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9 **UNITED STATES DISTRICT COURT**  
10 **NORTHERN DISTRICT OF CALIFORNIA**

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13 **SECURITIES AND EXCHANGE**  
**COMMISSION,**

14 Plaintiff,

15 vs.

16 **CHARLES SCHWAB & CO., INC.,**

17 Defendant.  
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Case No. 3:18-cv-03942

**CONSENT OF DEFENDANT**  
**CHARLES SCHWAB & CO., INC.**

1           1. Defendant Charles Schwab & Co., Inc. (“Defendant”) waives service of  
2 a summons and the complaint in this action, enters a general appearance, and admits  
3 the Court’s jurisdiction over Defendant and over the subject matter of this action.

4           2. Without admitting or denying the allegations of the complaint (except as  
5 to personal and subject matter jurisdiction, which Defendant admits), Defendant  
6 hereby consents to the entry of the Final Judgment in the form attached hereto (the  
7 “Final Judgment”) and incorporated by reference herein, which, among other things:

8                   (a) permanently restrains and enjoins Defendant from violation of  
9                   Section 17(a) of the Securities Exchange Act of 1934 (“Exchange  
10                   Act”) [15 U.S.C. § 78q(a)] and Rule 17a-8 thereunder [17 C.F.R.  
11                   § 240.17a-8]; and

12                   (b) orders Defendant to pay a civil penalty in the amount of  
13                   \$2,800,000 under Section 21(d)(3) of the Exchange Act [15  
14                   U.S.C. § 78u(d)(3)].

15           3. Defendant agrees that it shall not seek or accept, directly or indirectly,  
16 reimbursement or indemnification from any source, including but not limited to  
17 payment made pursuant to any insurance policy, with regard to any civil penalty  
18 amounts that Defendant pays pursuant to the Final Judgment, regardless of whether  
19 such penalty amounts or any part thereof are added to a distribution fund or otherwise  
20 used for the benefit of investors. Defendant further agrees that it shall not claim,  
21 assert, or apply for a tax deduction or tax credit with regard to any federal, state, or  
22 local tax for any penalty amounts that Defendant pays pursuant to the Final  
23 Judgment, regardless of whether such penalty amounts or any part thereof are added  
24 to a distribution fund or otherwise used for the benefit of investors.

25           4. Defendant waives the entry of findings of fact and conclusions of law  
26 pursuant to Rule 52 of the Federal Rules of Civil Procedure.

27           5. Defendant waives the right, if any, to a jury trial and to appeal from the  
28 entry of the Final Judgment.

1           6. Defendant enters into this Consent voluntarily and represents that no  
2 threats, offers, promises, or inducements of any kind have been made by the  
3 Commission or any member, officer, employee, agent, or representative of the  
4 Commission to induce Defendant to enter into this Consent.

5           7. Defendant agrees that this Consent shall be incorporated into the Final  
6 Judgment with the same force and effect as if fully set forth therein.

7           8. Defendant will not oppose the enforcement of the Final Judgment on the  
8 ground, if any exists, that it fails to comply with Rule 65(d) of the Federal Rules of  
9 Civil Procedure, and hereby waives any objection based thereon.

10          9. Defendant waives service of the Final Judgment and agrees that entry of  
11 the Final Judgment by the Court and filing with the Clerk of the Court will constitute  
12 notice to Defendant of its terms and conditions. Defendant further agrees to provide  
13 counsel for the Commission, within thirty days after the Final Judgment is filed with  
14 the Clerk of the Court, with an affidavit or declaration stating that Defendant has  
15 received and read a copy of the Final Judgment.

