

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2014040269301**

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

RE: Ameriprise Financial Services, Inc., Respondent
Member Firm
BD No. 6363

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Ameriprise Financial Services, Inc. ("Ameriprise", "Respondent," or the "firm") 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 herein.

I.

ACCEPTANCE AND CONSENT

- A. Ameriprise hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

Ameriprise is headquartered in Minneapolis, Minnesota and has been a FINRA member since 1972. Ameriprise employs nearly 14,000 registered individuals and maintains approximately 3,800 branch offices.

RELEVANT DISCIPLINARY HISTORY

In March 2013, Ameriprise and its affiliated clearing firm, American Enterprise Investment Services Inc. ("AEIS"), were censured and fined \$750,000, jointly and severally, for, among other things, failing to establish, maintain, and enforce supervisory systems that were reasonably designed to review and monitor the transmittals of funds from customer accounts to third-party accounts, in violation of NASD Rules 3010, 3012, and 2110, and FINRA Rule 2010. In that matter, an Ameriprise registered representative converted approximately \$790,000 from two

customers by forging their signatures on approximately 85 wire transfer requests over a nearly four-year period from 2006-2010. *See* AWC No. 2010025157301.¹

OVERVIEW

Between October 2011 and September 2013 (the “relevant period”), Ameriprise failed to detect and prevent the conversion, via nine wires, of more than \$370,000 from five of its customers by one of its registered representatives. The conversion went undetected for two years because Ameriprise failed to establish, maintain, and enforce a supervisory system that was reasonably designed to adequately review and monitor the transmittal of funds from accounts of customers to third parties, including those controlled by registered representatives of the firm. Ameriprise consequently violated NASD Rules 3010 and 3012 and FINRA Rule 2010.²

FACTS AND VIOLATIVE CONDUCT

Facts

Conversion from Ameriprise Customers

From October 2011 to September 2013, a registered representative of the firm – who was working as a sales assistant and office manager (“the office manager”) – converted more than \$370,000 from five Ameriprise customers.³ The customers were the office manager’s family members, including his mother, step-father and grandparents as well as his domestic partner.⁴

The office manager was employed by another registered representative at Ameriprise, who was the owner of the practice (the “practice owner”). The practice owner ran his business through a limited liability company (“PFG”). The office manager converted the funds through a two-step process. First, he submitted wire request forms to transfer funds from the customers’ Ameriprise brokerage accounts into PFG’s bank account, allegedly for the intended purpose of making investments. He then converted funds from PFG’s bank account in order to pay himself additional salary, commissions he had not earned, and to otherwise take money to which he was not entitled.

¹ The settlement also included violations of Rule 30 of Regulation S-P, NASD Rule 3010, and FINRA Rule 2010.

² NASD Rules 3010 and 3012 were superseded by FINRA Rules 3110 and 3120, respectively, on December 1, 2014. Because the conduct addressed in this AWC occurred prior to December 1, 2014, NASD Rules 3010 and 3012 apply.

³ In June 2014, FINRA barred the office manager for some of the misconduct described herein.

⁴ The office manager also obtained additional monies from at least three of the customers from sources other than their Ameriprise brokerage accounts.

After Ameriprise discovered the misconduct in September 2013, it paid restitution, plus interest and related fees, to the customers for amounts converted from Ameriprise brokerage accounts.⁵

Ameriprise Failed to Recognize and Respond to Red Flags of the Conversion

The converted funds were initially transferred directly to the PFG bank account, which was owned by the practice owner. Ameriprise knew or should have known that the account belonged to one of its registered representatives, because, among other things, the firm paid the practice owner's compensation into the account.

As previously noted, the office manager submitted nine third-party wire transfers to move the money from the customers' accounts to the PFG bank account. Between May and July 2013, four of the wire transfers were flagged by Ameriprise personnel for possible signature discrepancies and, consequently, were reviewed by the firm's Anti-Fraud Operations Group. All four of those wire transfers, however, were approved by the Anti-Fraud Operations Group and processed by Ameriprise, despite discrepancies on the wire request forms. In addition, the Anti-Fraud Operations Group rejected an attempted June 18, 2013 wire transfer because the wire request form contained a "recycled" signature. The Anti-Fraud Operations Group attempted unsuccessfully to contact the customer, but no follow-up investigation into the wire request or the customer account was conducted and Ameriprise permitted a similar wire request from the same account to be processed weeks later.

Additionally, eight of the nine wire request forms were submitted to Ameriprise with facsimile coversheets bearing the name of PFG. For seven of those wires, PFG was also the named payee on the wire request forms. The one wire request form submitted via email, rather than facsimile, was sent from a PFG email address, again with PFG listed as the payee. All but three of the wire request forms indicated a fax time stamp between the hours of 10 p.m. and 3 a.m. Ameriprise employees, however, did not consider the facsimile coversheets, the sender's email address, and the time of receipt of the requests when processing and reviewing the wire transfers.

