NEWSROOM

- Press Releases
- Speeches & Statements
- Meetings & Events
- SEC Videos
- Social Media Directory
- What's New

Home / Newsroom / Press Releases / Sixteen Firms to Pay More Than $81 Million Combined to Settle Charges for Widespread Recordkeeping Failures

PRESS RELEASE

Copy Link

Sixteen Firms to Pay More Than $81 Million Combined to Settle Charges for Widespread Recordkeeping Failures

The Huntington Investment Company self-reported and was ordered to pay lower civil penalty than other firms

FOR IMMEDIATE RELEASE | 2024-18

Washington D.C., Feb. 9, 2024 — The Securities and Exchange Commission today announced charges against five broker-dealers, seven dually registered broker-dealers and investment advisers, and four affiliated investment advisers for widespread and longstanding failures by the firms and their employees to maintain and preserve electronic communications.

The firms admitted the facts set forth in their respective SEC orders, acknowledged that their conduct violated recordkeeping provisions of the federal securities laws, agreed to pay combined civil penalties of more than $81 million, as outlined below, and have begun implementing improvements to their compliance policies and procedures to address these violations.

- Northwestern Mutual Investment Services LLC (NMIS), together with Northwestern Mutual Investment Management Co. LLC (NMIM) and Mason Street Advisors LLC (Mason Street) (collectively, Northwestern Mutual), agreed to pay a $16.5 million penalty;
- Guggenheim Securities LLC (Guggenheim Securities), together with Guggenheim Partners Investment Management LLC (GPIM) (collectively, Guggenheim), agreed to pay a $15 million penalty;
- Oppenheimer & Co. Inc. (Oppenheimer) agreed to pay a $12 million penalty;
- Cambridge Investment Research Inc. (CIR), together with Cambridge Investment Research Advisors Inc. (CIRA) (collectively, Cambridge), agreed to pay a $10 million penalty;
- Key Investment Services LLC (KIS), together with KeyBanc Capital Markets Inc. (KBCM) (collectively, Key), agreed to pay a $10 million penalty;
- Lincoln Financial Advisors Corporation, together with Lincoln Financial Securities Corporation (collectively, Lincoln), agreed to pay an $8.5 million penalty;
- U.S. Bancorp Investments Inc. (U.S. Bancorp) agreed to pay an $8 million penalty; and
- The Huntington Investment Company (HIC), together with Huntington Securities Inc. (HSI) and Capstone Capital Markets LLC (Capstone) (collectively, Huntington), which self-reported, agreed to pay a $1.25 million penalty.

"Today's actions against these 16 firms result from our continuing efforts to ensure that all regulated entities comply with the recordkeeping requirements, which are essential to our ability to monitor and enforce compliance with the federal securities laws," said Gurbir S. Grewal, Director of the SEC's Division of Enforcement. "Once again, one of these orders is not like the others: Huntington's penalty reflects its voluntary self-report and cooperation."

The SEC's investigations uncovered pervasive and longstanding uses of unapproved communication methods, known as off-channel communications, at all 16 firms. As described in the SEC's orders, the broker-dealer firms admitted that, from at least 2019 or 2020, their employees communicated through personal text messages about the business of their employers. The investment adviser firms admitted that their employees sent and received off-channel communications related to recommendations made or proposed to be made and advice given or proposed to be given. The firms did not maintain or preserve the substantial majority of these off-channel communications, in violation of the federal securities laws. By failing to maintain and preserve required records, some of the firms likely deprived the SEC of these off-channel communications in various SEC investigations. The failures involved employees at multiple levels of authority, including supervisors and senior managers.

Guggenheim Securities, CIR, Huntington, Key, Lincoln, NMIS, Oppenheimer, and U.S. Bancorp were each charged with violating certain recordkeeping provisions of the Securities Exchange Act of 1934 and with failing to reasonably supervise with a view to preventing and detecting those violations. CIRA, GPIM, HIC, KIS, Lincoln, NMIM, and Mason Street were each charged with violating certain recordkeeping provisions of the Investment Advisers Act of 1940 and with failing to reasonably supervise with a view to preventing and detecting those violations.

In addition to the significant financial penalties, each of the firms was ordered to cease and desist from future violations of the relevant recordkeeping provisions and was censured. The firms also agreed to retain independent compliance consultants to, among other things, conduct comprehensive reviews of their policies and procedures relating to the retention of electronic communications found on personal devices and their respective frameworks for addressing non-compliance by their employees with those policies and procedures.

The SEC's investigations into Guggenheim, Oppenheimer and U.S. Bancorp were conducted by Karolina Klyuchnikova, Austin Thompson, and Alison R. Levine and supervised by Thomas P. Smith Jr. of the New York Regional Office. The SEC's investigations into Northwestern Mutual, Cambridge, Key, Lincoln, and Huntington were conducted by Som P. Dalal, Ruta G. Dudenas, Regina LaMonica, Amy S. Cotter, and Anne C. McKinley and supervised by Paul A. Montoya and Kathryn A. Pyszka of the Chicago Regional Office.

###

Last Reviewed or Updated: Feb. 9, 2024

RESOURCES

- Order - Certain Broker-Dealer Practices
- Order - Northwestern Mutual Investment Services LLC; Northwestern Mutual Inves...
- Order - Guggenheim Securities LLC; Guggenheim Partners Investment Management LLC
- Order - Oppenheimer & Co. Inc.
- Order - Cambridge Investment Research Inc.; Cambridge Investment Research Advi...
- Order - Key Investment Services LLC; KeyBanc Capital Markets Inc.
- Order - Lincoln Financial Advisors Corporation; Lincoln Financial Securities Co...
- Order - U.S. Bancorp Investments Inc.
- Order - The Huntington Investment Company; Huntington Securities Inc.; Capstone...