

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
No. 2010024250201**

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

RE: United Planners Financial Services of America, A Limited Partnership
CRD No. 20804

Douglas Hall
Registered Principal
CRD No. 2577937

██████████
Registered Principal
CRD No. ██████████

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, United Planners Financial Services of America, A Limited Partnership ("United Planners," or the "Firm"), Douglas Hall ("Hall"), and ██████████ ██████████ (collectively, "Respondents") 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 Respondents alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondents 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 without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

United Planners is a general securities independent broker-dealer that has been a FINRA-registered firm since December 1987. The Firm is headquartered in Scottsdale, Arizona and currently has 254 branch offices, approximately 131 offices of supervisory jurisdiction ("OSJ"), and 429 registered personnel.

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Hall joined the securities industry in 1994 as a registered representative with a FINRA-registered broker-dealer. He joined another FINRA-registered broker-dealer in 1996. In 2001, Hall joined the Firm as a home office principal and worked in the Firm's headquarters in Scottsdale, Arizona. He left the Firm in 2005 to join another FINRA-registered broker-dealer as a principal. In May 2007, Hall rejoined the Firm as its Chief Compliance Officer ("CCO"), a position he continues to hold. Hall obtained his Series 6, 7, 24, and 4 licenses in 1995, 1996, 1997, and 2002, respectively.

████████ entered the securities industry in 1978, and obtained her Series 7 license in 1984. She worked for various FINRA-registered broker-dealers as an office manager and in trading and administrative positions until 1999 when became a margin specialist for a FINRA-registered broker-dealer. She left the securities industry in June 2001 and returned in May 2002, when she joined the Firm as a compliance examiner. ██████ obtained a Series 24 license in July 2002. Since July 2007 she has been the Firm's "Home Office OSJ Supervisor," supervising approximately 131 field OSJ managers from the Firm's headquarters.

RELEVANT DISCIPLINARY HISTORY

The Firm has no relevant prior disciplinary history. Hall and ██████ have no prior disciplinary history in the securities industry.

OVERVIEW

This matter concerns inadequate supervision of variable annuities ("VA" or "VAs") sales by 131 "field OSJ supervisors" between January 1, 2008 and November 30, 2010 (the "Relevant Period"). The field OSJ supervisors each reported to the "Home Office OSJ Supervisor," ██████ who worked at the Firm's headquarters office. The Firm failed to establish and maintain an adequate supervisory system and written supervisory procedures ("WSPs") for reviewing the sales of VAs by these field OSJ supervisors. The Firm permitted supervisors to approve their own VA transactions with customers by allowing them to submit the transactional documentation to the insurance carriers without obtaining the prior approval of the Firm's principal. United Planner's supervisory review of these VA transactions was also inadequate in terms of suitability and timeliness of the review. The Firm's supervisory system failed to provide the Firm's designated principal with adequate systems and customer information to conduct an appropriate review of the VA transactions. These reviews were conducted after the transactions had been completed, and the Firm and field OSJ supervisor had already received commissions.

After February 8, 2010 – the effective date of FINRA Rule 2330 – the Firm continued to transmit customer VA applications to the issuing insurance company for processing before review and approval by a principal designated by the Firm, in violation of the rule.

Hall, as the Firm's Chief Compliance Officer, failed to implement an adequate supervisory system and design adequate WSPs with respect to VA sales by the field OSJ supervisors during the Relevant Period.

██████ who reported to the Firm's head of operations, failed to reasonably supervise the suitability of the sales of VAs by OSJ field supervisors. As the Home Office OSJ Supervisor, ██████ was responsible for review and supervision of such transactions and failed to seek out adequate information to carry out her responsibilities.

FACTS AND VIOLATIVE CONDUCT

Introduction

During the Relevant Period, the Firm operated under an independent broker model with hundreds of representatives in one and two person offices nationwide. Its registered representatives ("RRs") generally report to a field OSJ supervisor located in the same office or geographical area. Of the Firm's approximately 131 field OSJ supervisors, approximately 100 sold VAs. Each of them reported to ██████

VA transactions are a major business line for United Planners. From 2007 through 2010, annual VA sales revenue represented 26% to 41% of the Firm's revenue. In 2008 and 2009, VA transactions by field OSJ supervisors accounted for approximately one-third of the Firm's VA revenues. During the Relevant Period, the Firm's field OSJ supervisors originated an average of 28 new VA sales contracts per week. The average total weekly dollar value of these new contracts was \$2.7 million.

