

STATE OF MISSOURI  
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF: )  
 )  
LPL FINANCIAL LLC )  
 ) Case No. AP-13-21  
Respondent. )  
 )  
Serve: LPL FINANCIAL LLC )  
75 State Street, 24<sup>th</sup> Floor )  
Boston, Massachusetts 02109 )

**CONSENT ORDER**

SUMMARY OF ENFORCEMENT SECTION’S ALLEGATIONS

1. The Enforcement Section of the Missouri Securities Division of the Office of Secretary of State (“Enforcement Section”), through Assistant Commissioner Mary S. Hosmer, has alleged that LPL Financial LLC (“LPL” or “Respondent”), failed to reasonably supervise Greg John Campbell (“Campbell”), a Missouri-registered agent who engaged in dishonest or unethical practices, in violation of Section 409.4-412(d)(9), RSMo.(Cum. Supp. 2012).
2. Respondent and the Enforcement Section desire to settle the allegations and the matters raised by the Enforcement Section relating to the Respondent’s above alleged violations while Campbell was a Missouri registered broker-dealer agent with Respondent.

CONSENT TO JURISDICTION

3. Respondent and the Enforcement Section stipulate and agree that the Missouri Commissioner of Securities (“Commissioner”) has jurisdiction over the Respondent and these matters pursuant to the Missouri Securities Act of 2003, Chapter 409, *et seq.*
4. Respondent and the Enforcement Section stipulate and agree that the Commissioner has authority to enter this Order pursuant to Section 409.6-604(h), RSMo. (Cum. Supp. 2012), which provides:

The commissioner is authorized to issue administrative consent orders in the settlement of any proceeding in the public interest under this act.

### WAIVER AND EXCEPTION

5. Respondent waives Respondent's right to a hearing with respect to this matter.
6. Respondent waives any right that Respondent may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Order. Specifically, Respondent forever releases and holds harmless the Missouri Office of Secretary of State, Secretary of State, Commissioner, and their respective representatives and agents from any and all liability and claims arising out of, pertaining to, or relating to this matter.
7. Respondent and the Enforcement Section stipulate and agree that, should the facts contained herein prove to be false or incomplete, the Enforcement Section reserves the right to pursue any and all legal or administrative remedies at its disposal.

### CONSENT TO COMMISSIONER'S ORDER

8. Respondent and the Enforcement Section stipulate and agree to the issuance of this Consent Order without further proceedings in this matter, agreeing to be fully bound by the terms and conditions specified herein.
9. Respondent agrees not to take any action or to make or permit to be made any public statement creating the impression that this Order is without factual basis. Nothing in this paragraph affects Respondent's (a) testimonial obligations; (b) right to take legal or factual positions in defense of litigation or in defense of other legal proceedings in which the Commissioner is not a party; or (c) right to make public statements that are factual.
10. Respondent agrees that Respondent is not the prevailing party in this action since the parties have reached a good faith settlement.
11. Respondent neither admits nor denies the allegations made by the Enforcement Section, but consents to the Commissioner's Findings of Fact, Conclusions of Law, and Order as set forth below solely for the purposes of resolving this proceeding and any proceeding that may be brought to enforce the terms of this Consent Order.

### COMMISSIONER'S FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER

#### I. FINDINGS OF FACT

12. LPL is a Missouri-registered broker-dealer with a home office address of 75 State Street, 24<sup>th</sup> Floor, Boston, Massachusetts 02109. LPL is registered in Missouri through the Central Registration Depository ("CRD") with a number of 6413.

