "Cetera Firms" or "Respondents") submit 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 Cetera Firms alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

A. The Cetera Firms hereby accept and consent, 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 Advisor Networks LLC has been registered with FINRA since 1983. CAN is headquartered in El Segundo, CA and is a full-service broker-dealer that sells a wide array of securities products to its customers, including products issued by affiliated and unaffiliated companies. During the period of January 2013 through December 2014, CAN generated approximately 18% of its annual revenue through the sale of variable annuities. As of September 2016, CAN had 3,048 registered persons and 1,209 branch offices.

Cetera Financial Specialists LLC has been registered with FINRA since 1982. CFS is headquartered in Schaumburg, IL and is a full-service broker-dealer that sells a wide array of securities products to its customers, including products issued by affiliated and unaffiliated companies. During the period of January 2013 through December 2014, CFS generated approximately 34% of its annual revenue through the sale of variable annuities. As of September 2016, CFS had 1,580 registered persons and 1,009 branch offices.

First Allied Securities, Inc. has been registered with FINRA since 1994. FAS is headquartered in San Diego, CA and is a full-service broker-dealer that sells a wide array of securities products to its customers, including products issued by affiliated and unaffiliated companies. During the period of January 2013 through December 2014, FAS generated approximately 29% of its annual revenue through the sale of variable annuities. As of September 2016, FAS had 1,119 registered persons and 491branch offices.

Summit Brokerage Services, Inc. has been registered with FINRA since 1994. SBS is headquartered in Boca Raton, Florida and is a full-service broker-dealer that sells a wide array of securities products to its customers, including products issued by affiliated and unaffiliated companies. During the period of January 2013 through December 2014, SBS generated approximately 30% of its annual revenue through the sale of variable annuities. As of September 2016, SBS had 864 registered persons and 428 branch offices.

VSR Financial Services, Inc. has been registered with FINRA since 1984. VSR is headquartered in Overland Park, Kansas and is a full-service broker-dealer that sells a wide array of securities products to its customers, including products issued by affiliated and unaffiliated companies. During the period of January 2013 through December 2014, VSR generated approximately 20% of its annual revenue through the sale of variable annuities. As of September 2016, VSR had 215 registered persons and 58 branch offices.

RELEVANT DISCIPLINARY HISTORY

CAN has no relevant disciplinary history.

CFS has no relevant disciplinary history.

FAS has no relevant disciplinary history.

SBS has no relevant disciplinary history.

In May 2013, VSR executed an AWC (No. 2010022963602) in which FINRA imposed a censure and a fine of $550,000 for, among other violations, the firm's failure to adequately implement the firm's supervisory system pertaining to its supervision of concentrated positions in alternative investments.

OVERVIEW

This case concerns the Cetera Firms' failure to establish, maintain, and enforce a supervisory system reasonably designed to identify red flags in the sale of multi-share class variable annuities ("VAs"). Between January 2013 and December 2014 (the "Relevant Period"), the Cetera Firms earned a substantial portion of their revenues from the sale of VAs, and specifically the sale of L-share VA's ("L-share contracts"). L-share contracts typically provide a shorter surrender period, of three to four years, than B-share contracts, which typically have a surrender period of 7 years. Insurance companies design L-share contracts so that customers pay a higher fee for the benefit of a shorter surrender period. L-share contracts are designed for investors with short-term time horizons or who want the optionality of being able to surrender the L-share contract sooner than a B-share contract. Pursuant to the terms established by the insurance company manufacturers, if a purchaser chooses not to surrender an L-share contract during the surrender period, the purchaser continues to pay a higher annual fee for the life of the contract, unless the contract provides for a "persistency credit."[1]

During the Relevant Period, current customers of CAN, FAS, SBS and VSR collectively purchased approximately 2,900 L-share contracts together with one of two long-term riders. The first of these riders, frequently known as the Guaranteed Minimum Income Benefit Rider (GMIB), provides for the added benefit of guaranteed income for life. The second, frequently known as the Guaranteed Minimum Withdrawal Benefit Rider (GMWB), provides for the added benefit of guaranteeing a minimum amount the customer will be able to withdraw from the contract over time (the riders are collectively referred to as the "Long-Term Income Riders"). Long-Term Income Riders are often utilized by investors with long-term time horizons and cost purchasers additional annual fees in exchange for the added benefits. Moreover, because of the potentially incompatible time horizons, L-shares with Long-Term Income Riders may present a red flag that the purchase may not be suitable for a customer's investment objectives and time horizon. In addition, many of the customers who purchased L-share contracts from the Cetera Firms stated that they had a long-term investment horizon, which should have been a red flag given the short-term nature of L-shares. CAN, FAS, SBS and VSR failed to identify and

