

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2010025157301**

**To: Department of Enforcement
Financial Industry Regulatory Authority (FINRA)**

**Re: Ameriprise Financial Services, Inc.
CRD No. 6363
and
American Enterprise Investment Services Inc.
CRD No. 26506**

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Ameriprise Financial Services, Inc. ("AFSI") and American Enterprise Investment Services Inc. ("AEIS") (collectively "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

AFSI became a FINRA member in November 1972. AFSI conducts a general securities business with its principal office in Minneapolis, Minnesota. AFSI employs over 14,000 registered individuals and maintains over 3,700 branch offices.

AEIS became a FINRA member in August 1990. AEIS is the affiliated clearing firm for AFSI and employs over 200 registered individuals at its office in Minneapolis, Minnesota.

Relevant Disciplinary History

In April 2011, AFSI was censured and fined \$50,000 by FINRA for failing to establish, maintain and enforce supervisory systems that were reasonably designed to detect and prevent repeated forgeries by one of the firm's registered representatives. See AWC No. 2008013648002.

AEIS has not been the subject of any FINRA disciplinary actions that are relevant to this matter.

Overview

From December 2006 until October 2010, an AFSI registered representative converted approximately \$790,000 from two customers by submitting false wire requests to move funds from these customers' brokerage accounts directly to bank accounts that the AFSI representative controlled. In failing to detect this misconduct for nearly four years, Respondents missed numerous supervisory red flags.

Respondents did not have supervisory systems that were reasonably designed to adequately review and monitor the transmittals of funds from customer accounts to third-party accounts. Through this conduct, Respondents violated NASD Conduct Rules 3010, 3012 and 2110 and FINRA Rule 2010.

In addition, AFSI did not promptly prevent registered representatives who had been terminated from continuing to access the firm's computer systems. AFSI therefore did not properly protect customer records and information. Through this conduct, AFSI violated Rule 30 of Regulation S-P, NASD Conduct Rule 3010 and FINRA Rule 2010.

Facts and Violative Conduct

Conversion of Customer Funds by AFSI Representative

From December 2006 through October 2010, former AFSI registered representative Jennifer Guelinas converted approximately \$790,000 from two customers by forging their signatures on approximately 85 wire transfer requests. Guelinas had funds wired from her customers' AFSI brokerage accounts to various third-party bank accounts that she controlled. AEIS was the affiliated clearing firm for AFSI and processed all of the wire requests from Guelinas.¹

The disbursements directed by Guelinas ranged in size from \$1,000 to \$95,000. There were fourteen forged wire requests for \$10,000 or more.

¹ In February 2011, FINRA barred Guelinas from associating with any FINRA member firms for converting customer funds, forging customer signatures and failing to disclose outside business activities. See AWC No. 2010025098101.

The vast majority of the disbursements came from one customer and went to a single bank account controlled by Guelinas.

There were suspicious circumstances relating to some of the forged wire transfer requests, which should have been red flags of her misconduct to Respondents. For instance, Guelinas submitted three requests to wire money from the same customer's account to a bank account that appeared to be under Guelinas' control. Respondents processed the forged wire transfer requests and disbursed the funds without any inquiries.

In addition, at least three of Guelinas' forged wire transfer requests were initially rejected by Respondents, including one for an apparent signature discrepancy. Each time, Guelinas simply resubmitted the rejected wire requests either on the same day or the next day, and Respondents approved them and disbursed the customer funds to bank accounts controlled by Guelinas.

Guelinas' misconduct went undetected for nearly four years. It was not until October 2010 that Respondents detected her misconduct. Even after Respondents discovered her misconduct, Guelinas submitted two additional forged wire requests, and Respondents again disbursed customer funds to bank accounts that she controlled. Respondents began investigating her misconduct in early October 2010 after noticing a suspicious wire transfer request. Within a week, Guelinas submitted another false wire transfer request to wire additional funds. Respondents did not question this request and wired the funds as directed. Guelinas submitted yet another false wire transfer request in December 2010 after she had been terminated by AFSI. Respondents processed this request and wired the funds to another bank account controlled by Guelinas. That same day, Respondents realized their mistake and had the funds returned to the customer's brokerage account.

Following the investigation, Respondents terminated Guelinas and paid full restitution to the two impacted customers.

Inadequate Supervisory Systems for Transmittal of Customer Funds

NASD Conduct Rule 3012 requires FINRA member firms to establish, maintain and enforce written supervisory control policies and procedures that address a variety of activities. Among other things, firms must test and verify that their supervisory procedures are sufficient and amend or

create additional supervisory procedures when needed, based on such testing and verification.

