

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2012031270301**

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

RE: Directed Services, LLC
CRD No. 21675

ING America Equities, Inc.
CRD 36259

ING Financial Advisers, LLC
CRD 34815

ING Financial Partners, Inc.
CRD 2882

ING Investment Advisors, LLC
CRD 3989

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, 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 the Respondents alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. We 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

Respondents in this matter are indirect subsidiaries of ING Groep N.V.

Directed Services, LLC (CRD 21675) (DSL): DSL is a wholesale broker-dealer engaged primarily in the underwriting and distribution of certain variable annuity products issued

by ING insurance affiliates.¹ DSL currently has 247 registered representatives. The firm has approximately 26 non-registered employees. It is primarily owned by ING Life Insurance and Annuity Co. (INGLIAC). DSL has been a FINRA member since 1988.

ING America Equities, Inc. (CRD 36259) (INGAE): INGAE is a wholesale broker-dealer engaged primarily in the underwriting and distribution of variable life insurance products issued by ING insurance affiliates. It conducts no retail business. The firm currently employs 194 registered representatives and 69 non-registered employees. It is a subsidiary of Security Life of Denver Insurance Co. INGAE has been a FINRA member since 1994.

ING Financial Advisers LLC (CRD 34815) (IFA): IFA is a wholesale broker-dealer involved in the underwriting and distribution of variable annuity products issued by ING insurance affiliates. In addition, it maintained a retail sales force of approximately 750 registered representatives who were independent contractors who sold insurance products issued by ING insurance affiliates and by other third party entities. Some of these independent registered representatives employed non-registered associated persons. As of December 31, 2010, almost all independent registered representatives with IFA transferred their registrations to Respondent ING Financial Partners, Inc. IFA had more than 2,100 registered representatives in late 2008. It currently has 840 registered representatives and 65 non-registered employees. The firm is owned by INGLIAC, and has been a FINRA member since 1993.

ING Financial Partners, Inc. (CRD 2882) (IFP): IFP is a retail broker-dealer involved in the sale of general securities. The firm currently has 3,397 registered representatives and 1,337 non-registered employees. Most of the registered representatives operate as independent contractors out of small or single-person branches. The firm is owned by Lion Connecticut Holdings, Inc. It has been a FINRA member since 1968.

ING Investment Advisors LLC (CRD 3989) (IIA): IIA is a broker-dealer and provides support for recordkeeping and other related services for ING's retirement service business. IIA has 42 registered representatives who are not employees of IIA but who are Minnesota state employees. These 42 registered representatives became associated with IIA in July 2009 and provide recordkeeping services to the Minnesota Defined Contribution Plan, a retirement plan for state employees. They did not have IIA email accounts, and used their State of Minnesota email addresses to conduct IIA business. IIA currently has 169 registered representatives and 15 non-registered employees. The firm is owned by ING Institutional Plan Services, LLC. IIA has been a FINRA member since 1969.

¹ "ING insurance affiliates" collectively refers to affiliates of the Respondents.

RELEVANT DISCIPLINARY HISTORY

In March 2010, IFA was censured and fined \$25,000 in an AWC (2009016769301) for supervisory failures in connection with the failure to timely update U4 filings to reflect outside business activities. In February 2008, IFA was fined \$15,000 in an AWC (2007007182602) for failure to report customer complaints on a timely basis, and for related supervisory violations.

OVERVIEW

This matter involves violations of the supervision and email retention requirements at the five Respondent firms over an extended period of time. These violations arose from the failure of the Respondent firms to retain and review emails over a period of years. As a result of these failures, millions of emails, affecting hundreds of employees, were either not retained, not reviewed, or not timely reviewed for periods ranging from two months to more than six years.

FACTS AND VIOLATIVE CONDUCT

Operation of the Email Systems

Under the systems established by the Respondent firms, emails to and from registered and associated persons were to be “journaled” or copied from the exchange server where they initially resided to an email archive (“archive”). This was necessary for two reasons. First, the archive was configured to retain all emails for the required periods of time under NASD Rule 3110 and Rule 17a-4 under the Exchange Act. Second, the archive contained a system that analyzed the emails, based on the content of the emails and criteria established by the Respondents firms, to determine which emails should receive further review by supervisors.

Failure to Retain Emails

The Respondent firms failed to journal emails to the archive over a long period of time. This resulted in the failure to supervise and retain emails.

Two of the Respondent firms, IFA and IFP, failed to journal emails that were sent to or by registered representatives who functioned as independent contractors to the archive. IFA failed to do so from October 2008 to February 2010, and IFP failed to do so from September 2008 to March 2010. This affected emails sent to and from 818 registered representatives at IFA and five at IFP. In addition, IFA failed to journal emails sent to and from 44 registered representatives whose accounts were hosted on a server external to IFA, and IFP failed to journal such emails sent to and from 119 independent contractors, including both registered representatives and non-registered personnel.

