

FINANCIAL INDUSTRY REGULATORY AUTHORITY

In the Matter of the
Continued Membership
of

U.S. Bancorp Investments, Inc.
(CRD No. 17868)

Notice Pursuant to
Rule 19h-1
Securities Exchange Act
of 1934

SD-2388

January 17, 2025

I. Introduction

On March 2, 2024, U.S. Bancorp Investments, Inc. (“USBI” or “Firm”) submitted a Membership Continuance Application (“MC-400A” or “Application”) to FINRA’s Credentialing, Registration, Education, and Disclosure (“CRED”) Department.¹ The Application seeks to permit the Firm, a FINRA member, to continue its membership with FINRA notwithstanding its statutory disqualification. A hearing was not held in this matter; rather, pursuant to FINRA Rule 9523(b), FINRA’s Department of Member Supervision (“FINRA,” “Member Supervision,” or “Department”) approves the Application and is filing this Notice pursuant to Rule 19h-1 of the Securities Exchange Act of 1934 (“Exchange Act” or “SEA”).

II. The Statutorily Disqualifying Event

The Firm is subject to statutory disqualification, as that term is defined in Section 3(a)(39)(F) of the Exchange Act, incorporating by reference Sections 15(b)(4)(D) and (E), as a result of a February 2024 order issued by the Securities and Exchange Commission (“SEC” or “Commission”) finding that USBI willfully violated Section 17(a) of the Exchange Act and Rule 17a-4(b)(4) and failed reasonably to supervise its employees with a view to preventing or detecting certain of its employees’ aiding and abetting violations of Section 17(a) of the Exchange Act and Rule 17a-4(b)(4) thereunder (“SEC Order”).²

¹ See MC-400A and related attachments compiled by CRED, with a cover memorandum dated March 5, 2024, attached as Exhibit 1.

² See SEC Order, *In re U.S. Bancorp Investments, Inc.*, Exchange Act Release No. 99505 (Feb. 9, 2024), attached as Exhibit 2.

The SEC Order also triggered disqualification under Rules 262(a)(4), 506(d)(1)(iv), and 602(c)(3) of the Securities Act of 1933 and Rule 503(a)(4)(ii) of Regulation Crowdfunding. On February 9, 2024, the SEC granted a waiver from the application of the disqualification provisions of these Rules. See *In re Certain Broker-Dealer Practices*, Securities Act Release No. 11270 (Feb. 9, 2024), attached as Exhibit 3.

According to the SEC Order, from at least January 2020, USBI employees sent and received off-channel communications that related to the Firm's business, and a majority of these written communications was not maintained or preserved by the Firm.³ Further, supervisors who were responsible for preventing this misconduct among junior employees routinely communicated off-channel using their personal devices, and in so doing, failed to comply with Firm policies by communicating using non-Firm approved methods on their personal devices about the Firm's broker-dealer business.⁴

The Firm was censured, ordered to cease and desist from committing or causing any future violations, ordered to pay a civil money penalty of \$8,000,000 and ordered to comply with certain undertakings.⁵ The Firm represented that it paid the monetary penalty on February 13, 2024 and is in compliance with the ordered undertakings.⁶

III. Remedial Measures

The Firm represented that it undertook substantial remedial measures prior to the issuance of the SEC Order, such as providing Firm issued electronic devices to all employees who access Firm systems or email remotely; enhancing its policies and procedures with respect to the use of non-firm issued electronic devices; the development of a sophisticated surveillance program to detect the use of unapproved electronic communication channels; the adoption of an enhanced electronic communication and social media policy designed to reduce the risk of securities law violations; and mandatory training to reinforce the enhanced policies and procedures.⁷

The Firm further represented that it has undertaken significant remedial measures in response to the SEC's findings, including the retention of an independent compliance consultant ("ICC") who conducted a review of the Firm's electronic communications policies and procedures, training and technology, and completed a report of recommendations.⁸ According to the SEC Order, the Commission considered the Firm's prompt remedial actions and cooperation with the SEC when determining to accept the Offer of Settlement.⁹

³ See Exhibit 2 at p. 2 ¶ 3.

