

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2007009442501**

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

RE: H&R Block Financial Advisors, Inc. (n/k/a Ameriprise Financial Services, Inc.)
[CRD No. 5979]

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, H&R Block Financial Advisors, Inc. ("H&R BLOCK FINANCIAL ADVISORS" or the "Firm") (n/k/a Ameriprise Financial Services, Inc.) 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 H&R Block Financial Advisors alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. H&R Block Financial Advisors 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

H&R Block Financial Advisors was a registered broker-dealer and was a FINRA member since 1971. In November 2008, H&R Block Financial Advisors was acquired by Ameriprise Financial Services, Inc. ("Ameriprise") and after that time conducted business as Ameriprise Advisor Services, Inc. ("A.A.S.") or Ameriprise. The Firm's main office is located in Detroit, Michigan. The Firm has approximately 205 active branch offices, 1844 registered personnel and 974 non-registered associated personnel. On or about December 2, 2009, A.A.S. filed a Uniform Withdrawal from Broker-Dealer Registration ("Form BDW") with FINRA. On or about February 22, 2010, A.A.S.'s registration with FINRA was terminated.¹ Pursuant to Article V, Section 4 of FINRA's by-laws, FINRA retains jurisdiction over the Firm for the purposes of this matter.

¹ For the purposes of this settlement and payment of the fine in this matter, Ameriprise will assume the liabilities of A.A.S.

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RELEVANT DISCIPLINARY HISTORY

H&R Block Financial Advisors has the following prior relevant disciplinary history:

In January 2010, pursuant to Letter of Acceptance, Waiver and Consent No 2007011933101, FINRA found that the Firm failed to establish an adequate system or procedure to monitor customer accounts for unsuitable concentrations in reverse convertible note securities in violation of NASD Rules 3010(a) and (b) and 2110, censured and fined H&R Block Financial Advisors \$200,000 and ordered it to pay \$75,000 in restitution.

On June 22, 2007, NYSE issued a Hearing Panel Decision (H&R Block Financial Advisors, Inc., Dec. No. 07-96) in which it found that the Firm violated NYSE Rule 345(a) by permitting persons who were not registered with or qualified by the NYSE to perform duties of registered representatives and permitting an individual to directly supervise registered representatives without having first been registered with or qualified by the NYSE. Additionally, NYSE found that the Firm violated NYSE Rule 342.17 by failing to provide for surveillance and follow-up to ensure implementation of and adherence to policies and procedures developed in connection with review of e-mail communications and review of correspondence of branch office managers. The Firm was censured and fined \$45,000.

OVERVIEW

Between March 2005 and June 2006 (the "relevant period") H&R Block Financial Advisors, through one of its former registered representatives, WGS, executed approximately 38 unsuitable variable annuity ("VA") contract replacements or "switches" involving 17 customers, who ranged in age from 23 to 85 years old, and whose net worth, exclusive of residences, ranged from \$85,000 to \$1.2 million.

VA switching involves using the proceeds from the liquidation of one VA to purchase a new VA issued by a different annuity company. VA switching can result in the imposition of contingent deferred sales charges ("CDSCs" or "surrender charges") and can subject the purchaser to new, extended surrender periods.

After joining H&R Block Financial Advisors in October 2004, WGS engaged in a pattern of transactions, switching customers out of VAs they held for periods ranging from approximately two to three and a half years at other broker-dealers, to similar VAs that he was able to sell, service and receive commissions on at H&R Block Financial Advisors, without regard to the customer's ages or financial backgrounds. WGS later effected additional switch transactions, in which he recommended his customers purchase new, similar VAs to replace those they purchased when he first moved to H&R Block Financial Advisors and had held for approximately one year. Each of these transactions was unsuitable. The customers received no significant benefit from these transactions, since the VAs they purchased did not substantially differ from those they replaced and they paid substantial surrender charges totaling at least \$240,000, sustained new, extended surrender periods and, in some cases, paid additional fees.

Accordingly, through WGS's misconduct, H&R Block Financial Advisors violated NASD Rules 2310 and 2110.

Additionally, H&R Block Financial Advisors failed to maintain required books and records specifically related to a total of 13 VA transactions. The Firm, therefore, violated Section 17(a) of the Securities Exchange Act of 1934 ("Exchange Act"), Rule 17a-4(b)(1), and NASD Rules 3110 and 2110.

FACTS AND VIOLATIVE CONDUCT

The Firm, Through WGS, Recommended and Effectuated Unsuitable VA Transactions for 17 Customers

In the Fall of 2004, the Firm recruited registered representative WGS from another broker-dealer. As part of his incentive package, the Firm offered him a transition loan, portions of which would be forgiven if he met certain production hurdles, and an asset bonus based on the assets, including VAs, he transferred to the Firm during his first 120 days of employment.

At the time WGS joined H&R Block Financial Advisors, many of his customers owned VAs from other broker-dealers. Faced with losing this business and in danger of not meeting production goals, WGS embarked upon a scheme to replace these VAs, which customers held for periods ranging from approximately two to three and a half years, with similar ones offered through H&R Block Financial Advisors. Indeed, WGS exchanged several communications with members of the Firm expressing his concerns and their expectations about meeting the production hurdles and sent at least one e-mail indicating his plan to enter into VA switch transactions on behalf of his customers.

