

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2020065534802**

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

RE: MML Investors Services, LLC (Respondent)
Member Firm
CRD No. 10409

Pursuant to FINRA Rule 9216, Respondent MML Investors Services, LLC 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 Respondent alleging violations based on the same factual findings described in this AWC.

I.

ACCEPTANCE AND CONSENT

- A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

MML has been a FINRA member firm since 1982 and is headquartered in Springfield, Massachusetts. It provides investment banking, brokerage, advisory, and other financial services. The firm has 1,409 branch offices with approximately 7,300 registered persons.

In November 2011, FINRA issued an AWC against MML in which the firm was censured and fined \$300,000 for failing to timely file Uniform Termination Notices for Securities Industry Registration ("Forms U5") and amendments to Uniform Applications for Securities Industry Registration or Transfer ("Forms U4") and Forms U5 and for failing to establish and maintain a supervisory system and establish, maintain, and enforce written supervisory procedures reasonably designed to ensure the timely filing of Form U4 and Form U5 amendments.¹

OVERVIEW

From December 2018 through February 2021, MML failed to timely amend its associated persons' Forms U4 and Forms U5 to report 39 customer complaints and dispositions, criminal charges, regulatory actions, and other disclosable events and failed to establish and maintain a supervisory system reasonably designed to ensure the timely reporting of

¹ For more information about the firm, including prior regulatory events, visit BrokerCheck® at www.finra.org/brokercheck.

disclosable events during that time. By reason of the foregoing, MML violated Article V, Sections 2 and 3 of FINRA's By-Laws and FINRA Rules 1122, 3110, and 2010.

FACTS AND VIOLATIVE CONDUCT

This matter arose from FINRA's investigation into the timeliness of MML's disclosures related to one of its former registered representatives.

1. MML Failed to Timely Amend Forms U4 and U5 to Report Disclosable Events.

Article V, Section 2(c) of FINRA's By-Laws requires that "[e]very application for registration filed with [FINRA] . . . be kept current at all times by supplementary amendments" and directs that such amendments be filed "not later than 30 days after learning of the facts or circumstances giving rise to the amendment." Article V, Section 2(c)'s disclosure obligations run to both registered representatives and their member firms.

Article V, Section 3(b) of FINRA's By-Laws applies only to member firms and requires firms to amend a Form U5 "in the event that the member learns of facts or circumstances causing any information set forth in [the Form U5] to become inaccurate or incomplete" and to file any such amendment "not later than 30 days after the member learns of the facts or circumstances giving rise to the amendment." FINRA Rule 1122 also prohibits member firms from filing with FINRA information with respect to registration that is "incomplete or inaccurate so as to be misleading, or which could in any way tend to mislead." A violation of Article V, Sections 2(c) and 3(b) of FINRA's By-Laws and FINRA Rule 1122 also constitutes a violation of FINRA Rule 2010, which requires member firms to "observe high standards of commercial honor and just and equitable principles of trade" in the conduct of their business.

Timely and accurate Forms U4 and U5 are critical to FINRA's function in screening and monitoring registered representatives, and also provide information that may appear in BrokerCheck, a free tool that FINRA provides the public so that it can research the background and experience of registered representatives.

During the relevant period, MML failed to timely amend its associated persons' Forms U4 and U5 to disclose 39 reportable events, including but not limited to customer complaints and arbitrations, the disposition of complaints, criminal charges, bankruptcies, internal reviews and investigations, and regulatory actions. The disclosure delays ranged from three days to over 1,100 days after the firm received notice of the reportable events at issue. For example, on June 10, 2020, MML learned that an arbitration had been filed against a former registered representative by an MML customer alleging that the former representative misrepresented and/or omitted material facts related to the sale of a life insurance policy. However, MML failed to timely amend the former registered representative's Form U5 to disclose the arbitration until September 23, 2020, 75 days late. Similarly, MML learned of felony charges involving fraudulent sales practices against another former registered representative in August 2020, but failed to timely

amend the representative's Form U5 until January 12, 2021, approximately four months late, after FINRA inquired about the representative's conduct.

As a result, MML violated Article V, Sections 2 and 3 of FINRA's By-Laws and FINRA Rules 1122 and 2010.

2. MML Failed to Establish, Maintain, and Enforce a Reasonable Supervisory System.

FINRA Rule 3110(a) requires FINRA members "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) requires FINRA members "establish, maintain, and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA Rules." A violation of FINRA Rule 3110 also constitutes a violation of FINRA Rule 2010.

MML failed to establish, maintain, and enforce reasonable supervisory procedures, including written supervisory procedures, to timely and accurately report regulatory events on Forms U4 and U5. The firm's procedures during the relevant period were not reasonable to ensure effective communication among MML's departments concerning events that may warrant disclosure. For example, MML did not establish a written policy or procedures for the employees of certain departments to forward notification of criminal complaints to the firm's Regulatory Reporting Team, which was responsible for regulatory filings and updates.

Moreover, the firm's system for updating previously reported customer complaints and arbitrations led to over a dozen late filings. The firm relied in part on a shared email address where employees could provide updates regarding the disposition of open complaints and arbitrations to the Regulatory Reporting Team. This system relied on employees in other departments to timely communicate updates regarding open matters to the Regulatory Reporting Team, which would also run searches in an attempt to identify relevant updates. However, this process was not memorialized in the firm's procedures and there was no set cadence for when such searches would be performed and by whom. For instance, the written procedures did not delegate responsibility to specific employees of different departments to communicate updates to the Regulatory Reporting Team as to whether a complaint had been closed or settled so that the Regulatory Reporting Team could amend the Form U4 or Form U5 and no supervisory procedures were established to ensure that such updates were provided on a timely basis.

MML recognized these deficiencies in or around late 2018 and subsequently revised its supervisory system. In March 2021, MML implemented a new system provided by a third-party vendor designed to improve interdepartmental communication of reportable events.

As a result, MML violated FINRA Rules 3110 and 2010.

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

- a censure; and
- a \$250,000 fine.

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

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanction imposed in this matter.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

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 its acceptance or rejection.

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.

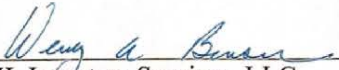
OTHER MATTERS

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 action brought by FINRA or any other regulator against Respondent;
 - 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 its subject matter 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 right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.
- 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.

The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on Respondent's 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 Respondent has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce Respondent to submit this AWC.

5/1/2023
Date


MML Investors Services, LLC
Respondent

Print Name: Wendy Benson

Title: President

Reviewed by:


Amy Francella, Esq.
Head Counsel, Broker Dealer Practice Group
MML Investors Services, LLC
1295 State Street
Springfield, MA 01111

Accepted by FINRA:

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

05/16/2023
Date


Adam H. Balin
Senior Counsel
FINRA
Department of Enforcement
1601 Market Street, Suite 2700
Philadelphia, PA 19103