

**COMMONWEALTH OF MASSACHUSETTS  
OFFICE OF THE SECRETARY OF THE COMMONWEALTH  
SECURITIES DIVISION  
ONE ASHBURTON PLACE, ROOM 1701  
BOSTON, MASSACHUSETTS 02108**

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IN THE MATTER OF:	)	
	)	
MML INVESTORS SERVICES, LLC	)	Docket No. R-2019-0096
	)	

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**CONSENT ORDER**

This Consent Order (the “Order”) is entered into by the Massachusetts Securities Division (“Division”) and MML Investors Services, LLC (“MMLIS”) with respect to the investigation by the Registration, Inspections, Compliance and Examinations Section of the Massachusetts Securities Division of the Office of the Secretary of the Commonwealth (the “RICE Section” and the “Division,” respectively) regarding MMLIS’ failure to register its agents who conducted securities business in Massachusetts, as well as the individuals responsible for supervising the agents, in violation of the Massachusetts Uniform Securities Act, MASS. GEN. LAWS ch. 110A (the “Act”) and the corresponding regulations promulgated thereunder at 950 MASS. CODE REGS. 10.00 – 14.413 (the “Regulations”).

The RICE Section alleges MMLIS employed three hundred four (304) individuals who transacted securities business in Massachusetts, sixty-three (63) individuals who supervised MMLIS agents transacting securities business in Massachusetts, and one hundred eleven (111) Agency Supervisory Officers who assisted in supervising agents all while not registered as agents, as required by MASS. GEN. LAWS ch. 110A, §§ 201(a),

201(b), and 204(a)(2)(J). Thus, in total, MMLIS failed to register at least 478 agents over an approximately five year period.

On September 15, 2021 MMLIS submitted an Offer of Settlement (the “Offer”) to the Division. Solely for the purpose of this matter’s resolution, MMLIS neither admits nor denies the Statements of Fact set forth in Section IV and the Violations of Law set forth in Section V below, and consents to the entry of this Order by the Division, consistent with the language and terms of the Offer, settling investigation (R-2019-0096) brought thereby with prejudice.

### **I. JURISDICTION AND AUTHORITY**

1. As provided for by the Act, the Division has jurisdiction over matters relating to securities pursuant to chapter 110A of the Massachusetts General Laws. The Act authorizes the Division to regulate offers, sales, and purchases of securities; individuals engaged in the business of effecting transactions in securities for the account of others or for their own account; and those persons transacting business as investment advisers within Massachusetts.

2. This Offer is made in accordance with MASS. GEN. LAWS ch. 110A. Specifically, the acts and practices investigated took place in Massachusetts.

### **II. RELEVANT TIME PERIOD**

3. Except as otherwise expressly stated, the conduct described herein occurred between January 1, 2014 and March 21, 2019 (the “Relevant Time Period”).

### **III. RELEVANT PARTY**

4. MML Investors Services, LLC (“MMLIS”) is a broker-dealer with its main address at 1295 State Street, Springfield, Massachusetts 01111. MMLIS is assigned Financial

Industry Regulatory Authority (“FINRA”) Central Registration Depository (“CRD”) number 10409. MMLIS has been registered as a broker-dealer in Massachusetts since March 31, 1982.

#### IV. STATEMENTS OF FACT

##### A. **Background**

5. MMLIS has been registered as a broker-dealer in Massachusetts since March 31, 1982.

6. As a registered-broker dealer in Massachusetts, MMLIS is required to register its agents in Massachusetts before its agents are permitted to transact securities business, or supervise agents who do so, in Massachusetts.<sup>1</sup>

7. During the Relevant Time Period, MMLIS failed to register agents who transacted securities business in Massachusetts and the agents responsible for the supervision of those agents transacting securities business in Massachusetts.

##### B. **MMLIS employed, yet failed to register, broker-dealer agents who conducted securities business with Massachusetts customers and failed to supervise the registration status of those agents**

8. During the Relevant Time Period, MMLIS employed three hundred four (304) agents who had and transacted business with Massachusetts customers but were not registered as agents in Massachusetts (the “Unregistered Agents”).

9. The Unregistered Agents conducted securities business with Massachusetts customers.

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<sup>1</sup> See MASS. GEN. LAWS ch. 110A, § 201(b) (“It is unlawful for any broker-dealer or issuer to employ an agent unless the agent is registered”). See also MASS. GEN. LAWS ch. 110A, § 401(b) (“any individual other than a broker-dealer who represents a broker-dealer or issuer in effecting or attempting to effect purchases or sales of securities . . .”) and 950 MASS. CODE REGS. 14.401 (“every individual who represents or acts for a broker-dealer in effecting or attempting to effect transactions in securities, including any person who solicits transactions or new accounts, renders advice concerning the purchase or sale of securities to particular customers, executes trades for particular customers, or supervises any of the foregoing individuals . . .”).