Scope of the Firm's VA Business Line

The Firm's VA transactions typically were executed "direct" with insurance carriers through a "check-and-app" process wherein all paperwork, such as contract applications and transfer authorizations, were prepared in hardcopy and then sent, along with a client's investment check, directly to the insurance carrier. Prior to February 2010, the Firm's home office was not aware that VA transactions entered by an OSJ branch manager for their customers had been submitted to an insurance company until the transaction was executed at the insurance carrier and then appeared on a weekly blotter alerting the Firm to the applicable sales commission.

Inadequate Written Supervisory Procedures

The WSPs in effect at the beginning of the Relevant Period were created in January 2007 (the "January 2007 WSPs"), prior to Hall's acting in the CCO capacity, and remained in effect until the Firm revised them in July 2009 (the "July 2009 WSPs"). In July 2007, the Firm created a Home Office OSJ Supervisor position, but the January 2007 WSPs continued to attribute a subset of the Home Office OSJ Supervisor's duties to an unnamed "compliance examiner." The January 2007 WSPs were also not revised to include procedures by which the Home Office OSJ Supervisor was to perform her supervisory responsibilities over VA transactions completed by field OSJ supervisors.

The January 2007 WSPs also listed certain procedures that were not actually in place during the Relevant Period. For example, they described a procedure wherein the compliance department would use reports generated by sponsor insurance companies to review and monitor VA sales practices. The reports were to be used to assist in identifying "red flags" such as exchanges with unusually large back-end sales charges, or contradictory exchange recommendations (such as the movement of one set of clients out of a particular VA while moving another group into that same product). However, before Hall became the CCO, the Firm determined in early 2007 that sponsor-provided reports were too difficult to obtain or use in any meaningful way and after that date the Firm did not obtain them.

The Firm's Review of VA Transactions

Prior to February 2010, the Firm's WSPs permitted field OSJ supervisors to approve their own VA transactions. A section of the WSPs entitled "Review of [New] Accounts" stated that a field OSJ manager, who is also the representative for the account may "accept the [new] account on behalf of [United Planners]." This section also noted that acceptance of the account indicates that the first transaction was deemed suitable." The relevant forms each had signature lines for the client, the selling RR, and the field OSJ supervisor. For VA sales by field OSJ supervisors, they signed and dated these forms as both the RR and the OSJ principal. In several instances, a field OSJ supervisor signed the New Account Form as both OSJ and approving principal. The Firm conducted no independent review for suitability prior to submission of the transaction to the relevant insurance carrier.

The Firm's post-transaction review did not cure the fundamental problem of the lack of front-end supervision of these transactions and, therefore, did not adequately review the Firm's transactions for customer suitability. This review consisted of [REDACTED] reviewing a weekly blotter and conducting a monthly test of 30 VA transactions larger than a set dollar threshold.

The weekly blotter was electronically prepared by the Firm, and reflected all securities transactions – including non-VA transactions – for the field OSJ supervisors. The VA transactions appearing on the blotter represented aged data populated from insurance carriers for executed transactions for which the Firm had already received a sales commission. For new-money transactions, this resulted in documentation being signed by the client and sent to the insurance carrier up to two weeks earlier. The new VA contract would have been issued, appropriate amounts allocated to subaccounts, and the Firm would have been notified of a sales commission and allocated it to an OSJ supervisor before any home office supervisory review was conducted. For VA exchange transactions, the client had signed the VA documents approximately two to three weeks earlier, and paperwork had been submitted to the new insurance carrier, surrender instructions issued to the client's old insurance carrier, the customer's funds invested in the subaccounts of the new insurance carrier, and the commission allocated to the Firm before the transactions appeared on the Firm's blotter.

