

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2014042689901**

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

RE: Wells Fargo Advisors, LLC, Respondent
Member
CRD No. 19616

Wells Fargo Advisors Financial Network, LLC, Respondent
Member
CRD No. 11025

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondents Wells Fargo Advisors, LLC ("WFA") and Wells Fargo Advisors Financial Network, LLC ("WFAFN," and together with WFA, "Wells Fargo" or "Respondents") submit 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 either WFA or WFAFN alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. WFA and WFAFN hereby accept and consent, 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

WFA maintains its principal place of business in St. Louis, Missouri. It is a full-service broker-dealer that became a FINRA-registered firm in 1987. WFA has nearly 27,000 registered representatives located in its headquarters and more than 7,000 branches.

WFAFN also is a full-service broker-dealer that became a FINRA-registered firm in 1983. WFAFN is under common control with WFA and has nearly 1,900 registered representatives and nearly 700 branch offices.

RELEVANT DISCIPLINARY HISTORY

Respondents have no relevant disciplinary history.

OVERVIEW

From at least July 1, 2009 through September 12, 2014 (the "Relevant Period"), WFA and WFAFN disadvantaged certain retirement plan and charitable organization customers that were eligible to purchase Class A shares in certain mutual funds without a front-end sales charge ("Eligible Customers"). These Eligible Customers were instead sold Class A shares with a front-end sales charge or Class B or C shares with back-end sales charges and higher ongoing fees and expenses. During the Relevant Period, WFA and WFAFN each failed to establish and maintain a supervisory system and procedures reasonably designed to ensure that Eligible Customers who purchased mutual fund shares received the benefit of applicable sales charge waivers. As a result, both WFA and WFAFN violated NASD Conduct Rule 3010 and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

Wells Fargo Failed to Identify and Apply Available Sales Charge Waivers to Eligible Retirement Accounts and Charitable Organizations

Wells Fargo sells mutual funds with different classes of shares representing interests in the same portfolio of securities, but differing in the structure and amount of both sales charges paid directly by shareholders and continuous, asset-based fees assessed on each shareholder's investment. Share class features, including fees and expenses and available sales charge waivers, are described by each mutual fund in its prospectus and/or statement of additional information.

Class A shares typically are subject to a front-end sales charge when originally purchased, and have annual fund expenses, including ongoing distribution and service fees ("fees") that are typically 0.25 percent. The majority of the front-end charge is paid to the selling broker-dealer as a concession. Investors purchase Class A shares at the applicable Net Asset Value ("NAV"), plus the initial sales charge. Most funds, however, offer certain investors a waiver of the initial sales charge associated with Class A shares under certain circumstances ("sales charge waiver").

Class B and C shares typically do not carry a front-end sales charge but have significantly higher distribution and service fees (typically 1.00 percent) and may be subject to a contingent deferred sales charge ("CDSC").

Some mutual funds offer Class R shares for purchase by certain retirement plans. Class R shares typically are sold without a front-end sales charge. However, Class R shares typically have higher fees than Class A shares.

The different sales charges, breakpoints, waivers and fees associated with different share classes affect mutual fund investors' returns. If an investor qualifies for a Class A sales charge waiver and purchases Class A shares, the investor will not pay a front-end sales load. In contrast, a purchase of Class B or C shares of the same fund will be subject to higher ongoing fees, as well as potential application of a CDSC. Therefore, if an investor qualifies for a Class A sales charge waiver, there would be no reason for the investor to purchase any other class of shares that has a sales load and/or higher annual expenses.

Many mutual funds waive the up-front sales charges associated with Class A shares for certain retirement plans and/or charitable organizations. Some of the mutual funds available on Wells Fargo's retail platform during the Relevant Period offered such waivers and disclosed those waivers in their prospectuses. Notwithstanding the availability of the waivers, Wells Fargo failed to apply the waivers to mutual fund purchases made by Eligible Customers and instead sold them Class A shares with a front-end sales charge or Class B or C shares with back-end sales charges and higher ongoing fees and expenses. These sales disadvantaged Eligible Customers by causing such customers to pay higher fees than they were actually required to pay.

Wells Fargo's Supervisory Failures

During the Relevant Period, Wells Fargo failed to reasonably supervise the application of sales charge waivers to eligible mutual fund sales. WFA and WFAFN relied on their financial advisors to determine the applicability of sales charge waivers, but failed to maintain adequate written policies or procedures to assist financial advisors in making this determination. For instance, both WFA and WFAFN failed to establish and maintain written procedures to identify applicable sales charge waivers in fund prospectuses for Eligible Customers.

In addition, WFA and WFAFN failed to adequately notify and train their financial advisors regarding the availability of mutual fund sales charge waivers for Eligible Customers. Finally, WFA and WFAFN failed to adopt adequate controls to detect instances in which they did not provide sales charge waivers to Eligible Customers in connection with their mutual fund purchases.

