

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2012033291203**

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

RE: Jacob Daniel Dunlap ("Dunlap"), Respondent
General Securities Principal
General Securities Representative
CRD No. 2898330

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

I.

ACCEPTANCE AND CONSENT

- A. Respondent 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

Dunlap entered the securities industry in May 1997. For the entire duration of his tenure in the industry, Dunlap has been associated with Ameriprise Financial Services, Inc. ("Ameriprise" or the "Firm") in several capacities, including as a registered representative, supervisor, and principal. Dunlap obtained the following licenses: Series 7 (1997), Series 63 (1997), Series 24 (2003), Series 51 (2005), Series 9 (2006), and Series 10 (2006).

Dunlap is currently employed at the Firm's Hurst, Illinois office as a Regional Vice President.

RELEVANT DISCIPLINARY HISTORY

Dunlap has no relevant disciplinary history.

OVERVIEW

Between January 6, 2011 and May 2, 2012 ("the Relevant Period"), Dunlap was employed by Ameriprise as a Complex Director responsible for supervising four Ameriprise branch offices, including the Plano, Texas branch office. During the Relevant Period, JK was the branch manager and supervisory principal of the Firm's Plano branch office. As the Complex Director, Dunlap was responsible for supervising JK, who, in turn, was responsible for monitoring the registered representatives under his supervision for compliance with the Firm's written policies and procedures concerning, among other things, private securities transactions and use of personal email accounts for business-related communications.

WM was a registered representative under JK's direct supervision. During the Relevant Period, WM participated in the sale of approximately \$1.72 million of preferred shares issued by the biopharmaceutical company BC to nine Ameriprise customers and four Ameriprise registered representatives. WM participated in these transactions without providing prior written notice to the Firm.

Despite having been presented with certain red flags associated with WM's activities, Dunlap never inquired as to whether JK ensured that WM was participating in private securities transactions in a manner that complied with NASD Rule 3040(a), as well as the Firm's written policies and procedures. Moreover, Dunlap did not take any steps to ensure that JK provided the Firm with prior written notice of JK's personal BC investment. By failing to reasonably supervise JK's performance of his responsibilities as a branch manager, as well as JK's disclosure of his personal investment in BC, Dunlap violated NASD Rule 3010(b) and FINRA Rule 2010.

Moreover, Dunlap personally invested \$20,000 in BC without first providing written notice to Ameriprise. Dunlap violated NASD Rule 3040(b) and FINRA Rule 2010 by entering into a private securities transaction without providing prior written notice to the Firm regarding his personal investment.

FACTS AND VIOLATIVE CONDUCT

Background

NASD Rule 3010(b) provides, in part, that "[e]ach member shall establish, maintain, and enforce written procedures to supervise... the activities of registered representatives... that are reasonably designed to achieve compliance with applicable securities laws and regulations[.]" Under NASD Rule 3010, a supervisor is responsible for reasonable supervision. This standard creates a duty for supervisors to investigate "red flags" that suggest that misconduct may be occurring and to act upon the results of such investigation. A violation of NASD Rule 3010 is also a violation of FINRA Rule 2010.

NASD Rule 3040(b) requires associated persons to provide written notice to their member firm employer "prior to participating in any private securities transaction." This Rule is broadly interpreted to reach an associated person who participates in any manner in the transaction, and even very limited involvement by an associated person is sufficient to trigger the requirement that the person give notice to the employer. The term "private securities transaction," as defined by NASD Rule 3040(e)(1), means any security transaction outside the regular course or scope of an associated person's employment with a member and applies to both sales and purchases of securities. Associated persons are required to provide their FINRA member employers notice of their outside investments in order to provide firms with full discretion to restrict its employees' securities activities, including activities performed on a non-compensatory basis. A violation of NASD Rule 3040 is also a violation of FINRA Rule 2010.

According to Ameriprise's written policies and procedures and FINRA rules, Firm registered representatives were prohibited from selling privately issued securities that were not offered by Ameriprise and from personally investing in such securities without first providing written notice to the Firm and receiving approval. Ameriprise written policies and procedures also prohibited its registered representatives from sending business-related communications through their personal email accounts.

BC

BC was a biopharmaceutical company that claimed to specialize in a purported transdermal drug delivery system. Ameriprise did not offer privately issued shares of BC for purchase by investors.

Dunlap's Supervisory Responsibilities

During the Relevant Period, Dunlap was an Ameriprise Complex Director and was responsible for supervising four Ameriprise branch offices, including the office located in Plano, Texas. As part of his responsibilities, Dunlap was required to supervise the activities of the branch managers assigned to each office in his complex for general compliance with Ameriprise written policies and procedures.

JK was the branch manager and supervisory principal of Ameriprise's Plano branch office. Dunlap was JK's direct supervisor.

JK's Supervisory Responsibilities

As branch manager, JK was responsible for supervising the registered representatives assigned to the Plano branch office, including WM. Among other things, JK was responsible for reviewing private securities investment requests, as

well as monitoring the brokers under his supervision for general compliance with Ameriprise's written policies and procedures.