[1] Some L-Share contracts have a specific provision, commonly called a "persistency credit," which reduces the annual fees so it is comparable to a B-share contract after the product is held for a period of time, generally seven to ten years.

investigate these red flags, and as a result, violated FINRA Rules 2330(c), NASD Rule 3010 (for conduct before December 1, 2014), FINRA Rule 3110 (for conduct on and after December 1, 2014) and FINRA Rule 2010.

Moreover, none of the Cetera Firms had systems that were sufficient to review for VA share classes or to identify potential patterns of unsuitable sales. The Cetera Firms also failed to provide their registered representatives and principals with adequate training and guidance on suitability considerations for multi-share class VAs. Even though VAs accounted for more than approximately 20% of the Cetera Firms' revenues during the Relevant Period, the Cetera Firms failed to establish and maintain an adequate supervisory system and procedures to ensure suitability of its VA sales and VA share class recommendations. As a result, CAN, CFS, FAS, SBS, and VSR violated FINRA Rules 2330(d) and (e), NASD Rule 3010 (for conduct before December 1, 2014), FINRA Rule 3110 (for conduct on and after December 1, 2014) and FINRA Rule 2010.

In addition, CAN (during the period April 2011 to June 2013), CFS (during the period July 2013 to July 2015) and VSR (during the period January 2013 to February 2015) failed to reasonably supervise VA exchanges in that they each failed to implement a reasonable supervisory system and procedures to determine if any of their registered representatives had inappropriate rates of VA exchanges. CAN, CFS, and VSR's failure to have reasonable surveillance systems to detect inappropriate rates of exchange constitutes separate violations of FINRA Rule 2330(d), NASD Rule 3010 (for conduct before December 1, 2014), FINRA Rule 3110 (for conduct on and after December 1, 2014) and FINRA Rule 2010.

Finally, FAS failed to establish, maintain and enforce a reasonable supervisory system and procedures relating to: (1) the sale of structured products (during the period October 2006 through January 2012); (2) the sale of non-traditional exchange-traded funds (during the period October 2011 through August 2013); and (3) the use of consolidated account reports (CARs) and retention of books and records in the context of certain CARs (during the period October 2011 through August 2013). As a result, FAS violated NASD Rules 3010 and 2110, (for the time period from October 2006 to December 14, 2008), and FINRA Rule 2010 (for the time period from December 15, 2008 to August 2013).

FACTS AND VIOLATIVE CONDUCT

The Cetera Firms' Supervisory Failures Relating to Multi-Share Class VA Sales

During the Relevant Period, each of the Cetera Firms failed to maintain a process reasonably designed to supervise their registered representatives' recommendation of multi-share class VAs to their customers. As detailed below during the Relevant Period, Multi-Share Class VAs, and particularly L-share contracts, accounted for a significant portion of each Respondent's annual revenues:

- CAN earned over $187 million, or 18%, of its revenue from the sale of VAs. Approximately $48 million, or 26%, of CAN's VA revenue was earned from the sale of L-share contracts.

Of the 2,869 new or exchanged VAs at CAN, 1,095 were L-share contracts.

- CFS earned over $55 million, or 34%, of its revenue from the sale of VAs. Approximately $13 million, or 25%, of CFS's VA revenue was earned from the sale of L-share contracts. Of the 3,080 new or exchanged VAs at CFS, 786 were L-share contracts.

- FAS earned over $118 million, or 29%, of its revenue from the sale of VAs. Approximately $41 million, or 35%, of FAS's VA revenue was earned from the sale of L-share contracts. Of the 6,207 new or exchanged VAs at FAS, 2,210 were L-share contracts.

- SBS earned over $45 million, or 30%, of its revenue from the sale of VAs. Approximately $17 million, or 38%, of SBS's VA revenue was earned from the sale of L-share contracts. Of the 2,947 new or exchanged VAs at SBS, 1,123 were L-share contracts.