⁴ *Id.* at p. 2 ¶ 4.

⁵ *Id.* at p. 9.

⁶ See Exhibit 1 at FINRA00165 ¶ 4, FINRA00184. See also Firm Correspondence dated June 6, 2024 and December 20, 2024, collectively attached as Exhibit 4 at FINRA pp. 3-4 ¶ 2, FINRA p. 5.

⁷ See Exhibit 4 at pp. 1-3 ¶ 1.

⁸ *Id.* at FINRA pp. 3-4 ¶ 2, FINRA p. 5. The Firm represented that it adopted all of the recommendations in the ICC's report.

⁹ See Exhibit 2 at p. 5 ¶ 26.

IV. Firm Background

The Firm has been a FINRA member since August 13, 1986.¹⁰ It is headquartered in St. Paul, Minnesota, with 1651 branches (25 of which are Offices of Supervisory Jurisdiction).¹¹ The Firm employs approximately 2381 registered representatives (359 of which are registered principals), 20 operations professionals, and 259 non-registered fingerprint employees.¹² The Firm does not currently employ any statutorily disqualified individuals.¹³

USBI is approved to engage in the following lines of business: broker or dealer making inter-dealer markets in corporate securities over-the-counter; broker or dealer retailing corporate equity securities over-the-counter; broker or dealer selling corporate debt securities; underwriter or selling group participant (corporate securities other than mutual funds); mutual fund underwriter or sponsor; mutual fund retailer; U.S. government securities broker; municipal securities dealer; municipal securities broker; broker or dealer selling variable life insurance or annuities; solicitor of time deposits in a financial institution; put and call broker or dealer or option writer; broker or dealer selling securities of non-profit organizations; investment advisory services; trading securities for own account; private placements of securities; broker or dealer involved in a networking, kiosk, or similar arrangement with a bank, savings bank or association, or credit union; and engages in other securities and non-securities business.¹⁴

The Firm is a member of the following self-regulatory organizations (“SROs”): Municipal Securities Rulemaking Board (“MSRB”); The Depository Trust Company (“DTC”); Fixed Income Clearing Corporation – Government Securities Division (“FICC-GOV”); and National Securities Clearing Corporation (“NSCC”).¹⁵

¹⁰ See Central Registration Depository (“CRD”) Excerpt – Organization Registration Status, attached as Exhibit 5.

¹¹ FINRA confirmed this through analysis of the Firm’s information contained in CRD, last performed on December 17, 2024.

¹² *Id.*

¹³ *Id.*

¹⁴ See CRD Excerpts – Types of Business and Other Business Descriptions, attached as Exhibit 6.

USBI’s CRD record reflects “other securities business” conducted by the Firm that includes acting as a distributor for units of participation in certain collective investment pools and trusts (exempt from registration requirements of the Securities Act of 1933 and the Investment Company Act of 1940) for which Applicant’s affiliate U.S. Bancorp Asset Management, Inc. serves as an investment advisor (these collective investment pools are offered and sold to local government entities). *Id.* at p. 2. The Firm’s “other non-securities business” includes insurance products and services offered through UBSI and U.S. Bancorp Insurance Services, LLC. *Id.*

¹⁵ Membership in these organizations was verified by FINRA staff through a search of public member directories, last performed on December 17, 2024.

Recent Examinations

In the past two years, FINRA completed one routine examination of the Firm, which resulted in a Cautionary Action Letter (“CAL”), and no non-routine examinations of the Firm that resulted in a CAL. The SEC also completed one examination that resulted in a deficiency letter.

