

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 101140 / September 24, 2024

ADMINISTRATIVE PROCEEDING
File No. 3-22163

In the Matter of

Regions Securities LLC,

Respondent.

**ORDER INSTITUTING ADMINISTRATIVE
AND CEASE-AND-DESIST PROCEEDINGS,
PURSUANT TO SECTIONS 15(b) AND 21C
OF THE SECURITIES EXCHANGE ACT OF
1934, MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS AND A CEASE-
AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against Regions Securities LLC (“Respondent” or “Regions”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (“Offer”) that the Commission has determined to accept. Respondent admits the facts set forth in Section III below, acknowledges that its conduct violated the federal securities laws, admits the Commission’s jurisdiction over it and the subject matter of these proceedings, and consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds¹ that:

¹ The findings herein are made pursuant to Respondent’s Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

Summary

1. The federal securities laws impose recordkeeping requirements on broker-dealers to ensure that they responsibly discharge their crucial role in our markets. The Commission has long said that compliance with these requirements is essential to investor protection and the Commission's efforts to further its mandate of protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation.

2. These proceedings arise out of Regions' identification—and self-report—of widespread failures of certain Regions personnel, including at senior levels, to adhere to certain of these essential requirements and Regions' own policies and procedures. Using their personal devices, these personnel communicated both internally and externally by text messages (“off-channel communications”).

3. After Regions' compliance staff identified business-related electronic communications on a non-approved platform on personal devices, Regions conducted an internal investigation and self-reported the facts to the Commission staff. Respondent proactively identified key documents and facts, which assisted the Commission staff in efficiently investigating the conduct. Prior to contacting the Division of Enforcement, Respondent also undertook significant efforts to comply relating to its recordkeeping practices, policies and procedures, and related supervisory practices.

4. From at least September 2019 (the “Relevant Period”), Regions personnel sent and received off-channel communications that were records required to be maintained under Exchange Act Rule 17a-4(b)(4). Respondent did not maintain or preserve the substantial majority of these written communications. Respondent's failures were firm-wide and involved personnel at various levels of authority. As a result, Respondent violated Section 17(a) of the Exchange Act and Rule 17a-4(b)(4) thereunder.

5. Regions' supervisors, who were responsible for supervising junior personnel, routinely communicated off-channel using their personal devices. In fact, managers and officers responsible for supervising junior personnel themselves failed to comply with Regions' policies and procedures by communicating, through non-approved methods, on their personal devices about Regions' broker-dealer business.

6. Regions' widespread failure to implement a system of follow-up and review reasonably expected to determine whether personnel were following its policies and procedures that prohibit off-channel communications led to its failure to reasonably supervise its personnel within the meaning of Section 15(b)(4)(E) of the Exchange Act.

7. During the time period that Regions failed to maintain and preserve off-channel communications that its personnel sent and received related to its broker-dealer business, Regions received and responded to a Commission records request in one Commission investigation. As a result, Regions' recordkeeping failures likely impacted the Commission's ability to carry out its regulatory functions and investigate violations of the federal securities laws in that investigation.

8. After Regions initiated a review of its recordkeeping efforts, Regions identified failures and self-reported its conduct, and further enhanced its ongoing efforts to comply. As set forth in the Undertakings below, Regions will retain an independent compliance consultant to review and assess Regions' remedial steps relating to its recordkeeping practices, policies and procedures, related supervisory practices, and employment actions.

Respondent

9. **Regions Securities LLC** is a Delaware limited liability company with its principal office in Atlanta, Georgia and has been registered with the Commission as a broker-dealer since July 25, 2012.

Recordkeeping Requirements under the Exchange Act

10. Section 17(a)(1) of the Exchange Act authorizes the Commission to issue rules requiring broker-dealers to make and keep for prescribed periods, and furnish copies of, such records as necessary or appropriate in the public interest, for the protection of investors or otherwise in furtherance of the purposes of the Exchange Act.

11. The Commission adopted Rule 17a-4 under the Exchange Act pursuant to this authority. Rule 17a-4 specifies the manner and length of time that the records made in accordance with Commission rules, and certain other records made by broker-dealers, must be maintained and produced promptly to Commission representatives.

12. The rules adopted under Section 17(a)(1) of the Exchange Act, including Rule 17a-4(b)(4), require that broker-dealers preserve for at least three years, the first two years in an easily accessible place, originals of all written communications received and copies of all written communications sent relating to the broker-dealer's business as such. These rules impose minimum recordkeeping requirements that are based on standards a prudent broker-dealer should follow in the normal course of business.