- VSR earned over $42 million, or 20%, of its revenue from the sale of VAs. Approximately $13 million, or 33%, of VSR's VA revenue was earned from the sale of L-share contracts. Of the 2,097 new or exchanged VAs at VSR, 692 were L-share contracts.

Despite the significant role that VA sales played in the Respondents' overall business, each Firm failed to implement a supervisory system and procedures designed to reasonably ensure suitability in its multi-share class VA sales, including L-share contracts.

Each of the Cetera Firms sold VA contracts with the option of various different share classes. The B-share contract is the most common share class sold in the industry and typically has a seven-year surrender period. The L-share contract provides the flexibility of a shorter surrender period and the fees associated with L-share contracts are typically between 35 and 50 basis points higher annually than most B-share contracts. Those fees are assessed as long as the contract is held, unless there is a persistency credit.

A Long-Term Income Rider is one of many optional features associated with VA sales and is marketed to customers as a means of providing a guaranteed future income stream. A Long-Term Income Rider typically costs the customer additional annual fees ranging from 1% to 1.5% of the face value of the VA contract. Many GMIB Riders require a holding period of up to ten years before the customer can access the income stream benefit. Many GMWB Riders require the customer to hold the VA for more than five years to obtain the full benefit of the withdrawal minimum guarantee.

CAN, FAS, SBS and VSR Failed to Identify and Investigate Red Flags in VA Sales

During the Relevant Period, CAN, FAS, SBS and VSR failed to reasonably supervise the sale of multi-share class VAs by failing to identify and address red flags. Sales of short surrender period L-share contracts combined with a Long-Term Income Rider have conflicting time horizons and are red flags. When L-share contracts are accompanied by Long-Term Income Riders, and where that combination appears in a significant number of transactions, firms should be able to identify the pattern of red flags in suitability reviews and conduct a meaningful heightened review of those transactions.

During the Relevant Period, CAN, FAS, SBS and VSR did not identify sales of L-share contracts combined with Long-Term Income Riders as red flags despite recurring patterns over the Relevant Period. The Cetera Firms approved approximately 2,900 L-share contracts sold with a Long-Term Income Rider without identifying or sufficiently investigating the suitability of the potentially incompatible recommendation. Indeed, in many of these transactions, the customer purchasing the L-share contract with a Long-Term Income Rider had a long-term investment horizon of over seven years according to information contained on the customer's VA application. The transaction combined with the investment horizon was a red flag that a different share class with lower fees may have been more appropriate for the customer's time horizon.

As a result of the foregoing, CAN, FAS, SBS and VSR violated FINRA Rule 2330(c), NASD Rule 3010 (for conduct before December 1, 2014), FINRA Rule 3110 (for conduct on and after December 1, 2014) and FINRA Rule 2010.

CAN, CFS, FAS, SBS and VSR Failed to Supervise VA Sales

Despite the fact that more than a quarter of the Cetera Firms' annual revenues from VAs were generated from L-share contracts, none of the Firms established, maintained, and enforced a reasonable supervisory system and written supervisory procedures ("WSPs") related to the sale of multi-share class VAs. The Cetera Firms also failed to provide sufficient training to their registered representatives and principals on the sale and supervision of multi-share class VAs. The Cetera Firms' WSPs and training materials failed to provide registered representatives and principals sufficient guidance or suitability considerations for sales of different VA share classes. More specifically, the Firms did not provide adequate training or guidance to their registered representatives on the features of various available share classes, the associated fees and surrender charges, and did not provide them with adequate information to compare share classes to make suitability determinations.

As a result, the registered representatives and principals who were responsible for reviewing VA transactions, failed to adequately consider suitability issues related to share class selection. The registered representatives and principals also failed to identify red flags in VA recommendations, including sales of L-share contracts to customers with a long-term investment horizon. Because of the lack of training and guidance, registered representatives did not have the tools to present potential purchasers with a side-by-side comparison of the fees and surrender charges or other information detailing the potential impact of the increased fee if the L-share contract was held by the customer for a long term.

In addition, the Cetera Firms failed to establish, maintain, and enforce WSPs or provide sufficient guidance or training to their registered representatives and their principals on the sale of Long-Term Income Riders with multi-share class VAs, particularly the combination of L-share contracts with Long-Term Income Riders.