Each of the Respondent firms also failed to set up certain email accounts to ensure that the emails sent to and from those accounts were retained and reviewed. These email journaling issues affected hundreds of employees, for periods ranging from a few months to six years at various times between 2004 and 2011.

Four of the Respondent firms – DSL, INGAE, IFA and IFP – also failed to configure secondary email addresses (referred to as “alias” addresses) so that they would journal emails to the archive. This affected email sent to and from 251 registered representatives and associated persons of IFA, 10 registered representatives of INGAE, 48 registered representatives and associated persons of IFP, and 23 registered representatives of DSL between February 2008 and September 2010.

Four of the Respondent firms – DSL, INGAE, IFA and IFP – also failed to journal emails sent to distribution lists, emails that were blind carbon copied to certain recipients, and emails that were encrypted, to the archive. In addition, the Respondent firms also failed at various time periods, from June 2009 until September 2011, to journal emails sent from a third party software provider’s application (or “cloud” email) to the archive. Users could delete those emails from the software provider’s application, resulting in their permanent deletion.

As a result of these failures, emails sent to and from hundreds of employees of the Respondents firms over long periods of time were not retained. Because the emails were not retained, they were also not analyzed for, or subject to, supervisory review.

Failure to Review Emails

The Respondent firms also failed to review millions of emails that had been retained and flagged for supervisory review.

When emails were journaled to the archive and were flagged for supervisory review, the Respondent firms failed to ensure that the emails were actually reviewed by supervisory principals. At various times between January 2005 and May 2011, nearly 6 million emails flagged for review at IFA, DSL, IFP, INGAE, and IIA went unreviewed by supervisory principals. The firms discovered the backlog of unreviewed emails in 2011 and thereafter undertook efforts to review those emails.

The systems at four of the Respondent firms – INGAE, IFA, DSL, and IIA – contained default settings that caused unreviewed emails not to appear in review queues after a certain period of time. Emails that had not been reviewed before that time period were

thus often not reviewed. As a result, those firms had ineffective systems to comply with, and to monitor for compliance with, the requirement to review email.

Moreover, at INGAE, IFA, IFP and DSL, internal emails transmitted between registered employees and between registered and non-registered employees were excluded from the review process entirely. In addition, at IFP, emails between independent contractors and their support personnel were excluded from the review process. DSL, INGAE, IFP and IFA also “auto approved” and thereby excluded from review all emails from certain email addresses or domains, under the belief that the emails were not related to the firms’ securities business. Hundreds of those addresses and domains were, in fact, related to the firms’ securities business.

As a result of these failures, millions of emails were not reviewed or were not timely reviewed. These failures occurred over the course of many years.

Violations of the Securities Laws and FINRA Rules

Recordingkeeping violations

Section 17(a)(1) of the Securities Exchange Act of 1934 provides that each broker or dealer “shall make and keep for prescribed periods such records, furnish copies thereof, and make and disseminate such reports as the Commission, by rule, prescribes as necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of this title.” Pursuant to its authority under Section 17(a)(1), the Securities and Exchange Commission promulgated Rule 17a-4. Rule 17a-4(b)(4) requires firms to “preserve for a period of not less than three years, the first two years in an easily accessible place ... [o]riginals of all communications received and copies of all communications sent ... by such member, broker or dealer (including inter-office memoranda and communications) relating to [the firm’s] business as such[.]”

Rule 17a-4 is not by its terms limited to physical documents. The Securities and Exchange Commission has stated that internal electronic communications fall within the purview of Rule 17a-4 and that, for purposes of Rule 17a-4, “the content of the electronic communication is determinative” as to whether that communication is required to be retained and accessible. Reporting Requirements for Brokers or Dealers under the Securities Exchange Act of 1934, SEC Rel. No. 34-38245 (Feb. 5, 1997).

NASD Rule 3110 requires that “each member shall make and preserve books, accounts, records, memoranda, and correspondence in conformity with all applicable laws, rules, regulations and statements of policy promulgated thereunder and with the Rules of this Association and as prescribed by SEC Rule 17a-3. The record keeping format, medium,

and retention period shall comply with Rule 17a-4 under the Securities Exchange Act of 1934.” Rule 3110 was replaced by Rule 4511 effective December 5, 2011. Rule 4511 requires, among other things, that firms retain records as required under the FINRA rules, the Exchange Act, and applicable Exchange Act rules, including Rule 17a-4.