13. Campbell was a Missouri-registered broker-dealer agent with LPL from October 28, 2011, to October 31, 2012, and was located at the LPL branch office at Three City Place Drive, Suite 590, Creve Coeur, Missouri 63141.
14. Between November 2012 and September 2013, investigators with the Enforcement Section requested information and documents from LPL regarding Campbell's fraudulent activity in seven (7) accounts held by five (5) LPL clients.
15. A review of the information and documents provided to the Enforcement Section revealed that, between April and October 2012, while under LPL's supervision, Campbell:
  - a. executed unauthorized activity in the accounts of five (5) LPL clients ranging from thirty-four to seventy (34 to 70) years of age;
  - b. opened two (2) client accounts with forged documents;
  - c. forged eighteen (18) IRA Distribution Forms in the names of LPL clients;
  - d. initiated approximately fifty-five (55) unauthorized transfers in LPL client accounts totaling approximately three hundred sixty-one thousand dollars (\$361,000);
  - e. routed approximately three hundred sixty-one thousand dollars (\$361,000) from LPL client accounts to accounts either owned or controlled by Campbell;
  - f. performed unauthorized address changes in the accounts of seven (7) LPL clients; and
  - g. asserted false familial relationships between Campbell and two (2) of Campbell's clients.
16. During LPL's due diligence process prior to Campbell's registration with LPL, Campbell provided LPL with an incorrect commission run from Campbell's previous firm.
17. On June 30, 2011, during the onboarding process, LPL ordered a credit report on Campbell that showed, among other things, that one of Campbell's addresses was 2323 Locust Street, Apartment 212, Saint Louis, Missouri 63103. Campbell's CRD history indicates that he lived at this address from January 2007 until October 2010. In addition, this same address was listed on an August 2012 account statement for two accounts in the name of Campbell's spouse.
18. On September 9, 2011, Campbell signed and submitted an Outside Business Activity Notification Form regarding a rental property owned by Campbell with an address of "2323 Locust Street, Unit 212." The form was also signed by Campbell's branch manager and a representative of LPL's home office.

19. On October 28, 2011, LPL filed a Uniform Application for Securities Industry Registration or Transfer ("Form U4") that listed 2323 Locust Street Unit 212, Saint Louis, Missouri 63103, as an address in Campbell's residential history.

**MAR1**

20. On July 19, 2012, Campbell changed the address of a client, a then seventy (70) year-old Massachusetts resident (MAR1), from an address in Belmont, Massachusetts, to an address in Brentwood, Missouri, where Campbell was residing.
21. On July 20, 2012, and July 30, 2012, Campbell submitted two distribution requests transferring a total of thirty-nine thousand eight hundred dollars (\$39,800) via journals from an Individual Retirement Account ("IRA") of MAR1 to Campbell's trust account with LPL. The distribution forms stated Campbell was MAR1's grandson.
22. At no point were the funds in Campbell's LPL trust account invested. Nearly all the distributions into Campbell's LPL trust account were immediately followed by outgoing wires to an account Campbell owned at Bank of America.
23. On November 2, 2012, MAR1 told LPL that MAR1's address was changed without MAR1's authorization, that MAR1 had not authorized the two IRA distributions to Campbell's trust account, and that Campbell was not MAR1's grandson.

**NYR1**

24. In August 2012, Campbell changed the address on all the accounts of a client, a then thirty-four (34) year-old New York resident ("NYR1"), from an address in London, United Kingdom, to 2323 Locust Street, Unit 212, Saint Louis, Missouri 63103.
25. On August 10, 2012, an LPL employee escalated a journal request from the account of NYR1 to LPL's Financial Intelligence Unit ("FIU"). Campbell was the representative of record on NYR1's IRA, which was opened on August 7, 2012. Account documents indicated that Campbell was NYR1's brother-in-law.
26. On August 10, 2012, an LPL employee contacted Campbell regarding a requested journal of sixty-seven thousand five hundred dollars (\$67,500) from NYR1's IRA to an account belonging to Campbell. Campbell told the LPL employee that paperwork had been commingled in his office and the intended journal was to be from another account belonging to NYR1 into NYR1's IRA. The escalated journal request was subsequently canceled.
27. On August 17, 2012, LPL processed a journal request to move sixty-four thousand dollars (\$64,000) from one of NYR1's accounts to an account registered to Campbell's spouse. An LPL employee in Cash Control Services spoke with Campbell regarding the request. Campbell stated to the LPL employee that NYR1 and Campbell's spouse were siblings, and the journal was a loan from NYR1 so that Campbell's spouse could start a business.