As a result of the foregoing, CAN, CFS, FAS, SBS and VSR violated FINRA Rule 2330(d) and (e), NASD Rule 3010 (for conduct before December 1, 2014), FINRA Rule 3110 (for conduct on and after December 1, 2014) and FINRA Rule 2010.

CAN, CFS, and VSR Failed to Implement an Adequate Supervisory System and Procedures for VA Exchange Transactions

In addition, CAN (during the period April 2011 to June 2013), CFS (during the period July 2013 to July 2015) and VSR (during the period January 2013 to February 2015) failed to implement a reasonable supervisory systems and procedures to monitor certain VA exchanges. FINRA Rule 2330(d) requires firms to: "(1) implement surveillance procedures to determine if any of the member's associated persons have rates of effecting deferred variable annuity exchanges that raise for review whether such rates of exchanges evidence conduct inconsistent with the applicable provisions of this Rule, other applicable FINRA rules, or the federal securities laws ('inappropriate exchanges'); and (2) have policies and procedures reasonably designed to implement corrective measures to address inappropriate exchanges and the conduct of associated persons who engage in inappropriate exchanges."

During the period April 2011 through June 2013, CAN's Designated Supervisor Manual required that the firm maintain a log of all VA exchanges and that Designated Supervisors review such logs on a quarterly basis "and determine whether it appears that the representative is engaging in an unusual number of exchanges". The VA Tracking Log maintained by CAN, however, failed to identify whether a VA transaction was the result of a VA exchange, instead noting whether the funds used to purchase a VA came from the sale of any type of investment product. As a result, CAN failed to identify patterns or trends in VA exchange transactions and failed to perform the quarterly reviews for inappropriate rates of exchange required by the firm's Designated Supervisor Manual.

From July 2013 through July 2015, CFS and VSR did not have in place systematic surveillance procedures to identify possible inappropriate rates of VA exchanges. Instead, CFS and VSR relied on their principals reviewing VA transactions to recognize significant trends in terms of a high volume of VA exchange transactions, without providing any guidance or tools such as exception reports or trend analysis to assist the reviewers in evaluating whether exchange rates were excessive. CFS and VSR relied on principals' familiarity with all of the VA transactions under their supervision, and had no system or procedures to maintain historic information about rates of exchange. It was unreasonable to expect the principals to detect trends for this number of representatives and volume of VA sales with no access to historical data, systematic surveillance procedures or guidance from CFS or VSR.

As a result of the foregoing, CAN, CFS and VSR violated FINRA Rule 2330(d), NASD Rule 3010 (for conduct before December 1, 2014), FINRA Rule 3110 (for conduct on and after December 1, 2014) and FINRA Rule 2010.

FAS's Supervisory Failures Relating to Structured Products, Exchange Traded Funds and Consolidated Account Statements

FAS's Failure to Supervise the Sale of Structured Products

From approximately October 2006 through January 2012, FAS offered and sold various structured products to retail customers. The majority of FAS's structured products sales between 2006 and 2011 were in structured notes. During this time period, FAS sold structured products, including structured notes, without having in place a sufficient supervisory system, including WSPs, reasonably designed to detect and prevent unsuitable sales of structured products. The firm's WSPs did not provide sufficient guidance on suitability assessments in structured product sales. FAS failed to adequately enforce the firm's procedure requiring supervisory post-trade reviews of structured product transactions. FAS failed to fully implement a system and enforce its procedures requiring all registered representatives to complete training prior to soliciting structured products.

As a result of the foregoing, FAS violated NASD Rules 3010 and 2110 (for the time period from October 2006 to December 14, 2008), and FINRA Rule 2010 (for the time period from December 15, 2008 to January 2012).

FAS's Failure to Supervise the Sale of Exchange-Traded Funds

From October 2011 through August 2013, FAS engaged in sales of inverse, leveraged and inverse-leveraged exchange traded funds (non-traditional ETFs). While FAS provided some training to its registered representatives on these products and imposed certain minimum requirements with respect to customer risk tolerances and objectives, it did not create and implement supervisory procedures that were adequate to monitor their holding periods.