During the relevant period, WGS executed approximately 38 VA replacement transactions on behalf of 17 customers who ranged in age from 23 to 85 years old. The net worth of the customers, exclusive of their residences, ranged from \$85,000 to \$1.2 million.

Specifically, WGS completed approximately 19 switch transactions in which VA contracts proprietary to other firms were replaced with VA products offered by H&R Block Financial Advisors. WGS also engaged in a series of transactions in which he replaced approximately 19 VA contracts even though he was able to service them at H&R Block Financial Advisors. Five of those transactions constituted a second switch replacing some of the positions he had exchanged when he first arrived at H&R Block Financial Advisors, even though the customers had only held the VAs for periods ranging from approximately one to four years. In processing many of the forgoing transactions, WGS misrepresented to the Firm that the subject trades were not switches.

WGS engaged in this wholesale replacement of customer VA contracts without regard to the ages and financial backgrounds of his customers, how long his customers had held their VAs, the substantial surrender charges his customers would pay, or the new, extended surrender periods his customers would face. Moreover, there were no significant differences in the annual

administrative fees, free withdrawal percentages, surrender periods and standard death benefits applicable to any of the VA contracts issued to his customers.

The VA switch transactions recommended and executed by WGS were therefore unsuitable because the benefit to Firm customers from these transactions did not outweigh the substantial costs they incurred in selling their old VAs and the significant disadvantages to them in purchasing the new VAs. As a result of these replacements, customers paid in excess of \$240,000 in surrender charges, and the Firm earned over \$215,000 in gross commissions. H&R Block Financial Advisors, therefore, through the actions of WGS, violated NASD Rules 2310 and 2110.

H&R Block Financial Advisors Failed to Retain Required Books and Records

Registered representatives at H&R Block Financial Advisors who sell VA products must enter information about the transactions into a Firm order-entry system called Annuity Net. Among the information that a registered representative must enter is the money source of the premium payment, whether the customer is replacing or surrendering an existing contract and whether the funds from existing contracts are being used to pay premiums due on the new policy or contract. This information is captured in a Transaction Detail Report, which is printed from Annuity Net. H&R Block Financial Advisors failed to retain Transaction Detail Reports for 13 of WGS's customer transactions involving the purchase of VA contracts.

In addition, registered representatives who sold VAs were required to complete an Annuity Suitability Review Form in which the registered representative identified the funding method for the VA purchase, indicated whether there would be a planned distribution of assets that would trigger a CDSC, and responded whether the customer in question was over 70 years of age. If the transaction resulted in a CDSC being imposed or if the client was older than 70 years old, the Annuity Suitability Review Form required the FA to explain why the transaction in question was suitable for the customer. The Annuity Suitability Review Form also provided a place for signatures of the FA and the supervisor who approved the transaction. H&R Block Financial Advisors failed to retain Annuity Suitability Review Forms in connection with 11 of the 13 transactions described above.

The Firm violated SEC Rule 17a-4 and NASD Rule 3110 by failing to retain Transaction Detail Reports and Annuity Suitability Review forms in connection with certain VA purchases.

OTHER FACTORS

In contemplation of the settlement of this matter, the Firm has reimbursed the customers for the surrender charges imposed in connection with their VA switch transactions and has provided proof of such payment to FINRA staff.

- B. The Firm consents to the imposition of the following sanctions:

1. A censure and
2. A fine of \$175,000.

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

The Firm 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

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

- A. To have a Complaint issued specifying the allegations against it;
- 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, the Firm 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.

The Firm 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

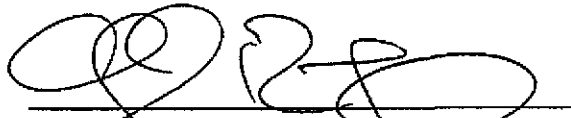
The Firm understands that:

- 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 it; and
- C. If accepted:
 - 1. this AWC will become part of the Firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against it;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about its 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. The Firm 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. The Firm 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 the Firm's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. The Firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The Firm 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 understands all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that the Firm 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 the Firm to submit it.

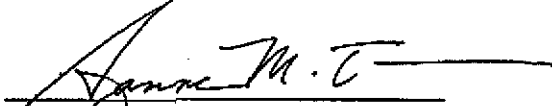
5-24-10
Date

H&R Block Financial Advisors Inc. (n/k/a Ameriprise
Financial Services, Inc.)



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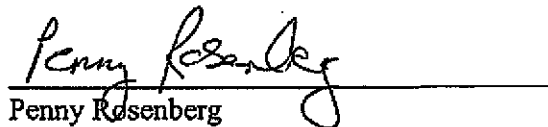
Reviewed by:


Suzanne M. Taylor
Counsel – Ameriprise Financial, Inc.

Accepted by FINRA:

7-21-10
Date

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


Penny Rosenberg
Director
FINRA Department of Enforcement
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