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**IN THE MATTER OF:** \*  
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**LPL FINANCIAL LLC** \*  
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**CRD NO. 6413** \*  
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**CONSENT ORDER**  
**DOCKET NO. CO-21-201911026-S**

**I. PRELIMINARY STATEMENT**

**WHEREAS**, the Banking Commissioner (“Commissioner”) is charged with the administration of Chapter 672a of the General Statutes of Connecticut, the Connecticut Uniform Securities Act (“Act”), and Sections 36b-31-2 to 36b-31-33, inclusive, of the Regulations of Connecticut State Agencies (“Regulations”) promulgated under the Act;

**WHEREAS**, LPL Financial LLC (“LPL”) (or its predecessor) has been registered as a broker-dealer in Connecticut under the Act from at least July 14, 1983 to the present. LPL (or its predecessor) has also been an investment adviser registered with the Securities and Exchange Commission (SEC No. 801-10970) from August 25, 1975 to the present, and has filed with the Division the notice required by Section 36b-6(e) of the Act since July 10, 1997;

**WHEREAS**, the Commissioner, through the Securities and Business Investments Division (“Division”) of the Department of Banking, conducted an investigation of LPL pursuant to Section 36b-26(a) of the Act to determine whether LPL had violated, was violating or was about to violate provisions of the Act or Regulations or any order thereunder;

**WHEREAS**, the Commissioner, as a result of the Investigation, has obtained evidence that two LPL agents, while under the supervision of LPL, circumvented LPL's supervisory policies and procedures as detailed below;

**LPL AGENT JAMES THOMAS BOOTH**

**WHEREAS**, James Thomas Booth (CRD No. 1906145 ), a Connecticut resident, was a registered broker-dealer agent and investment adviser agent of LPL from February 14, 2018 to May 30, 2019. Immediately prior to being associated with LPL, Booth was employed as a broker-dealer agent and as an investment adviser agent of Invest Financial Corporation ("Invest") (CRD No. 12984) (a nonrespondent) from December 7, 2005 to February 14, 2018;

**WHEREAS**, on June 26, 2019, LPL filed a Form U5 indicating that Booth had been terminated from LPL and that Booth "admitted to [a] course of conduct beginning while associated with previous member firm involving the misappropriation of client funds for his personal and business use." The Division's investigation reflected that from approximately February 14, 2018 to May 30, 2019, Booth misappropriated approximately \$1.1 million from his clients at LPL;

**WHEREAS**, on June 26, 2019, Booth executed a Letter of Acceptance, Waiver and Consent ("AWC") with the Financial Industry Regulatory Authority ("FINRA"), in which he consented to the imposition of a permanent bar from associating with any FINRA member in any capacity (FINRA Letter of Acceptance, Waiver and Consent, No. 2019062787101). On September 30, 2019, the Securities and Exchange Commission ("SEC") filed a civil complaint against Booth alleging, among other things, that "Booth conducted a multi-year scheme. . . [he] made false or misleading statements to retail investors, telling them their assets would be used to purchase securities. Instead, Booth pocketed the investors' money, using the investors' money to pay personal and business expenses and, from time to time, to pay prior investors in order to keep the scheme going." *Securities and Exchange Commission v. James T. Booth*, Civil Action No. 19-cv-1535 (D. Conn.). On October 22, 2019, Booth plead guilty to one count of securities fraud before the United States District Court for the Southern District of New York (*United States v. James T. Booth*, Crim. No. 19-cr-00699-JGK (S.D.N.Y.)).