A. FINRA Routine Examination

In May 2024, FINRA completed a routine examination of the Firm that resulted in a CAL to for four of five exceptions and a referral of one exception to FINRA’s Department of Enforcement (“Enforcement”) for further review and disposition.¹⁶ The four exceptions pertained to: 1) the Firm’s Liquidity Risk Framework, including liquidity stress testing (LST), that did not accurately reflect the Firm’s liquidity profile during a stress event; 2) the Firm’s failure to maintain a supervisory system designed to ensure complete and accurate books and records in connection with transaction legend codes; 3) improperly compensating four unregistered individuals; 4) and failure to provide the names of Obligors responsible for Continuing Disclosure obligations accurately and completely when making G-32 filings.¹⁷ The Firm responded in writing addressing the root causes of the exceptions and detailing action plans that the Firm developed to address the issues, which include policy and procedure enhancements.¹⁸ The exception referred to Enforcement pertains to the Firm’s failure to supervise for the potential misuse of material non-public information.¹⁹

B. SEC Examination

In August 2023, the SEC concluded an examination of the Firm that identified deficiencies related to the Firm’s failure to comply with Rule 151-1 of the SEA by failing to disclose in writing a material conflict of interest associated with its recommendations to retail customers.²⁰ The Firm responded in writing that it revised the Form CRS and Reg BI disclosures at issue.²¹

¹⁶ See Disposition Letter for Examination No. 20230771524 dated May 30, 2024, Examination Report dated April 12, 2024, and Firm Response dated April 26, 2024, collectively attached as Exhibit 7.

¹⁷ *Id.* at FINRA pp. 6-8.

¹⁸ *Id.* at FINRA pp. 13-17.

¹⁹ *Id.* at FINRA p. 5. The matter remains open as of the date of this filing.

²⁰ See SEC Examination Letter, SEC File No. 008-35359 dated August 14, 2023, and Firm Response dated September 14, 2023, collectively attached as Exhibit 8.

²¹ *Id.* at FINRA pp. 6-7.

Regulatory Actions

In the past two years, USBI has not been the subject of any disciplinary actions, aside from the SEC Order that led to the Application.

A. Other Statutory Disqualification Matters

The Firm was the subject of one recent SEC order, which also subjected the Firm to statutory disqualification but did not require the filing of a SEA Rule 19h-1 Notice with the Commission.

On June 1, 2020, the SEC issued an order finding that the Firm willfully violated Section 206(2) of the Investment Advisers Act of 1940 (“Advisers Act”) by breaching its fiduciary duties to clients in connection with the Firm’s mutual fund share class selection practices and its receipt of fees for shareholder servicing.²² The Firm was censured, ordered to cease and desist from committing or causing violations or future violations, ordered to pay \$13,977,908 in disgorgement and \$2,014,533 in prejudgment interest, ordered to pay a civil money penalty of \$2.4 million, and ordered to comply with certain undertakings.²³

V. Prior SEA Rule 19h-1 Notices

USBI has not been the subject of any prior SEA Rule 19h-1 or 19d-1 Notices.

VI. The Firm’s Proposed Continued Membership with FINRA and Plan of Heightened Supervision

The Firm seeks to continue its membership with FINRA notwithstanding its status as a disqualified member. The Firm has agreed to the following Plan of Heightened Supervision (“Supervision Plan” or “Plan”) as a condition of its continued membership with FINRA.²⁴

U.S. Bancorp Investments, Inc. (the “Firm”) is subject to statutory disqualification pursuant to Section 3(a)(39)(F) of the Securities Exchange Act of 1934, which incorporates by reference Sections 15(b)(4)(D) & (E), as a result of an order issued by the U.S. Securities and Exchange Commission (“SEC” or “Commission”) dated February 9, 2024, which found that the Firm willfully violated Section 17(a) of the Securities Exchange Act of 1934

²² See Order, *In re U.S. Bancorp Investments, Inc.*, Exchange Act Release No. 88976 (June 1, 2020), attached as Exhibit 9.