By failing to reasonably supervise mutual fund sales to ensure that Eligible Customers who purchased mutual fund shares received the benefit of applicable sales charge waivers, WFA and WFAFN each violated NASD Conduct Rule 3010 and FINRA Rule 2010.

Wells Fargo's Investigation and Self-Reporting to FINRA

In June 2014, Wells Fargo began a review to determine whether WFA and WFAFN had provided available sales charge waivers to Eligible Customers.

Based on this review, in September 2014, Wells Fargo self-reported to FINRA that Eligible Customers had not received available sales charge waivers. Wells Fargo estimates that, during the Relevant Period, approximately 35,000 accounts purchased mutual fund shares for which an available sales charge waiver was not applied. As a result of the failure of WFA and WFAFN to apply available sales charge waivers, Wells Fargo estimates that Eligible Customers were overcharged by approximately \$13 million for mutual fund purchases made during the Relevant Period. As part of this settlement, Wells Fargo agrees to pay restitution to Eligible Customers on the terms specified below, which is estimated to total \$15 million (*i.e.*, the amount Eligible Customers were overcharged) inclusive of interest. Wells Fargo will also ensure that retirement and charitable waivers are appropriately applied to all future transactions.

OTHER FACTORS

In resolving this matter, FINRA has recognized the extraordinary cooperation of Wells Fargo for having: (1) initiated, prior to detection or intervention by a regulator, an investigation to identify whether Eligible Customers received sales charge waivers during the Relevant Period; (2) promptly established a plan of remediation for Eligible Customers who did not receive appropriate sales charge waivers; (3) promptly self-reported to FINRA; (4) promptly taken action and remedial steps to correct the violative conduct; and (5) employed subsequent corrective measures, prior to detection or intervention by a regulator, to revise its procedures to avoid recurrence of the misconduct.

B. Wells Fargo also consents to the imposition of the following sanctions:

1. A censure; and
2. Wells Fargo agrees to provide restitution to Eligible Customers on or before September 30, 2015, calculated as follows:
 - a. For each Eligible Customer that paid an initial sales charge for any of the funds identified on Schedule A (“Eligible Funds”),¹ Wells Fargo shall refund the sales charge paid, plus interest, from the date of purchase through the payment date at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2) (the “IRS Rate”).
 - b. For each Eligible Customer that purchased shares other than Class A shares (*i.e.*, B or C shares or their equivalents) of an Eligible

¹ Some Eligible Funds offered waivers for only certain types of retirement plan or charitable organization accounts, offered waivers for only part of the Relevant Period, or imposed plan- or charitable organization-specific eligibility criteria such as minimum plan asset size or numbers of participants. Some Eligible Funds offered waivers for only retirement plan accounts or only charitable organization accounts. Accordingly, not all retirement plan or charitable organization customers who purchased shares of Eligible Funds during the Relevant Period qualified for a waiver.

Fund, Wells Fargo shall pay restitution to the customer sufficient to place the customer in a substantially equivalent financial position to the position in which the customer would have been had the customer purchased Class A shares at NAV. The restitution will include: (i) using an estimate of 75 basis points as the expense differential, the asset-based expense differential for the Class B or C share purchases, from the date of such purchases through the earlier of September 30, 2015, or the date on which a customer sold such shares, transferred such shares, or had their B or C share holdings converted to Class A shares pursuant to Section I.B.3 below; (ii) CDSCs for eligible sales at, and transfers from, Wells Fargo; and (iii) interest for these amounts from the settlement date of each qualifying purchase, sale, or transfer through the date restitution payments are directed to Eligible Customers, at the IRS rate.

- c. A registered principal on behalf of WFA and WFAFN shall submit satisfactory proof of payment of restitution or of reasonable and documented efforts undertaken to effect restitution. Such proof shall be submitted to Thomas K. Anderson, Senior Regional Counsel, FINRA Enforcement, 55 West Monroe Street, Suite 2700, Chicago, Illinois 60603 either by letter that identifies Respondents and the case number or by e-mail from a work-related account of the registered principal(s) of Respondents to EnforcementNotice@FINRA.org. This proof shall be provided to the FINRA staff member listed above no later than November 30, 2015.
 - d. If for any reason Wells Fargo cannot locate any Eligible Customer after reasonable and documented efforts, Wells Fargo shall move the money to the appropriate escheat account. Respondents will follow the standard escheatment process, adhering with each state's required time frames based on the state in which the customer is last known to have resided. Wells Fargo shall provide satisfactory proof of such action to the FINRA staff member identified above and in the manner described above, within 14 days of moving the undistributed restitution and interest to the appropriate escheat account.
 - e. Upon written request showing good cause, FINRA staff may extend any of the procedural dates set forth above; and
3. With respect to any Eligible Customer that purchased Class B or C shares and still holds such shares in an account at the Firm, Wells Fargo shall offer such customer the option of converting such Class B or C shares to Class A shares ("Conversion Option"). If an Eligible Fund does not

permit conversion of Class B or C shares to Class A shares, the Eligible Customer shall be provided the option of replacing Class B or C shares with an equivalent value of Class A shares offered by another Eligible Fund. Upon the election of an Eligible Customer to convert the Eligible Customer's Class B or C shares to Class A shares, Wells Fargo shall cause such conversion to occur at no expense to the Eligible Customer. Wells Fargo shall provide Eligible Customers with notice of, and the right to exercise the Conversion Option on or before August 28, 2015.