The information on the blotter was also inadequate for [REDACTED] to conduct an appropriate review of field OSJ supervisors' VA transactions. The blotter did not contain any information specific to a client to assess suitability nor did it specify whether the transaction was a new-money purchase, an exchange, or money added to an existing contract. It also did not indicate how the investment dollars were to be allocated to the underlying subaccounts.

In conducting the weekly OSJ blotter review, [REDACTED] did not assess the specifics of the VA transactions and was not provided information and documentation available to be able to understand the substance of the transactions. The blotter failed to provide [REDACTED] with information contained only on the transaction documents, such as the basis for exchange recommendations and pricing comparisons. As a result of the inadequate procedures employed by the Firm, neither [REDACTED] nor any other responsible Firm personnel questioned or rejected a VA transaction during the Relevant Period.

Responsibility for the monthly sampling procedure was also assigned to [REDACTED]. The procedure consisted merely of randomly sampling transactions for further review, using criteria such as large dollar transactions or multiple VA sales by the same registered representative within the month, and conducting an ad-hoc review of these transactions to determine whether proper disclosure documentation was used. The monthly sampling procedure was not used to review for customer suitability.

There is no indication that suitability or disclosure issues were ever detected by the sampling procedure or that the Firm rejected or reversed a transaction based on this process. The Firm also did not provide [REDACTED] with the information necessary to discharge her responsibilities, including product research tools, product summary sheets, exception reports or similar reports that identified transactions appropriate for closer scrutiny, such as sales to the elderly, exchanges with high surrender fees, and multiple exchange transactions by the same representative. The Firm also failed to review or audit [REDACTED] review of the field office OSJ supervisors' VA transactions.

The Firm also delegated critical supervisory responsibility with respect to VA transactions to [REDACTED] without adequately evaluating her understanding of, or training her about, important concepts relating to VA transactions, such as living benefits, lost death benefits comparisons, the concept of a fixed sum of money being annuitized into a series of payments, guaranteed minimum withdrawal benefits, and the ability of annuity companies and insurers to structure products differently to offer bonus contracts. The weekly OSJ blotter review and sampling process were discontinued in February 2010 when the Firm's newly-instituted procedures required that all VA transaction documentation be forwarded to the Firm's home office.

Supervision of Field OSJ Supervisors after February 2010

In response to the adoption of FINRA Rule 2330, the Firm revised its WSPs with respect to VA sales. The Firm's revisions continued to permit field OSJ supervisors to approve their own sales of VAs, and did not bring the Firm into compliance with Rule 2330's

requirement that all VA transactions receive principal review and approval prior to being transmitted to the insurance carriers.

In January 2010, the Firm circulated a compliance update regarding VA transactions to its sales force. The update accurately stated that "Only after the principal approves the variable annuity application can it be forwarded to the Insurance Carrier." However, a different section stated that, as to their own VA transactions, field OSJ supervisors would be permitted to:

Verify original annuity application and all required disclosure documentation for suitability and completeness by signing as the advisor and OSJ Manager. (Emphasis added)

Forward originals to the insurance carrier, maintain a copy for your files, and forwarded (*sic*) copies of all related documentation regarding the initial variable annuity purchase to the Home Office Supervisor.

Thus, the Firm enacted written supervisory procedures that continued to permit field OSJ supervisors to approve their own VA transactions. The Home Office OSJ supervisor continued to be responsible after February 2010 for approving field office OSJ supervisors' VA transactions after the transaction paperwork had been submitted to the insurance carrier.

Supervisory Deficiencies – General (The Firm, Hall, and [REDACTED])

NASD Rule 3010 requires members to, among other things, "establish and maintain a system to supervise the activities of each registered representative, registered principal, and other associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable NASD Rules. Final responsibility for supervision shall rest with the member." The rule further provides that "[e]ach member shall establish, maintain, and enforce written procedures to supervise the types of business in which it engages and to supervise the activities of the registered representatives, registered principals, and other associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with the applicable rules of NASD." The standard for determining if a supervisor failed to discharge assigned supervisory duties is whether his or her conduct was reasonable under the attendant circumstances.