28. Between August 13, 2012, and October 19, 2012, approximately twelve (12) journals transferred approximately one hundred sixty-six thousand two hundred fifty dollars (\$166,250) from the IRA of another Campbell client, a then sixty-three (63) year-old New Hampshire resident (“NHR1”), to NYR1’s account.
29. Between August 15, 2012, and October 22, 2012, approximately fifteen (15) journals transferred approximately two hundred fifty-seven thousand dollars (\$257,000) from NYR1’s account to an LPL account in the name of Campbell’s spouse. The funds were subsequently wired to a Bank of America account in the name of Campbell’s spouse.
30. On October 23, 2012, LPL opened an investigation on activity in Campbell’s client accounts. That same day, an LPL employee determined that NYR1’s current address was in Hudson, New Hampshire, and that the address on file for NYR1 of 2323 Locust Street, Saint Louis, Missouri, was one of Campbell’s previous addresses.
31. On October 31, 2012, LPL conducted an interview with NYR1. In this interview, NYR1 stated:
  - a. no familial relationship existed between NYR1 and Campbell’s spouse;
  - b. NYR1 did not authorize Campbell to change NYR1’s address of record;
  - c. NYR1 did not authorize Campbell to journal any funds from NYR1’s accounts to Campbell’s spouse; and
  - d. NYR1 did not authorize Campbell to open the account in NYR1’s name that was the source of funds to Campbell’s spouse.

**UPDATE TO CAMPBELL’S CRD RECORD REFLECTING  
INTERNAL REVIEW AND SUSPICIOUS FEDERAL FUND TRANSFERS**

32. On September 18, 2012, Campbell’s previous firm filed an updated Campbell’s Uniform Termination Notice for Securities Industry Registration (“Form U5”) that stated Campbell was under Internal Review. The Form U5 report stated, “Internal review into several of the former FA’s client accounts that appear to have had account statements delivered ‘care of’ the same third-party (who is also a client). In addition, review of suspicious federal fund wire transfers and transfers by letter of authorization both in and out of client accounts.”
33. On September 25, 2012, FIU received an internal notification that Campbell was under Internal Review by Campbell’s previous firm.
34. After LPL became aware that Campbell was under Internal Review by Campbell’s previous employer, the majority of unauthorized transfers in Campbell’s client accounts took place.

## NHR1 and NHR2

35. In October 2012, Campbell changed the address of three (3) of NHR1's accounts from an address in Hudson, New Hampshire, to 2323 Locust Ave, Unit 212, Saint Louis, Missouri 63103.
36. On October 24, 2012, all accounts under the advisement of Campbell were restricted pending LPL's investigation.
37. On October 31, 2012, LPL received a customer complaint from NHR1 and NHR1's spouse, a then sixty-two (62) year-old New Hampshire resident ("NHR2"). This complaint alleged, among other things, that:
  - a. Between September 2012 and October 2012, at least one hundred sixty-six thousand dollars (\$166,000) was transferred or distributed from NHR1's accounts without NHR1's authorization;
  - b. An account in the name of NHR1 was established without the knowledge or consent of NHR1; and
  - c. NHR1's home address was changed on LPL account records. When NHR1 and NHR2 contacted Campbell regarding the address change, Campbell stated it was a mistake and would be corrected.
38. On October 31, 2012, LPL terminated Campbell's registration.
39. On November 30, 2012, LPL filed a Form U5 with the CRD reflecting that Campbell's registration as an agent with LPL was terminated on October 31, 2012. On Campbell's Form U5, LPL alleged, among other things, that:
  - a. Campbell transferred customer funds to Campbell's control without the client's knowledge or consent;
  - b. Campbell opened client accounts with documents that contained forged signatures;
  - c. Campbell changed customer account addresses without authorization; and
  - d. Campbell asserted false familial relationships with clients in statements to the firm.
40. On June 4, 2013, the Commissioner barred Campbell from applying for registration as a broker-dealer agent or investment adviser representative in the state of Missouri.

41. LPL, in its supervision of Campbell, failed to:
- a. timely detect, identify, or fully investigate excessive and/or atypical activity in client accounts and Campbell's trust account at LPL, including unauthorized wire transfers and journal entries;
  - b. timely detect, identify, or fully investigate unauthorized changes of address in client accounts, including changes to addresses that were associated with Campbell;
  - c. timely detect, identify, or fully investigate false familial relationships in client and/or agent accounts; and
  - d. reasonably supervise Campbell upon learning Campbell was under internal review by a previous firm.
42. LPL has compensated all LPL clients for all client funds misappropriated by Campbell. To date, LPL has paid these LPL clients in excess of three hundred sixty-seven thousand dollars (\$367,000) as a result of Campbell's activities.