As described above, the Respondent firms failed to retain emails over a long period of time. By failing to do so, the firms violated Section 17(a) of the Securities Exchange Act of 1934, Rule 17a-4 thereunder, and NASD Rule 3110. IFP also violated Rule 4511 for the period December 5, 2011 through October 2012. This violative conduct also constitutes a violation of NASD Conduct Rule 2110 during the period October 21, 2008 through December 14, 2008, and FINRA Rule 2010 during the period beginning December 15, 2008 through October 2012.

Failure to review emails

NASD Rule 3010(d)(2) requires that firms develop procedures for the review of email correspondence with the public:

Each member shall develop written procedures that are appropriate to its business, size, structure, and customers for the review of incoming and outgoing written (i.e., non-electronic) and electronic correspondence with the public relating to its investment banking or securities business, including procedures to review incoming, written correspondence directed to registered representatives and related to the member's investment banking or securities business....

NASD Rule 3010(a) requires that firms establish and maintains systems to supervise their employees that are reasonably designed to achieve compliance with the federal securities laws and FINRA and NASD Rules.

The Respondent firms violated Rules 3010(d)(2) and 3010(a) by failing to establish and maintain procedures that were reasonably designed to comply with their obligations to retain and review email. The Respondents’ systems instead allowed a widespread failure to retain and review emails to occur, and the failures continued over many years. Emails sent by and to hundreds of employees were not retained, and millions of emails flagged for supervisory review were not reviewed. These widespread violations occurred because of failures in the Respondents’ systems and procedures.

The Respondent firms thus failed to establish and maintain supervisory systems that were reasonably designed to achieve compliance with NASD and FINRA rules and the federal securities laws. They thus violated NASD Rules 3010(a) and (d). By virtue of those

violations, they also violated NASD Conduct Rule 2110 during the period October 21, 2008 through December 14, 2008, and FINRA Rule 2010 during the period beginning December 15, 2008 through October 2012.

OTHER FACTORS

FINRA acknowledges that Respondents self-reported the email issues described herein and undertook an internal review of their supervisory policies, procedures and systems relating to these issues. The sanctions below reflect the credit that the Respondent firms have been given for self-reporting these issues, and for the substantial assistance they provided to FINRA during its investigation by, among other things, providing information obtained as a result of their internal investigation.

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

1. a censure as to each Respondent.
2. a joint and several fine in the amount of \$1.2 million.

Each of the Respondent firms further agree to comply with the following undertaking: The Respondent firms will each conduct a comprehensive review of their systems and procedures for the capture, retention and review of email to determine that those systems and procedures are reasonably designed to achieve compliance with the recordkeeping and supervisory requirements of FINRA rules and the federal securities laws. Within one hundred twenty days of the issuance of a Notice of Acceptance of this AWC, an officer of each Respondent firm shall certify in writing to FINRA's Department of Enforcement that (i) the firm has engaged in the comprehensive review described above; and (ii) as of the date of the certification, each firm has in place policies and procedures that are reasonably designed to address and correct the violations described in this AWC. The certification shall be accompanied by a description of the reviews undertaken by each firm pursuant to this undertaking. The Department of Enforcement may, upon a showing of good cause and its sole discretion, extend the time for compliance with this provision.

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

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

Respondents specifically and voluntarily waive any right to claim that they are unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

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 us;
- 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 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.

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

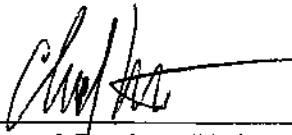
Respondents understand that:

- 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 Respondents' permanent disciplinary records and may be considered in any future actions brought by FINRA or any other regulator against them;
 - 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. They 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.

The undersigned, on behalf of the Respondents, certify that persons duly authorized to act on Respondents' behalf have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that Respondents 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.

January 22, 2013
Date


Directed Services, LLC

By [name]: Chad Tope
[title]: President, ING Annuity & Asset Sales

Date 1/22/2013


ING America Equities, Inc.

By [name]: Margaret B. Wall
[title]: President & CEO

1/28/12
Date

Patrick J. Kennedy
ING Financial Advisers, LLC

By [name]: Patrick J. Kennedy
[title]: President

1/25/13
Date

Karl Lindberg
ING Financial Partners, Inc.

By [name]: Karl Lindberg
[title]: President & CEO

1/28/13
Date

Patrick J. Kennedy
ING Investment Advisors, LLC

By [name]: Patrick J. Kennedy
[title]: President

Reviewed by:

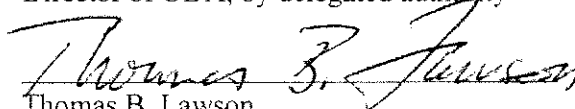
Christopher M. Salter

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Accepted by FINRA:

2/15/13
Date

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



Thomas B. Lawson

Vice President & Chief Counsel

FINRA Department of Enforcement

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