

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2020068653101**

TO: Department of Enforcement
Financial Industry Regulatory Authority (FINRA)

RE: Osaic Wealth, Inc., formerly known as Royal Alliance Associates, Inc.
Member Firm
CRD No. 23131

Pursuant to FINRA Rule 9216, Respondent Osaic Wealth, Inc. (CRD No. 23131) submits this Letter of Acceptance, Waiver, and Consent (AWC) for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Respondent alleging violations based on the same factual findings described in this AWC.

I.

ACCEPTANCE AND CONSENT

A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

Osaic Wealth, Inc. (CRD No. 23131), which is located in Scottsdale, AZ, has been a FINRA member since July 1989 and has approximately 11,000 registered representatives. Until June 2023, the firm was known as Royal Alliance Associates, Inc.¹

Osaic Wealth has acquired the assets and assumed the obligations of several former FINRA member firms, whose conduct is included in this AWC. The conduct of one affiliated entity is also included within the scope of this AWC.²

OVERVIEW

Between January 2017 and August 2022, Osaic Wealth failed to establish and maintain a supervisory system reasonably designed to supervise the application of sales charge

¹ For more information about Osaic Wealth, including prior regulatory events, visit BrokerCheck® at www.finra.org/brokercheck.

² The former member firms include Securities America, Inc. (CRD No. 10205); FSC Securities Corp. (CRD No. 7461); Investacorp, Inc. (CRD No. 7684); KMS Financial Services, Inc. (CRD No. 3866); Securities Service Network, LLC (CRD No. 13318); Woodbury Financial Services, Inc. (CRD No. 421), and Triad Advisors LLC (CRD No. 25803). The affiliated entity, for which Osaic Wealth assumed obligations, is SagePoint Financial, Inc. (CRD No. 133763) (rebranded in December 2023 as Osaic Services, Inc.).

waivers and fee rebates to which customers were entitled through rights of reinstatement offered by mutual fund companies. Consequently, customers paid \$3,096,490 in excess sales charges and fees during the review period.

Therefore, Osaic Wealth violated FINRA Rules 3110 and 2010.

FACTS AND VIOLATIVE CONDUCT

This matter originated from FINRA's targeted examination regarding rights of reinstatement.

Eligible mutual fund customers are entitled to rights of reinstatement.

Mutual fund issuers generally offer various privileges to their shareholders, which are identified in a fund's prospectus or statement of additional information. These privileges may include a right of reinstatement, which allows investors to purchase shares of a fund after previously selling shares of that fund or another fund in the same fund family, without incurring a front-end sales charge (typically, but not always, involving Class A shares), or to recoup all or part of a contingent deferred sales charge (CDSC). The right of reinstatement benefit is available only if the reinvestment occurs within a designated period between the sale and the repurchase, which varies depending on the fund. Typically, the period ranges from 30 days to 120 days but, in some cases, can be up to two years.

Osaic Wealth failed to reasonably supervise the application of rights of reinstatement.

FINRA Rule 3110(a) requires FINRA members to establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules. A violation of FINRA Rule 3110 also constitutes a violation of FINRA Rule 2010, which requires that a member, in the conduct of its business, observe high standards of commercial honor and just and equitable principles of trade.

Between January 2017 and August 2022, Osaic Wealth failed to establish or maintain systems reasonably designed to supervise whether certain eligible customers received available mutual fund sales charge waivers and fee rebates through rights of reinstatement.³ Specifically, with respect to transactions effected directly with the mutual fund sponsor, the firm failed to consistently obtain from mutual fund sponsors the information necessary to determine and evaluate reinstatement benefits (such as transaction data for potentially related transactions like rollovers or systematic investments). Moreover, Osaic Wealth did not establish a system that was reasonably designed to supervise whether customers received rights of reinstatement discounts. In practice, the firm relied largely on individual registered representatives to evaluate and

³ The former member firms and the affiliated entity for which Osaic Wealth is now responsible all had supervisory systems that suffered from these same core deficiencies.

apply rights of reinstatement discounts based on only the representatives' manual review. The firm's automated surveillance system flagged instances in which customers missed discounts for which they were eligible for mutual fund switches that occurred within 60 or 90 days of a prior sale. However, many funds' reinstatement periods exceeded 60 or 90 days and the alert did not capture many transactions eligible for reinstatement privileges and therefore was not reasonably designed.

