

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2021071722201**

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

RE: Osaic Wealth, Inc., formerly known as Royal Alliance Associates, Inc. (Respondent)
Member Firm
CRD No. 23131

Securities America, Inc (Respondent)
Member Firm
CRD No. 10205

Pursuant to FINRA Rule 9216, Respondents Osaic Wealth and Securities America 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 Respondents alleging violations based on the same factual findings described in this AWC.

I.

ACCEPTANCE AND CONSENT

A. Respondents accept and consent to the following findings by FINRA without admitting or denying them:

BACKGROUND

Osaic Wealth has been a FINRA member since July 1989 and is headquartered in Jersey City, New Jersey. Osaic Wealth has approximately 7,400 registered representatives and 3,400 branch offices. Until June 30, 2023, Osaic Wealth was known as Royal Alliance Associates, Inc.

Securities America, which shares a common corporate parent with Osaic Wealth, has been a FINRA member firm since November 1981 and is headquartered in La Vista, Nebraska. Securities America has approximately 3,400 registered representatives and 1,900 branch offices.¹

OVERVIEW

From January 2021 through March 2023, Osaic Wealth and Securities America each failed to establish and maintain a supervisory system, including written supervisory

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

procedures (WSPs), reasonably designed to safeguard customer records and information in violation of Rule 30(a) of Regulation S-P of the Securities Exchange Act of 1934 (17 C.F.R. § 248.30(a)) (the Safeguards Rule) and FINRA Rules 3110 and 2010.

FACTS AND VIOLATIVE CONDUCT

This matter originated from Osaic Wealth's and Securities America's self-reporting of cybersecurity incidents that occurred at branch offices of each firm.

The Safeguards Rule requires that broker-dealers "adopt written policies and procedures that address administrative, technical, and physical safeguards for the protection of customer records and information." Such written policies and procedures must be reasonably designed to: (a) insure the security and confidentiality of customer records and information; (b) protect against any anticipated threats or hazards to security or integrity of customer records and information; and (c) protect against unauthorized access to or use of customer records or information that could result in substantial harm or inconvenience to any customer.

FINRA Rule 3110(a) requires each member firm 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) requires each member firm to 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 the Safeguards Rule or FINRA Rule 3110 also constitutes a violation of FINRA Rule 2010, which requires FINRA members, in the conduct of their business, to "observe high standards of commercial honor and just and equitable principles of trade."

Between January 2021 and March 2023, Osaic Wealth and Securities America each relied on an enterprise level cybersecurity program provided by their corporate parent. However, prior to March 2023, each firm's WSPs permitted independent branch offices to develop their own security and data loss prevention controls.² Until March 2023, neither Osaic Wealth nor Securities America required, and therefore many of their branch offices lacked, data loss prevention controls such as multi-factor authentication for all email accounts, encryption for outbound emails with customers' nonpublic personal information, and maintenance of email access logs.³

Osaic Wealth and Securities America were on notice from FINRA examinations prior to the relevant period that they lacked reasonable cybersecurity controls at branch offices. In

² In December 2022, the firms notified branch offices that they were required to implement minimum security and data loss prevention controls by March 2023.

³ Email access logs are records of events that provide an audit trail that can be used to monitor activity within the email account, identify policy violations, pinpoint fraudulent or unusual activity, and highlight security incidents.

addition, during the relevant period, each firm experienced numerous cyber intrusions, many of which involved email takeovers that could have been prevented by, for example, multi-factor authentication. The intrusions allowed unauthorized third parties to gain access to customers' nonpublic personal information including, among other things, social security number, dates of birth, bank account numbers, and drivers' license information. Specifically:

- Osaic Wealth experienced 16 cyber intrusions resulting in the exposure of the nonpublic personal information of approximately 28,000 customers.
- Securities America experienced eight cyber intrusions resulting in the exposure of the nonpublic personal information of at least 4,640 customers.

Following each of the intrusions described above, Osaic Wealth and Securities America followed their cybersecurity incident response policies, engaged outside cybersecurity consultants to assist with incident responses, and notified affected customers as well as FINRA. However, until March 2023, neither Osaic Wealth nor Securities America enhanced their minimum cybersecurity requirements for branch offices, nor did individual branch offices at both firms enhance their controls to require, for example, multi-factor authentication throughout the relevant period. In addition, the firms did not implement firm-wide procedures to require encryption of customers' nonpublic personal information in outgoing emails.

Since March 2023, each firm requires multi-factor authentication on all email accounts used to conduct firm business and oversight procedures for supervising adherence to the multi-factor authentication policy.

By failing to establish and maintain a supervisory system, including WSPs, reasonably designed to safeguard customer records and information, Osaic Wealth and Securities America violated the Safeguards Rule and FINRA Rules 3110 and 2010.

B. Respondents also consent to the imposition of the following sanctions:

1. Osaic Wealth consents to the imposition of the following sanctions:

- a censure; and
- a \$150,000 fine.

2. Securities America consents to the imposition of the following sanctions:

- a censure; and
- a \$150,000 fine.

Respondents each agree to pay the monetary sanctions upon notice that this AWC has been accepted and that such payment is due and payable. Respondents have submitted

Election of Payment forms showing the method by which each proposes to pay the fine imposed.

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

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

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 its acceptance or rejection.

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 Respondents; and
- C. If accepted:
 - 1. this AWC will become part of Respondents' permanent disciplinary records and may be considered in any future action brought by FINRA or any other regulator against Respondents;
 - 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. 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' 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 Respondents' testimonial obligations in any litigation or other legal proceedings.
- 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.

The undersigned, on behalf of Osaic Wealth, Inc., 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 Osaic Wealth, Inc. 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 Osaic Wealth, Inc. to submit this AWC.

March 6, 2024

Date

Nina McKenna

Osaic Wealth, Inc.
Respondent

Print Name: Nina McKenna

Title: General Counsel and Secretary

The undersigned, on behalf of Securities America, Inc., 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 Securities America, Inc. 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 Securities America, Inc. to submit this AWC.

March 6, 2024

Date

Nina McKenna

Securities America, Inc.
Respondent

Print Name: Nina McKenna

Title: General Counsel and Secretary

Accepted by FINRA:

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

March 14, 2024

Date

Leah Milbauer

Leah Milbauer
Counsel
FINRA
Department of Enforcement
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