**WHEREAS**, on February 14, 2020, based on the Investigation, the Commissioner issued an Order to Cease and Desist, Order to Make Restitution, Notice of Intent to Revoke Registration as a Broker-Dealer Agent and an Investment Adviser Agent, Notice of Intent to Fine and Notice of Right to Hearing against Booth (“Notice”), Docket No. CDFR-20-8535-S, alleging securities violations stemming from the above-described activities by Booth;

**WHEREAS**, despite Booth’s attorney receiving the Notice, Booth failed to request a hearing on the allegations in the Notice, and on April 2, 2020, the Commissioner issued a Certification rendering the Order to Cease and Desist and Order to Make Restitution permanent as of March 12, 2020. On June 18, 2020, the Commissioner issued an Order Revoking Booth’s registration under the Act as a broker-dealer agent and investment adviser agent and imposing a fine against Booth of \$100,000, which to date is currently outstanding;

**WHEREAS**, on November 17, 2020, Booth was sentenced to 42 months in prison by the Southern District of New York;

**WHEREAS**, the Commissioner, as a result of the Investigation, has obtained evidence that while under the supervision of LPL, Booth circumvented LPL’s supervisory policies and procedures by generating consolidated client account statements with fictitious investments and that such statements were then sent to clients by Booth in an effort to deceive his clients about the value of their accounts;

**WHEREAS**, the Department has obtained evidence that LPL has entered into settlements with the individual LPL clients affected by Booth’s scheme and has repaid these clients a total of \$1,636,347.07 in connection with Booth’s actions;

#### **LPL AGENT MATTHEW O. CLASON**

**WHEREAS**, Matthew O. Clason (“Clason”) (CRD No. 4692266), a Connecticut resident, was registered as a broker-dealer agent of LPL from October 7, 2016 to December 11, 2020 (when a pending request to withdraw his registration became effective). Clason was also registered as an investment advisor agent of Integrated Wealth Concepts LLC (“IWC”) (CRD No. 284656) (a nonrespondent) from

October 13, 2016 to December 11, 2020 (when a pending request to withdraw his registration became effective);

**WHEREAS**, on September 11, 2020, both LPL and IWC filed, respectively, a Form U5 terminating Clason, stating that Clason was being terminated because he “[m]aintained joint bank account with Firm customer, engaged in liquidations of securities in customer's Firm account, transferred funds to joint bank account, and withdrew funds.” Clason’s terminations of registration as a broker-dealer and investment adviser agent became effective on December 11, 2020 by operation of law;

**WHEREAS**, since approximately 2016 Clason had been cultivating a personal relationship with one of his LPL and IWC Clients (“Client A”), a retired 73-year-old woman. In January 2018, while Clason was registered as an agent and under the supervision of LPL, Clason and Client A opened a joint bank account (“Joint Account”) at a federal bank;

**WHEREAS**, Clason did not disclose the Joint Account to LPL and LPL was not aware of the Joint Account;

**WHEREAS**, from 2018 to August 2020, while under the supervision of LPL, Clason, among other things, transferred approximately \$668,000 from Client A’s LPL account into the Joint Account, and, without Client A’s knowledge or authorization, withdrew approximately \$620,000 in cash from the Joint Account for his personal use. Clason also transferred \$5,000 directly from the Joint Account to his personal bank account, and made two transfers from the Joint Account to pay his personal credit card;

**WHEREAS**, on September 1, 2020, the Securities and Exchange Commission (“SEC”) filed an action against Clason, *SEC. v. Clason*, 3:20-cv-01279 (D. Conn.), in which the SEC alleged that Clason misappropriated hundreds of thousands of dollars from Client A;

**WHEREAS**, on September 15, 2020, Clason executed an AWC with FINRA, in which Clason consented to the imposition of a permanent bar from associating with any FINRA member in any capacity (FINRA Letter of Acceptance, Waiver and Consent, No. 2020067686301), for violation of FINRA Rules 8210 and 2010;

**WHEREAS**, on May 12, 2021, Clason plead guilty to one count of wire fraud in connection with the misappropriation of funds from Client A before the United States District Court for the District of Connecticut in *United States v. Matthew O. Clason*, Crim. No. 3:21-cr-00066 (D. Conn). Clason is currently scheduled to be sentenced on December 7, 2021;

**WHEREAS**, on August 19, 2021, Clason submitted an Offer of Settlement to the SEC that the SEC accepted, in which the SEC barred Clason from associating with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent or nationally recognized statistical rating organization. Clason also agreed to be barred from participating in any offering of a penny stock. SEC, Release No. 92688 (August 17, 2021);

