

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20050009019-01

To: Department of Enforcement
NASD

Re: Ameriprise Financial Services, Inc.
Member (CRD No. 6363)

Pursuant to NASD Procedural Rule 9216, Ameriprise Financial Services, Inc. ("Ameriprise"), f/k/a American Express Financial Advisors, Inc., submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described in Part II below. This AWC is submitted on the condition that, if accepted, NASD will not bring any future actions against Ameriprise alleging violations based on the same factual findings.

Ameriprise understands that:

1. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by NASD's Department of Enforcement and the National Adjudicatory Council ("NAC") Review Subcommittee or the Office of Disciplinary Affairs ("ODA"), pursuant to NASD Procedural Rule 9216;
2. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Ameriprise; and
3. If accepted:
 - a. This AWC will become part of Ameriprise's permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against Ameriprise;
 - b. This AWC will be made available through NASD's public disclosure program in response to public inquiries about Ameriprise's disciplinary record;
 - c. NASD may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Procedural Rule 8310 and IM-8310-2; and
 - d. Ameriprise 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. Nothing in this provision affects Ameriprise's testimonial obligations or rights to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

Ameriprise also understands that its experience in the securities industry and disciplinary history may be factors that will be considered in deciding whether to accept this AWC. That experience and history are as follows:

Ameriprise has been a member of NASD since November 1972. Ameriprise conducts a general securities business from its main office located in Minneapolis, Minnesota. Ameriprise has other prior disciplinary matters not relevant to this proceeding.

I. WAIVER OF PROCEDURAL RIGHTS

Ameriprise specifically and voluntarily waives the following rights granted under NASD's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against Ameriprise;
- B. To be notified of the Formal 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 NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Furthermore, Ameriprise specifically and voluntarily waives 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.

In addition, Ameriprise specifically and voluntarily waives any right to claim that a person violated the *ex parte* prohibitions of NASD Procedural Rule 9143 or the separation of functions prohibitions of NASD Procedural 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.

II. ACCEPTANCE AND CONSENT

- A. Ameriprise 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 NASD, or to which NASD 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 NASD:

Legal Background

1. NASD Conduct Rule 3011(b) requires NASD members to establish and implement policies, procedures and internal controls reasonably designed to achieve compliance with the Bank Secrecy Act, 31 U.S.C. §5311, *et seq.*, and the regulations promulgated thereunder.
2. Under the Bank Secrecy Act, NASD members are required to file a Suspicious Activity Report ("SAR") with the Financial Crimes Enforcement Network ("FinCEN") for certain suspicious transactions. 31 C.F.R. §103.19(a). NASD Conduct Rule 3011(a) requires NASD members to establish and implement procedures that can be reasonably expected to detect such suspicious transactions and result in the filing of the appropriate SARs.
3. NASD members must not produce an SAR or provide any information that would disclose that an SAR has been prepared or filed to any persons, except where such disclosure is requested by FinCEN, the Securities and Exchange Commission, or other appropriate law enforcement or regulatory agencies. In addition, NASD members must make an SAR available to NASD for purposes of examining compliance with the requirements of the Bank Secrecy Act. 31 C.F.R. §103.19(e).
4. Under the Bank Secrecy Act, NASD members may transmit, receive or otherwise share information with other financial institutions for purposes of identifying and, where appropriate, reporting activities that are suspected to involve terrorist activity or money laundering. 31 C.F.R. §103.110(b).
5. While NASD members may share information contained in an SAR with other financial institutions for the purposes given above, NASD members must not produce the SAR itself or disclose that an SAR has been prepared or filed with FinCEN.

Prohibited Disclosure of a Suspicious Activity Report

6. In October 2003, Ameriprise identified suspicious activities in the account of an Ameriprise customer. On October 30, 2003, Ameriprise filed an SAR naming the customer as the subject of the SAR.
7. On March 31, 2004, Ameriprise filed another SAR related to the previous SAR filed on October 30, 2003. This SAR named the Ameriprise representative assigned to the customer's account as the subject of the SAR.
8. On April 22, 2004, an authorized compliance person at Ameriprise contacted compliance personnel at another NASD member to share information about the suspicious activities reported in the SARs described above. In the course of the discussion, it was disclosed that Ameriprise had filed an SAR naming the customer and the Ameriprise representative as the subjects of the two respective SARs.

9. Compliance personnel for the other NASD member then unlawfully disclosed the fact that Ameriprise had filed an SAR to one of the subjects named in the SAR.
10. Ameriprise had implemented procedures covering the sharing of information relating to suspicious activities, money laundering and terrorist financing. However, Ameriprise's procedures failed to make clear that the disclosure of the existence of an SAR, as part of such information sharing, is not permitted.
11. By failing to establish and implement adequate procedures to reasonably prevent the prohibited disclosure of an SAR, Ameriprise violated NASD Conduct Rules 3011(b) and 2110.

SANCTIONS

Ameriprise consents to the imposition, at a maximum, to the following sanctions of:

1. A censure; and
2. A fine of \$20,000.

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

III. OTHER MATTERS

- A. Ameriprise understands that it may attach a Statement of Corrective Action to this AWC, which is a statement of demonstrable corrective steps taken to prevent future misconduct. Ameriprise 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 NASD, nor does it reflect the views of NASD or its staff.
- B. Ameriprise agrees to pay any monetary sanctions imposed on it upon notice that this AWC has been accepted and that such payments are due and payable. Ameriprise has attached an Election of Payment form showing the method by which it proposes to pay any fine imposed.
- C. Ameriprise specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

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Ameriprise certifies that this AWC has been read and that all provisions of this AWC are understood, and that Ameriprise has been given a full opportunity to ask questions about it, and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce Ameriprise to submit it.

AMERIPRISE FINANCIAL SERVICES, INC.

3/10/06
Date

By: Beth E. Warner

Reviewed by:

D. Flomen
Counsel for Ameriprise, Inc.

Accepted by NASD:

4/21/06
Date

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

James M. Stephens
James M. Stephens, Regional Counsel

NASD District Director

Thomas D. Clough
120 West 12th Street, Suite 900
Kansas City, MO 64105
(816) 802-4700