

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2020066875501**

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

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

Pursuant to FINRA Rule 9216, Respondent Cetera Advisor Networks 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 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 Advisor Networks LLC has been a FINRA member since 1983 and is headquartered in El Segundo, California. The firm has about 1,600 branch offices and about 3,500 registered representatives. Cetera conducts a general securities business.

Respondent does not have any relevant disciplinary history.

OVERVIEW

Between October 2019 and July 2020, Cetera caused 26 registered representatives, whom the firm was recruiting, to take nonpublic personal customer information from the firms where the representatives were then registered and to disclose it to a third-party vendor without the other broker-dealers' or the customers' knowledge or consent, causing those broker-dealers to violate the SEC's Regulation S-P: Privacy of Consumer Financial Information and Safeguarding Information (Regulation S-P). As a result, Cetera violated FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

Regulation S-P generally prohibits financial institutions from disclosing "nonpublic personal information" about a customer unless the customer receives proper notice and an

opportunity to opt out. Information is considered to be “nonpublic personal information” if it contains personally identifiable financial information about one or more consumers, including: (1) information a consumer provides to a broker-dealer to obtain a financial product or service; (2) information about a consumer resulting from any transaction involving a financial product or service between a broker-dealer and a consumer; or (3) information a broker-dealer otherwise obtains about a consumer in connection with providing a financial product or service to that consumer. “Nonpublic personal information” includes, among other things, customers’ names, addresses, telephone numbers, social security numbers, birth dates, and account balances that are derived in whole or in part from information provided to a financial institution by a customer. “Nonpublic personal information” also includes “[a]ny list, description, or other grouping of consumers ... that is derived using any personally identifiable financial information that is not publicly available.”

A registered representative who discloses nonpublic personal information about a customer and causes his or her broker-dealer to violate Regulation S-P violates FINRA Rule 2010, which requires member firms and their associated persons to observe high standards of commercial honor and just and equitable principles of trade. Likewise, a firm that causes another broker-dealer to violate Regulation S-P violates FINRA Rule 2010.

In 2019, Cetera contracted with a third-party vendor to assist recruited registered representatives who had agreed to join the firm but were still registered through their prior firms. While recruiting representatives to join Cetera, the firm would refer representatives, who remained registered through their prior firms, to the third-party vendor for assistance with their transition to Cetera. Cetera would participate in introductory telephone calls with the vendor and the representatives, and Cetera would also thereafter participate in additional telephone calls and email communications with the vendor and the representatives to discuss what forms needed to be collected and what data fields needed to be collected. Cetera understood that the vendor would collect information about the recruited representatives’ customers, including nonpublic personal information such as customers’ social security numbers, driver’s license numbers, and birth dates, as well as information pertaining to their financial position (account numbers, annual incomes, and net worth, etc.). Once a recruited representative became registered through Cetera, the vendor used the customers’ information to automatically pre-populate new account forms. Cetera directly reimbursed the newly affiliated registered representatives for their use of the vendor.

Cetera failed to take any steps to verify whether the recruited representatives or their broker-dealers at the time had notified customers about the disclosure of their nonpublic personal information. Nor did Cetera take any steps to verify whether customers had been given an opportunity to opt-out of having their information disclosed.

Between October 2019 and July 2020, Cetera's arrangement with the third-party vendor resulted in 26 recruited representatives taking nonpublic personal customer information from their broker-dealers and disclosing it to the vendor. In so doing, Cetera caused the other broker-dealers to violate Regulation S-P.

Therefore, Cetera violated FINRA Rule 2010.

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

- a censure; and
- a \$125,000 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 testimonial obligations or 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.

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.

June 18, 2021

Date

Patricia R. McCallop

Cetera Advisor Networks LLC
Respondent

Patricia R. McCallop

Print Name:

Chief Compliance Officer

Title:

Accepted by FINRA:

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

06/25/2021

Date

Matthew M. Ryan

Matthew M. Ryan
Principal Counsel
FINRA

Department of Enforcement
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