²³ *Id.* at pp. 6-10. FINRA staff confirmed that the Firm paid the amounts owed and complied with all undertakings in connection with the order. Since there are no sanctions in effect for statutory disqualification purposes, an application to continue in membership is no longer required under FINRA rules. See also [FINRA Regulatory Notice 09-19](#) (June 15, 2009). As such, a 19h-1 Notice was not filed in connection with this matter.

²⁴ See Executed Consent to Plan of Heightened Supervision dated December 4, 2024, attached as Exhibit 10.

and Rule 17a-4(b)(4) thereunder (“SEC Order”). The SEC Order also found that the Firm failed reasonably to supervise its employees within the meaning of Section 15(b)(4)(E).

For the purpose of this Supervision Plan, the term “Digital Communication Channels” means all written electronic methods of communication used to conduct Firm business, including but not limited to, text messaging platforms, whether via SMS messaging, iMessage, or other messaging services such as WhatsApp; direct messaging platforms including X f/k/a “Twitter,” Instagram, LinkedIn, Slack, or Bloomberg Messaging; non-firm domain email accounts; and any other written electronic business-related correspondence. “Digital Communication Channels” encompass platforms used to exchange messages with internal or external stakeholders using either a personal or Firm-provided device.

For the purpose of this Supervision Plan, the term “Off-Channel Communications” means all business-related written electronic messages sent on Digital Communication Channels that are not captured by Firm surveillance and record-keeping systems.

In consenting to this Supervision Plan, the Firm agrees to the following:

1. The Firm shall comply with all of the undertakings outlined in the SEC Order.
2. The Firm shall maintain copies of all correspondence between the Firm and Commission staff relating to the SEC Order, including documenting when Commission staff grants extensions to the deadlines set forth in the SEC Order. The Firm shall maintain copies of all such correspondence in a readily accessible place for ease of review by FINRA staff.
3. The Firm shall provide FINRA’s Statutory Disqualification Group with copies of all certifications submitted to the SEC upon completion of the undertakings as specified in the SEC Order. The Firm shall maintain copies of all certifications in a readily accessible place for ease of review by FINRA staff.
4. The Firm shall maintain copies of all reports and supporting documentation submitted to SEC staff in accordance with the SEC Order, as well as any other documentation needed to evidence the status and completion of each of the undertakings outlined in the SEC Order. The Firm shall maintain copies of such documentation in a readily accessible place for ease of review by FINRA staff.
5. Within six months of the SEC’s Letter of Acknowledgement (“LOA”) in this matter, to the extent that it has not already done so within the past six months, and on at least an annual basis thereafter, for a term of six years from the date of the LOA, the Firm shall conduct training for all associated persons regarding the Digital Communication Channels that the Firm has approved for business communication, along with the Firm’s current policies regarding retention of business-related electronic communications. The Firm shall maintain a record of

- individual completion of said training and a copy of said training materials in a readily accessible place for ease of review by FINRA staff.
6. The Firm shall conduct the training described in Paragraph 5 above for all new hires, within 65 days from the date of commencement of new hire training, for a term of six years from the date of the LOA. The Firm shall retain a record of all new hire training, including a copy of all written training materials, and keep said record(s) in a readily accessible place for ease of review by FINRA staff.
 7. Within 90 days of the LOA, the Firm shall, to the extent that it has not already done so, establish and maintain a written list(s) of all Digital Communication Channels that its associated persons are permitted to use to communicate about Firm business. The list(s) shall be circulated to all of the Firm's associated persons at least on a semi-annual basis, for a term of six years from the date of the LOA. The Firm shall require that all associated persons obtain written approval for use of any Digital Communication Channels to communicate about Firm business that are not already on the approved list(s) maintained by the Firm. The Firm shall maintain a record of all requests and approvals or rejections of each request, including the date of the requests and the Firm's decision. The Firm shall maintain copies of such requests and decisions in a readily accessible place for ease of review by FINRA staff.
 8. The Firm shall require all associated persons to disclose on at least a semi-annual basis, for a term of six years from the date of the LOA, any unapproved Digital Communication Channels he/she is using to communicate about Firm business. The Firm shall maintain records of such disclosures in a readily accessible place for ease of review by FINRA staff.
 9. Subject to Paragraph 7 above, the Firm shall prohibit associated persons from using Off-Channel Communications.
 10. Within 90 days of the LOA, the Firm shall, to the extent that it has not already done so, develop a process whereby, in the event that an associated person sends or receives an Off-Channel Communication, the Off-Channel Communication is submitted to the Firm and retained in compliance with relevant securities laws and regulations. For a term of six years from the date of the LOA, the Firm shall maintain a record of all such Off-Channel Communications, including a record of the Firm's receipt of the communication, in a readily accessible place for ease of review by FINRA staff.
 11. Within 90 days of the LOA, the Firm shall, to the extent that it has not already done so, develop and maintain written supervisory policies and procedures detailing the Firm's processes for disciplining associated persons who use Off-Channel Communications to communicate about Firm business. When the Firm uses the disciplinary process, the Firm shall document each instance. The Firm shall retain

