

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2014041679301

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

RE: Securities America, Inc., Respondent
CRD No. 10205

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Securities America, Inc. ("SAI" 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 SAI alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent 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

SAI has been a FINRA member since 1981 and is headquartered in La Vista, Nebraska. SAI engages in a general securities business. The Firm employs approximately 2586 registered representatives at more than 1450 branch offices.

RELEVANT DISCIPLINARY HISTORY

SAI has no relevant disciplinary history with the Securities and Exchange Commission, any state securities regulator, or any self-regulatory organization.

OVERVIEW

From May 1, 2009 to April 30, 2014 (the "Relevant Period"), SAI failed to apply sales charge discounts to certain customers' eligible purchases of unit investment trusts ("UITs") in violation of FINRA Rule 2010. In addition, SAI failed to establish, maintain and enforce a supervisory system and written supervisory procedures reasonably designed to ensure that customers received sales charge discounts on all eligible UIT purchases in violation of NASD Rule 3010 and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

A UIT is a type of Investment Company that issues securities, typically called "units," representing undivided interests in a relatively fixed portfolio of securities. UITs are generally issued by a sponsor that assembles the UIT's portfolio of securities, deposits the securities in a trust, and sells units of the UIT in a public offering. UIT units are redeemable securities that are issued for a specific term, and entitle an investor to receive his or her proportionate share of the UIT's net assets on redemption or at termination.

UIT sponsors offer investors a variety of ways to reduce the sales fee charged on a UIT purchase. The two most common methods to reduce the fee are "breakpoints," which allow investors to reduce the sales fee by increasing the size of their UIT investments, and discounts on "rollovers" and "exchanges"¹ (collectively "sales charge discounts").

On March 31, 2004, FINRA issued Notice to Members 04-26, *Unit Investment Trust Sales*, which reminded broker-dealers that they should develop and implement procedures to ensure customers receive available sales charge discounts for UITs. The Notice further stated that UIT transactions must take place "on the most advantageous terms available to the customer" and that it is the firm's responsibility to "take appropriate steps to ensure that they and their employees understand, inform customers about, and apply correctly any applicable price breaks available to customers in connection with UITs."

During the Relevant Period, SAI failed to identify and apply sales charge discounts to certain customers' eligible purchases of UITs. Specifically, SAI failed to apply sales charge discounts to 2,406 eligible UIT purchases resulting in customers paying excessive sales charges of approximately \$477,686.88. SAI has paid restitution to all affected customers. Based on the foregoing, SAI violated FINRA Rule 2010.

Also during the Relevant Period, SAI failed to establish, maintain and enforce a supervisory system and written supervisory procedures ("WSPs") reasonably designed to ensure customers received sales charge discounts on all eligible UIT purchases. SAI had no WSPs specifically governing the correct calculation of UIT discounts. Also, SAI relied on its registered representatives to ensure that customers received appropriate UIT sales charge discounts, despite the absence of any WSPs or training to effectively inform and train representatives and their

¹ UIT rollover and exchange discounts are generally offered to investors who use the redemption or termination proceeds from one UIT to purchase another UIT, either from the same UIT series (rollover) or a different UIT (an exchange). Generally, in order to receive the rollover or exchange discount, proceeds used to purchase the UIT must have come from a UIT transaction that occurred within the previous 30 days. In both rollovers and exchanges, the customer generally receives a discount of 1% of the public offering price.

supervisors to identify and apply such sales charge discounts. Based on the foregoing, SAI violated NASD Conduct Rules 3010(a) and (b) and FINRA Rule 2010.

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

- Censure;
- Fine of \$275,000; and
- Restitution to the affected customers in the total amount of \$477,686.88.²

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.

The imposition of a restitution order or any other monetary sanction herein, and the timing of such ordered payments, does not preclude customers from pursuing their own actions to obtain restitution or other remedies.

Respondent specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter. The sanctions imposed herein shall be effective on a date set by FINRA staff.

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.

² SAI paid full restitution and provided proof of payment to FINRA Staff.

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 acceptance or rejection of this AWC.

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;
- C. If accepted:
 1. this AWC will become part of Respondent'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. 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 its: (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; and

- 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 or its staff.

The undersigned, on behalf of the Firm, 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 the Firm 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 Firm to submit it.

Securities America, Inc., Respondent

09/15/2015
Date (mm/dd/yyyy)

By: Mark T. Leonard

Reviewed by:

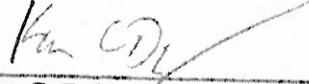


Kevin Miller
Executive Vice President and General Counsel
Securities America, Inc.

