FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2007011933101

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

RE: H&R Block Financial Advisors, Inc. (n/k/a Ameriprise Financial Services, Inc.), Respondent
CRD No. 5979

Andrew W. MacGill, Respondent
General Securities Representative
CRD No. 1302000

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, H&R Block Financial Advisors, Inc. (n/k/a Ameriprise Financial Services, Inc.) ("H&R Block") and Andrew W. MacGill ("MacGill") (collectively, the "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 Respondents alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

A. Respondents 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

H&R Block is a registered broker-dealer and has been a FINRA member since 1971. In November 2008, H&R Block was acquired by Ameriprise Financial Services, Inc. ("Ameriprise"). Since the time of the acquisition, H&R Block has conducted business as Ameriprise Advisor Services, Inc. or Ameriprise. The firm's main office is located in Detroit, Michigan. The firm has approximately 205 active branch offices, approximately 1844 registered personnel and approximately 974 non-registered associated personnel.

H&R Block has a disciplinary history that includes the following relevant matter: On June 22, 2007, H&R Block consented to the entry of findings and a fine in the amount of $45,000 for violating NYSE Rule 345(a) by permitting persons who were not registered with or qualified by NYSE to perform duties of registered representatives and permitting an individual to directly supervise registered representatives without having first been registered with or qualified by NYSE, and for violating NYSE Rule 342.17 by failing to provide for surveillance and follow-up to ensure implementation of and adherence to policies and procedures developed in connection with review of email communications and review of correspondence of branch office managers.

Andrew MacGill entered the securities industry in August 1984 as an associated person with Shearson Lehman Brothers. He became registered with FINRA on October 26, 1984 as a General Securities Representative. MacGill became associated with H&R Block on March 11, 2005. Since then and at all times relevant herein, MacGill was registered as a General Securities Representative through H&R Block.

MacGill has no disciplinary history.

OVERVIEW

During the period from January 2004 through December 2007, H&R Block failed or neglected to establish and implement an adequate system and written procedures for the supervision of sales of reverse convertible notes ("RCNs") in the accounts of retail customers in that H&R Block did not have an adequate system or procedure in place to effectively monitor customer accounts for potentially unsuitable levels of concentration in RCNs. As a result, the firm failed to detect and respond to indications of potential over-concentration in RCNs in numerous customer accounts.

In addition, during the period from May 2007 through November 2007, Andrew MacGill recommended to H&R Block customers AS and LS, husband and wife, identified in Attachment A, and effected in their accounts, nine (9) purchases of RCNs without having reasonable grounds for believing that the transactions were suitable for them.

FACTS AND VIOLATIVE CONDUCT

i. H&R Block Failed to Establish and Implement an Adequate System and Written Procedures for the Supervision of RCNs in the Accounts of Retail Customers

Background on Reverse Convertible Notes

RCNs are unsecured short-term notes of an issuer (commonly a bank or financial institution) that are tied to an underlying, or "linked," equity (typically not the

issuer's) and which pay a fixed coupon rate. Typical maturity periods are three (3), six (6), and twelve (12) months, with coupon rates ranging from eight (8) to thirty (30) percent (annualized). At maturity, the investor will receive the interest payment plus either 100 percent of his original investment amount, or a predetermined number of shares of the linked equity (which, at the time of maturity, may be worth less than the original investment amount), depending on the performance of the linked equity during the term of the note and the share price of the linked equity at market close on the date of maturity.

In return for the high coupon, the investor bears the downside risk of the linked equity (under what is known as the "basic" structure), or much of the downside risk (under what is known as the "knock-in" structure). In a "basic" structure RCN, the investor's initial investment is paid back if, on the date of maturity, the shares of the linked equity close at or above a pre-determined price. However, if at maturity the shares close below the pre-determined price, even if the shares had not closed below that price at any time during the holding period, the investor receives shares of the linked equity in lieu of his initial investment. A "knock-in" RCN, by contrast, provides some degree of downside protection by conditioning the payment of shares (in lieu of principal) on the linked equity closing below the pre-determined share price both on the date of maturity and on at least one prior date during holding period.

Risks associated with an RCN investment are lack of liquidity, volatility in pre-maturity value due to fluctuations in the share price of the linked equity, and exposure to equity markets. The advantage is a higher coupon rate than that of a comparable note issued by corporations of the same credit rating. Finally, the credit rating typically assigned to an RCN represents solely an opinion on the creditworthiness of the entity that issued the RCN and does not take into consideration risks associated with the particular RCN's linked equity.

H&R Block's Supervisory System and Procedures for RCNs

During the relevant period, H&R Block utilized a commercially-available automated surveillance system to facilitate supervisory review of securities transactions and to monitor customer accounts for certain conditions and events. The surveillance system would flag transactions or accounts that met certain pre-determined parameters established by the firm relating to, for example, threshold values for account turnover and concentration levels in a particular security or particular class of security. Transactions and accounts flagged by the system were to be reviewed by branch office managers. For transactions, the branch office manager was required to assess the suitability of the transaction for the specific customer and approve or deny the transaction on that basis.