16          10. Consistent with 17 C.F.R. 202.5(f), this Consent resolves only the claims  
17 asserted against Defendant in this civil proceeding. Defendant acknowledges that no  
18 promise or representation has been made by the Commission or any member, officer,  
19 employee, agent, or representative of the Commission with regard to any criminal  
20 liability that may have arisen or may arise from the facts underlying this action or  
21 immunity from any such criminal liability. Defendant waives any claim of Double  
22 Jeopardy based upon the settlement of this proceeding, including the imposition of  
23 any remedy or civil penalty herein. Defendant further acknowledges that the Court's  
24 entry of a permanent injunction may have collateral consequences under federal or  
25 state law and the rules and regulations of self-regulatory organizations, licensing  
26 boards, and other regulatory organizations. Such collateral consequences include, but  
27 are not limited to, a statutory disqualification with respect to membership or  
28 participation in, or association with a member of, a self-regulatory organization. This

1 statutory disqualification has consequences that are separate from any sanction  
2 imposed in an administrative proceeding. In addition, in any disciplinary proceeding  
3 before the Commission based on the entry of the injunction in this action, Defendant  
4 understands that it shall not be permitted to contest the factual allegations of the  
5 complaint in this action.

6 11. Defendant understands and agrees to comply with the terms of 17 C.F.R.  
7 § 202.5(e), which provides in part that it is the Commission's policy "not to permit a  
8 defendant or respondent to consent to a judgment or order that imposes a sanction  
9 while denying the allegations in the complaint or order for proceedings," and "a  
10 refusal to admit the allegations is equivalent to a denial, unless the defendant or  
11 respondent states that [it] neither admits nor denies the allegations." As part of  
12 Defendant's agreement to comply with the terms of Section 202.5(e), Defendant: (i)  
13 will not take any action or make or permit to be made any public statement denying,  
14 directly or indirectly, any allegation in the complaint or creating the impression that  
15 the complaint is without factual basis; (ii) will not make or permit to be made any  
16 public statement to the effect that Defendant does not admit the allegations of the  
17 complaint, or that this Consent contains no admission of the allegations, without also  
18 stating that Defendant does not deny the allegations; and (iii) upon the filing of this  
19 Consent, Defendant hereby withdraws any papers filed in this action to the extent that  
20 they deny any allegation in the complaint. If Defendant breaches this agreement, the  
21 Commission may petition the Court to vacate the Final Judgment and restore this  
22 action to its active docket. Nothing in this paragraph affects Defendant's: (i)  
23 testimonial obligations; or (ii) right to take legal or factual positions in litigation or  
24 other legal proceedings in which the Commission is not a party.

25 12. Defendant hereby waives any rights under the Equal Access to Justice  
26 Act, the Small Business Regulatory Enforcement Fairness Act of 1996, or any other  
27 provision of law to seek from the United States, or any agency, or any official of the  
28 United States acting in his or her official capacity, directly or indirectly,



1 reimbursement of attorney's fees or other fees, expenses, or costs expended by  
2 Defendant to defend against this action. For these purposes, Defendant agrees that  
3 Defendant is not the prevailing party in this action since the parties have reached a  
4 good faith settlement.

5 13. Defendant agrees that the Commission may present the Final Judgment  
6 to the Court for signature and entry without further notice.

7 14. Defendant agrees that this Court shall retain jurisdiction over this matter  
8 for the purpose of enforcing the terms of the Final Judgment.

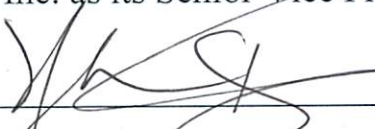
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10 Dated: June 26, 2018

CHARLES SCHWAB & CO., INC.

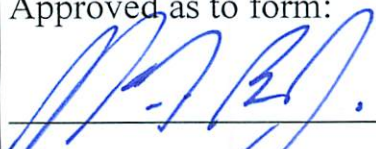
11 By: 

12 Mark P. Tellini  
13 Senior Vice President  
14 211 Main Street  
15 San Francisco, CA 94105

16 On June 26, 2018, Mark P. Tellini, a person known to me, personally appeared  
17 before me and acknowledged executing the foregoing Consent with full authority to  
18 do so on behalf of Charles Schwab & Co., Inc. as its Senior Vice President.