**WHEREAS**, on November 9, 2020, Client A filed a Statement of Claim against LPL with the Financial Industry Regulatory Authority (FINRA), Case Number 20-03761, as well as a civil complaint in the District Court of Massachusetts on February 5, 2021, Docket No. 1:21-cv-10209, respectively, against IWC and two employees of IWC and LPL (non-respondents);

**WHEREAS**, on February 25, 2021, Client A entered into a Settlement and Release Agreement in the amount of \$1,000,000 with several parties, including LPL, in connection with Client A's claims in the matters referenced above. The Division has obtained evidence that LPL contributed \$500,000 towards the Settlement and that Client A has been fully compensated in connection with Clason's violations of the Act;

**WHEREAS**, LPL agrees to fully cooperate in any future investigation(s) of Clason and/or Booth conducted by the Division. Such cooperation shall include but not be limited to providing documentation and information regarding any individuals previously and currently associated with LPL;

**WHEREAS**, the violations alleged herein would support the initiation of administrative proceedings by the Commissioner pursuant to Sections 36b-15(a), 36b-27(a) and 36b-27(d) of the Act;

**WHEREAS**, Section 36b-31(a) of the Act provides, in relevant part, that "[t]he commissioner may from time to time make . . . such . . . orders as are necessary to carry out the provisions of sections 36b-2 to 36b-34, inclusive";

**WHEREAS**, Section 36b-31(b) of the Act provides, in relevant part, that “[n]o . . . order may be made . . . unless the commissioner finds that the action is necessary or appropriate in the public interest or for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of sections 36b-2 to 36b-34, inclusive”;

**WHEREAS**, an administrative proceeding initiated under Sections 36b-15 and 36b-27 of the Act would constitute a “contested case” within the meaning of Section 4-166(2) of the General Statutes of Connecticut;

**WHEREAS**, Section 4-177(c) of the General Statutes of Connecticut and Section 36a-1-55(a) of the Regulations of Connecticut State Agencies provide that a contested case may be resolved by consent order, unless precluded by law;

**WHEREAS**, without holding a hearing and without trial or adjudication of any issue of fact or law, and prior to the initiation of any formal proceeding, the Commissioner and LPL reached an agreement, the terms of which are reflected in this Consent Order, in full and final resolution of the matters described herein;

**WHEREAS**, LPL expressly consents to the Commissioner’s jurisdiction under the Act and to the terms of this Consent Order;

**WHEREAS**, the issuance of this Consent Order is necessary or appropriate in the public interest or for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of the Act;

**AND WHEREAS**, LPL, through its execution of this Consent Order, specifically assures the Commissioner that it shall enhance reasonable controls so that the violation alleged in this Consent Order shall not occur in the future.

## **II. CONSENT TO WAIVER OF PROCEDURAL RIGHTS**

**WHEREAS**, LPL, through its execution of this Consent Order, voluntarily waives the following rights:

1. To be afforded notice and an opportunity for a hearing within the meaning of Sections 36b-15(f) and 36b-27 of the Act and Section 4-177(a) of the General Statutes of Connecticut;
2. To present evidence and argument and to otherwise avail itself of Sections 36b-15(f) and 36b-27 of the Act and Section 4-177c(a) of the General Statutes of Connecticut;
3. To present its position in a hearing in which it is represented by counsel;
4. To have a written record of the hearing made and a written decision issued by a hearing officer; and
5. To seek judicial review of, or otherwise challenge or contest, the matters described herein, including the validity of this Consent Order.

### **III. ACKNOWLEDGEMENT OF THE COMMISSIONER'S ALLEGATION**

**WHEREAS**, LPL, through its execution of this Consent Order, acknowledges, without admitting or denying, the following allegation of the Commissioner:

LPL violated Section 36b-31-6f of the Regulations by failing to enforce its established procedures for supervising the activities of its agents, investment adviser agents and Connecticut office operations that were reasonably designed to achieve compliance with applicable securities laws and regulations.