records of such written supervisory policies and procedures and records of the disciplinary processes and each outcome.

12. All requested documents and certifications under this Supervision Plan shall be sent directly to FINRA's Statutory Disqualification Group at SDMailbox@FINRA.org.
13. The Firm shall obtain written approval from FINRA's Statutory Disqualification Group prior to changing any provision of the Supervision Plan.
14. The Firm shall submit any proposed changes or other requested information under this Supervision Plan to FINRA's Statutory Disqualification Group at SDMailbox@FINRA.org.

VII. Discussion

After carefully reviewing the entire record in this matter, FINRA approves the Firm's request to continue its membership with FINRA, subject to the terms and conditions set forth herein. In evaluating USBI's Application, FINRA assessed whether the Firm has demonstrated that its continued membership is consistent with the public interest and does not create an unreasonable risk of harm to investors or the markets. *See* FINRA By-Laws, Art. III, Sec. 3(d); *cf. Frank Kufrovich*, 55 S.E.C. 616, 624 (2002) (holding that FINRA "may deny an application by a firm for association with a statutorily disqualified individual if it determines that employment under the proposed plan would not be consistent with the public interest and the protection of investors"). Typically, factors that bear on FINRA's assessment include, among other things, the nature and gravity of the statutorily disqualifying misconduct, the time elapsed since its occurrence, the restrictions imposed, the Firm's regulatory history, and whether there has been any intervening misconduct.

As of the date of this Notice, FINRA has determined that the Firm's continued membership is consistent with the public interest and does not create an unreasonable risk of harm to investors or the markets. While the SEC Order identified serious violations of securities laws, the Firm was not expelled or suspended, nor were any limitations placed on USBI's securities activities. Although the SEC Order triggered certain disqualifications from exemptions from registration available under the Securities Act of 1933 ("Securities Act"), specifically Regulations A, D and E of the Securities Act and Regulation Crowdfunding, the SEC granted the Firm a waiver from the application of the disqualification provisions of Rules 262(a)(4)(ii), 506(d)(1)(iv)(B), and 602(c)(3) of the Securities Act and Rule 503(a)(4)(ii) of Regulation Crowdfunding. Moreover, the full amount of the civil monetary penalty was promptly paid. Additionally, the Firm represented that it is in compliance with the ordered undertakings.

Member Supervision also acknowledges that within the SEC Order the Commission considered the Firm's prompt remedial actions and cooperation with the Commission when determining to accept the Offer of Settlement. Specifically, prior to and after the issuance of the issuance of the SEC Order, the Firm undertook substantial remedial measures, including but not limited to the retention of an ICC to conduct a substantive review of it

electronic communications supervisory, compliance policies and procedures, distribution of Firm-issued electronic devices to all employees who access Firm systems or email remotely, implementation of tailored policies and procedures addressing the use of non-firm issued electronic devices, and mandatory training to reinforce the Firm's enhanced electronic communications policies and procedures.