10. During the Relevant Time Period, the Unregistered Agents received \$14,920.58 in compensation from Massachusetts customers.

11. MMLIS' Compliance Manual, which has been in effect from at least January 1, 2014, states the following, in pertinent part:

a. Section 4.2: Registration Requirement – State Licensing Requirements

In addition to FINRA registration, a state securities license is required in every state where a registered representative conducts securities business.

Producers cannot begin offering securities products until they:

- Become affiliated with MMLIS by obtaining an executed sales representative agreement,
- Pass the appropriate FINRA registration exam(s), and
- Obtain the applicable state securities licenses.

12. Despite MMLIS' policies and procedures, MMLIS failed to ensure that its agents with Massachusetts customers were registered as agents in Massachusetts.

13. MMLIS' failure to seek registration of these agents in Massachusetts prevented the Division from reviewing the agents' qualifications and disclosure histories prior to those agents servicing Massachusetts customers.

14. Of the MMLIS agents who conducted securities business with a Massachusetts customer or supervised an agent who transacted securities business with a Massachusetts customer, a number of agents have reported disclosure events on the agent's Form U4.

15. In a number of instances, some of the MMLIS agents had multiple reportable events in their disclosure histories related to financial judgments or liens, customer complaints, investigations, terminations, regulatory actions and civil judicial actions.

***Individual A***

16. Individual A has been an employee or supervised person of MMLIS since July 19, 2013.

17. On or around October 17, 2017, MMLIS sought to register Individual A as an agent in Massachusetts.

18. On or around October 18, 2017, the Division sent MMLIS an inquiry letter requesting additional information about Individual A's disclosure history.

19. On or around October 26, 2017, MMLIS withdrew the application to register Individual A as an agent in Massachusetts. MMLIS did not respond to the Division's inquiry letter.

20. Individual A's record on the CRD indicates that he has been the subject of multiple reportable events, three (3) of which are financial judgments or liens and are currently outstanding.

21. During all or some of the Relevant Time Period, Individual A conducted securities business with one or more Massachusetts customer without being registered in Massachusetts.

***Individual B***

22. Individual B has been an employee or supervised person of MMLIS since October 3, 1986.

23. Individual B's record on the CRD indicates that he has been the subject of multiple reportable events, one (1) of which is a financial judgment or lien and is currently outstanding.

24. During all or some of the Relevant Time Period, Individual B conducted securities business with one or more Massachusetts investors without being registered in Massachusetts.

25. The Division was unable to review Individual B's qualifications and disclosure history prior to him interacting with Massachusetts investors to conduct securities business because MMLIS has never sought registration of Individual B as an agent in Massachusetts.

***Individual C***

26. Individual C was an employee or supervised person of MMLIS from January 16, 2014, until MMLIS terminated Individual C on November 5, 2020.

27. Individual C was discharged from two prior firms before being terminated by MMLIS for failing to disclose outside business activity.

28. During all or some of the Relevant Time Period, Individual C conducted securities business with one or more Massachusetts investors without being registered in Massachusetts.

29. The Division was unable to review Individual C's qualifications and disclosure history prior to him interacting with Massachusetts investors to conduct securities business because MMLIS has never sought registration of Individual C as an agent in Massachusetts.

***Individual D***

30. Individual D has been an employee or supervised person of MMLIS since January 21, 2016.

31. On or around February 20, 2019, MMLIS sought to register Individual D as an agent in Massachusetts.

32. On or around February 26, 2019, the Division sent MMLIS an inquiry letter requesting additional information about Individual D's disclosure history.

33. On or around March 27, 2019, MMLIS withdrew the application to register Individual D as an agent in Massachusetts.

34. Individual D's record on the CRD indicates that he was the subject of an internal review that ultimately led to Individual D's termination.

35. During all or some of the Relevant Time Period, Individual D conducted securities business with one or more Massachusetts customer without being registered in Massachusetts.

**C. MMLIS' inadequate policies and procedures resulted in certain unregistered agents supervising the securities business of other MMLIS agents in Massachusetts.**

36. MMLIS employed agents who supervised the Massachusetts securities business of other MMLIS agents without registering those supervisors in Massachusetts.

