

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20100226049**

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

RE: James Anthony Pilla
(CRD No. 3074001)

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, James Anthony Pilla ("Pilla") 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 me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I 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

Pilla entered the securities industry in 1998 as a registered representative with FINRA-regulated broker-dealer H&R Block Financial Advisors ("HRBFA"). In 2009, Pilla became a branch office manager with supervisory responsibilities over a branch office and another satellite office. On October 9, 2009, Ameriprise Financial Services Inc., ("Ameriprise" or the "Firm") acquired HRBFA.

On April 10, 2010, FINRA received an NASD Rule 3070 filing from Ameriprise reporting that Pilla was suspended for failing to follow the Firm's "Know Your Customer" policy. On May 18, 2010, Ameriprise filed a Uniform Termination Notice for Securities Industry Registration ("Form US") indicating that Pilla's association with the Firm was terminated on May 13, 2010.

Pilla is currently employed by another FINRA-regulated broker-dealer.

RELEVANT DISCIPLINARY HISTORY

Pilla has no relevant disciplinary history.

OVERVIEW

Between October 2009 and March 2010, Pilla opened approximately 91 customer accounts and transacted business with those customer accounts without following the policies and procedures contained in the Firm's AML program. Specifically, Pilla opened accounts for new customers without meeting them in-person, failed to arrange for an "attorney-in-fact" when conducting business with non-U.S. citizens residing out of the U.S. and failed to identify and report red flags and suspicious activity in 26 customer accounts. By failing to follow the Firm's AML policies and procedures, Pilla violated NASD Rules 3011(a) and (b), and FINRA Rules 3310(a) and (b) and 2010.

FACTS AND VIOLATIVE CONDUCT

1. Ameriprise's AML Compliance Program – Know Your Customer Policies.

The Firm, in order to be in compliance with the customer identification program ("CIP") requirements under the Bank Secrecy Act, developed a "Know Your Customer" policy ("KYC"). Between October 2009 and March 2010 (the "Relevant Period"), the Firm's AML Compliance Program ("AMLCP") required, among other things, that "[r]egistered representative[s] must... 1. Meet face-to-face. The business relationship must be initiated in a face-to-face meeting in a state in which the registered representative is fully licensed."

Between October 2009 and March 2010, Pilla opened approximately 91 new customer accounts and did not have face-to-face meetings with 59 of those customers.

2. Ameriprise's AML Compliance Program – Transacting Business with Non-U.S. citizens.

During the Review Period, the Firm's AMLCP also prohibited its registered representatives from "solicit[ing] sales or conduct[ing] business with anyone who is not a U.S. citizen and is outside the U.S..." The Firm allowed its registered representatives to conduct business with non-U.S. citizens ("NRAs") only when they were physically in a U.S. state in which the registered representative was fully licensed. According to the Firm's

AMLCP, when the NRA was out of the U.S., the registered representative could only conduct business with the NRA via the NRA's "attorney-in-fact."

Although Pilla had approximately 11 non-U.S. client accounts during the Relevant Period and transacted business with these customers while they were out of the U.S., Pilla never made arrangements to conduct business via an attorney-in-fact when the NRA was out of the country.

3. Ameriprise's AML Compliance Program - Red Flag and Suspicious Activity Reporting.

During the Relevant Period, the Firm's AMLCP instructed its registered representatives to report any suspicious activity to the Firm's AML officer. The Firm's AMLCP also listed specific situations of suspicious activity that must be reported, e.g., a client being charged with criminal activity, redemption fraud, or forged financial instruments. The Firm also instructed its registered representatives to consult with the AML officer if "Red Flag Activity" was encountered, and listed specific examples of red flag activity. The partial list below, taken from the Firm's AMLCP represents red flags that occurred in Pilla's accounts without any action taken by Pilla to address them:

- A series of purchases or deposits followed by a large redemption.
- Frequent movement of funds for no apparent reason.
- Transfers to or from third parties.
- Large and/or rapid movement of funds.
- Repeatedly depositing/investing funds and almost immediately requesting wire transfers or redemptions of almost all of the money.

In contravention to the Firm's AMLCP, Pilla, during the Relevant Period, failed to identify and escalate AML red flags. Specifically, the accounts in question were composed exclusively of penny stocks and the trading activity fell into consistent patterns of suspicious activity. No less than 26 of the accounts opened during the Relevant Period followed the same trading activity: 1) the account was opened and funded primarily with penny stocks; 2) followed by the journaling of these penny stocks between Firm accounts; and 3) the sale of the securities by all of the involved accounts at approximately the same time. The sales of the penny stocks were sometimes followed by the immediate wiring of the sales proceeds to outside bank accounts.

Despite these instances of suspicious activity in 26 accounts, Pilla did not perform any additional due diligence, alert anyone at the Firm of this activity and did not escalate these issues to the Firm's AML officer.

NASD Rule 3011(a) and its successor rule, FINRA Rule 3310(a),¹ require all member firms to, at a minimum, "[e]stablish and implement policies and procedures that can be reasonably expected to detect and cause the reporting of suspicious transactions required under 31 U.S.C. 5318(g) and the implementing regulations thereunder." In addition, NASD Rule 3011(b) and FINRA Rule 3310(b) also require member firms to "[e]stablish and implement policies, procedures and internal controls reasonably designed to achieve compliance with the Bank Secrecy Act and the implementing regulations thereunder."

As described above, during the Relevant Period, Pilla failed to follow the policies and procedures contained in the Firm's AMLCP. Specifically, Pilla, by failing to meet face-to-face with 59 customers and verify the identities of the customers prior to the opening of the accounts, violated NASD Rules 3011(b) and FINRA Rules 3310(b) and 2010. Moreover, Pilla failed to observe the Firm's policies and procedures regarding conducting business with non-U.S. citizens and failed to identify and report red flags and suspicious activity in 26 customer accounts in violation of NASD Rules 3011(a) and FINRA Rules 3310(a) and 2010.

- B. I also consent to the imposition of the following sanctions:
1. A three-month suspension from association with any FINRA member in any capacity; and
 2. A fine in the amount of \$15,000.

I understand that if I am barred or suspended from associating with any FINRA member, I become subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

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

I specifically and voluntarily waive any right to claim that I am unable to pay,

¹ On January 1, 2010, NASD Rule 3011 was superseded, without substantive changes, by FINRA Rule 3310. Accordingly, all violative conduct occurring on or after January 1, 2010 is a violation of FINRA Rule 3310.

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

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- 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, I 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.

I 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

I 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"),

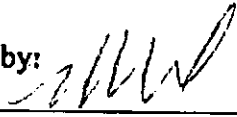
pursuant to FINRA Rule 9216;

- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
- C. If accepted:
 - 1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about my 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. I 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. I 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 my right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I 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.

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I 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 me to submit it.

1-25-13
Date:

Reviewed by: 

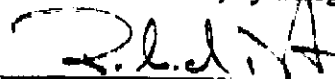
Eric R. Breslin, Esq.
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Accepted by FINRA:

3-12-13
Date


Respondent
James Anthony Pilla

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


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