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REGISTRATION & DISCLOSURE

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2007008362001

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

RE: AXA Advisors, LLC, Respondent
(CRD No. 6627)

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, AXA Advisors, LLC ("AXA," "Respondent," or the "Firm") 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 Respondent 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

AXA has been a member of FINRA since January 23, 1974. The Firm conducts a general securities business and is primarily engaged in the distribution of mutual funds, variable life insurance and variable annuity contracts. Some of AXA's clients invest in mutual funds directly with fund companies. AXA has approximately 7,000 registered individuals and 1,700 branch offices.

RELEVANT DISCIPLINARY HISTORY

AXA has no relevant formal disciplinary history with the Securities and Exchange Commission ("SEC"), any state securities agency or any self-regulatory organization.

OVERVIEW

Between January 2001 and August 20, 2007, AXA failed to keep accurate and complete records relating to its direct mutual fund business, in violation of Section 17(a) of the Exchange Act of 1934 ("Exchange Act"), Rule 17a-3(a) promulgated by the SEC under the Exchange Act, and NASD Conduct Rules 3110 and 2110. In addition, between January 2001 and December 2006, AXA failed to have adequate systems and procedures in place to reasonably supervise the

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matching of records for its direct mutual fund business, and failed to have written procedures that governed the matching of records in its direct mutual fund business, in violation of NASD Conduct Rules 3010 and 2110.

FACTS AND VIOLATIVE CONDUCT

Pursuant to Rule 17a-3(a)(1), a broker-dealer must record all purchases or sales on its books and records. This includes its direct mutual fund transactions, where, for example, a broker-dealer forwards an application and funds on behalf of a customer to a mutual fund company, sends a purchase or sale instruction to a fund, or calls a fund to place an order on behalf of a customer. In such instances, the transaction must be reflected on a broker-dealer's blotter or other records of original entry, which must contain an itemized daily record.

Between January 2001 and December 2006, AXA created its trade blotter for the direct mutual fund business by matching: (i) data feeds containing records from networking vendors, with (ii) client information contained on AXA's internal systems. This same matching process was integral in facilitating supervisory and compliance reviews of direct mutual fund transactions.

Records from networking vendors that did not match AXA's information were not reflected on AXA's trade blotter or processed through AXA's internal compliance and supervisory systems. Those records remained on queues in computer files unless some action was taken, either through manually matching the records or reprocessing them after a change was made to the system's matching logic.

Although the level of unmatched information varied over the years, for the period from 2001 through 2006 approximately 9% of all direct mutual fund transactions that should have been reflected on AXA's books and records were not. Most of the transactions that did not appear on the trade blotter were not large, which was consistent with AXA's direct mutual fund business. However, the transactions that did not appear on AXA's trade blotter included some transactions in large dollar amounts.

At various times from 2001 through 2006 AXA generated reports that reflected the level of the unmatched records. However, no one had supervisory responsibility for monitoring the level of unmatched records, and at no time during this period did AXA have written procedures that addressed the supervision of the matching process.

As early as 2000, the Firm was aware of this issue and reviewed the problem, focusing primarily on whether the matching problem, at that time, impacted commission payments to brokers. The Firm hired a consultant to analyze the issue and make recommendations for addressing it. It is not clear whether any of the recommendations were implemented. The matching issue, and the attendant recordkeeping deficiencies, persisted.

In 2000, departmental responsibility for manual matching of transactions shifted within AXA. As a result of this change, fewer resources were dedicated to processing unmatched records. In 2003, the Firm launched a new review of the issue, with the specific goal of resolving unpaid broker commissions for the direct mutual fund business, which was a related problem. Despite this effort, at the close of 2003 the level of unmatched records remained high. Again in 2005,

the Firm began another project aimed at addressing unmatched records with one goal being the resolution of unpaid broker commissions. The results of the efforts in 2005 did not reduce the problem in the manner that the Firm had anticipated.

The unsatisfactory results of the 2005 project led to a new initiative in 2006. In late November 2006, the Firm reprocessed certain records in the queues, resulting in a large number of records appearing on the trade blotter. This unanticipated result caused AXA to focus on the scope and downstream compliance implications of the problem and dedicate significant resources to address this issue. The Firm provided additional staff to conduct a manual review to get new transactions on its trade blotter on a going-forward basis, and subject those transactions to appropriate reviews. The Firm notified FINRA of its recordkeeping deficiencies in early February 2007.

AXA undertook an internal review of the unmatched records and related issues and later reported its conclusions to FINRA. As part of this review the Firm hired a consultant to conduct a retroactive analysis of the transactions that had not been reflected on the Firm's trade blotter. The consultant sampled these transactions to provide information about the impact on clients from the lack of compliance and supervisory reviews. This review of the sample concluded that the overall level of harm to the Firm's clients was small. The Firm's manual review of new unmatched records also indicated that the impact on customers from this issue was small, as measured both by number of transactions and dollar amount. Those findings are supported by the data provided to FINRA.

In connection with the Firm's augmented focus on the matching issue and its retention of a consultant, AXA subsequently identified an additional issue. Certain mutual fund families did not appear on the data feed received from networking vendors. This resulted in the exclusion of some trades from AXA's trade blotter and certain other AXA internal systems. The records from the fund families not on the feed, while not included in the forensic analysis discussed above were not of a sufficient volume to materially change the statistical analysis. This issue continued through August 20, 2007.

Based upon the foregoing between January 2001 and August 20, 2007, AXA failed to keep accurate and complete records relating to its direct mutual fund business, in violation of Section 17(a) of the Exchange Act, Rule 17a-3(a), and NASD Conduct Rules 3110 and 2110; and between January 2001 and December 2006, AXA failed to have adequate systems and procedures and related written procedures to reasonably supervise the matching of records for its direct mutual fund business in violation of NASD Conduct Rules 3010 and 2110.

OTHER FACTORS

In determining the appropriate sanction in this matter, FINRA took into consideration the work done by the Firm and its consultant in analyzing the unmatched records that were not subject to AXA's supervisory and compliance reviews. Through that analysis, which was shared with the FINRA staff, the Firm was able to demonstrate that the likely financial impact on its customers was minimal. As a result, there is no undertaking requiring a retrospective correction of AXA's trade blotter or review of customer trades.

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

- A censure; and
- A fine of \$250,000.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which it 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 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 Complaint issued specifying the allegations against Respondent;
- 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, 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 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

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 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 Respondent; 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 Respondent;**
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondent's disciplinary record;**
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; 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 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 FINRA, nor does it reflect the views of FINRA or its staff.**

The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf

has read and understood all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that the Firm 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 the Firm to submit it.

AXA Advisors, LLC

10.15.09
Date

By:



Print Name:

Christine Nigro

President

Print Title:

AXA Advisors, LLC

Reviewed by:



Ben A. Indek
Counsel for Respondent
Morgan, Lewis & Bockius LLP
101 Park Avenue
New York, NY 10178-0060
212 309 6109

Accepted by FINRA:

November 18, 2009

Date

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



Julie K. Glynn
Senior Regional Counsel
FINRA Department of Enforcement
1 Liberty Plaza
New York, NY 10006
212 858 4776; Fax; 212 858 4770