13. The Commission previously has stated that these and other recordkeeping requirements "are an integral part of the investor protection function of the Commission, and other securities regulators, in that the preserved records are the primary means of monitoring compliance with applicable securities laws, including antifraud provisions and financial responsibility standards." Commission Guidance to Broker-Dealers on the Use of Electronic Storage Media under the Electronic Signatures in Global and National Commerce Act of 2000 with Respect to Rule 17a-4(f), 17 C.F.R. Part 241, Exchange Act Rel. No. 44238 (May 1, 2001).

Regions' Policies and Procedures

14. Regions maintained certain policies and procedures designed to ensure the retention of business-related records, including electronic communications, in compliance with the relevant recordkeeping provisions.

15. Regions personnel were advised that the use of unapproved electronic communications methods, including on their personal devices, was not permitted, and they should not use personal email, chats or text messaging applications for business purposes.

16. Messages sent through Regions' approved communications methods were monitored, subject to review, and, when appropriate, archived. Messages sent through unapproved communications methods, such as text messaging, and those sent from unapproved applications on personal devices, were not monitored, subject to review or archived.

17. Since at least 2018, Regions has conducted various electronic communication-related trainings on its policies prohibiting off-channel communications for supervisors and other personnel. In 2019, Regions added various electronic-communication related trainings as part of its associate training program. During the Relevant Period, Regions had procedures for all personnel, including supervisors, requiring annual self-attestations of compliance.

18. Regions, however, failed to implement a system reasonably expected to determine whether all personnel, including supervisors, were following Regions' policies and procedures. While permitting personnel to use approved communications methods, including on personal phones, for business communications, Regions failed to implement sufficient monitoring to ensure that its recordkeeping and communications policies were being followed.

Regions' Recordkeeping Failures Across Its Brokerage Business

19. In September 2021, the Commission staff commenced a risk-based initiative to investigate whether broker-dealers were properly retaining business-related messages sent and received on personal devices. In June 2024, Regions voluntarily contacted the staff regarding certain off-channel communications that it had identified related to the business of Regions. Regions cooperated with the staff's investigation by proactively gathering communications from the personal devices of its personnel and responding to the staff's requests for additional information. As reported to the Commission staff, Regions personnel who had engaged in the use of off-channel communications included senior managers and officers across the firm.

20. Regions alerted the Commission staff to numerous off-channel communications at various seniority levels of Regions. Respondent collected data from a sampling of its personnel at various seniority levels and found that most had engaged in at least some level of off-channel communications during the Relevant Period. Overall, these personnel sent and received numerous off-channel communications, involving other Regions personnel and external contacts in the securities industry. As disclosed to the Commission staff, within Regions, a number of senior leaders participated in off-channel communications.

21. During the Relevant Period, Regions personnel sent and received off-channel communications that concerned its broker-dealer business.

22. For example, in October and November 2022, Regions personnel exchanged off-channel messages with a customer regarding the strategy and terms for a potential merger and acquisition transaction. These messages related to Regions' broker-dealer business as such.

**Regions’ Failure to Preserve Required Records Potentially
Compromised and Delayed a Commission Matter**

23. During the Relevant Period, Regions received and responded to a Commission records request in one Commission investigation. By failing to maintain and preserve required records relating to its broker-dealer business, Regions likely deprived the Commission of off-channel communications in that investigation.

Regions’ Violations and Failure to Supervise

24. As a result of the conduct described above, during the Relevant Period, Regions willfully² violated Section 17(a) of the Exchange Act and Rule 17a-4(b)(4) thereunder.

25. As a result of the conduct described above, during the Relevant Period, Regions failed reasonably to supervise its personnel with a view to preventing or detecting certain of its supervised persons’ aiding and abetting violations of Section 17(a) of the Exchange Act and Rule 17a-4(b)(4) thereunder, within the meaning of Section 15(b)(4)(E) of the Exchange Act.

Regions’ Self-Reporting, Cooperation, and Remedial Efforts

26. In determining to accept the Offer, the Commission considered Regions’ self-report, cooperation afforded to the Commission staff, and efforts to comply. After identifying off-channel communications, Respondent conducted an internal investigation and self-reported the facts to the Commission staff. Prior to approaching the Commission staff, since at least January 2019, Regions had begun enhancing its efforts to comply, which included increasing trainings, sending reminders that emphasized the importance of complying with recordkeeping obligations, updating its existing electronic communication policies and procedures, and designating principals who are responsible for reviewing and monitoring their associates’ electronic communications on a regular basis. In early 2024, Regions began making corporate devices available to personnel, thereby making approved channels more readily available, updating the frequency of the requirement to attest to compliance with Regions’ electronic communication policies and procedures from an annual to a quarterly basis, and implementing a monitoring program to conduct supervision and surveillance of all text messages on the corporate devices. Regions also took proactive steps to collect and preserve off-channel communications.

