

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2010023976502**

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

RE: Wells Fargo Advisors, LLC, (CRD No. 19616) as successor to Wells Fargo Investments, LLC (CRD No. 10582)

Pursuant to Rule 9216 of FINRA Code of Procedure, Respondent Wells Fargo Advisors, LLC ("WFA" or the "Firm"), as successor to Wells Fargo Investments, LLC ("WFI"), 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.

I.

ACCEPTANCE AND CONSENT

- A. The Firm 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

Until December 2010, WFI was a registered broker-dealer based in San Francisco, California. On December 31, 2010, following the merger between the Wells Fargo & Company and Wachovia Corporation holding companies, WFI ceased doing business and substantially all of WFI's assets and liabilities were assigned to WFA. WFI was not affiliated with WFA at the time of the conduct at issue in this matter. WFA is named as the respondent in this matter as a successor to WFI based on its assumption of the liabilities of WFI.

WFA has been a FINRA member since 1987. WFA is headquartered in St. Louis, Missouri and provides financial advisory, asset management and other financial services.

OVERVIEW

This matter involves the dissemination of sales literature that failed to conform to the content standards of NASD Rule 2210. WFI, through its registered representative Curtis Purington (“Purington”),¹ disseminated this sales literature to WFI customers and potential customers in connection with Purington’s “stop-loss” trading strategy. The sales literature failed to provide a sound basis for evaluating all of the facts about the trading strategy and contained unwarranted statements. By disseminating the sales literature to the public through Purington, WFI violated NASD Rule 2210 and FINRA Rule 2010.

RELEVANT DISCIPLINARY HISTORY

WFA has no relevant disciplinary history.

FACTS AND VIOLATIVE CONDUCT

1. Purington’s Stop-loss Trading Strategy

Beginning in or around January 2009, Purington began marketing a stop-loss trading strategy that was designed to preserve capital by providing a clear exit strategy during market declines. Under the program, clients typically purchased shares of QQQ and agreed that Purington would sell out their entire QQQ position when the underlying index (the NASDAQ 100 index) closed the week more than ten percent below its six-week high. Purington then repurchased the QQQ positions for his clients if the price was less than ten percent below its six-week high. If the price remained more than ten percent below its six-week high, the clients stayed out of the position. Purington marketed his stop-loss trading strategy, in part, by using a marketing piece called “The Value of an Exit Strategy” (the “Exit Strategy Advertisement”).

2. The Approval and Distribution of the Exit Strategy Advertisement

In 2009 and 2010, WFI approved three iterations of the Exit Strategy Advertisement. There were no significant differences between the three versions of the advertisement.

After receiving approval from WFI, Purington distributed the Exit Strategy Advertisement to WFI customers and potential customers by hand, email and fax. During the period August 2009 to August 2010, he distributed the Exit Strategy Advertisement to 160 customers and prospective customers.

¹ Purington agreed to findings that he exercised discretion in customer accounts without written authorization in violation of NASD Rule 2510(b) and FINRA Rule 2010. See AWC No. 2010023976501 (2012).

3. The Exit Strategy Advertisement Failed to Conform to the Content Standards of Rule 2210

The Exit Strategy Advertisement was a one-page document explaining to investors the basics of a stop-loss strategy and its potential to reduce investment risks by “minimizing losses and letting profits run.” The document explained the strategy as setting a stop-loss price when a security was purchased and selling the security when the market moved down and violated the stop-loss price. The document explained that the security was not repurchased until the market resumed an upward trend. The Exit Strategy Advertisement also provided a diagram showing a hypothetical investment of \$100,000 and indicating that use of the strategy could increase the investment significantly, while use of a traditional “Buy and Hold” strategy would likely result in a loss.

The Exit Strategy Advertisement failed to comply with the content standards of Rule 2210(d)(1). First, the Exit Strategy Advertisement failed to provide a comprehensive description of the stop-loss trading strategy because it failed to describe the mechanics of the strategy and provide a balanced discussion of the benefits and shortcomings of the strategy. Second, the illustration of the hypothetical investment included in the Exit Strategy Advertisement failed to provide a comprehensive description of the investment returns. Third, the Exit Strategy Advertisement contained the following unwarranted statements and claims:

- “The reason that many investors lose money in the markets is due to the lack of an exit strategy.”
- “A trailing stop loss strategy is an attempt to reduce risk by minimizing losses and letting profits run.”
- “The whole idea is to keep losses small and let the profits run.”
- “The whole idea is to keep losses small and let the winners run.”

By disseminating the Exit Strategy Advertisement to the public through Purington, WFI violated NASD Rule 2210 and FINRA Rule 2010.

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

1. a censure; and
2. a fine of \$25,000.

The Firm agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is 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 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 Chief Legal Officer, 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.

A. 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

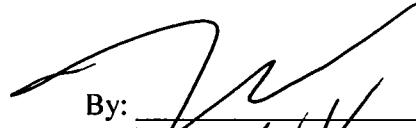
Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;

- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the Firm; 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 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 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: (i) testimonial obligations; or (ii) 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 understand all of the provisions of this AWC and has been given a full opportunity to ask questions about it; 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.

Wells Fargo Advisors, LLC as successor to
Wells Fargo Investments, LLC

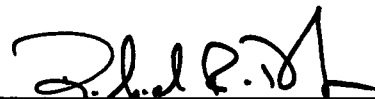
5/27/14
Date

By: 
Lincoln Versini - EVP
Its: ~~Wells Fargo Advisors~~
Wells Fargo Investments

Accepted by FINRA:

6.2.14
Date

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


Richard R. Best, Chief Counsel
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