As a result of its supervisory deficiencies, Osaic Wealth did not provide certain customers with rights of reinstatement benefits to which they were entitled. Those customers paid a total of \$3,096,490 in excess sales charges and fees.⁴

Therefore, Osaic Wealth violated FINRA Rules 3110 and 2010.

CREDIT FOR EXTRAORDINARY COOPERATION

In resolving this matter, FINRA has recognized Osaic Wealth's extraordinary cooperation for having: (1) voluntarily expanded the scope of the investigation to include the conduct of all former member firms and an affiliated entity for which Osaic Wealth assumed obligations, even though FINRA sent its initial Targeted Examination Letter to only to one of the affiliated entities (SagePoint Financial, Inc.); (2) initiated an extensive review of all the firms' relevant systems, practices, and procedures; (3) engaged an outside consultant to identify disadvantaged customers and calculate restitution, including interest; (4) established a plan to efficiently identify, notify, and repay customers eligible for restitution; (5) in a timely manner, put in place a process to evaluate for rights of reinstatement to ensure that all eligible customers received the appropriate benefits; and (6) provided substantial assistance to FINRA in its investigation.

B. Respondent also consents to the imposition of the following sanctions:

- a censure and
- restitution of \$3,096,490 plus interest.

Restitution is ordered to be paid to affected customers in the amount of \$3,096,490, plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. § 6621(a)(2), from the date of the affected transactions through June 30, 2023. These payments shall be made to customers as specified in the written plan of remediation previously provided to FINRA by Respondent.

A registered principal on behalf of Respondent shall submit satisfactory proof of payment of restitution and interest (separately specifying the date and amount of each paid to each customer) or of reasonable and documented efforts undertaken to effect restitution. Such proof shall be submitted by email to EnforcementNotice@FINRA.org from a work-related account of the registered principal of Respondent. The email must identify

⁴ This total represents the total excess sales charges and fees paid by certain customers of Osaic Wealth and the former member firms and affiliated entity listed in footnote 2 from January 2017 to August 2022.

Respondent and the case number and include a copy of the check, money order, or other method of payment. This proof shall be provided by email to EnforcementNotice@FINRA.org no later than 150 days after the date of the notice of acceptance of the AWC.

The restitution amount plus interest to be paid to each customer shall be treated by the Respondent as the customer's property for purposes of state escheatment, unclaimed property, abandoned property, and similar laws. If, after reasonable and documented efforts undertaken to effect restitution, Respondent is unable to pay all affected customers within 150 days after the date of the notice of acceptance of the AWC, Respondent shall submit to FINRA in the manner described above a list of the unpaid customers and a description of Respondent's plan, not unacceptable to FINRA, to comply with the applicable escheatment, unclaimed property, abandoned property, or similar laws for each such customer.

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanction imposed in this matter.

The imposition of a restitution order or any other monetary sanction in this AWC, and the timing of such ordered payments, does not preclude customers from pursuing their own actions to obtain restitution or other remedies.

Restitution payments to customers shall be preceded or accompanied by a letter, not unacceptable to FINRA, describing the reason for the payment and the fact that the payment is being made pursuant to a settlement with FINRA and as a term of this AWC.

The sanction imposed in this AWC shall be effective on a date set by FINRA.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a complaint issued specifying the allegations against it;
- B. To be notified of the complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made, and to have a written decision issued; and

- D. To appeal any such decision to the National Adjudicatory Council (NAC) and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudice of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

Respondent further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

Respondent understands that:


- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA), in accordance with FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and
- C. If accepted:
 - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;
 - 2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
 - 3. FINRA may make a public announcement concerning this agreement and its subject matter in accordance with FINRA Rule 8313; and
 - 4. Respondent may 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 finding in this AWC or create the impression that the AWC is without factual basis. Respondent may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing

in this provision affects Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.

- D. Respondent may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this statement. This statement does not constitute factual or legal findings by FINRA, nor does it reflect FINRA's views.

The undersigned, on behalf of Respondent Osaic Wealth, Inc., certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Osaic Wealth, Inc. has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce Osaic Wealth, Inc. to submit this AWC.

11/15/2024
Date

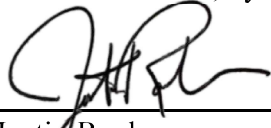


Osaic Wealth, Inc.
Respondent

Print Name: Gregory Cornick
Title: President, Advice and Wealth Management

Accepted by FINRA:

12/20/2024
Date

Signed on behalf of the
Director of ODA, by delegated authority


Justin Roeber
Principal Counsel
FINRA
Department of Enforcement
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