

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2015045369801**

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

RE: AXA Advisors, LLC, Respondent
CRD No. 6627

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, AXA Advisors, LLC ("AXA" 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. The Firm 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

AXA maintains its principal place of business in New York, New York. The Firm conducts a general securities business. AXA has been a member of FINRA since 1974. The Firm has approximately 5,651 registered representatives operating from approximately 1,128 branch offices.

RELEVANT DISCIPLINARY HISTORY

AXA has no relevant disciplinary history.

OVERVIEW

Since at least July 1, 2009, the Firm has disadvantaged certain retirement plan and charitable organization customers who were eligible to purchase Class A shares in certain mutual funds without a front-end sales charge ("Eligible Customers"). These Eligible Customers were instead sold Class A shares with a front-end sales charge or Class B or C shares with back-end sales charges and higher ongoing fees and expenses. During this period, AXA relied on another FINRA member firm to execute its customers' trades in mutual funds and to monitor and administer the trade orders placed by its registered representatives. Consequently, AXA failed to establish and maintain its own supervisory system and procedures reasonably designed to ensure that Eligible Customers who purchased mutual fund shares received the benefit of applicable sales charge waivers. As a result, the Firm violated NASD Conduct Rule 3010 (for misconduct before December 1, 2014) and FINRA Rules 3110 (for misconduct on or after December 1, 2014) and 2010.

FACTS AND VIOLATIVE CONDUCT

AXA Failed to Identify and Apply Available Sales Charge Waivers to Eligible Retirement Plan and Charitable Organization Accounts

The Firm sells mutual funds with different classes of shares representing interests in the same portfolio of securities, but which differ in their structure and the amount of both sales charges paid directly by shareholders and the continuous, asset-based fees assessed on each shareholder's investment. Share class features and expenses, including fees and expenses and available sales charge waivers, are described by each mutual fund in its prospectus and/or statement of additional information.

Class A shares typically are subject to a front-end sales charge when originally purchased, and have annual fund expenses, including ongoing distribution and service fees ("fees") that are typically 0.25 percent. The majority of the front-end charge is paid to the selling broker-dealer as a concession. Investors purchase Class A shares at the applicable Net Asset Value ("NAV"), plus the initial sales charge. Most funds, however, offer certain investors a waiver of the initial sales charge associated with Class A shares under certain circumstances ("sales charge waiver").

Class B and C shares typically do not carry a front-end sales charge but have significantly higher fees (typically 1.00 percent) and may be subject to a contingent deferred sales charge ("CDSC").

Some mutual funds offer Class R shares for purchase by retirement plans. Class R shares typically are sold without a front-end sales charge. However, Class R shares typically have higher fees than Class A shares.

The different sales charges, breakpoints, waivers and fees associated with different share classes affect mutual fund investors' returns. If an investor qualifies for a Class A sales charge waiver and purchases Class A shares, the investor will not pay a front-end sales load. In contrast, a purchase of Class B or C shares of the same fund will be subject to higher ongoing fees, as well as potential application of a CDSC. Therefore, if an investor qualifies for a Class A sales charge waiver, there would be no reason for the investor to purchase Class B or C shares.

Many mutual funds waive the up-front sales charges associated with Class A shares for certain retirement plans and charitable organizations. Some of the mutual funds available on the Firm's retail platform during the relevant period offered such waivers and disclosed those waivers in their prospectuses. Notwithstanding the availability of the waivers, the Firm failed to apply the waivers to mutual fund purchases made by Eligible Customers and instead sold to them Class A shares with a front-end sales charge or Class B or C shares with back-end sales charges and higher ongoing fees and expenses. These sales disadvantaged Eligible Customers by causing such customers to pay higher fees than they were actually required to pay.

AXA's Supervisory Failures

Since at least July 1, 2009, the Firm has failed to reasonably supervise the application of sales charge waivers to eligible mutual fund sales. The Firm relied on its registered representatives, and on the supervisory systems and personnel of another FINRA member firm to execute, monitor, and administer its registered representatives' trades in mutual funds for its customers, to determine the applicability of sales charge waivers, but failed to maintain adequate written policies and procedures and controls to assist its registered representatives in making this determination. For instance, the Firm failed to establish and maintain written procedures to identify applicable sales charge waivers in fund prospectuses for Eligible Customers, and to adequately notify and train its registered representatives regarding the availability of mutual fund sales charge waivers for Eligible Customers.

By failing to reasonably supervise mutual fund sales to ensure that Eligible Customers who purchased mutual fund shares received the benefit of applicable sales charge waivers, AXA violated NASD Conduct Rule 3010 (for misconduct before December 1, 2014) and FINRA Rules 3110 (for misconduct on or after December 1, 2014) and 2010.

AXA's Investigation and Self-Reporting to FINRA

In June 2014, the FINRA member firm that AXA hired for trade execution and administration began a review to determine whether it, and AXA, had provided

available sales charge waivers to Eligible Customers. Based on that member firm's review, AXA self-reported to FINRA that Eligible Customers may not have received available sales charge waivers. AXA estimates that its customers made approximately 3,328 transactions in 435 accounts between July 1, 2009 and December 31, 2014 in which an available sales charge waiver was not applied. As a result of the Firm's failure to apply available sales charge waivers, the Firm estimates that Eligible Customers have been overcharged by approximately \$544,050 for mutual fund purchases during this period. As part of this settlement, AXA has initiated payment of restitution of approximately \$602,322 to Eligible Customers (*i.e.*, the amount they were overcharged plus interest). In addition, as set forth below, AXA agrees to pay restitution to Eligible Customers who purchased or purchase mutual funds without an appropriate sales charge waiver during the period January 1, 2015 through the date that the Firm establishes and fully implements training, systems, and procedures reasonably designed to achieve compliance with the supervision of mutual fund sales waivers. The Firm will also ensure that retirement and charitable waivers are appropriately applied to all future transactions.

