

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2017052216701**

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

RE: Advisory Group Equity Services Ltd., Respondent
CRD No. 15427

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Advisory Group Equity Services Ltd. ("AGES" 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 AGES alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. AGES 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

AGES has been a FINRA member firm since 1984. The Firm is headquartered in Woburn, Massachusetts and conducts a general securities business. The Firm has over 100 registered representatives and more than 50 branch offices.

RELEVANT DISCIPLINARY HISTORY

AGES has no formal relevant disciplinary history with the Securities and Exchange Commission, any state securities regulator, or any self-regulatory organization.

OVERVIEW

From February 2017 through August 2017, after approximately 70 registered representatives migrated to AGES from a different FINRA member firm, AGES failed to capture business-related emails of a number of the newly hired representatives for retention and review. Many of those representatives continued to use their prior firm email addresses after they joined AGES, but those email

addresses were not supervised by AGES. Accordingly, AGES failed to establish and maintain a reasonable supervisory system with respect to the retention and review of emails of those representatives. As a result, AGES violated Section 17(a) of the Securities Exchange Act of 1934 (“Exchange Act”), Rule 17a-4 of the Exchange Act, and FINRA Rules 3110, 4511, and 2010.

FACTS AND VIOLATIVE CONDUCT

FINRA Rule 4511 requires firms to “preserve books and records as required under the FINRA rules, the Exchange Act and the applicable Exchange Act rules.” Section 17(a) of the Exchange Act requires every broker-dealer to “keep for prescribed periods such records ... as the Commission, by rule, prescribes as necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of this title.” Rule 17a-4(b)(4) of the Exchange Act requires every broker-dealer to preserve for at least three years all communications received and sent by the firm relating to its business, “including all communications which are subject to rules of a self-regulatory organization ... regarding communications with the public.” Emails fall within the purview of Exchange Act Rule 17a-4.

FINRA Rule 3110 requires each member to “establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.” FINRA Rule 3110(b)(4) requires a firm to review incoming and outgoing electronic correspondence of its registered representatives relating to its securities business.

During a routine firm examination, FINRA staff found that AGES did not comply with these regulatory obligations. In early 2017, approximately 70 registered representatives migrated to AGES from a different FINRA member firm when that firm withdrew its membership from FINRA. At that time, FINRA staff stressed to AGES the importance of carefully managing the transition of the representatives to AGES, particularly in light of the disciplinary history of the former firm, which included supervisory deficiencies. AGES nonetheless failed to capture the business-related emails of a number of the newly hired representatives for retention and review. Indeed, many of the representatives continued to use their prior firm email addresses after they joined AGES, but those email addresses were not approved or supervised by AGES.

During the period from February 2017 through August 2017, while associated with AGES, at least 11 representatives sent a total of at least 2,000 emails from their former firm email addresses to their securities customers. Among other things, the emails discussed investment ideas, stock prices, and securities transactions, such as the purchase and sale of bonds and stocks; forwarded account-opening documents, account transfer forms, and trade confirmations; and

provided account balance information. AGES did not capture those emails for contemporaneous review or retention.¹

Furthermore, FINRA staff's review of a sample of emails revealed several instances in which representatives had used their former firm email addresses to exchange emails with approved AGES email addresses. As a result, a reasonable supervisory review of emails sent to or from the approved AGES email addresses should have put the Firm on notice that a number of its representatives were still using their former firm email addresses to conduct securities business. Nonetheless, the Firm did not identify this issue on its own and claims that it was unaware of it until FINRA staff advised AGES of the issue. In addition, even though AGES purportedly required associated persons to sign attestations that they would abide by the Firm's policies regarding electronic communications (which required associates to use Firm-approved email addresses), at least 20 representatives who joined AGES did not complete the email attestation when they joined AGES.

By virtue of the foregoing, AGES violated Section 17(a) of the Exchange Act, Rule 17a-4 of the Exchange Act, and FINRA Rules 3110, 4511, and 2010.

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

- a censure; and
- a fine in the amount of \$20,000.

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

AGES 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

AGES 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;

¹ Following FINRA's examination, AGES obtained and reviewed the emails at issue.

- 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, AGES 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.

AGES 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

AGES 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 AGES;
- C. If accepted:
 - 1. this AWC will become part of AGES’ permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against AGES;
 - 2. this AWC will be made available through FINRA’s public disclosure program in accordance with FINRA Rule 8313;

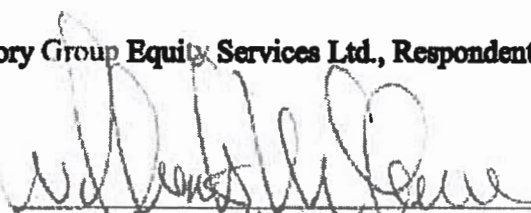
3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 4. AGES may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. AGES 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 AGES': (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. AGES may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. AGES 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 understands and acknowledges that FINRA does not represent or advise it and it cannot rely on FINRA or FINRA staff members for legal advice; 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.

Advisory Group Equity Services Ltd., Respondent

12/13/18
Date (mm/dd/yyyy)

By:


Name: William H. McCauley
Title: President

Accepted by FINRA:

1/14/19
Date

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



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