

## Templeton, Gregg

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**From:** Management Committee  
**Sent:** Tuesday, January 27, 2015 11:48 AM  
**Subject:** Regulatory Settlements

Re: Regulatory Settlements

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You will see coverage in the news today regarding a settlement that the firm has entered into with the SEC and with FinCEN (the unit of the Dept. of the Treasury charged with enforcing the Bank Secrecy Act and Anti-Money Laundering regulations). The total payment to be made by the Company to fully settle this matter with both regulators is \$20 million. The total to be paid to each agency is \$10 million, payable \$5 million within 30 days and the balance to be paid two years from now. The second payment(s) will be collateralized by ARS owned by Oppenheimer that we have placed in a trust account. The full amount of this charge was recognized at June 30, 2014 even though the settlement is being announced today so there will be no financial impact of this settlement on the Company in 2015.

The amount of the settlement payment is significant for Oppenheimer (\$20,000,000) and the nature of the matters at issue requires that we provide our employees with some detail. You may recall that in August 2013, the firm entered into a settlement with FINRA with a payment of \$1.4 million regarding the trading of "penny stocks" in several of our branch offices during the period from 2009-2011. At the time of that settlement, we were unable to bring the SEC to the table on their review of what we believe was substantially the same activities and conduct. At about the same time, we received a "Wells Notice" from the SEC regarding the matter and we promptly responded with a Wells submission within the required time frame. These issues are covered in some detail in the firm's SEC Form 10-K and SEC Form 10-Q for the period from 2010 through the present time.

In February of last year, we received notice from the SEC that they were prepared to bring an action. It is important to note that during the period since 2011, the firm has made extensive changes to its low priced stock trading policies as well as to its AML procedures in line with an independent consultant's recommendations and what we believe to be required surveillance and oversight of these activities.

Our discussions with the SEC last year were at the highest level of their Enforcement Division, and it quickly became apparent to us, that the penalties to be sought by the SEC were without precedent for firms of our size.

In early April, we were surprised to receive a letter from FinCEN advising us of their intention to bring charges on certain AML aspects of the penny stock matter, despite the fact that, to our knowledge, they had never conducted an investigation. The addition of FinCEN to this mix, and their extraordinary ability to impact counter-party relationships, made it imperative that the firm reach a quick, if unsatisfactory settlement of these matters (although coordinating documentation with two agencies and obtaining various approvals took until early this year), most of which we believed had already been settled with FINRA over a year ago.

Oppenheimer, along with the financial services industry, finds itself in a new regulatory environment, as evidenced by both the number and the size of the settlements of regulatory matters announced in the last 18-24 months. The overlap of regulatory actions brought by different agencies emanating from the same or similar underlying facts is unprecedented.

These settlements have been extremely costly, and wipe out earnings from many months of effort by all the members of our firm. The firm will not be significantly affected in terms of our financial flexibility, but these issues are harmful to our reputation, upsetting to those of us who work so hard each day to do the right thing, and may affect our counter-party relationships in ways yet unknown. The press releases cast the firm in a most unfavorable light, which is extremely unfortunate, and not reflective of our large number of dedicated associates. In fact, this matter was based on activities of a very small number of employees.

It should go without saying that all of our employees need to undertake their daily activities with the highest ethical standards and in compliance with the rules and regulations governing our industry. We are giving more emphasis to compliance, business conduct, and have and will continue to increase surveillance of the activities of our company. We expect no less from each of you.

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