Undertakings

27. Prior to this action, Regions enhanced its policies and procedures, and increased training concerning the use of approved communications methods, and began implementing changes to the technology available to its personnel. In addition, Regions undertakes to:

² “Willfully,” for purposes of imposing relief under Section 15(b) of the Exchange Act, “means no more than that the person charged with the duty knows what he is doing.” *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)).

28. Independent Compliance Consultant.

a. Regions shall retain, within thirty (30) days of the entry of this Order, the services of an independent compliance consultant (“Compliance Consultant”) that is not unacceptable to the Commission staff. The Compliance Consultant’s compensation and expenses shall be borne exclusively by Regions.

b. Regions will oversee the work of the Compliance Consultant.

c. Regions shall provide to the Commission staff, within sixty (60) days of the entry of this Order, a copy of the engagement letter detailing the Compliance Consultant’s responsibilities, which shall include a comprehensive compliance review as described below. Regions shall require that, within ninety (90) days of the date of the engagement letter, the Compliance Consultant conduct:

i. A comprehensive review of Regions’ supervisory, compliance, and other policies and procedures designed to ensure that Regions’ electronic communications, including those found on personal electronic devices, including without limitation, cellular phones (“Personal Devices”), are preserved in accordance with the requirements of the federal securities laws.

ii. A comprehensive review of training conducted by Regions to ensure personnel are complying with the requirements regarding the preservation of electronic communications, including those found on Personal Devices, in accordance with the requirements of the federal securities laws, including by ensuring that Regions personnel certify in writing on a quarterly basis that they are complying with preservation requirements.

iii. An assessment of the surveillance program measures implemented by Regions to ensure compliance, on an ongoing basis, with the requirements found in the federal securities laws to preserve electronic communications, including those found on Personal Devices.

iv. An assessment of the technological solutions that Regions has begun implementing to meet the record retention requirements of the federal securities laws, including an assessment of the likelihood that Regions personnel will use the technological solutions going forward and a review of the measures employed by Regions to track personnel usage of new technological solutions.

v. An assessment of the measures used by Regions to prevent the use of unauthorized communications methods for business communications by its personnel. This assessment should include, but not be limited to, a review of Regions’ policies and procedures to ascertain if they provide for any significant technology and/or behavioral restrictions that help prevent the risk of the use of unapproved communications methods on Personal Devices (*e.g.*, trading floor restrictions).

vi. A review of Regions' electronic communications surveillance routines to ensure that electronic communications through approved communications methods found on Personal Devices are incorporated into Regions' overall communications surveillance program.

vii. A comprehensive review of the framework adopted by Regions to address instances of non-compliance by Regions personnel with Regions' policies and procedures concerning the use of Personal Devices to communicate about Regions' business in the past. This review shall include a survey of how Regions determined which personnel failed to comply with Regions' policies and procedures, the corrective action carried out, an evaluation of who violated the policies and procedures and why, what penalties were imposed, and whether penalties were handed out consistently across business lines and seniority levels.

d. Regions shall require that, within forty-five (45) days after completion of the review set forth in sub-paragraphs 28.c.i. through 28.c.vii. above, the Compliance Consultant shall submit a detailed written report of its findings to Regions and to the Commission staff (the "Report"). Regions shall require that the Report include a description of the review performed, the names of the individuals who performed the review, the conclusions reached, the Compliance Consultant's recommendations for changes in or improvements to Regions' policies and procedures, and a summary of the plan for implementing the recommended changes in or improvements to Regions' policies and procedures.

e. Regions shall adopt all recommendations contained in the Report within ninety (90) days of the date of the Report; provided, however, that within forty-five (45) days after the date of the Report, Regions shall advise the Compliance Consultant and the Commission staff in writing of any recommendations that Regions considers to be unduly burdensome, impractical, or inappropriate. With respect to any recommendation that Regions considers unduly burdensome, impractical, or inappropriate, Regions need not adopt such recommendation at that time, but shall propose in writing an alternative policy, procedure, or disclosure designed to achieve the same objective or purpose.

f. As to any recommendation concerning Regions' policies or procedures on which Regions and the Compliance Consultant do not agree, Regions and the Compliance Consultant shall attempt in good faith to reach an agreement within sixty (60) days after the date of the Report. Within fifteen (15) days after the conclusion of the discussion and evaluation by Regions and the Compliance Consultant, Regions shall require that the Compliance Consultant inform Regions and the Commission staff in writing of the Compliance Consultant's final determination concerning any recommendation that Regions considers to be unduly burdensome, impractical, or inappropriate. Regions shall abide by the determinations of the Compliance Consultant and, within sixty (60) days after final agreement between Regions and the Compliance Consultant or final determination by the Compliance Consultant, whichever occurs first,

Regions shall adopt and implement all of the recommendations that the Compliance Consultant deems appropriate.

