

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2012032336202**

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

RE: John Victor Jacobs
CRD No. 1211897

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I 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

Jacobs first entered the securities industry in 1995. He was registered with Waddell & Reed as a General Securities Principal from July 23, 2009 to August 9, 2012, and as a General Securities Representative from April 23, 2009 to August 9, 2012. Jacobs obtained his Series 66 license on March 2, 2010. He is not currently associated with FINRA broker-dealer, but remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-laws.

RELEVANT DISCIPLINARY HISTORY

None

OVERVIEW

Between July 2010 and May 2011, while registered as a principal of Waddell & Reed, a FINRA broker-dealer, Jacobs reviewed 24 "MAP" account applications submitted by former registered representative Sean Sego. In connection with all

24 of these applications, Sego submitted a Client Acknowledgment of Change of Investments form, or "Switch Form." And on all 24 Switch Forms, Sego misrepresented the terms of the MAP account by indicating incorrectly that the account did not have a contingent deferred sales charge ("CDSC"). Although Jacobs signed all 24 applications indicating that he had reviewed them, he failed to notice or correct any of the misrepresentations.

Through this conduct, Jacobs violated NASD Conduct Rule 3010(d)(1) and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

During his association with Waddell, Jacobs was a Managing Principal for two branch offices in suburban Minneapolis. His duties included recruiting, training, and supervising approximately 25 registered representatives between the two offices. One of the representatives whom Jacobs supervised was Sean Sego, who joined Waddell in April 2010 as a registered representative and District Manager. During Sego's entire tenure at Waddell, Jacobs was his supervisor and was responsible for reviewing new business that Sego submitted.

In May 2010, Sego began enrolling customers in "MAP" accounts – managed accounts offered through Waddell's investment-advisory arm. These customers transferred assets from outside Waddell, mostly from brokerage accounts with other firms, to fund their new MAP accounts.

Waddell's WSPs in effect during 2010 and 2011 required registered representatives to complete a Client Acknowledgment of Change in Investments ("Switch Form") any time a client sought to transfer investment assets or products from other institutions. The Switch Form required the representative to identify:

- the type of product or products being acquired,
- the source of funds for the account,
- the "asset-based fee for managed products," and
- any CDSC applicable to the product being purchased.

The applicable procedures further stated that the selling representative's Managing Principal was "responsible for ensuring that a properly completed Switch Form was submitted" and "for ensuring the Switch Form has been accurately completed." The procedures required the Managing Principal to evidence his or her review by signing or initialing and dating the Switch Form.

Between May 2010 and July 2011, Sego submitted 24 MAP account applications on behalf of 19 customers, none of whom had other accounts at Waddell at the time. The MAP account in which Sego enrolled these customers had a CDSC that

began at 3% of the account value and declined 1 percentage point each year for three years thereafter. This was described in the Form ADV, which each of the customers should have received. The new customers proposed to fund their MAP accounts by transferring assets from another broker-dealer or investment advisor, and at least 16 of them eventually transferred mutual funds, variable annuities, stocks, or cash from outside brokerage accounts.

With each of the 24 MAP account applications, Sego completed a Switch Form, which he presented to the customer for signature and then submitted to Jacobs. The Switch Form contained the question, "Is there a contingent deferred sales charge or other contingent fee applicable to the above listed products being purchased?" In response to this question, Sego incorrectly marked "NO" on all 24 Switch Forms. In fact, as noted above, the MAP account had CDSCs for the first three years.

Jacobs, as supervisory principal, reviewed all 24 of the Switch Forms that falsely stated that there was no CDSC, and signed each Switch Form indicating his review. After doing so, Jacobs then submitted the Switch Forms to Waddell's home office for final acceptance and establishment of the new MAP accounts.

In an OTR, Jacobs testified that he simply failed to notice that the Switch Forms submitted by Sego misrepresented the CDSC. He acknowledged that he understood at the time of his review that the MAP account at issue was subject to a CDSC. He testified, moreover, that he had personally trained Sego on the MAP account's features and that, during that process, he had personally informed Sego that a CDSC applied. According to Jacobs, he had, on at least one other occasion, noticed and corrected a similar misstatement on a Switch Form submitted by another representative under his supervision.

Sego resigned from Waddell in March 2012. Five of his former customers subsequently submitted complaints to Waddell concerning the CDSCs applicable to their MAP accounts, which they alleged Sego failed to disclose properly. When it investigated the matter, the firm discovered Sego's serial misrepresentations and Jacobs' failure to detect the problem. In July 2012, Waddell permitted Jacobs to resign. Waddell resolved all five customer complaints by paying consideration and/or waiving the CDSC for the customers' MAP accounts.

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

1. A 10-day suspension from associating with any broker-dealer in any principal capacity; and
2. A \$5,000 fine.

The fine shall be due and payable either immediately upon reassociation with a member firm following the 10-day suspension noted above, or prior to any

application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

I specifically and voluntarily waive any right to claim that I am 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.

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).

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

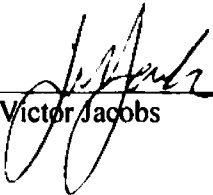
I understand that:

- 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: (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. 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.**

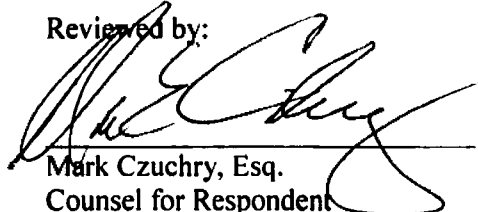
I certify that I have and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the

prospect of avoiding the issuance of a Complaint, has been made to induce me [the Firm] to submit it.

4/15/14
Date


John Victor Jacobs

Reviewed by:


Mark Czuchry, Esq.
Counsel for Respondent
Czuchry Law Firm
Clock Tower Building
1750 Tower Blvd., Suite 209
Victoria, MN 55386

Accepted by FINRA:

6/4/14
Date

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


Adam B. Walker
Senior Regional Counsel
FINRA Department of Enforcement
120 West 12th Street, Suite 800
Kansas City, MO
Telephone: (816) 802-4751
Facsimile: (816) 421-4519
Email: adam.b.walker@finra.org