Non-traditional ETFs have certain risks that are not found in traditional ETFs, such as the risks associated with a daily reset, leverage, and compounding. Non-traditional ETFs are designed to be held for a short term, typically one day, and if held for longer periods of time, their performance can differ significantly from the performance of their underlying index or benchmark, especially in volatile markets. At FAS, a number of customers held non-traditional ETFs for periods of much longer than one day. As of mid-2013, FAS customers held approximately 606 non-traditional ETF positions in approximately 452 accounts for at least 30 days. Accordingly, from October 2011 through August 2013, FAS failed to implement supervisory procedures to adequately ensure suitability in sales of non-traditional ETFs, and failed to identify or investigate patterns of non-traditional ETFs held for longer than one day. The firm's lack of supervisory procedures to monitor the holding periods of these non-traditional ETFs was not reasonable. In August of 2013, FAS ceased allowing its registered representatives to recommend the purchase of non-traditional ETFs.

As a result of the foregoing, FAS violated NASD Rule 3010 and FINRA Rule 2010.

FAS's Failure to Supervise the Use of Consolidated Account Reports

From October 2011 through August 2013, FAS permitted its registered representatives to use a system that generated consolidated account reports, *i.e*, reports that combined customer assets held at FAS's clearing firm with assets held by other custodians. The system permitted registered representatives to manually enter valuations for certain of those assets. FAS's WSPs required its registered representatives to maintain documentation supporting asset valuations, subject to verification by supervisory staff. However, the procedures did not apply to changes to asset valuations made by registered representatives after the initial entry, resulting in unmonitored and unverified asset valuations. For example, in August 2013, registered representatives manually changed asset valuations in approximately 190 customer accounts, for which FAS could not demonstrate review.

In addition, FAS failed to enforce its books and records requirements for consolidated account reports. While the firm retained emails that contained consolidated account reports emailed to customers, the firm had no procedures in place to retain copies of hardcopy consolidated account reports that brokers provided to customers.

As a result of the foregoing, FAS violated NASD Rule 3010 and FINRA Rule 2010.

B. The Cetera Firms consent to the imposition of the following sanctions:

CAN consents to the imposition of the following sanctions:

1. A censure;

2. a fine in the amount of $750,000.00 and;

3. Certification Regarding Supervision of Multi-Share Class VAs and Monitoring of Rates of 1035 Exchanges: CAN shall review and revise, as necessary, the Firm's systems, policies and procedures (written and otherwise) and training with respect to the areas described within Section I.A of this AWC. Within 90 business days of the date this AWC is accepted, the President of the Firm shall certify in writing to Penelope Brobst Blackwell, Deputy Regional Chief Counsel, at the address listed above, that with respect to the areas described in Section I.A. of this AWC: (i) the Firm has engaged in the review described above; and (ii) as of the date of the certification, the Firm has established and implemented systems and policies and procedures (written or otherwise) that are reasonably designed to achieve compliance with the applicable FINRA and NASD Rules cited herein.

CFS consents to the imposition of the following sanctions:

1. A censure;

2. a fine in the amount of $350,000.00 and;

3. Certification Regarding Supervision of Multi-Share Class VAs and Monitoring of Rates of 1035 Exchanges: CFS shall review and revise, as necessary, the Firm's systems, policies and procedures (written and otherwise) and training with respect to the areas described within Section I.A of this AWC. Within 90 business days of the date this AWC is accepted, the President of the Firm shall certify in writing to Penelope Brobst Blackwell, Deputy Regional Chief Counsel, at the address listed above, that with respect to the areas described in Section I.A. of this AWC: (i) the Firm has engaged in the review described above; and (ii) as of the date of the certification, the Firm has established and implemented systems and policies and procedures (written or otherwise) that are reasonably designed to achieve compliance with the applicable FINRA and NASD Rules cited herein.

FAS consents to the imposition of the following sanctions:

1. A censure;

2. a fine in the amount of $950,000.00, and;

3. Certification Regarding Supervision of Multi-Share Class VAs: FAS shall review and revise, as necessary, the Firm's systems, policies and procedures (written and otherwise) and training with respect to the areas described within Section I.A of this AWC. Within 90 business days of the date this AWC is accepted, the President of the Firm shall certify in writing to Penelope Brobst Blackwell, Deputy Regional Chief Counsel, at the address listed above, that with respect to the areas described in Section I.A. of this AWC: (i) the Firm has engaged in the review described above; and (ii) as of the date of the certification, the Firm has established and implemented systems and policies and procedures (written or otherwise) that are reasonably designed to achieve compliance with the applicable FINRA and NASD Rules cited herein.