#### UNDERTAKINGS

43. LPL has undertaken to enhance certain policies and procedures in response to Campbell's fraudulent activities including the following:
- a. As part of its address change confirmation process, when sending letters to customers to confirm address changes, LPL now instructs customers to contact LPL (and provides contact information to do so) rather than the agent with any questions or concerns regarding the change of address;
  - b. LPL enhanced its address change escalation process to ensure that any issues of concern identified by LPL's service center are escalated directly to the FIU, which is responsible for fraud prevention, detection and investigation;
  - c. LPL implemented a procedure for the verification of claims of familial relationship any time a client requests that funds be moved to an agent or agent-related account; and
  - d. LPL enhanced its procedures and capacity to respond to notifications that its agents are under internal review at a previous firm by adding staff to its FIU specifically dedicated to the review of agent activity and ensuring that an FIU analyst is assigned to review each such matter after notification.

## II. CONCLUSIONS OF LAW

44. The Commissioner finds LPL failed to reasonably supervise a Missouri-registered agent employed by LPL who engaged in dishonest and unethical practices in violation of Sections 409.4-212(d)(13), RSMo. (Cum. Supp.2012). LPL is subject to discipline for failing to reasonably supervise the agent's activities pursuant to Section 409.4-412 (d)(9), RSMo. (Cum. Supp.2012).
45. The Commissioner, after consideration of the stipulations set forth above and on the consent of LPL and the Enforcement Section, finds and concludes that the Commissioner has jurisdiction over LPL and this matter and that the following Order is in the public interest, necessary for the protection of public investors and consistent with the purposes intended by Chapter 409, RSMo. (Cum. Supp.2012).

## III. ORDER

**NOW, THEREFORE,** it is hereby Ordered that:

46. LPL and LPL's agents, employees and servants, as well as all other persons participating in the above-described violations with knowledge of this Consent Order, are permanently enjoined and restrained from engaging in dishonest or unethical practices in the securities business; and failing to reasonably supervise a Missouri-registered agent who has engaged in dishonest or unethical practices in violation of Sections 409.4-412,(d)(9), RSMo. (Cum. Supp. 2012).
47. LPL is hereby CENSURED.
48. LPL shall pay to the Missouri Secretary of State's Investor Education and Protection Fund the sum of one hundred seventy-five thousand dollars (\$175,000). This payment shall be sent within ten (10) days of the effective date of this Consent Order to the Securities Division at 600 W. Main Street, Jefferson City, Missouri 65101, and shall be payable to the Missouri Secretary of State's Investor Education and Protection Fund. The Division will send the money to the Missouri Secretary of State's Investor Education and Protection Fund.
49. LPL shall pay ten thousand dollars (\$10,000) as the cost of this investigation. This amount shall be sent within ten (10) days of the effective date of this Consent Order to the Securities Division at 600 W. Main Street, Jefferson City, Missouri 65101, and shall be payable to the Missouri Secretary of State's Investor Education and Protection Fund. The Division will send the money to the Missouri Secretary of State's Investor Education and Protection Fund.
50. Respondent shall pay their own costs and attorneys' fees with respect to this matter.



**SO ORDERED:**

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY,  
MISSOURI THIS 17<sup>th</sup> DAY OF DECEMBER, 2013.



JASON KANDER  
SECRETARY OF STATE

*Andrew M. Hartnett*

ANDREW M. HARTNETT  
COMMISSIONER OF SECURITIES

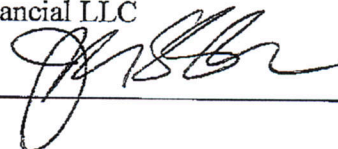
Consented to by:  
THE ENFORCEMENT SECTION OF THE  
MISSOURI SECURITIES DIVISION

*Tyler B. McCormick*

Mary S. Hosmer, Mo. Bar No. 40118  
Assistant Commissioner of Securities  
Tyler McCormick, Mo. Bar No. 65018  
Jennifer Martin, Mo. Bar No. 63999

LPL Financial LLC

BY:



NAME:

TITLE:

**JAMES S. SHORRIS**  
**EXECUTIVE VICE PRESIDENT**  
**DEPUTY GENERAL COUNSEL**