The firm's surveillance system, however, was not configured or designed to monitor the aggregate concentration level of RCN positions in customer accounts, and no alternative effective means was established or implemented to monitor the aggregate concentration level of RCN positions in customer accounts. As a result,

H&R Block failed to detect and respond to indications of potentially unsuitable RCN concentration levels in numerous customer accounts. Finally, the firm's procedures did not provide sufficient guidance to branch office managers on how to assess suitability in the context of RCN suitability.

Member Firm Responsibilities Concerning Sales of Structured Products

In September 2005, FINRA issued Notice to Members 05-59 providing guidance to member firms about their obligations when selling structured products such as RCNs, especially to retail customers. One of the obligations addressed in the Notice was the requirement that member firms implement systems and written procedures that are reasonably designed to ensure that sales of structure products comply with the suitability requirements of NASD Conduct Rule 2310. FINRA specifically cautioned members that, the derivative component of structured products and the potential loss of the principal for many such products may make them unsuitable for investors seeking alternatives to debt securities. It also noted that, while structured products pay interest like debt securities, they often exhibit very different profit and loss potential and may be more akin to an options contract. For that reason, FINRA suggested that firms "consider whether purchases of some or all structured products should be limited to investors that have accounts that have been approved for options trading." FINRA also suggested that members not make generalized conclusions about the suitability of a structured product, and that, in assessing the suitability of certain structured products for a specific customer, "the volatility of the reference asset upon which total return of the investment depends will be an important factor in determining whether it is suitable."

By failing to establish an adequate system or procedure to monitor customer accounts for potentially unsuitable levels of concentration in RCNs, and by failing to provide sufficient guidance to its branch office managers on how to assess suitability in the context of RCN concentrations, H&R Block violated NASD Conduct Rules 3010(a) and (b) and 2110.

ii. Unsuitable Recommendations by Respondent MacGill

During the period from May 2007 through November 2007, Respondent MacGill recommended and executed nine (9) purchases of RCNs in the accounts of H&R Block customers AS and LS, husband and wife. Following MacGill's recommendations, AS and LS invested more than forty (40) percent of their total liquid net worth in RCNs over this time period. This concentrated position in RCNs exposed AS and LS to a risk of loss that exceeded their risk tolerance and investment objectives. The position also ultimately resulted in substantial loss because many of the RCNs, upon maturing, assigned shares of the linked equity (in lieu of returning principal) worth substantially less than the amount of the principal investment, and these assigned shares were then sold by AS and LS. MacGill's recommendations to AS and LS resulted in an unsuitable level of

concentration in RCNs in their accounts, and thus were in violation of NASD Conduct Rules 2310 and 2110.

B. Respondents also consent to the imposition of the following sanctions:

For Respondent MacGill: (i) a suspension from associating with any FINRA member firm in any capacity for a period of fifteen (15) business days and (ii) a monetary fine in the amount of $12,023, of which $2,023 constitutes disgorgement of the commissions he earned from the sales of RCNs to AS and LS.

For Respondent H&R Block: (i) a censure, (ii) a monetary fine in the amount of $200,000, and (iii) an order to pay restitution to AS and LS in the amount of $75,000. Satisfactory proof of payment of the restitution or of reasonable and documented efforts undertaken to effect restitution shall be provided to FINRA staff (New Orleans District Office) no later than 120 days after issuance of this AWC. Respondent H&R Block shall notify FINRA if, for any reason, the firm cannot locate AS and LS after reasonable and documented efforts within such period, or such additional period agreed to by the staff. Respondent H&R Block shall forward any undistributed restitution to the appropriate escheat, unclaimed property, or abandoned property fund for the state in which AS and LS are last known to have resided.

Respondents agree to pay the respective monetary sanctions imposed on them upon notice that this AWC has been accepted and that such payment is due and payable. Respondents each have submitted an Election of Payment form showing the method by which each proposes to pay the respective monetary fine. Respondents each specifically and voluntarily waive any right to claim that he/it is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

Respondent MacGill understands that if he is barred or suspended from associating with any FINRA member, he becomes subject to a statutory disqualification as that term is defined in Section 3(a)(39) of the Securities Exchange Act of 1934, as amended, and that he may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

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

II.

WAIVER OF PROCEDURAL RIGHTS

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

A. To have a Complaint issued specifying the allegations against him/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, Respondents each specifically and voluntarily waive any right to claim bias or prejudgment of the General Counsel, 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.

Further, Respondents each 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 their permanent disciplinary records and may be considered in any future actions brought by FINRA or any other regulator against Respondents;

2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondents' disciplinary records;

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 either Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

D. Respondent H&R Block has attached a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct and to ensure compliance with NASD Conduct Rule 3010 with respect to the supervision of concentration of reverse convertible securities in the accounts of retail customers. 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.

Respondents certify below that they have 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 the provisions of this AWC voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a Complaint, has been made to induce Respondents to submit this AWC.

Date

H&R Block Financial Advisors, Inc. (n/k a Ameriprise Financial Services, Inc.), Respondent

By:

Reviewed by:

January 5, 2010
Date

Andrew W MacGill
Andrew W. MacGill, Respondent

Reviewed by:

December 23, 2009
Date

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By: Thomas A. Roberts

Reviewed by:

Accepted by FINRA:

February 11, 2010
Date

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

Mark J. Fernandez
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