

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20070073069**

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FINRA
SAN FRANCISCO DISTRICT OFFICE

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

RE: Wells Fargo Investments, LLC, Respondent
FINRA Member Firm
CRD No.10582

Pursuant to NASD Rule 9216 of FINRA's Code of Procedure, Wells Fargo Investments, LLC [WFI or Respondent] submits 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 the firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent 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 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

WFI has been a FINRA member since July 1982. Its main office is in San Francisco, CA and it employs approximately 4,600 registered persons. It conducts a general securities business. WFI is a member of the Municipal Securities Rulemaking Board.

RELEVANT PRIOR DISCIPLINARY HISTORY

Respondent was the subject of three prior relevant disciplinary actions in the past five years. In December 2005, FINRA accepted a Letter of Acceptance, Waiver and Consent in which WFI consented to findings of violation of NASD Conduct Rules 2110, 2310 and 3010 in connection with the firm's recommendation and supervision of share class elections in

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mutual fund transactions and to sanctions of a censure and a fine of \$3,000,000.00.

In November 2005, WFI agreed to a Stipulation and Consent pursuant to which the firm consented to a censure and a \$50,000.00 fine and findings by the New York Stock Exchange that WFI did not implement adequate supervisory systems and procedures for a branch office while in the process of integrating an acquired broker-dealer into its existing systems and procedures.

WFI submitted a Letter of Acceptance, Waiver and Consent in November 2004 pursuant to which the firm consented to a censure, a fine of \$150,000.00 and undertakings and to findings that WFI filed late amendments for Forms U4 and U5 and did not establish adequate supervisory systems and procedures with respect to regulatory reporting obligations.

OVERVIEW

WFI allocated the detection and reporting of suspicious activity with respect to introduced customer accounts to introducing correspondent firms. However, NASD Conduct Rule 3011 and MSRB Rule G-41 require that WFI independently review and report suspicious activity with respect to introduced customer accounts. Therefore, in violation of NASD Conduct Rule 3011 and MSRB Rule G-41, WFI's written anti-money laundering program was not reasonably designed to detect and report suspicious activity in such customer accounts.

FACTS AND VIOLATIVE CONDUCT

1. During the period from June 1, 2005, through March 21, 2007 (relevant period), WFI cleared securities transactions for three broker-dealers (the correspondents) that were affiliated with the WFI through common ownership and control. The correspondents introduced accounts to WFI. The accounts engaged in securities transactions and, from time to time, transferred funds and securities into and out of the accounts.
2. During the relevant period, WFI was a registered broker-dealer and member of FINRA and the MSRB. The firm was subject to NASD Conduct Rule 3011(a) and (b) and to MSRB Rule G-41. Conduct Rule 3011(a) requires FINRA members to establish and implement policies and procedures that can be reasonably expected to detect and cause the reporting of transactions as required by 31 U.S.C. 5318(g) and the implementing regulations thereunder. Conduct Rule 3011(b) requires FINRA members to establish and implement

policies, procedures and internal controls reasonably designed to achieve compliance with the Bank Secrecy Act and the implementing regulations thereunder. MSRB Rule G-41 requires MSRB members who are also members of FINRA to comply with Rule 3011.

3. During the relevant period, WFI's written anti-money laundering program impermissibly allocated the detection and reporting of suspicious activity with respect to introduced customer accounts to the introducing correspondent firm. Because the Bank Secrecy Act imposes on all broker-dealers an independent obligation to detect and report suspicious activity, WFI's program was not reasonably designed to detect and cause the reporting of suspicious activity in such customer accounts. WFI provided reports to the correspondents to facilitate the correspondents' monitoring of account activity, but the firm's written AML program did not include policies and procedures for WFI's independent monitoring of such activity. The foregoing constituted a violation of NASD Conduct Rule 3011 and MSRB Rule G-41 by WFI.

- B. Respondent also consents to the imposition of the following sanctions:

Censure and a fine in the amount of \$50,000.00.

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

Respondent specifically and voluntarily waives any right to claim that it is 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

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against the firm;
- 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 National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent 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.

Respondent further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of NASD Rule 9143 or the separation of functions prohibitions of NASD 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

Respondent understands 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 NASD Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the firm; and
- C. If accepted:
 - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the firm;

2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the firm's disciplinary record;
 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-3; and
 4. Respondent 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. Respondent 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 Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that the firm 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.

Respondent certified that it has read and understands all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that Respondent has 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 Respondent to submit it.

June 25, 2008
Date

Wells Fargo Investments, LLC

By: USA Amador

Title: SVP/Chief Compliance Officer

Reviewed by:

Christopher M. Salter
Christopher M. Salter, Esq.
O'Melveny & Myers, LLP

Counsel for Respondent

Accepted by FINRA:

07/29/2008
Date

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

Jacqueline D. Whelan
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Regional Chief Counsel
FINRA Department of Enforcement
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