

LPL Learns the Hard Way: Make Sure You Save Those Emails

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FINRA recently announced that it fined LPL Financial LLC (LPL) \$7.5 million for several significant email system failures. The firm was also ordered to create a \$1.5 million fund to compensate brokerage customers potentially impacted by the violations.

Securities rules require [brokerage firms to retain and review emails](#) as part of their compliance activities. In this case, FINRA found that LPL's systems failed at least 35 times, leaving the firm unable to meet its obligations to capture email, supervise its representatives and respond to regulatory requests.

The violations included:

- Over a four-year period, LPL failed to supervise 28 million "doing business as" (DBA) emails sent and received by thousands of representatives who were operating as independent contractors [under the LPL name?].
- LPL failed to maintain access to hundreds of millions of emails during a transition to a less expensive email archive, and 80 million of those emails became corrupted.
- For seven years, LPL failed to keep and review 3.5 million Bloomberg messages.
- LPL failed to archive emails sent to customers through third-party email-based advertising platforms.

FINRA attributed many of the email failures to LPL's rapid growth, noting that the systems became increasingly complex and unwieldy for LPL to manage and monitor effectively. By way of context, LPL has almost doubled the size of its brokerage staff since 2006 to approximately 13,300 people.

Brad Bennett, Executive Vice President and Chief of Enforcement, said, "As LPL grew, it did not expand its compliance and technology infrastructure; and as a result, LPL failed in its responsibility to provide complete responses to regulatory and other requests for emails. This case sends a strong message to firms to make sure your business does not outgrow your compliance systems."

As this recent enforcement actions highlights, firms' compliances activities must keep pace with their growth, or more generally, firms' ever-evolving business practices. If they don't, a large portion of new revenue may be spent paying fines.

As always, if you have questions or comments, please call, [e-mail](#) or [tweet me@NYBusinessLaws](#).

Eckerle Law offers legal advice in a variety of transactional and regulatory matters and serves companies' plenary business law needs. Its founder, Bettina Eckerle, is a veteran of Debevoise & Plimpton and Wachtell, Lipton, Rosen & Katz. She also served as the General Counsel of two companies en route to IPO. Please visit the [Eckerle Law website](#) for more details.