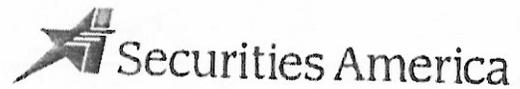
Accepted by FINRA:

10/19/15
Date (mm/dd/yyyy)

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



Karen C. Daly
Principal Regional Counsel
FINRA Department of Enforcement
1835 Market Street, 19th Floor
Philadelphia, PA 19103
Tel: (215) 209-7090
Fax: (215) 496-0434
E-Mail: karen.daly@finra.org



September 15, 2015

Ms. Karen C. Daly
Principal Regional Counsel
FINRA Department of Enforcement
1835 Market Street
Philadelphia, PA 19103

Re: Corrective Action Statement to Letter of Acceptance, Waiver and Consent
(Investigation No. 2014041679301)

Dear Ms. Daly,

I am responding on behalf of Securities America, Inc. ("SAI") to the above referenced Letter of Acceptance, Waiver and Consent ("AWC"). The AWC related to SAI's support and supervision of its unit investment trust ("UIT") sales charge discount processes. The findings in the AWC have been addressed and mitigated as explained in this Corrective Action Statement.

This Corrective Action Statement is submitted by Securities America, Inc. It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA, or its staff.

In response to the UIT sales charge discount findings for the time period of May 1, 2009 to April 30, 2014 ("Sweep Period"), in March 2015, SAI issued total credits of \$519,183.56 (including interest) to 992 current and former SAI clients.

In addition to the client reimbursements, SAI improved controls and processes related to its UIT sales charge processes as follows:

Monitoring/Surveillance

- a. In September 2014, three UIT surveillance reports were implemented at SAI:
 - i. Daily report to help determine whether recent client UIT purchases were traded with correct breakpoints or rollover discounts.
 - ii. Monthly report to identify client accounts selling UITs held less than 12 months. Transactions identified as being held less than one year are forwarded to SAI's Supervision group for follow-up, including possibly obtaining advisor explanations, requiring advisor training, or issuing cautionary letters or fines to advisors.

- iii. Monthly report to identify multiple client UIT buys under breakpoint schedules. (This was implemented because UIT breakpoints could potentially be avoided by advisors entering smaller purchase orders over multiple days.)
- b. In January 2015, SAI implemented a report to identify client household UIT purchases done on the same day where the accumulated purchase amounts are within five percent (5%) of a UIT breakpoint.

Targeted Communications and Awareness

- a. Notifications via Daily EStar. SAI sends a firm-wide communication to all of its associated persons on a daily basis. These email communications, called EStars, contain brief updates such as market commentary, regulatory developments, compliance notices, product information, etc. On three separate dates, October 29, 2014; March 4, 2015; and June 4, 2015, the daily EStar communication contained an "Important Notice" from SAI Compliance regarding UITs as follows:

Verify UIT Breakpoint Pricing — Advisors are responsible for ensuring clients receive the appropriate breakpoint pricing and rollover discounts for unit investment trust (UIT) transactions. Multiple purchases in UITs for individual clients should not be made over time for the purpose of avoiding breakpoints. Please read the complete reminder. Please contact Wealth Management Product Strategies Team at 800-747-6111, option 2 with questions.

Each notification contained a link to a SAI Wealth Management bulletin regarding UIT breakpoint pricing, titled, "Reminder to Verify UIT Breakpoint Pricing." A copy of that bulletin is attached.

- b. Wealth Management Bulletin. The SAI Wealth Management Product Strategy Group issues Wealth Management Bulletins as needed to educate SAI advisors on various topics. The Wealth Management bulletin linked to the three EStar communications explained in the previous section remains accessible to all SAI advisors via the Wealth Management section of the SAI intranet site.
- c. Targeted Communications. In March 2015, SAI's Surveillance team contacted every SAI advisor still associated with SAI who had clients who had missed UIT discounts during the Sweep Period. (Telephone calls and emails were made or sent to advisors who had total missed discounts of \$1,000 or more; emails were sent to advisors who had total missed discounts of \$1,000 or less.) The Surveillance team provided advisors with background information on the FINRA sweep and also fielded questions. The talking points guidance that Surveillance used with these advisors is attached.

Training/Continuing Education

SAI's content for its 2015 Annual Compliance Meeting contains information on UIT sales charge discounts and breakpoints. Attached are the Annual Compliance Meeting slides and talking points covering the UIT content.

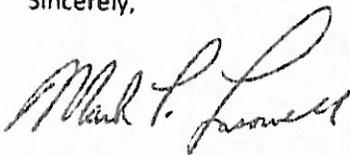
To facilitate further education on UITs, throughout 2015, SAI also intends to continue to provide UIT information to our advisors via EStar communications and the periodic newsletter issued by SAI's Compliance department.

Policies/Written Supervisory Policies

The reporting processes referenced in the above "Monitoring/Surveillance" section have been incorporated into our firm's Written Supervisory Procedures. Attached is a copy of the "UIT Surveillance for Missed Breakpoints and Rollover Discounts" written supervisory procedure.

Please contact me if you have any questions regarding the corrective actions taken.

Sincerely,



Mark T. Lasswell
Senior Vice President and Chief Compliance Officer

cc: Kevin Miller, Executive Vice President and General Counsel

Enclosures