

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 2015045233601**

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

RE: Cetera Financial Specialists LLC, Respondent  
CRD No. 10358

Pursuant to FINRA Rule 9216 of FINRA’s Code of Procedure, Respondent, Cetera Financial Specialists LLC (“CFS” 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 Respondent alleging violations based on the same factual findings described herein.

**I.  
ACCEPTANCE AND CONSENT**

- A. CFS 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**

CFS has been a FINRA member since February 1982. The Firm is headquartered in Schaumburg, Illinois and is a full-service broker-dealer. It has approximately 1,743 registered persons and maintains approximately 934 branch offices.

**RELEVANT DISCIPLINARY HISTORY**

CFS has no relevant disciplinary history with the Securities and Exchange Commission, any state securities agency, FINRA, or any other self-regulatory organization.

**OVERVIEW**

Between January 2012 and December 2014 (the “Relevant Period”), CFS failed to establish, maintain and enforce a supervisory system, including written supervisory procedures, reasonably designed to consider whether its registered representatives’ outside business activities would interfere with or compromise the registered persons’ responsibilities to the Firm or customers and evaluate the advisability of imposing specific conditions or limitations on its registered representatives’ outside

business activities. By virtue of the foregoing, CFS violated NASD Rule 3010 (for the period before December 1, 2014) and FINRA Rule 3110 (for the period on and after December 1, 2014), as well as FINRA Rules 3270 and 2010.

### **FACTS AND VIOLATIVE CONDUCT**

FINRA Rule 3270 prohibits registered persons from engaging in undisclosed outside business activities. As the Supplementary Material .01 to Rule 3270 states, members receiving notice of a registered person's outside business activity are required to consider whether the activity would "interfere with or otherwise compromise the registered person's responsibilities to" the firm or customers and "evaluate the advisability of imposing specific conditions or limitations" on the OBA, including prohibiting the activity, and "keep a record of its compliance" with its obligations under Rule 3270 for each written notice received.

NASD Rule 3010(a) required that every member firm "establish and maintain a system to supervise the activities of each registered representative, registered principal, and other associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable NASD Rules." NASD Rule 3010(b) required firms to "establish, maintain, and enforce written procedures to supervise the types of business in which it engages and to supervise the activities of registered representatives, registered principals, and other associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations." FINRA Rule 3110, which superseded NASD Rule 3010 effective December 1, 2014, contains the same requirements.

#### **During the Relevant Period, CFS Failed to Review and Address Registered Representative Alex P. Anderson's Disclosures of Outside Business Activities**

During the Relevant Period, Alex P. Anderson ("Anderson") was the CFS registered representative for and power of attorney over the accounts of two senior customers – 94-year-old customer, LZ, and her 75-year-old son-in-law, LF. The written powers of attorney provided Anderson with broad authority over LZ's and LF's financial affairs, including the power to withdraw funds from their accounts. Anderson was also a beneficiary of LZ's estate. On April 22, 2015, in connection with Letter of Acceptance, Waiver and Consent No. 2014043846601, Anderson consented to a bar from association with any FINRA member in any capacity and to the entry of FINRA's findings that he misused at least \$75,500 from LZ's retail bank account for his own use and benefit in violation of FINRA Rules 2510 and 2010. LZ subsequently passed away.

During the Relevant Period, Anderson disclosed his power-of-attorney over LZ's and LF's accounts to CFS on the three occasions. On January 24, 2012, Anderson submitted to CFS an outside business activity disclosure form reporting that he had been named as power of attorney for LF on January 9, 2012. On January 24, 2014, Anderson submitted to CFS an outside business activity disclosure form reporting

that he had been named as power of attorney for LZ on April 27, 2011. On both occasions, Anderson disclosed that he was providing “assistance with all financial matters including but not limited to taxes, investments, bill paying, bookkeeping and real estate matters,” both in accounts at CFS as well as at other financial institutions. Anderson also attached a complete copy of each power of attorney to the disclosure forms. On May 20, 2014, Anderson again submitted outside business activity disclosures to CFS about his work for LZ and LF, which included a description of the nature of the activity as “full power of attorney...responsible for all matters.”

The Firm’s written supervisory procedures during the Relevant Period prohibited registered representatives from acting in a fiduciary capacity for a non-family member customer’s account without approval from the Firm’s Compliance Department. In addition, the Firm’s procedures required designated supervisors to review outside business activity requests and other potential indicators of outside business activities for potential conflicts with the Firm’s business to determine if the proposed activity would interfere with or otherwise compromise the registered representative’s responsibilities to the Firm or its customers. However, the Firm did not timely review, evaluate or respond to Anderson’s disclosures.

Specifically, CFS did not commence a review of Anderson’s transactions for LZ until a mutual fund issuer detected that some of those transactions appeared questionable and alerted CFS, during September 2014. In December 2014, the Firm terminated Anderson’s registration as a result of concerns over questionable withdrawals from bank accounts in LZ’s name and Anderson’s refusal to cooperate with the Firm’s review.

*The Firm Postponed the Review of Additional Outside Business Activity Disclosures*

In addition, after issuing an October 16, 2013 compliance bulletin reminding registered representatives to disclose their roles as trustees, powers of attorney or executors, the Firm received approximately 200 disclosures, in addition to Anderson’s January 2014 and May 2014 disclosures. The Firm unreasonably decided to postpone its review of these disclosures for at least 13 months while it re-evaluated its criteria and policies for approving requests to act in a fiduciary capacity for non-family members. The Firm subsequently enhanced those policies.

By virtue of the foregoing, CFS violated NASD Rule 3010 (for the period before December 1, 2014) and FINRA Rule 3110 (for the period on and after December 1, 2014), as well as FINRA Rules 3270 and 2010.

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

- A censure; and
- A fine in the amount of \$200,000.

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

CFS 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.

## 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 Respondent;
- 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, CFS 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.

CFS 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

CFS 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 actions brought by FINRA or any other regulator against it;
  - 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. CFS 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: (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. CFS may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. CFS 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 CFS 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.

6/22/18  
Date

Cetera Financial Specialists LLC – Respondent

By: 

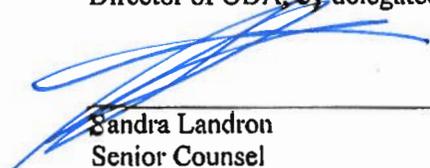
Reviewed by:

  
Dean Jeske  
Counsel for Respondent  
Foley & Lardner LLP  
321 North Clark Street, Suite 2800  
Chicago, IL 60654  
(312) 832-4564

Accepted by FINRA:

7/9/18  
Date

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

  
Sandra Landron  
Senior Counsel  
FINRA Department of Enforcement  
Brookfield Place  
200 Liberty Street, 11<sup>th</sup> Floor  
New York, New York 10281  
Telephone: (646) 315-7358  
Fax: (202) 689-3448  
[sandra.landron@finra.org](mailto:sandra.landron@finra.org)