NASD Conduct Rule 3012(a)(2)(B)(i) specifically requires firms to have procedures that are reasonably designed to review and monitor all transmittals of funds or securities from customer accounts to third-party accounts and outside entities, including banks.

NASD Rule 3010 requires firms 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.”

Respondents’ supervisory systems did not have policies or procedures requiring an adequate review to detect or prevent multiple transmittals of funds going to third-party accounts. Rather, Respondents’ systems relied on a manual review of wire requests without the benefit of exception reports that could help to discern suspicious patterns of requests. Respondents’ systems also lacked any adequate tracking or further investigation of rejected wire transfer requests. Without a centralized system for compiling information about the requests and any potential issues relating to the requests, Respondents could not detect a pattern of misconduct involving multiple wires of customer funds to third-party accounts, such as that perpetrated by Guelinas.

Based on the above, from December 2006 through October 2010, Respondents failed 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. Through this conduct, Respondents violated NASD Conduct Rules 3010, 3012 and 2110 and FINRA Rule 2010.

Failure to Protect Customer Information

In a separate examination, FINRA staff discovered that AFSI had failed to immediately turn off computer systems access for a number of registered representatives. This failure was a violation of Regulation S-P, which requires FINRA member firms to “adopt written policies and procedures that address administrative, technical, and physical safeguards for the protection of customer records and information.”

In January 2010, AFSI enhanced its procedures for compliance with Regulation S-P by adopting a new policy requiring that computer access for registered representatives who had been terminated must be shut off within one hour of the end of the representative's last working day.

FINRA staff tested this updated policy and found significant non-compliance from February through June 2010. AFSI failed to block computer access in a timely manner for 100 of 200 representatives who had been terminated during this time frame. Five of those representatives accessed systems that contained customer information protected by Regulation S-P, although none of the representatives processed a client transaction as a result of the access.

Based on the above, from February 2010 through June 2010, AFSI did not adequately protect customer records and information by failing to prevent brokers who had been terminated from continuing to access the firm's computer system. Through this conduct, AFSI violated Rule 30 of Regulation S-P, NASD Conduct Rule 3010 and FINRA Rule 2010.

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

1. Censures against both AFSI and AEIS; and
2. A joint and several fine of \$750,000 against both AFSI and AEIS.

Respondents agree to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. Respondents have submitted an Election of Payment form showing the method by which they propose to pay the fine imposed.

Respondents specifically and voluntarily waive any right to claim that they are unable to pay, now or at any time hereafter, the monetary sanctions imposed in this matter.

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 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.

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 record 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;**

Letter of Acceptance, Waiver and Consent No. 2010025157301
Ameriprise Financial Services, Inc. and American Enterprise Investment Services Inc.
Page 7

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' rights 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 Respondents, certify that a person duly authorized to act on the behalf of both AFSI and AEIS has read and understands all of the provisions of this AWC and has 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.

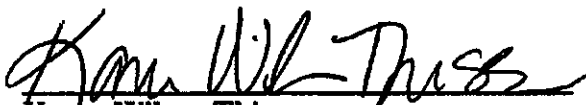
AMERIPRISE FINANCIAL SERVICES, INC.

and

**AMERICAN ENTERPRISE INVESTMENT
SERVICES, INC.**

Date: 2-14-2013

By:



Karen Wilson Thissen
Senior Vice President and
Assistant General Counsel


**Letter of Acceptance, Waiver and Consent No. 2010025157301
Ameriprise Financial Services, Inc. and American Enterprise Investment Services Inc.
Page 8**

Accepted by FINRA:

3/1/13

Date

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



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**CORRECTIVE ACTION STATEMENT
OF AMERIPRISE FINANCIAL SERVICES, INC.
AND AMERICAN ENTERPRISE SERVICES, INC. (Collectively, "Ameriprise")**

1. Ameriprise has enhanced its controls with respect to third party wires in numerous important ways in recent years.
2. In August 2009, Ameriprise began sending specific written confirmations to clients reflecting wire activity in their brokerage accounts. Previously, this wire activity was captured only in clients' itemized monthly and year-end statements.
3. In November 2010, Ameriprise implemented a 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. Previously, only certain signature discrepancies were referred to this fraud team for supplemental review.
4. In January 2012, Ameriprise implemented an automated reporting process that monitors for potential issues or trends associated with third-party wire transmittals from brokerage accounts. The logic underlying this report identifies third-party wire transmittals over certain periods that meet certain criteria, including common destination and originating accounts. Those wires are then reviewed, and any suspicious activity is investigated.
5. Ameriprise has also enhanced the effectiveness of its post-termination systems access controls since 2010.
6. This Corrective Action Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.