37. During the Relevant Time Period, MMLIS employed sixty-three (63) agents who supervised agents who had Massachusetts customers but were not registered as agents in Massachusetts (the "Unregistered Supervisors").

38. During the Relevant Time Period, the Unregistered Supervisors received \$428,995.15 in compensation from Massachusetts customers.

39. During the Relevant Time Period, MMLIS employed an additional one hundred eleven (111) Agency Supervisory Officers who assisted in supervising agents who had Massachusetts customers but were not registered as agents in Massachusetts.

40. MMLIS' Field Compliance Manual, which has been in effect from at least January 1, 2014, states the following, in pertinent part:

a. Section 4.3: Your Licensing and Registration Obligations for Securities Business (Supervisory)

Except as described below, in order to supervise the full range of securities business in which MMLIS engages, you must possess the FINRA Series 7 and 24 registrations (or their equivalents).

b. 4.13. State Securities Licensing (Producer)

In addition to your FINRA registration, you must have a state securities license in every state where you conduct securities business; i.e. every state where you maintain an office, send securities-related information, discuss securities or engage in securities solicitation activities.

41. The Regulations require that the individuals responsible for supervising agents' securities business in Massachusetts also be registered as an agent in Massachusetts.<sup>2</sup>

42. MMLIS' Field Compliance Manual was substantially insufficient given its failure to account for the state-based registration requirements for its supervisors.

43. During the Relevant Time Period, MMLIS failed to ensure that certain agents who supervised the Massachusetts securities business of other MMLIS agents were registered in Massachusetts.

44. MMLIS' failure to seek registration of these agents in Massachusetts prevented the Division from reviewing the agents' qualifications and disclosure histories prior to those agents supervising securities business in Massachusetts.

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<sup>2</sup> See 950 MASS. CODE REGS. 14.401.



**D. MMLIS failed to supervise its agents in Massachusetts**

45. The Division notified MMLIS in writing as early as May 2016 that agents who supervise other agents registered in Massachusetts are also required to be registered in Massachusetts.

46. MMLIS was informed at least sixty-three (63) times by the Division between January 1, 2017 and March 21, 2019 that supervisors must be registered as agents in Massachusetts pursuant to the definition of agent at 950 MASS. CODE REGS. 14.401.

47. However, during the Relevant Time Period, MMLIS failed to ensure that its agents who were required to be registered in Massachusetts were registered in Massachusetts.

**V. VIOLATIONS OF LAW**

**Violations of MASS. GEN. LAWS ch. 110A, § 201(a)**

48. Section 201(a) of the Act provides:

It is unlawful for any person to transact business in this commonwealth as a broker-dealer or agent unless he is registered under this chapter.

49. The conduct of MMLIS, as described above, constitutes violations of MASS. GEN. LAWS ch. 110A, § 201(a).

**Violations of MASS. GEN. LAWS ch. 110A, § 201(b)**

50. Section 201(b) of the Act provides:

It is unlawful for any broker-dealer or issuer to employ an agent unless the agent is registered. The registration of an agent is not effective during any period when he is not associated with a particular broker-dealer registered under this chapter or a particular issuer. When an agent begins or terminates a connection with a broker-dealer or issuer, or begins or terminates those activities which make him an agent, the agent as well as the broker-dealer or issuer shall promptly notify the secretary.

51. The conduct of MMLIS, as described above, constitutes violations of MASS. GEN. LAWS ch. 110A, § 201(b).

**Violations of MASS. GEN. LAWS ch. 110A, § 204(a)(2)(J)**

52. Section 204(a)(2)(J) of the Act provides:

The secretary may by order impose an administrative fine or censure or deny, suspend, or revoke any registration or take any other appropriate action if he finds (1) that the order is in the public interest and (2) that the applicant or registrant or, in the case of a broker-dealer or investment adviser, any partner, officer, or director, any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling the broker-dealer or investment adviser:-

[...]

(J) has failed reasonably to supervise agents, investment adviser representatives or other employees to assure compliance with this chapter;

53. The conduct of MMLIS, as described above, constitutes violations of MASS. GEN. LAWS ch. 110A, § 204(a)(2)(J).

**VI. ORDER**

MMLIS consents to the entry of this Order.

**IT IS HEREBY ORDERED THAT:**

- A. MMLIS shall permanently cease and desist from violations of MASS. GEN. LAWS ch. 110A, §§ 201(a), 201(b) and 204(a)(2)(J) in Massachusetts;
- B. MMLIS is censured by the Division;
- C. MMLIS shall seek registration of its employees and supervised persons who meet the definition of agent in Section 401(b) of the Act and Section 14.401 of the Regulations prior to employees conducting securities business or otherwise acting in accordance with the definition of agent in Massachusetts, in compliance with Section 201(b) of the Act;
- D. MMLIS shall review and enhance its written supervisory policies and procedures

to assess compliance with MASS. GEN. LAWS ch. 110A, §§ 201(a), 201(b), and 204(a)(2)(J) as it pertains to compliance with MASS. GEN. LAWS ch. 110A, § 201.