SBS consents to the imposition of the following sanctions:

1. A censure;

2. a fine in the amount of $500,000.00, and;

3. Certification Regarding Supervision of Multi-Share Class VAs and Monitoring of Rates of 1035 Exchanges: SBS shall review and revise, as necessary, the Firm's systems, policies and procedures (written and otherwise) and training with respect to the areas described within Section I.A of this AWC. Within 90 business days of the date this AWC is accepted, the President of the Firm shall certify in writing to Penelope Brobst Blackwell, Deputy Regional Chief Counsel, at the address listed above, that with respect to the areas described in Section I.A. of this AWC: (i) the Firm has engaged in the review described above; and (ii) as of the date of the certification, the Firm has established and implemented systems and policies and procedures (written or otherwise) that are reasonably designed to achieve compliance with the applicable FINRA and NASD Rules cited herein.

VSR consents to the imposition of the following sanctions:

1. A censure; and

2. a fine in the amount of $400,000.00.

CAN, FAS, SBS and VSR each also agree to comply with the following undertakings:

1. Customer Payments for L-share VAs with Long-Term Income Riders: Within 120 days of the date this AWC is accepted by FINRA, CAN, FAS, SBS and VSR are each ordered to provide payment to CAN, FAS, SBS and VSR customers who purchased from CAN, FAS, SBS and VSR registered representative L-share contracts with Long-Term Income Riders and no persistency credits from November 1, 2011 through October 30, 2016 and who currently hold those contracts at any affiliate of the Cetera Firms (the "Restitution VA Contracts"), according to a Plan not unacceptable to FINRA in an amount that will total not less than $4.5 million.

    a. Within 45 days of the date this AWC is accepted, CAN, FAS, SBS and VSR shall provide in writing to FINRA the factors and methodology it intends to use to identify the Restitution VA contracts and to calculate the amount due to customers. In the event FINRA objects to the factors, methodology or amount, CAN, FAS, SBS and VSR will have an opportunity to address FINRA's objections and resubmit the plan within 30 days. FINRA will

discuss its objections with CAN, FAS, SBS and VSR. A failure to resubmit to FINRA a plan that is reasonably designed to meet the specific requirements and general purpose of the undertaking will be a violation of the terms of this AWC.

b. Within 45 days of the date CAN, FAS, SBS and VSR factors and methodology is approved by FINRA, CAN, FAS, SBS and VSR shall provide, in writing, a schedule of all customers identified as eligible for payment. The schedule shall include the details of the qualifying purchases and the total dollar amounts of payment to be provided to each customer.

c. Payments shall be paid to customers via a check payable to the VA contract owner and sent to the contract owner's address of record on file with CAN, FAS, SBS, VSR or its affiliates, or to the extent the customer no longer has an account with CAN, FAS, SBS, VSR or its affiliates, to the last known address of record.

d. The check shall be preceded or accompanied by a letter, not unacceptable to FINRA, describing the reason for the payment and providing additional disclosures and information about the difference between L-share and B-share VAs. The letter must make clear the payment is being made pursuant to a settlement with FINRA and as a term of this AWC. The letter also may not request a waiver of, or otherwise limit, any rights the customer has to pursue an action to obtain restitution or other remedies for grievances related to the customer's VA.

e. A registered principal of CAN, FAS, SBS, and VSR shall submit satisfactory proof of payment to customers, or of reasonable and documented efforts undertaken to effect such payment, to Penelope Brobst Blackwell, Deputy Regional Chief Counsel, FINRA Department of Enforcement, 12801 N. Central Expressway, Suite 1050, Dallas, Texas 75243 either by letter that identifies CAN, FAS, SBS, and VSR and the case number or by email from a work-related account of the registered principal of CAN, FAS, SBS, and VSR to EnforcementNotice@FINRA.org. This proof shall be provided to the FINRA staff member listed above no later than 150 days after the acceptance of the AWC.

f. If, for any reason, CAN, FAS, SBS, and VSR cannot locate a customer to whom payment is owed after reasonable and documented efforts within 120 days from the date this AWC is accepted, or such additional period provided for under applicable state unclaimed property laws or otherwise agreed to by a FINRA staff member in writing, CAN, FAS, SBS, and VSR shall forward

any undistributed amount to the appropriate escheat, unclaimed property or abandoned property fund for the state in which the customer is last known to have resided. CAN, FAS, SBS, and VSR 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 compensation to the appropriate state authority.

g. CAN, FAS, SBS, and VSR shall pay all costs and expenses associated with the administration of the payments described herein.

h. The imposition of this compensation order or any other monetary sanction herein, and the timing of such ordered payments, and the acceptance of compensation by the customer shall not preclude customers from pursuing a separate action to obtain restitution or other remedies.