**WHEREAS**, the Commissioner would have the authority to enter findings of fact and conclusions of law after granting LPL an opportunity for a hearing;

**AND WHEREAS**, LPL acknowledges the possible consequences of an administrative hearing and voluntarily agrees to consent to the entry of the sanctions described below.

### **IV. CONSENT TO ENTRY OF SANCTIONS**

**WHEREAS**, LPL, through its execution of this Consent Order, consents to the Commissioner's entry of an order imposing on it the following sanctions:

1. LPL, its members, officers, representatives, agents, employees, affiliates, and successors shall cease and desist from violating Section 36b-31-6f of the Regulations, and shall comply with the Act, its regulations and any order under the Act;
2. No later than the date this Consent Order is entered by the Commissioner, LPL shall remit to the Department by cashier's check, certified check or money order made payable to "Treasurer, State of Connecticut" the sum of three hundred and fifty thousand dollars (\$350,000) as an administrative fine; and

3. Within thirty (30) days from the date this Consent Order is entered by the Commissioner, LPL shall pay by cashier's check, certified check or money order made payable to "Treasurer, State of Connecticut" an additional one hundred fifty thousand dollars (\$150,000) to be utilized, at the discretion of the Commissioner, for financial literacy and investor education initiatives, training, and related materials.

## V. CONSENT ORDER

**NOW THEREFORE**, the Commissioner enters the following:

1. The Sanctions set forth above be and are hereby entered;
2. Entry of this Consent Order by the Commissioner is without prejudice to the right of the Commissioner to take enforcement action against LPL based upon a violation of this Consent Order or the matters underlying its entry if the Commissioner determines that compliance with the terms herein is not being observed;
3. Nothing in this Consent Order shall be construed as limiting the Commissioner's ability to take enforcement action against LPL based upon evidence of which the Division was unaware on the date hereof relating to a violation of the Act or any regulation or order under the Act;
4. LPL shall 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 allegation referenced in this Consent Order or create the impression that this Consent Order is without factual basis;
5. LPL shall not take any position in any proceeding brought by or on behalf of the Commissioner, or to which the Commissioner is a party, that is inconsistent with any part of this Consent Order. However, nothing in this Consent Order affects LPL's testimonial obligations or right to take any legal or factual position in litigation, arbitration, or other legal proceedings in which the Commissioner is not a party;
6. The Consent Order is not intended by the Commissioner to subject LPL to any disqualifications under the laws of the United States, any state, the District of Columbia, Puerto Rico, or the U.S. Virgin Islands, or under the rules or organization, including, without limitation, any disqualification from relying upon state or federal registration exemptions or safe harbor provisions, including Regulation CF and Regulation A and Rules 504 and 506 of Regulation D under the Securities Act of 1933;
7. This Consent Order shall not disqualify LPL from any business that it otherwise is qualified, licensed, or permitted to perform under applicable securities laws or regulations of Connecticut and any disqualifications from relying upon this state's registration exemptions or safe harbor provisions that might be deemed to arise from this Consent Order are hereby waived; and
8. This Consent Order shall become final when entered.

So ordered at Hartford, Connecticut,  
This 3 day of December 2021.

\_\_\_\_\_/s/\_\_\_\_\_  
Jorge L. Perez  
Banking Commissioner



**CONSENT TO ENTRY OF ORDER**

I, Cece Baute Mavico, state on behalf of LPL Financial LLC (“LPL”) that I have read the foregoing Consent Order; that I know and fully understand its contents; that I am authorized to execute this Consent Order on behalf of LPL; that LPL agrees freely and without threat or coercion of any kind to comply with the terms and conditions stated herein; and that LPL consents to the entry of this Consent Order.

LPL Financial LLC

By: \_\_\_\_\_/s/\_\_\_\_\_  
Cece Baute Mavico  
SVP, Associate General Counsel

State of: South Carolina

County of: York

On this the 2 day of December 2021, before me, the undersigned officer, personally appeared Cece Baute Mavico, known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument and acknowledged that she executed the same for the purposes therein contained.

In witness whereof I hereunto set my hand.

\_\_\_\_\_/s/\_\_\_\_\_  
Notary Public  
Date Commission Expires: [Blank in Original]