

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20110291003 01**

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

RE: Ameriprise Financial Services, Inc.
CRD No. 6363

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Ameriprise Financial Services, Inc. ("Ameriprise") 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 Ameriprise alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Ameriprise 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

Ameriprise has been a FINRA registered broker-dealer since 1972. Ameriprise conducts a general securities business, with its principal office located in Minneapolis, Minnesota.

RELEVANT DISCIPLINARY HISTORY

Ameriprise has not been the subject of a FINRA disciplinary action that is relevant to this matter.

OVERVIEW

From January 1, 2009 through June 30, 2011 (the "Relevant Mutual Fund Review Period"), Ameriprise failed to timely deliver mutual fund prospectuses to Ameriprise customers within three business days of their purchases in approximately 580,000 transactions (approximately 4% of the mutual fund purchase transactions that required Ameriprise to deliver a mutual fund prospectus within three business days). Ameriprise also failed to establish and maintain adequate supervisory systems and written supervisory procedures reasonably designed to

monitor and ensure the timely delivery of mutual fund prospectuses, as required by Section 5(b)(2) of the Securities Act of 1933 (“the Securities Act”). As a result of these failures, Ameriprise violated NASD Conduct Rules 3010(a)(1) and (b)(1), and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

A. Ameriprise Failed to Deliver Prospectuses to Mutual Fund Customers on a Timely Basis During the Relevant Mutual Fund Review Period

1. Mutual Fund Prospectus Delivery Rules

During the Relevant Mutual Fund Review Period, Ameriprise was required to provide each of its customers who purchased a mutual fund a prospectus for that fund no later than three business days after the transaction. Section 5(b)(2) of the Securities Act prohibits the delivery of certain securities unless such delivery is accompanied by or preceded by a prospectus that meets the requirements of Section 10(a) of the Securities Act. The federal securities laws require the delivery of a prospectus to investors because it provides them with important disclosure information regarding the product being purchased. *See SEC v. Variable Annuity Ins. Co. of America*, 359 U.S. 65, 77 (1959) (“The emphasis is on disclosure; the philosophy of the Act is that full disclosure of the details of the enterprise in which the investor is to put his money should be made so that he can intelligently appraise the risks involved.”).

Rule 10b-10, promulgated under Section 10(b) of the Securities Exchange Act of 1934, requires a broker-dealer to provide to the customer, in writing, certain information “at or before completion of such transaction.” Transactions are complete when they settle, and Rule 15c6-1(a) provides that securities transactions settle in three business days, unless otherwise specified. Consequently, a broker-dealer must deliver a prospectus to a customer who has purchased a mutual fund no later than three business days after the transaction.

2. Role of Service Providers in Mutual Fund Prospectus Delivery

During the Relevant Mutual Fund Review Period, Ameriprise contracted with two third-party service providers for the delivery of mutual fund prospectuses. On a daily basis, Ameriprise provided the service providers with electronic information regarding mutual fund transactions requiring delivery of a prospectus to Ameriprise customers. Ameriprise had no systems or procedures requiring daily or weekly review of the providers’ performance. Ameriprise’s procedures did require monthly review of a sample of transactions, but did not specifically describe what the reviewer was required to look for or what actions the reviewer was required to take in the event that prospectus delivery deficiencies were identified. Moreover, the number of transactions included in the reviewed sample was likely too small to provide an accurate assessment of the service providers’ performance.

3. Ameriprise Violated FINRA Rule 2010 by Failing to Deliver Prospectuses on Time During the Relevant Mutual Fund Review Period, in Contravention of Section 5(b)(2) of the Securities Act

Ameriprise violated FINRA Rule 2010 during the Relevant Mutual Fund Review Period by failing to deliver on time, or failing to ensure that the service provider delivered on time, prospectuses to certain customers who purchased mutual funds. In approximately 580,000 instances over the January 1, 2009 through June 30, 2011 time period, Ameriprise customers who should have received a prospectus within three business days of the transaction did not.