FINRA staff may, in its discretion, upon a showing of good cause and upon written request, extend the dates for compliance with any of the terms of the undertakings.

Respondents agree to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondents have each submitted an Election of Payment form showing the method by which each Respondent proposes to pay the fines imposed.

Respondents specifically and voluntarily waive any right to claim that Respondents are unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

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

II.

WAIVER OF PROCEDURAL RIGHTS

Respondents specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

A. To have a Complaint issued specifying the allegations against them;

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, Respondents specifically and voluntarily waive 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.

Respondents further specifically and voluntarily waive 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

Respondents understand 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 Respondents' permanent disciplinary records 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. Respondents 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. Respondents 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 Respondents': (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. Respondents may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondents understand that they 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 CAN, 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 CAN 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.

10/26/2016
Date (mm/dd/yyyy)

DOUGLAS S KING
Respondent

Cetera Advisor Networks LLC

By: Douglas S King

The undersigned, on behalf of the CFS, 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 CFS 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.

Date (mm/dd/yyyy)

Respondent

Cetera Financial Services LLC

By: _____

that the AWC is without factual basis. Respondents 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 Respondents': (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. Respondents may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondents understand that they 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 CAN, 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 CAN 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.

_____
Date (mm/dd/yyyy)

_____
Respondent

Cetera Advisor Networks LLC

By: _____

The undersigned, on behalf of the CFS, 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 CFS 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.

10/27/2016
Date (mm/dd/yyyy)

GREGG A. RUVOLI
Respondent

Cetera Financial Specialists LLC

By: Gregg A. Ruvoli

The undersigned, on behalf of the FAS, 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 FAS 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.

10/25/2016
Date (mm/dd/yyyy)

Respondent

First Allied Securities, Inc.

By: KEVIN M. KEEFE

The undersigned, on behalf of the SBS, 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 SBS 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.

Date (mm/dd/yyyy)

Respondent

Summit Brokerage Services, Inc.

By: _____

The undersigned, on behalf of the VSR, 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 VSR 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.

Date (mm/dd/yyyy)

Respondent

VSR Financial Services, Inc.

The undersigned, on behalf of the FAS, 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 FAS 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.

Date (mm/dd/yyyy)

Respondent

First Allied Securities, Inc.

By:

The undersigned, on behalf of the SBS, 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 SBS 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.

10/25/16

Date (mm/dd/yyyy)

Respondent

Summit Brokerage Services, Inc.

By: MARSHALL LEEDS

The undersigned, on behalf of the VSR, 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 VSR 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.

Date (mm/dd/yyyy)

Respondent

VSR Financial Services, Inc.

The undersigned, on behalf of the FAS, 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 FAS 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.

_____ _____

Date (mm/dd/yyyy) Respondent

First Allied Securities, Inc.

By: _____

The undersigned, on behalf of the SBS, 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 SBS 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.

_____ _____

Date (mm/dd/yyyy) Respondent

Summit Brokerage Services, Inc.

By: _____

The undersigned, on behalf of the VSR, 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 VSR 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.

10/25/2016 Jon M. Stanfield

Date (mm/dd/yyyy) Respondent

VSR Financial Services, Inc.

President

Reviewed by:

Phillip M. Goldberg
Foley & Lardner LLP
321 North Clark Street
Suite 2800
Chicago, IL 60654-5313
Phone: (312) 832-4549
Fax: (312) 832-4700
Email: pgoldberg@foley.com

Accepted by FINRA:

11/2/2016
Date

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

Penelope Broost Blackwell
Deputy Regional Chief Counsel
FINRA Department of Enforcement
12801 North Central Expy., Ste. 1050
Dallas, Texas 75248
Phone (972) 716-7637
Fax (972) 701-8554
Email: Penelope.blackwell@finra.org