E. MMLIS shall provide, within ninety (90) days of the entry of this Order, a report to the Division detailing the process MMLIS engaged in to enhance its policies and procedures pursuant to Section VI, paragraph D of this Order. The report will include, at a minimum, a description of the review performed, the conclusions reached, a summary of MMLIS' changes, and the timeline in which MMLIS will enact the changes;

F. The summary of changes that MMLIS plans to enact and the timeline in which MMLIS will enact those changes pursuant to Section VI, paragraph D of this Order, shall not be unacceptable to the Division, provided that the Division will not unreasonably withhold its approval of those changes;

G. MMLIS will adopt all changes pursuant to the timeline provided in the report and provide certification within forty-five (45) days of the last change made pursuant to the timeline;

H. Within five (5) business days of the entry of a signed Order, MMLIS shall pay a fine in the amount of \$750,000.00 (USD) to the Commonwealth of Massachusetts. Payment shall be: (1) made by United States postal money order, certified check, bank cashier's check, bank money order, or wire transfer; (2) made payable to the Commonwealth of Massachusetts; (3) either hand-delivered or mailed to One Ashburton Place, Room 1701, Boston, Massachusetts 02108 or wired per the Division's instructions; and (4) submitted under cover letter or other documentation that identifies the payor and the docket number of the proceedings. MMLIS shall also provide the Division with notice twenty-four hours prior to the payment;

I. MMLIS shall not claim, assert or apply for a tax deduction or tax credit with regard to any state, federal or local tax for any amounts that MMLIS shall pay pursuant to this Order;

J. MMLIS shall not seek or accept, directly or indirectly, reimbursement or indemnification, including, but not limited to, any payments made pursuant to any insurance policy, with regard to any amount that MMLIS shall pay pursuant to this Order;

K. Upon the issuance of this Order, if MMLIS fails to comply with any of the terms set forth in this Order, the RICE Section may institute an action to have this agreement declared null and void. Upon issuance of an appropriate order and after a fair hearing, the RICE Section may reinstitute an action against MMLIS; and

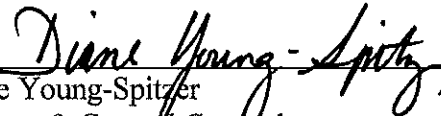
L. For good cause shown, the Division may extend any of the procedural dates set forth above. MMLIS shall make any requests for extensions of procedural dates set forth above in writing to the Division.

#### **VII. NO DISQUALIFICATION**

This Order waives any disqualification in the Massachusetts laws, or rules or regulations thereunder, including any disqualification from relying upon the registration exemptions or safe harbor provisions to which MMLIS may be subject. This Order is not intended to be a final order based upon violations of the Act that prohibit fraudulent, manipulative, or deceptive conduct. This Order is not intended to form the basis of any disqualifications under Section 3(a)(39) of the Securities Exchange Act of 1934; or Rules 504(b)(3) and 506(d)(1) of Regulation D, Rule 262(a) of Regulation A, and Rule 503(a) of Regulation CF under the Securities Act of 1933. This Order is not intended to form the basis of disqualification under the FINRA rules prohibiting continuance in membership

absent the filing of a MC-400A application or disqualification under SRO rules prohibiting continuance in membership. This Order is not intended to form a basis of a disqualification under 204(a)(2) of the Uniform Securities Act of 1956 or Section 412(d) of the Uniform Securities Act of 2002. Except in an action by the Division to enforce the obligations of this Order, any acts performed or documents executed in furtherance of this Order: (a) may not be deemed or used as an admission of, or evidence of, the validity of any alleged wrongdoing, liability, or lack of any wrongdoing or liability; or (b) may not be deemed or used as an admission of, or evidence of, any such alleged fault or omission of MMLIS in any civil, criminal, arbitration, or administrative proceeding in any court, administrative agency, or tribunal.

**WILLIAM FRANCIS GALVIN  
SECRETARY OF THE COMMONWEALTH**

By:   
Diane Young-Spitzer  
Director & General Counsel  
Massachusetts Securities Division  
One Ashburton Place, Room 1701  
Boston, MA 02108

Date: September 15, 2021