WM's Sales of Privately Issued Shares of BC

During the Relevant Period, WM participated in private securities transactions involving BC. WM referred nine Firm customers and four Ameriprise registered representatives, including both Dunlap and JK, to invest in a BC private offering. WM also facilitated their purchases of \$1.72 million in BC preferred stock. WM never provided Ameriprise with prior written notice of his participation in the sale of privately issued shares of BC.

Dunlap's Failure to Reasonably Supervise JK

Dunlap did not investigate various red flags evidencing that JK, as branch manager, was not reasonably supervising the activities of WM and was failing to enforce applicable Ameriprise written policies and procedures.

For example, Dunlap was aware that WM was facilitating sales of BC shares – private securities that were not offered for sale by Ameriprise. In fact, WM used his personal email address, rather than his Ameriprise email, to facilitate Dunlap's investment in BC when he emailed Dunlap a BC subscription agreement to complete. Dunlap also received email correspondence that WM had sent to both Dunlap and JK from WM's personal email address containing information about BC.

Dunlap also became aware that WM had arranged for a BC seminar to be held after-hours at the Firm's Plano branch office in February 2011. WM invited Dunlap, as well as other prospective investors, including Firm customers, JK, and other Ameriprise registered representatives, to attend the BC seminar. WM gave Dunlap and others a PowerPoint presentation used during the seminar.

In sum, Dunlap's knowledge of WM's activities related to BC should have prompted Dunlap to question whether JK was reasonably supervising WM's participation in private securities transactions and was enforcing applicable Firm written policies and procedures. Instead, Dunlap did not take any affirmative steps to detect and prevent JK's failure to enforce the Firm's written policies and procedures concerning participation in private securities transactions and use of personal email accounts for business-related communications.

Furthermore, Dunlap was aware that JK, as well as another Firm registered representative in the Plano branch, personally invested in BC. Neither JK, who invested \$10,000 in BC, nor the other Ameriprise registered representative, disclosed the investment to the Firm. Dunlap, however, did not take any steps to ensure that JK provided the Firm with prior written notice of his investment in BC.

Accordingly, by virtue of the foregoing supervisory deficiencies, Dunlap violated NASD Rule 3010(b) and FINRA Rule 2010.

Dunlap's Private Securities Transaction/"Buying Away" from the Firm

In or about February 2011, Dunlap invested \$20,000 in a BC private offering, acquiring 1,667 shares of BC preferred stock. Dunlap did not inform Ameriprise of his investment in BC. By personally investing in BC without providing prior written notice to Ameriprise, Dunlap violated NASD Rule 3040(b) and FINRA Rule 2010.

B. Dunlap also consents to the imposition of the following sanctions:

- A 10 business-day suspension from association with any FINRA member in any capacity;
- A one-month (consecutive) suspension from association with any FINRA member in a principal capacity;
- A \$15,000 fine; and
- An undertaking to cooperate with FINRA Department of Enforcement staff (the "Staff") in its continuing investigation of FINRA matter number 20120332912, including but not limited to testifying truthfully at any hearings in this matter, participating in meetings and/or interviews with and by the Staff, and providing the Staff with any requested documents, all without requiring the Staff to rely on FINRA Rule 8210.

Dunlap understands that if he is barred or suspended from associating with any FINRA member, he will 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, Dunlap 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).

Dunlap understands that if he is barred or suspended from associating with any FINRA member in a principal capacity, he will 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, he may not be associated with any FINRA member in a principal capacity during the period of the bar or suspension (see FINRA Rules 8310 and 8311). Furthermore, because Dunlap is subject to a statutory disqualification during the suspension, if he remains associated with a member firm in a non-suspended capacity, an application to continue that association may be required.

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

Dunlap specifically and voluntarily waives any right to claim that he 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

Dunlap specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against him;
- 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, Dunlap 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.

Dunlap 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.

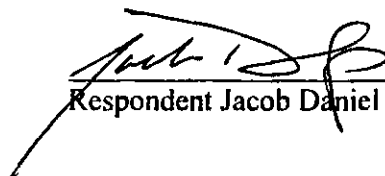
OTHER MATTERS

Dunlap understands that:

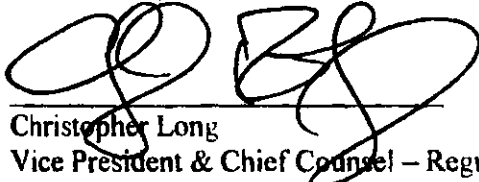
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against him; and
- C. If accepted:
1. this AWC will become part of Dunlap's 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 accordance with FINRA Rule 8313;
 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 4. Dunlap 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. He 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 Dunlap'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. Dunlap may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Dunlap understands that he 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.

Dunlap certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that he 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 Dunlap to submit it.

10/29/2015
Date (mm/dd/yyyy)


Respondent Jacob Daniel Dunlap

Reviewed by:



Christopher Long
Vice President & Chief Counsel – Regulatory Affairs
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Accepted by FINRA:

December 29, 2015
Date

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



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