NASD Rule 2110 and FINRA Rule 2010 provide that "[a] member in the conduct of his business shall observe high standards of commercial honor and just and equitable principles of trade." Violations of NASD/FINRA Rules are viewed as violations of Rules 2110/2010 because members of the securities industry are expected and required to abide by the applicable rules and regulations.

Inadequate Supervisory System

The Firm failed to have in place a supervisory system reasonably designed to achieve compliance with applicable securities laws and regulations, and with NASD Rules, with respect to VA transactions of field OSJ supervisors. The Firm permitted such supervisors to self-approve their own sales of VAs – itself a deficient procedure – and its system of post-transaction review was inadequate. The post-transaction system delegated to [REDACTED] the responsibility for reviewing and approving VA sales while failing to provide effective guidance, procedures, and tools as to how the reviews were to be conducted, and failing to effectively audit the process. The Firm also did not have any supervisory systems to monitor, detect or identify potentially unsuitable or otherwise violative VA transactions and exchanges. Additionally, the Firm assigned the Home Office OSJ Supervisor position to [REDACTED], who the Firm did not effectively evaluate or train to undertake the responsibilities of the position. The system was not reasonably designed to ensure that VAs were sold to customers for whom the product was suitable.

As the Firm's Chief Compliance Officer, Hall was responsible for monitoring the compliance of the Firm's policies and procedures, including with respect to the supervision of VA transactions, with NASD and FINRA rules, and other applicable laws and regulations. He was the principal responsible for implementing and reviewing the Firm's system of supervision of VA transactions during the Relevant Period and determining if it conformed to applicable regulations. He failed to reasonably carry out his responsibility.

Inadequate WSPs

During the Relevant Period, United Planners' WSPs were not reasonably designed to achieve compliance with applicable securities laws and regulations, and NASD and FINRA rules, in the area of the supervision of VA sales by field OSJ supervisors. The WSPs failed to make reference to the Home Office OSJ Supervisor's position and duties, and failed to adequately describe how the Home Office OSJ Supervisor was to undertake and effectuate the review of sales of VAs by field OSJ supervisors. Given that nearly all of the field OSJ supervisors' VA transactions had been self-approved with little to no front-end review of suitability, the inadequacies in the Firm's WSPs for post-transaction review of these transactions was magnified.

As the Firm's CCO, Hall was responsible for monitoring the review of the Firm's written supervisory procedures to ensure that they were reasonably designed to achieve compliance with applicable securities laws and regulations, and NASD and FINRA rules and did not reasonably carry out this responsibility.

Failure to Supervise

The Firm failed to establish, maintain, and enforce its written procedures. The Firm's WSPs described a procedure for VA sales supervision by which Firm supervisory personnel were to use sponsor-provided reports to identify red flags and other potential

areas of concern. Early in the Relevant Period, the Firm knew that it would not obtain these reports, and after that date supervision of VA transactions proceeded without the relevant supervisor having access to the reports. In addition, the July 2009 WSPs stated that the Home Office OSJ Supervisor was to conduct a weekly review of the blotter for, among other things, suitability and switching, and that the compliance department was to conduct an audit of all OSJ locations. Neither of these procedures was adequately followed. While the Firm conducted audits of OSJ locations, it did not audit [REDACTED] review process or work.

As Home Office OSJ Supervisor, [REDACTED] had the responsibility of reviewing and approving field office OSJ managers' VA transactions for suitability. Between January 2008 and February 2010, [REDACTED] did not reasonably discharge her supervisory responsibilities. She knew or should have known that she was undertaking a post-transaction review of transactions that had been self-approved and that had been subjected to little or no pre-transaction review of suitability, and therefore warranted a more exacting and detailed post-transaction examination. Notwithstanding this, she did not adequately assess the specifics of field office OSJ supervisors' VA transactions, failing to seek out easily-obtainable and important information that would have supplemented the Firm's post-transaction procedure of blotter review and sampling. She also failed to report to either her direct supervisor or Hall deficiencies in the information she was using to carry out her responsibilities

[REDACTED] did not supplement the information generated in these procedures with data and information from other sources such as the Firm's in-house systems and customer documentation, thus failing to avail herself of vital suitability-impacting information such as exchange recommendations and pricing comparisons. This supplementary data and information was readily available to [REDACTED] and she knew or should have known that it contained potentially useful information to her in carrying out her responsibilities.

