

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2014043104601**

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" or "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

Ameriprise has been a FINRA member firm since 1972. Ameriprise conducts a general securities business with its principal office in Minneapolis, Minnesota. Ameriprise employs over 14,000 registered individuals and maintains over 3,800 branch offices.

OVERVIEW

From January 2008 through October 2014, Ameriprise failed to create and send to approximately 219,000 customers an account record within 30 days of the account opening for each of these customers. This conduct violates SEC Rule 17a-3, NASD Rule 3110 (for conduct before 12/5/11), FINRA Rule 4511 (for conduct after 12/4/11), and FINRA Rule 2010. In addition, in violation of NASD Rule 3010 and FINRA Rule 2010, Ameriprise failed to establish, maintain, and enforce a supervisory system and written supervisory procedures reasonably designed to

ensure compliance with applicable laws and regulations relating to the creation and distribution of account records at account opening.

FACTS AND VIOLATIVE CONDUCT

1. Ameriprise's Record Keeping Violation

a. Ameriprise Fails to Create and Deliver Account Records

SEC Rule 17a-3(a)(17)(i)(A) requires that a firm maintain and create an account record for each customer. The account record must contain certain personal and suitability information, including the customer's net worth and investment objectives. SEC Rule 17a-3(a)(17)(i)(B)(1) requires this account record to be furnished to each customer within 30 days of the opening of the account and again within each thirty-six month period thereafter. Rules 17a-3(a)(17)(i)(B)(2) and 17a-3(a)(17)(i)(B)(3) require the account record to be furnished again within thirty days of a change in name/address or account objective, respectively.

In October 2014, Ameriprise informed FINRA and other regulators that "the Firm did not create and send [to its customers] a small percentage of the account records identified in Rule 17a-3(a)(17)(i)(A) within 30 days of the opening of accounts" as required by SEC Rule 17a-3(a)(17)(i)(B)(1). This failure occurred from January 2008 until October 2014, and came to the firm's attention when the firm was unable to locate certain account records requested by FINRA staff during a FINRA examination.

The firm determined that the failure resulted from the sequential timing of two automated systems, one known as the "Account Systems" and the other known as the "COLA System." The Account Systems include the Thompson Reuters BETA system and its predecessor, Phase 3, which is the firm's brokerage account system of record, and other account systems related to products including annuities, variable life insurance and certificates. The COLA System is a proprietary, client-level account system. The two systems work in conjunction to identify new accounts requiring the delivery of account records within 30 days of the opening of an account. The account records were created but only furnished to customers if the systems ran in a particular sequence. Otherwise, the systems failed to furnish an account record to the customer.

Prior to the discovery of this issue in 2014, Ameriprise was unaware that the two systems required certain sequencing to identify new accounts requiring the delivery of account records within 30 days of account opening. Additionally, though the systems error occurred from 2008 to October 2014, the firm never detected the problem through internal checks. The firm's procedures for checking its account record delivery performance varied somewhat during those years but involved the same basic steps. Each month, a reviewer was required to (a) review a random sample of new accounts; (b) verify that an account record was generated

for each account by locating the record in XNET; and (c) document the review in a supervisory log. From 2008 through 2014, the number of accounts in the random sample varied, with as few as five and as many as 25 reports being reviewed each month.

b. Scope of Account Record Delivery Failure

From January 1, 2008 through December 31, 2014, Ameriprise established 10,049,442 accounts that should have caused the firm to deliver an account record. During this period, Ameriprise failed to deliver approximately 219,000 account records (2.18%) within 30 days of the opening of the account. Of those, approximately 130,000 were eventually delivered to customers because of a separate triggering event, such as a change in name/address or account objective or the passage of 36 months. Ameriprise did not mail an account record to approximately 10,893 account holders because the account was closed, the customer was deceased, or the account had an undeliverable mail address on record. After the firm discovered the systems error, Ameriprise delivered the remaining account records – approximately 78,000 (0.78%) – to customers in two mailings on October 15, 2014 (for brokerage accounts) and January 13, 2015 (for non-brokerage accounts).

By virtue of the described recordkeeping violations, Ameriprise violated SEC Rule 17a-3(a)(17)(i)(A), SEC Rule 17a-3(a)(17)(i)(B)(1), NASD Rule 3110, FINRA Rule 4511, and FINRA Rule 2010.

2. Ameriprise's Supervisory Deficiencies

NASD Rule 3010 requires that firms establish and maintain a supervisory system, including written supervisory procedures, related to their business that is reasonably designed to achieve compliance with the applicable securities laws and regulations and FINRA and NASD Rules.

Ameriprise failed to establish, maintain, and enforce a supervisory system and written supervisory procedures reasonably designed to ensure compliance with applicable laws and regulations relating to the creation and distribution of account records at account opening. This supervision deficiency violates NASD Rule 3010 and FINRA Rule 2010.

OTHER FACTORS

In determining the appropriate sanctions, FINRA considered that Ameriprise, after being unable to locate certain account records requested by FINRA staff during an examination, promptly reported the underlying problem to FINRA, took action to correct the problem, and delivered account records to those existing customers who had not otherwise received an account record and for whom Ameriprise had accurate contact information.

- B. Respondent also consents to the imposition of the following sanctions: a censure and a \$150,000 fine.

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

Respondent specifically and voluntarily waives any right to claim that the firm 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

Respondent 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, Respondent 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.

Respondent 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

Respondent understands that:

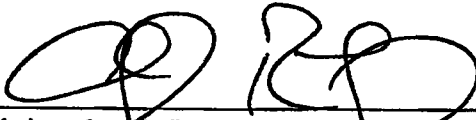
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent;
- C. If accepted:
 - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against it;
 - 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. Respondent 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. Respondent 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 Respondent'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. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent 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.

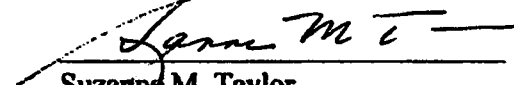
The undersigned, on behalf of the firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that the firm has agreed to its provisions voluntarily; and that no offer, threat, 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.

Ameriprise Financial Services, Inc.

12-1-15
Date (mm/dd/yyyy)

By: 
Christopher R. Long
Vice President and Chief Counsel, Regulatory

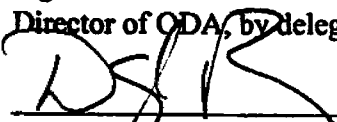
Reviewed by:


Suzanne M. Taylor
Vice President & Group Counsel
General Counsel's Organization
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Minneapolis, MN 55474
612-671-1024

Accepted by FINRA:

12/3/15
Date

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


Douglas M. Ramsey
Senior Regional Counsel
FINRA Department of Enforcement
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