Ameriprise's Supervisory Failures Contributed to its Failures to Detect and Prevent the Conversion

As part of Ameriprise's March 2013 AWC with FINRA regarding its earlier failures to supervise third-party wire transmittals, the firm submitted a Corrective Action Statement setting forth various steps it had taken to prevent future violations. Although Ameriprise strengthened its procedures as a result of the

⁵ In total, Ameriprise paid \$563,161.59, plus interest and related fees, to the five customers as part of a settlement to resolve all claims by the customers. This figure included restitution for certain amounts that the office manager converted from sources other than the customers' Ameriprise brokerage accounts and amounts that the office manager converted directly to his bank account.

prior action, as discussed further below, the firm failed to effectively implement all of the revised procedures.

For example, Ameriprise implemented a new procedure to “refer all signature discrepancies on third-party wire transmittal requests from brokerage accounts to a centralized fraud team for further review and potential client outreach prior to processing the wires.” As discussed above, however, the centralized fraud team (or Anti-Fraud Operations Group) approved all four wire transfers referred to them but failed to speak with these clients to verify the wires prior to the transfer of funds.

In 2012, Ameriprise also implemented a report to identify potential red flags involving wire transmittals from customer accounts (“Report A”). But Report A was not reviewed by Ameriprise for a five-month period in 2013 because the employee responsible for reviewing the report was instructed by his supervisor to prioritize other work. Consequently, the Anti-Fraud Operations Group did not review four wires in May and July 2013 that appeared on the report until after the misconduct was discovered in September 2013.⁶

Beginning in 2012, Ameriprise also implemented another report to identify potential red flags involving wire transmittals from customer accounts (“Report B”). However, Report B employed a flawed design that did not identify all of the wire transmittals it was intended to flag for further review. In addition, even though three wires from 2013 did appear on the report, Ameriprise failed to investigate these three wires because the employee assigned to review Report B failed to review the report every month, as he was required to do.⁷

Ameriprise detected the office manager’s misconduct in September 2013, when another PFG employee found evidence in a trash can that the office manager had been practicing signing the signature of a family member from whom he had not yet converted funds. That employee then brought the evidence to the firm’s attention.

Violations

During the relevant period, NASD Rule 3010(a) required each member firm to “establish and maintain a system to supervise the activities of each registered representative, registered principal, and other associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable NASD rules.” Additionally, NASD Rule 3012(a)(2)(B)(i) required member firms to establish, maintain, and enforce written supervisory policies and procedures reasonably designed to review and monitor all transmittals of funds, including wires from customers to third-party accounts and between customers and the firm’s registered representatives.

⁶ These four wires were the same ones also flagged for the signature discrepancies discussed above.

⁷ The three wires that appeared on Report B also appeared on Report A.

As described above, Ameriprise failed to establish and maintain a system reasonably designed to supervise third-party wire transfers from its customers' accounts. Ameriprise failed to detect – over a period of nearly two years – the transfer of more than \$370,000 from multiple customer brokerage accounts into a bank account controlled by one of its own registered representatives. The firm also failed to observe and respond to numerous red flags when processing the wire transfer requests. Accordingly, Ameriprise violated NASD Rules 3010(a) and 3012(a)(2)(B)(i). By virtue of those violations, Ameriprise also violated FINRA Rule 2010.

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

1. Censure; and
2. A fine of \$850,000.

Ameriprise further agrees to certify to FINRA Enforcement, within 30 days of the issuance of this AWC, in a writing signed by a registered principal of Ameriprise, that it has adopted and implemented written supervisory policies and procedures reasonably designed to supervise third-party wire transfers from its customers' accounts. The certification shall be submitted by letter addressed to Jessica Zetwick-Skryzhynskyy, FINRA Department of Enforcement, 15200 Omega Drive, Suite 300, Rockville, Maryland 20850.

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

Ameriprise specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

Ameriprise 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, Ameriprise 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 acceptance or rejection of this AWC.

Ameriprise 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

Ameriprise 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 it; and
- C. If accepted:
 - 1. this AWC will become part of Ameriprise’s permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against it;
 - 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 the subject matter thereof in accordance with FINRA Rule 8313; and

4. Ameriprise 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. Ameriprise 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 Ameriprise's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

D. Ameriprise may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Ameriprise 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 or its staff.

The undersigned, on behalf of Ameriprise, 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 Ameriprise has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the Ameriprise to submit it.

9-2-16

Date (mm/dd/yyyy)


Ameriprise Financial Services, Inc.
Respondent

By: Christopher R. Long
Vice President & Chief Counsel, Regulatory Affairs

Reviewed by:




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Accepted by FINRA:

9/14/2016
Date

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



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