Wells Fargo has specifically and voluntarily waived any right to claim an inability to pay at any time hereafter the restitution and any monetary sanctions imposed in this matter.

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.

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

II.

WAIVER OF PROCEDURAL RIGHTS

Respondents specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against them;
- 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, Respondents specifically and voluntarily waive 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.

Respondents further specifically and voluntarily waive 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

Respondents understand 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 Respondents; and
- C. If accepted:
 - 1. this AWC will become part of Respondents' permanent disciplinary records and may be considered in any future actions brought by FINRA or any other regulator against either of Respondents;
 - 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. Respondents 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. Respondents 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 Respondents': (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. Respondents may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondents understand that they 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 both Respondents, certifies that a person duly authorized to act on its behalf has read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that Respondents have 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 Respondents to submit it.

Date (06/30/2015)

Wells Fargo Advisors, LLC, Respondent

By: *Dan Moorman*
Dan Moorman, Managing Director

Date (06/30/2015)

Wells Fargo Advisors Financial Network, LLC,
Respondent

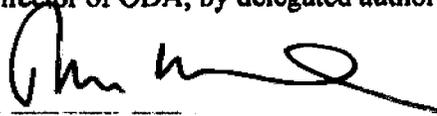
By: *Dan Moorman*
Dan Moorman, Managing Director

Thomas Hennessey, Esq.
Counsel for Respondent
Morgan Lewis & Bockius LLP
One Federal Street
Boston, Massachusetts
617.951.8520

Accepted by FINRA:

7/6/15
Date

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



Thomas K. Anderson
Senior Regional Counsel
FINRA Department of Enforcement
55 West Monroe Street, Suite 2700
Chicago, Illinois 60603
Tel. 312.899.4673
Fax 202.721.8396

SCHEDULE A

**ABERDEEN ASSET MANAGEMENT
AIM
ALPINE FUNDS
AMERICAN BEACON FUNDS
AMERICAN CENTURY INVESTMENT FUNDS
AMERICAN FUNDS
API TRUST FUNDS
BLACKROCK
BURNHAM INVESTORS TRUST
CALAMOS FUNDS
CALVERT GROUP
CENTER COAST FUNDS
COHEN & STEERS FUNDS
COLUMBIA FUNDS
COLUMBIA ACORN
CREDIT SUISSE FUNDS
DAVIS FUNDS
DIAMOND HILL FUNDS
DREYFUS
DWS FUNDS
EATON VANCE
FIDELITY
FIRST INVESTORS FUNDS
FORWARD FUNDS
FPA FUNDS
FRANKLIN TEMPLETON
GABELLI FUNDS LLC
GOLDMAN SACHS FUNDS
GUGGENHEIM INVESTMENTS FUNDS
HARTFORD MUTUAL FUNDS
HENDERSON GLOBAL FUNDS
HIGHLAND FUNDS
HOMESTEAD FUNDS
HOTCHKIS & WILEY FUNDS
ICON FUNDS
INTEGRITY VIKING FUNDS
INVESCO INVESTMENTS FUNDS
IVA FUNDS
JOHN HANCOCK FUNDS
JPMORGAN FUNDS
KEELEY FUNDS
LIBERTY STREET FUNDS
LOOMIS SAYLES FUNDS
LORD ABBETT FUNDS
MAINGATE FUNDS
MAINSTAY FUNDS
MELLON FUNDS
MORGAN STANLEY
MORGAN STANLEY INSTITUTIONAL FUNDS
NATIONWIDE FUNDS
NATIXIS FUNDS
NEUBERGER BERMAN FUNDS
NEW ALTERNATIVES FUND
NUVEEN INVESTOR SERVICES
OPPENHEIMER FUNDS
PACIFIC ADVISORS
PIONEER INVESTMENTS
PRINCIPAL FINANCIAL GROUP
QUAKER FUNDS INC**

RBB FUNDS
RBC
RS FUNDS
RUSSELL
STADION INVESTMENT TRUST
STEELPATH MLP
STERLING CAPITAL FUNDS
STRATEGIC PARTNERS MUTUAL FUNDS
THORNBURG FUNDS
TIMOTHY PLAN
TOUCHSTONE FUNDS
TRANSAMERICA
UBS GLOBAL ASSET MANAGEMENT
VAN KAMPEN
VICTORY FUNDS
VIRTUS FUNDS
WELLS FARGO ADVANTAGE FUNDS
WORLD FUNDS, INC.