

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2013038934401**

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

RE: Brokers International Financial Services, LLC, Respondent
Member Firm
CRD No. 139627

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent Brokers International Financial Services, LLC ("Brokers Financial" or the "Firm") 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 the Firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Brokers Financial 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

Brokers Financial became a FINRA member in July 2006. The Firm conducts a general securities business from its main office located in Panora, Iowa. Brokers Financial is owned by Brokers International, Ltd., an insurance marketing organization. The Firm currently has 86 branch offices and 116 registered individuals.

RELEVANT DISCIPLINARY HISTORY

Brokers Financial has no relevant disciplinary history.

OVERVIEW

From May 2012 through April 2014 (the "Relevant Period"), Brokers Financial utilized a form for variable annuity purchases that failed to confirm that customers had been fully informed of the material features and fees of variable annuities

prior to recommending that they invest those products, in violation of FINRA Rules 2330(b) and 2010.

Additionally, during the Relevant Period, the Firm approved solicited variable annuity purchases without adequate information to make reasonable suitability determinations, in violation of FINRA Rules 2330(c) and 2010.

FACTS AND VIOLATIVE CONDUCT

Brokers Financial Customers Were Not Fully Informed of the Material Features and Fees of Variable Annuities during the Relevant Period

FINRA Rule 2330(b)(1)(A)(i) requires that prior to recommending the purchase or exchange of a variable annuity, a firm must have a reasonable basis to believe that, among other things, the customer has been informed, in general terms, of various features of deferred variable annuities, such as the potential surrender period and surrender charge; potential tax penalty if customers sell or redeem deferred variable annuities before reaching the age of 59½; mortality and expense fees; investment advisory fees; potential charges for and features of riders; the insurance and investment components of deferred variable annuities; and market risk.

Additionally, Rule 2330(b)(1)(B) states that the determinations required by the Rule shall be documented and signed by the associated person recommending the transaction.

In May 2012, Brokers Financial implemented a new policy for variable annuity purchases, which required customers to sign an “enhanced” Account Information Form (“AIF”). The AIF contained an acknowledgement that the customer understood that a variable annuity purchased in a qualified plan did not provide additional tax deferral benefits and that the customer purchased the variable annuity for other features, benefits, and/or riders, which could increase cost, expenses, or fees. The acknowledgement also stated that the customer understood that there could be significant surrender charges, fees, and tax consequences for early withdrawals.

The AIF, however, did not specifically describe the variable annuity features detailed in FINRA Rule 2330(b)(1)(A)(i) such as potential tax penalty if customers sold or redeemed variable annuities before reaching the age of 59½; mortality and expense fees; investment advisory fees; potential charges for and features of riders, etc. Moreover, the AIF did not require Brokers Financial registered representatives to attest to providing any information to customers.

Therefore, the AIF did not meet the requirements of FINRA Rule 2330(b) because it did not document that the customer had been informed of the material features and costs of the variable annuity as outlined in Rule 2330(b). During the

Relevant Period, the Firm completed 150 variable annuity sales to customers utilizing the AIF.

As a result of the foregoing conduct, Brokers Financial violated FINRA Rules 2330(b) and 2010.

Brokers Financial Approved Variable Annuity Purchases without Adequate Information during the Relevant Period

During the Relevant Period, Brokers Financial approved new variable purchases without adequate information to reasonably determine whether the transactions were suitable in violation of FINRA Rule 2330(c).

FINRA Rule 2330(c) specifies that a registered principal shall approve a recommended variable annuity transaction only if he or she has determined that there is a reasonable basis to believe that the transaction is suitable based on the factors listed in Rule 2330(b), which includes the requirement that the customer has been informed of the various features of variable annuities. The Rule further requires that the determination must be documented. Brokers Financial's registered principals used the AIFs to determine whether the 150 variable annuity purchases were suitable. These forms, however, did not include customer acknowledgements of the features of the variable annuities relevant to suitability determinations. Without this information, Brokers Financial did not have sufficient information to reasonably determine the suitability of the variable annuity purchases.

Therefore, Brokers Financial violated FINRA Rules 2330(c) and 2010.

B. Brokers Financial also consents to the imposition of the following sanctions:

1. A censure; and
2. A fine of \$45,000.

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

Brokers Financial 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

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

- A. To have a Complaint issued specifying the allegations against the Firm;
- 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, Brokers Financial 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.

Brokers Financial 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

Brokers Financial 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 the Firm; and

C. If accepted:

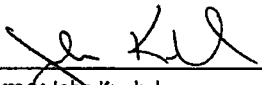
1. this AWC will become part of the Firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the Firm;
2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
4. The Firm 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. Brokers Financial 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 the Firm'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. Brokers Financial may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The Firm 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 the Firm, 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 Firm 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 Firm to submit it.

Respondent Brokers International Financial
Services, LLC

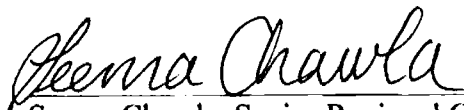
07/15/2016
Date (mm/dd/yyyy)

By: 
Name: John Kunkel
Title: Chief Compliance Officer

Accepted by FINRA:

07/26/2016
Date

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

A handwritten signature in cursive script, reading "Seema Chawla", written over a horizontal line.

Seema Chawla, Senior Regional Counsel
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