

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2014040269302**

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

RE: Peter Frederick Butler, Respondent
Registered Representative and Principal
CRD No. 1942182

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I 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 me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I 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

Peter Frederick Butler entered the securities industry in June 1989, when he first became registered with a FINRA member as an Investment Company Products/Variable Contracts Representative. He obtained his Series 6 license in June 1989, Series 26 license in February 1997, Series 7 license in February 2000, Series 9 license in December 2003, and Series 10 license in January 2004.

Butler is currently registered with Ameriprise Financial Services, Inc. ("the Firm" or "Ameriprise"), as a General Securities Sales Supervisor, General Securities Representative, Investment Company Products/Variable Contracts Principal, and Investment Company Products/Variable Contracts Representative. He has been registered with Ameriprise since March 2010.

OVERVIEW

Between April 2010 and September 2013 (the "relevant period"), Butler failed to reasonably supervise an Ameriprise registered representative who was employed

by Butler as a sales associate and office manager (“the office manager”). Because of his lack of adequate supervision, Butler failed to detect and prevent the office manager from converting money from Ameriprise customers and from Butler’s business, the Partners Financial Group, LLC (the “Partners Group”). As a result, Butler violated NASD Rule 3010(a)¹ and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

Facts

Conversion from the Partners Group and Ameriprise Customers

From as early as April 2010 to September 2013, the office manager – in his position at the Partners Group – handled the business’s finances, including controlling the Partners Group’s bank accounts, credit cards, and payroll processing. The office manager used this control to convert funds from the Partners Group in order to pay himself additional salary and unauthorized commissions, as well as to otherwise take money to which he was not entitled.²

Although the office manager’s conversion initially was directed at the Partners Group, beginning in October 2011, he began converting funds from five Ameriprise customers, who were also the office manager’s family members and domestic partner, by depositing those funds into the Partners Group bank account, from which he continued to make unauthorized withdrawals. From October 2011 to September 2013, the office manager converted more than \$370,000 via wire request from customer brokerage accounts held at Ameriprise.³

The office manager converted customer funds by submitting wire request forms to transfer funds from the customers’ Ameriprise brokerage accounts into the Partners Group’s bank account, allegedly for the intended purpose of making investments. Unbeknownst to the customers, their funds were actually being used to further the office manager’s conversion scheme.⁴

¹ NASD Rule 3010 was superseded by FINRA Rule 3110 on December 1, 2014. Because the conduct addressed in this AWC occurred prior to December 1, 2014, NASD Rule 3010 applies.

² In June 2014, FINRA barred the office manager for some of the misconduct described herein.

³ The office manager was able to obtain thousands more from at least three of the customers from sources other than their Ameriprise accounts. Additionally, he transferred some of the converted funds directly to his bank account, rather than to the Partners Group account.

⁴ Ameriprise paid restitution, plus interest and related fees, to the customers for amounts converted from Ameriprise brokerage accounts, as well as for certain amounts that the office manager converted from sources other than the customers’ brokerage accounts. 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 against Ameriprise and its registered representatives.

Butler Failed to Reasonably Supervise the Office Manager

Butler, as the owner of the Partners Group and a registered General Securities Sales Supervisor and Investment Company Products/Variable Contracts Principal, was responsible for supervising the activities of his office and its employees, including the office manager. Butler, however, did not adequately supervise the office manager's handling of the Partners Group finances. Butler relied on the office manager to determine each advisor's monthly compensation and never reviewed the office manager's calculations for accuracy. Due to Butler's lack of supervision, the office manager paid himself thousands of dollars in additional compensation and unauthorized commissions. Butler also relied on the office manager to categorize the Partners Group's expenses for the business's accountants, allowing the office manager to hide his conversion by mischaracterizing various debits and credits. Additionally, Butler failed to properly review the Partners Group bank account statements or credit card statements, permitting the office manager's misuse of those accounts to go undetected.

Butler also failed to reasonably supervise the office manager's handling of the five customer accounts, even though Butler was the broker of record for those accounts. Butler relied on the office manager to manage the customer relationships and failed to regularly review the customer accounts, leaving him unaware of the office manager's conversion from the customers.

Violations

During the relevant period, NASD Rule 3010(a) required each member to "establish and maintain a system to supervise the activities of each registered representative, registered principal, and other associated persons that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable NASD rules." Under Rule 3010, supervisors are required to respond promptly and diligently to indications of irregularity and to address "red flags."

As described above, Butler, as the office manager's supervisor, failed to reasonably supervise the office manager's handling of the Partners Group's finances, as well as the five customer accounts belonging to the office manager's family members and domestic partner. Because he gave the office manager such a high degree of control with little to no supervision, Butler failed to detect the office manager's ongoing conversion for more than three years. As a result of this lack of supervision, Butler violated NASD Rule 3010(a). By virtue of that violation, Butler also violated FINRA Rule 2010.

- B. I also consent to the imposition of the following sanctions:
1. A suspension from association with any FINRA member in a Principal Capacity for four months; and
 2. A \$15,000 fine.

I understand that if I am barred or suspended from associating with any FINRA member in a principal capacity, I become subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, I may not be associated with any FINRA member in a principal capacity, during the period of the bar or suspension (see FINRA Rules 8310 and 8311). Furthermore, because I am subject to a statutory disqualification during the suspension, if I remain associated with a member firm in a non-suspended capacity, an application to continue that association may be required.

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

I specifically and voluntarily waive any right to claim that I am 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

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

- A. To have a Complaint issued specifying the allegations against me;
- 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, I 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.

I 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

I understand that:

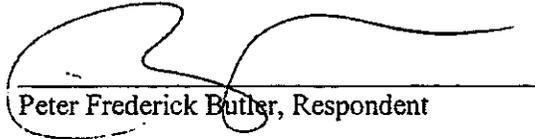
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
- C. If accepted:
 - 1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
 - 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. I 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. I 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 my: (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. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I 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.

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I 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 me [the Firm] to submit it.

9/6/16
Date (mm/dd/yyyy)


Peter Frederick Butler, Respondent

Reviewed by:


John P. Thomas
Counsel for Respondent
Schraff and King Co., L.P.A.
2802 SOM Center Road, Suite 200
Willoughby Hills, OH 44094
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Accepted by FINRA:

7/14/2016
Date

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



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