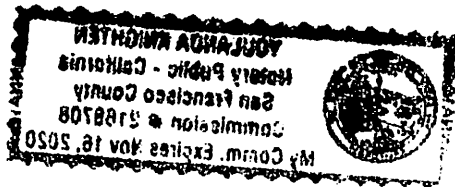
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20 Notary Public  
21 Commission expires:

22 Approved as to form:



23 Walter F. Brown, Jr.  
24 Orrick Herrington & Sutcliff  
25 405 Howard Street  
26 San Francisco, CA 94105  
27 Attorneys for Defendant  
28 Charles Schwab & Co., Inc.





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9 **UNITED STATES DISTRICT COURT**  
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13 **SECURITIES AND EXCHANGE**  
**COMMISSION,**  
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15 **Plaintiff,**  
16  
17 **vs.**  
**CHARLES SCHWAB & CO., INC.,**  
18  
**Defendant.**

Case No. 3:18-cv-03942

**FINAL JUDGMENT AS TO**  
**DEFENDANT CHARLES**  
**SCHWAB & CO., INC.**

1 The Securities and Exchange Commission having filed a Complaint and  
2 Defendant Charles Schwab & Co., Inc. having entered a general appearance;  
3 consented to the Court's jurisdiction over Defendant and the subject matter of this  
4 action; consented to entry of this Final Judgment without admitting or denying the  
5 allegations of the Complaint (except as to jurisdiction); waived findings of fact and  
6 conclusions of law; and waived any right to appeal from this Final Judgment:

7 I.

8 IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that Defendant is  
9 permanently restrained and enjoined from violating, directly or indirectly, Section  
10 17(a) of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C.  
11 § 78q(a)] and Rule 17a-8 promulgated thereunder [17 C.F.R. § 240.17a-8], by failing  
12 to comply with the reporting, recordkeeping, and record retention requirements of  
13 FinCEN's regulations implementing the Bank Secrecy Act, Chapter X of Title 31 of  
14 the Code of Federal Regulations, which, among other things, requires broker-dealers ,  
15 such as Schwab, to file Suspicious Activity Reports with FinCEN [31 C.F.R.  
16 § 1023.320(a)].

17 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, as  
18 provided in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also  
19 binds the following who receive actual notice of this Final Judgment by personal  
20 service or otherwise: (a) Defendant's officers, agents, servants, employees, and  
21 attorneys; and (b) other persons in active concert or participation with Defendant or  
22 with anyone described in (a).

23 II.

24 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant  
25 shall pay a civil penalty in the amount of \$2,800,000 to the Securities and Exchange  
26 Commission pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C.  
27 § 78u(d)(3)]. Defendant shall make this payment within 14 days after entry of this  
28 Final Judgment.



1 Defendant may transmit payment electronically to the Commission, which will  
2 provide detailed ACH transfer/Fedwire instructions upon request. Payment may also  
3 be made directly from a bank account via Pay.gov through the SEC website  
4 at <http://www.sec.gov/about/offices/ofm.htm>. Defendant may also pay by certified  
5 check, bank cashier's check, or United States postal money order payable to the  
6 Securities and Exchange Commission, which shall be delivered or mailed to

7 Enterprise Services Center  
8 Accounts Receivable Branch  
9 6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

10 and shall be accompanied by a letter identifying the case title, civil action number,  
11 and name of this Court; Charles Schwab & Co., Inc. as a defendant in this action; and  
12 specifying that payment is made pursuant to this Final Judgment.

13 Defendant shall simultaneously transmit photocopies of evidence of payment  
14 and case identifying information to the Commission's counsel in this action. By  
15 making this payment, Defendant relinquishes all legal and equitable right, title, and  
16 interest in such funds and no part of the funds shall be returned to Defendant. The  
17 Commission shall send the funds paid pursuant to this Final Judgment to the United  
18 States Treasury. Defendant shall pay post-judgment interest on any delinquent  
19 amounts pursuant to 28 USC § 1961.

20 III.

21 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that the  
22 Consent is incorporated herein with the same force and effect as if fully set forth  
23 herein, and that Defendant shall comply with all of the undertakings and agreements  
24 set forth therein.

IV.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that this Court shall retain jurisdiction of this matter for the purposes of enforcing the terms of this Final Judgment.

Dated: \_\_\_\_\_, 2018

\_\_\_\_\_  
UNITED STATES DISTRICT JUDGE

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