In its evaluation of the Firm's Application, FINRA acknowledges the Firm's limited recent regulatory and disciplinary history, including its additional statutory disqualifying event. Member Supervision also notes that, as of the date of this Notice, the Firm has paid all fines and complied with all undertakings ordered by regulators. This other matter would not prevent the continuance of the Firm as a FINRA member. With respect to the Firm's recent examination exceptions, the Firm responded in writing addressing the root causes of the exceptions, detailing action plans that the Firm developed to address the issues and enhancements to relevant policies and procedure.

FINRA is further reassured by the controls set in place by the Firm's Supervision Plan which bolster the undertakings outlined in the SEC Order and will continue to provide oversight of the Firm and compliance with its remaining undertakings. In accordance with the Plan, the Firm agreed to conduct annual training for all associated persons, including new hires, regarding the Firm's approved digital communication methods and record retention policies for electronic communications. Further, the Plan calls for the Firm to maintain a list of approved digital communication methods that associated persons are permitted to use for Firm business and to circulate that list to its associated persons semi-annually. The Plan requires the Firm's associated persons to obtain written approval to use digital communication channels not already approved. The Plan prohibits the use of off-channel communications and requires associated persons to semi-annually disclose any unapproved digital communication methods they are using for Firm business; they must also forward any off-channel communications that may have taken place to the Firm for retention purposes. These provisions will help to ensure that the Firm is aware of the communication methods being used by associated persons so that it can appropriately monitor, capture, and retain those communications. Additionally, the Plan mandates that the Firm develop policies and procedures for disciplining associated persons who use unapproved communication methods for Firm business and segregate all certifications, reports, and supporting documentation submitted to the SEC regarding compliance with the undertakings, for ease of review by FINRA staff to ensure ongoing compliance.

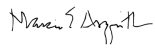
Following the approval of the Firm's continued membership in FINRA, FINRA intends to utilize its examination and surveillance processes to monitor the Firm's continued compliance with the standards prescribed by Exchange Act Rule 19h-1 and FINRA Rule 9523.

Thus, FINRA is satisfied, based on the foregoing and on the Firm's representations made pursuant to the Supervision Plan, that the Firm's continued membership in FINRA is consistent with the public interest and does not create an unreasonable risk of harm to the market or investors. Accordingly, FINRA approves USBI's Application to continue its membership with FINRA.

FINRA certifies that the Firm meets all qualification requirements and represents that the Firm is registered with several other SROs, including MSRB; DTC; FICC-GOV; and NSCC. The SROs have been provided with the terms and conditions of USBI's proposed continued membership and concur with FINRA.

In conformity with the provisions of Rule 19h-1 of the Exchange Act, the continued membership of the Firm will become effective within 30 days of the receipt of this notice by the Commission, unless otherwise notified by the SEC.

On Behalf of FINRA,



Marcia E. Asquith
Executive Vice President & Corporate Secretary

EXHIBITS
SD-2388

1. MC-400A and related attachments compiled by CRED, with a cover memorandum dated March 5, 2024.
2. SEC Order, *In re U.S. Bancorp Investments, Inc.*, Exchange Act Release No. 99505 (Feb. 9, 2024).
3. *In re Certain Broker-Dealer Practices*, Securities Act Release No. 11270 (Feb. 9, 2024).
4. Firm Correspondence dated June 6, 2024 and December 20, 2024.
5. CRD Excerpt – Organization Registration Status.
6. CRD Excerpts – Types of Business and Other Business Descriptions.
7. Disposition Letter for Examination No. 20230771524 dated May 30, 2024, Examination Report dated April 12, 2024, and Firm Response dated April 26, 2024.
8. SEC Examination Letter, SEC File No. 008-35359 dated August 14, 2023, and Firm Response dated September 14, 2023.
9. *Order, In re U.S. Bancorp Investments, Inc.*, Exchange Act Release No. 88976 (June 1, 2020).
10. Executed Consent to Plan of Heightened Supervision, dated December 4, 2024.