

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT  
NO. 2020066397201**

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

RE: Steward Partners Investment Solutions, Inc., formerly known as Umpqua Investments,  
Inc. (Respondent)  
Member Firm  
CRD No. 1254

Pursuant to FINRA Rule 9216, Respondent Steward Partners Investment Solutions, Inc. 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**

Respondent became a FINRA member on October 16, 1936.<sup>1</sup> It is a brokerage firm with its principal place of business in Portland, Oregon. It has approximately 420 registered representatives across 69 branches.<sup>2</sup>

**OVERVIEW**

From December 2019 to June 2020, Respondent failed to reasonably supervise the transmittal of customer funds through externally-initiated Automated Clearing House (ACH) transfers by third parties. As a result, Respondent failed to detect the theft of over \$300,000 by third parties from a trust account held for the benefit of a senior customer. Therefore, Respondent violated FINRA Rules 3110 and 2010.

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<sup>1</sup> Respondent was purchased by Steward Partners Holdings, LLC in April 2021. Prior to its acquisition, Respondent was named Umpqua Investments, Inc.

<sup>2</sup> For more information about the firm, including prior regulatory events, visit BrokerCheck® at [www.finra.org/brokercheck](http://www.finra.org/brokercheck).

## FACTS AND VIOLATIVE CONDUCT

This matter originated after Respondent notified FINRA of the unauthorized transfers of customer funds described herein.

### **A. Member firms are required to monitor transmittals of customer funds.**

FINRA Rule 3110(a) requires that “[e]ach member firm 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.” The duty to supervise under Rule 3110(a) also includes the responsibility to reasonably investigate red flags that suggest that misconduct may be occurring and to act upon the results of such investigation.

A violation of FINRA Rule 3110(a) is also a violation of FINRA Rule 2010, which requires a firm to observe high standards of commercial honor and just and equitable principles of trade in the conduct of its business.

In Regulatory Notice 09-64 (November 2009), FINRA reminded member firms that “[a]s part of their duty to safeguard customer assets and to meet their supervisory obligations, FINRA firms must have and enforce policies and procedures governing the withdrawal or transmittal of funds or other assets from customer accounts.” These policies and procedures “should be reasonably designed to review and monitor all instructions to transmit or withdraw assets from customer accounts.”

### **B. Respondent failed to reasonably supervise ACH transfers of customer funds.**

The ACH network is a batch-processing system in which financial institutions accumulate transactions throughout the day for later processing. In an ACH transaction, an individual will initiate a deposit or a payment from an originating financial institution, which will be debited or credited by a receiving financial institution.

From December 2019 to April 2020, \$332,457.73 was transferred out of a senior trust customer’s brokerage account at Respondent via 278 externally-initiated ACH transfers without the customer’s knowledge or permission. The transfers were initiated by third parties who had illegally obtained information relating to a checking feature attached to the customer’s account. The ACH requests originated from over 30 different external accounts, under different names, at approximately 30 different financial institutions and were nearly all used to pay credit card bills of third parties unrelated to the customer. The fraudulent transfers were discovered after Respondent’s clearing firm alerted Respondent that there were insufficient funds to process an ACH.<sup>3</sup>

At the time of the fraudulent transfers, Respondent did not maintain a system reasonably designed to review and monitor ACH transfers initiated by an external financial

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<sup>3</sup> The bank processing the ACH transfers subsequently credited all of the stolen funds back to the customer. Respondent provided the bank with information relating to the transfers to support the remediation.

institution. Respondent supervised ACH transfers using a proprietary tool offered by its clearing firm to flag suspicious ACH activity in customer accounts. However, the tool only monitored internally-initiated ACH transfers and not ACH transfer requests received from an external financial institution. Accordingly, none of the 278 transfers from the customer's account were flagged by the tool. Respondent was unaware that the proprietary tool did not monitor all types of ACH transfers (*i.e.* internally and externally-initiated transfers).

Respondent also failed to identify or investigate several red flags relating to the transfers from the customer's account. *First*, the hundreds of transfers were out of character for the trust customer, who had opened the account in 2009 and did not use this brokerage account to pay bills with this frequency or to this number of different payees. Transactions reflected in account statements, which typically had only included interest or dividend payments and periodic bill payments, abruptly in late December 2019 began reflecting increased ACH activity, which, in February 2020, escalated in frequency to multiple ACH transfers a day to dozens of different credit card accounts. *Second*, from January to April 2020, the customer's account had over three times more ACH transfers than any other account at the Respondent. *Third*, in January 2020, a registered representative of the Respondent considered potential investment opportunities for the account using an end-of-year account report generated a month earlier, on December 20, 2019, which reflected five fraudulent ACH transactions. The representative did not identify the five transactions during his review of the report. By the time of the representative's review in January 2020, approximately \$31,000 had been transferred out of the account in 53 ACH transactions.

After discovery of the fraud, Respondent worked with its clearing firm to create a new exception report and by June 2020 had changed its systems to begin reviewing externally-initiated ACH transfers. The firm also conducted a lookback review to determine whether other customers had likewise been the victims of fraud.

By failing to reasonably supervise ACH transfers, Respondent violated FINRA Rules 3110(a) and 2010.

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

- a censure; and
- a \$225,000 fine

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

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 sanctions 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 prejudgment 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), pursuant to 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 the views of FINRA.

The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on Respondent's 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 Respondent 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 Respondent to submit this AWC.

June 13, 2024

\_\_\_\_\_  
Date

*Gregor Maitland*

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Steward Partners Investment Solutions, Inc.  
Respondent

Print Name: Gregor Maitland

Title: Chief Risk Officer

Reviewed by:

*Nicholas J. Losurdo*

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Nicholas J. Losurdo  
Goodwin Procter LLP  
100 Northern Avenue  
Boston, MA 02210  
617-570-1840

Accepted by FINRA:

June 21, 2024

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Date

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

*Mark S. Geiger*

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Mark S. Geiger  
Principal Counsel  
FINRA  
Department of Enforcement  
Brookfield Place  
New York, NY 10281