g. Regions shall cooperate fully with the Compliance Consultant and shall provide the Compliance Consultant with access to such of Regions' files, books, records, and personnel as are reasonably requested by the Compliance Consultant for review.

h. Regions shall not have the authority to terminate the Compliance Consultant or substitute another compliance consultant for the initial Compliance Consultant, without the prior written approval of the Commission staff. Regions shall compensate the Compliance Consultant and persons engaged to assist the Compliance Consultant for services rendered under this Order at their reasonable and customary rates.

i. For the period of engagement and for a period of two years from completion of the engagement, Regions shall not (i) retain the Compliance Consultant for any other professional services outside of the services described in this Order; (ii) enter into any other professional relationship with the Compliance Consultant, including any employment, consultant, attorney-client, auditing or other professional relationship; or (iii) enter, without prior written consent of the Commission staff, into any such professional relationship with any of the Compliance Consultant's present or former affiliates, employers, directors, officers, employees, or agents.

j. The Report by the Compliance Consultant will likely include confidential financial, proprietary, competitive business or commercial information. Public disclosure of the Report could discourage cooperation, impede pending or potential government investigations or undermine the objectives of the reporting requirement. For these reasons, among others, the Report and the contents thereof are intended to remain and shall remain non-public, except (1) pursuant to court order, (2) as agreed to by the parties in writing, (3) to the extent that the Commission determines in its sole discretion that disclosure would be in furtherance of the Commission's discharge of its duties and responsibilities, or (4) as otherwise required by law.

29. One-Year Evaluation. Regions shall require the Compliance Consultant to assess Regions' program for the preservation, as required under the federal securities laws, of electronic communications, including those found on Personal Devices, commencing one year after submitting the Report required by Paragraph 28.d above. Regions shall require this review to evaluate Regions' progress in the areas described in Paragraphs 28.c.i to 28.c.vii above. After this review, Regions shall require the Compliance Consultant to submit a report (the "One Year Report") to Regions and the Commission staff and shall ensure that the One Year Report includes an updated assessment of Regions' policies and procedures with regard to the preservation of electronic communications (including those found on Personal Devices), training, surveillance programs, and technological solutions implemented in the prior year period.

30. Reporting Discipline Imposed. For two (2) years following the entry of this Order, Regions shall notify the Commission staff as follows upon the imposition of any discipline imposed by Regions, including, but not limited to: written warnings; loss of any pay, bonus or incentive compensation; or the termination of personnel; with respect to any personnel found to have violated Regions' policies and procedures concerning the preservation of electronic communications, including those found on Personal Devices: at least forty-eight (48) hours before the filing of a Form U5, or within ten (10) days of the imposition of other discipline.

31. Internal Audit. In addition to the Compliance Consultant's review and issuance of the One Year Report, Regions will also have its Internal Audit function conduct a separate audit(s) to assess Regions' progress in the areas described in Paragraphs 28.c.i to 28.c.vii above. After completion of this audit(s), Regions shall ensure that Internal Audit submits a report to Regions and to the Commission staff.

32. Recordkeeping. Regions shall preserve, for a period of not less than six (6) years from the end of the fiscal year last used, the first two (2) years in an easily accessible place, any record of compliance with these undertakings.

33. Deadlines. For good cause shown, the Commission staff may extend any of the procedural dates relating to the undertakings. Deadlines for procedural dates shall be counted in calendar days, except that if the last day falls on a weekend or federal holiday, the next business day shall be considered to be the last day.

34. Certification. Regions shall certify, in writing, compliance with the undertakings set forth above. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance, and Respondent agrees to provide such evidence. The certification and supporting material shall be submitted to Amy S. Cotter, Assistant Director, Division of Enforcement, Chicago Regional Office, 175 West Jackson Boulevard, Suite 1450, Chicago, Illinois 60604, or such other person as the Commission staff may request, with a copy to the Office of Chief Counsel of the Enforcement Division, no later than sixty (60) days from the date of the completion of the undertakings.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent's Offer.

Accordingly, pursuant to Sections 15(b) and 21C of the Exchange Act, it is hereby ORDERED that:

- A. Respondent cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Exchange Act and Rule 17a-4 thereunder.
- B. Respondent is censured.

- C. Respondent shall comply with the undertakings enumerated in paragraphs 27 to 34 above.
- D. Respondent shall, within 14 days of the entry of this Order, pay a civil money penalty in the amount of \$750,000.00 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Regions as the Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Amy S. Cotter, Assistant Regional Director, Division of Enforcement, Chicago Regional Office, 175 West Jackson Boulevard, Suite 1450, Chicago, Illinois 60604.

E. The amount ordered to be paid as a civil money penalty pursuant to this Order shall be treated as a penalty paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, the offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of

the civil penalty imposed in this proceeding. For purposes of this paragraph, a “Related Investor Action” means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Vanessa A. Countryman
Secretary