The blotter review and sampling procedure also rarely, if ever, prompted or raised issues with respect to suitability beyond missing information or forms, and [REDACTED] rarely, if ever, disallowed or reversed a transaction based on issues raised by the procedure.

As a result of the foregoing, the Firm, Hall, and [REDACTED] violated NASD Rules 3010, and FINRA Rule 2010 and NASD Rule 2110.

Failure to Obtain Principal Review and Approval of VA Transactions – FINRA Rule 2330 (c) (The Firm)

FINRA Rule 2330(c), effective as of February 2010, states that:

Prior to transmitting a customer's application for a deferred variable annuity to the issuing insurance company for processing, but no later than seven business days after an [OSJ] of the member receives a complete and correct application package, a registered principal shall review and

determine whether he or she approves of the recommended purchase or exchange of the deferred variable annuity

From February 8, 2010 to November 30, 2010, the Firm violated NASD Rule 2330(c) by improperly allowing its field OSJ supervisors to submit their own customers' VA applications to the insurance companies for processing prior to obtaining principal review and approval for the transactions.

Deficient Supervisory Procedures – FINRA Rule 2330(d) (The Firm and Hall)

FINRA Rule 2330(d), effective as of February 2010, requires member firms, "in addition to the general supervisory and recordkeeping requirements of NASD Rule[] 3010 ... " to "establish and maintain specific written supervisory procedures reasonably designed to achieve compliance with the standards set forth in [Rule 2330]." Among the standards in Rule 2330 is the requirement for principal review and approval before the transmission of a customer's VA application to the insurance carrier.

In January 2010, the Firm revised its written supervisory procedures with respect to VA sales in order to comply with FINRA Rule 2330. However, these revisions continued to permit field OSJ supervisors to approve their own sales of VAs, and did not bring the Firm into compliance with the rule's requirement that all customer VA applications receive principal review and approval prior to transmission to the insurance carriers. Accordingly, the Firm violated FINRA Rule 2330(d).

As the Firm's CCO, Hall led the Firm's efforts to formulate and obtain approval of policies, practices and procedures to address the new provisions of FINRA Rule 2330. He specified within those procedures that field OSJ supervisors could continue to approve their own business. In contravention of the rule, the procedures permitted the transmission of VA transaction paperwork to the insurance carriers without obtaining prior principal review and approval. The firm's WSPs continued to stipulate that field OSJ supervisors could self-approve their own transactions on behalf of the Firm.

Accordingly, the Firm and Hall violated NASD Rule 2330(d), and FINRA Rule 2010 and NASD Rule 2110.

B. Respondents also consent to the imposition of the following sanctions:

- a. A censure against United Planners
- b. A censure against Hall
- c. A fine in the amount of \$200,000 against United Planners
- d. A fine in the amount of \$15,000 against Hall
- e. A fine in the amount of \$5,000 against [REDACTED]

Respondents agree to pay the applicable monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondents have each submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Respondents specifically and voluntarily waives any right to claim that they are 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

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

- A. To have a Complaint issued specifying the allegations against them;
- 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, Respondents 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.

Respondents 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

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

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

Date July 12th, 2012

Douglas Hall
Douglas Hall

Reviewed by:

Brian L. Rubin
Brian L. Rubin
Counsel for Respondents
Sutherland Asbill & Brennan LLP
1275 Pennsylvania Avenue, NW
Washington, DC 20004

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

6/20/12
Date

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Date

6/20/12
Date

Reviewed by:

Brian L. Rubin
Brian L. Rubin
Counsel for Respondents
Sutherland Asbill & Brennan LLP
1275 Pennsylvania Avenue, NW
Washington, DC 20004

Accepted by FINRA:

July 26, 2012
Date

United Planners Financial Services
of America, A Limited Partnership
BY: Thomas H. Oliver Pres CEO.
[Name and Title]
Douglas Hall



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

Susan Light
Susan Light
Senior Vice President &
Chief Counsel
FINRA Department of Enforcement
1 World Financial Center
11th Floor
New York, NY 10281