The primary cause of the late deliveries was the failure of certain mutual fund companies to maintain adequate supplies of paper copies of prospectuses. As a result, for many purchases from these fund companies, the service providers could not obtain a prospectus to provide to the customer on time.

Ameriprise did not take actions to ensure that all of its customers were receiving prospectuses on time. For instance, throughout the Relevant Mutual Fund Review Period, the primary service provider offered a "print on demand" ("POD") service to its clients. Even if a mutual fund company did not have adequate supplies of paper copies of a certain prospectus, POD allowed the service provider to obtain an electronic copy of the prospectus from the fund company, and then to print copies of the prospectus to send to Ameriprise customers. Ameriprise did not utilize this service or implement any alternative system for delivering prospectuses when fund companies were out of paper copies throughout the first 26 months of the review period.

Because of Ameriprise's failure to deliver prospectuses on time to a significant number of customers who purchased mutual funds, these customers were not provided with important disclosures about these products by settlement date. Consequently, Ameriprise acted in contravention of Section 5(b)(2) of the Securities Act and, thereby, violated FINRA Rule 2010.

Ameriprise did begin utilizing POD in March 2011, which then allowed its service provider to electronically obtain the prospectuses to send to customers as necessary.

B. Ameriprise Failed to Establish, Maintain and Enforce A Supervisory System or Written Procedures Reasonably Designed to Ensure Timely Delivery of Mutual Fund Prospectuses

1. Ameriprise Was Required to Establish and Maintain a Supervisory System and Written Supervisory Procedures Regarding Its Mutual Fund Business

NASD Conduct Rule 3010 requires FINRA members to establish, maintain and enforce systems and procedures to supervise each type of business in which they engage. The systems and procedures must be reasonably designed to achieve compliance with securities laws, rules and regulations.

During the Relevant Mutual Fund Review Period, Ameriprise executed more than 15,000,000 mutual fund purchase transactions that required Ameriprise to deliver a

mutual fund prospectus, or a summary prospectus, to the purchasing customer. As such, during the Relevant Mutual Fund Review Period, Ameriprise was required to establish and maintain a supervisory system and written supervisory procedures that were reasonably designed to monitor and ensure the timely delivery of mutual fund prospectuses.

2. **Ameriprise Failed to Establish, Maintain and Enforce an Adequate Supervisory System or Written Procedures to Supervise Mutual Fund Prospectus Delivery**

During the Relevant Mutual Fund Review Period, Ameriprise's written supervisory procedures did not require an adequate review of the service providers' performance of their prospectus delivery obligations. Instead, Ameriprise's system for supervising the timely delivery of mutual fund prospectuses involved substantial reliance on the service providers.

Ameriprise did not have an adequate system and procedures in place reasonably designed to ensure that mutual fund prospectuses were being delivered on a timely basis consistent with Section 5(b)(2) of the Securities Act. Ameriprise's failure to implement and maintain such a supervisory system and written supervisory procedures violated NASD Conduct Rules 3010(a)(1) and (b)(1), and FINRA Rule 2010.

C. **Ameriprise also consents to the imposition of the following sanctions:**

1. a censure; and
2. a fine of \$525,000.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

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

Ameriprise 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.

II.

WAIVER OF PROCEDURAL RIGHTS

Ameriprise 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, Ameriprise 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.

Ameriprise 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

Ameriprise 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 Ameriprise; and
- C. If accepted:
 - 1. this AWC will become part of Ameriprise's permanent disciplinary record

and may be considered in any future actions brought by FINRA or any other regulator against Ameriprise;

2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Ameriprise'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. Ameriprise 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. Ameriprise 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 Ameriprise'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. Ameriprise may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Ameriprise 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 Ameriprise, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that the undersigned 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 Ameriprise to submit it.

04-16-2013
Date (mm/dd/yyyy)

Kane Will Threl
Respondent

Ameriprise Financial Services, Inc.

By: Kare W. D.

Reviewed by:

Suzanne M. Taylor

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Accepted by FINRA:

4/18/13
Date

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

Dean M. Jeske

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