OTHER FACTORS

In resolving this matter, FINRA has recognized the extraordinary cooperation of AXA for having: (1) conducted, prior to detection or intervention by a regulator, an investigation to identify whether Eligible Customers received sales charge waivers since July 1, 2009; (2) promptly established a plan of remediation for Eligible Customers who did not receive appropriate sales charge waivers; (3) promptly self-reported to FINRA; (4) promptly taken action and remedial steps to correct the violative conduct; and (5) employed subsequent corrective measures, prior to detection or intervention by a regulator, to revise its procedures to avoid recurrence of the misconduct.

B. The Firm also consents to the imposition of the following sanctions:

1. A censure;
2. Within 120 days of the date of Notice of Acceptance of this AWC, AXA shall submit to FINRA a written report (the "Written Report") describing how the Firm has corrected its systems and procedures (written and otherwise) and training to address the violations described in this AWC. The Written Report shall be submitted to Stuart P. Feldman, Senior Regional Counsel, FINRA Enforcement, 99 High Street, Suite 900, Boston, MA 02110. The Written Report shall be accompanied by a copy of the Firm's newly revised policies and procedures relating to the supervision of mutual fund sales waivers;
3. AXA agrees to pay restitution in the amounts and in the manner set forth below:

- a. On July 15, 2015, AXA initiated payment of restitution in the amount of \$602,321.71 to the Eligible Customers, listed in Attachment A hereto, who paid an initial sales charge on their mutual fund purchases or purchased Class B or C shares when a Class A sales charge waiver was available in such fund (an "Eligible Fund")¹ during the period July 1, 2009 through December 31, 2014, including interest from the date of purchase through the payment date at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2) (the "IRS Rate").

By August 30, 2015, a registered principal on behalf of the Firm shall submit satisfactory proof of payment of restitution or of reasonable and documented efforts undertaken to effect restitution. Such proof shall be submitted to Stuart P. Feldman, Senior Regional Counsel, FINRA Enforcement, 99 High Street, Suite 900, Boston, MA 02110 either by letter that identifies the Firm and the case number or by email from a work-related account of the registered principal of the Firm to EnforcementNotice@FINRA.org.

If for any reason the Firm cannot locate any Eligible Customer listed in Attachment A after reasonable and documented efforts, AXA shall move the money to the appropriate escheat account. AXA will follow the standard escheatment process, adhering with each state's required time frames based on the state in which the customer is last known to have resided. AXA shall provide satisfactory proof of such action to the FINRA staff member identified above and in the manner described above, within 14 days of moving the undistributed restitution and interest to the appropriate escheat account.

- b. AXA additionally is ordered to pay restitution to its Eligible Customers who purchase or purchased mutual funds without an appropriate sales charge waiver during the period January 1, 2015 through the date that the Firm establishes and fully implements training, systems, and procedures reasonably designed to achieve compliance with the supervision of mutual fund sales waivers.

AXA will pay restitution to Eligible Customers who paid an initial

¹ Some Eligible Funds offered waivers for only certain types of retirement plans or charitable organization accounts, offered waivers for only part of the period since July 1, 2009, or imposed plan or charitable organization specific eligibility criteria such as minimum plan asset size or numbers of participants. Some Eligible Funds offered waivers for only retirement plan accounts or only charitable organization accounts. Accordingly, not all retirement plan or charitable organization customers who purchased shares of Eligible Funds since July 1, 2009 qualified for a waiver.

sales charge on their mutual fund purchases, plus interest from the date of purchase through the payment date at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2) (the "IRS Rate"). For each Eligible Customer who purchased shares other than Class A shares after January 1, 2015, the Firm shall pay restitution to the customer sufficient to place the customer in a substantially equivalent financial position to the position in which the customer would have been had the customer purchased Class A shares at NAV. The restitution will include: (i) the asset-based expense differential for the Class B or C share purchases, from the date of such purchases through the Conversion Date (as that term is defined below), using an estimate of 75 basis points as the expense differential; (ii) CDSCs for eligible sales at, and transfers from, the Firm; and (iii) interest for these amounts from the settlement date of each qualifying purchase, sale, or transfer through the date restitution is paid to Eligible Customers, at the IRS rate.

A registered principal on behalf of the Firm shall submit satisfactory proof of payment of restitution or of reasonable and documented efforts undertaken to effect restitution. Such proof shall be submitted to Stuart P. Feldman, Senior Regional Counsel, FINRA Enforcement, 99 High Street, Suite 900, Boston, MA 02110 either by letter that identifies the Firm and the case number or by email from a work-related account of the registered principal of the Firm to EnforcementNotice@FINRA.org. This proof shall be provided to the FINRA staff member listed above no later than 60 days from the date that the Firm submits the Written Report to FINRA (described in section 2 above).

If for any reason the Firm cannot locate any Eligible Customer owed restitution in connection with this subsection (b) after reasonable and documented efforts, AXA shall move the money to the appropriate escheat account. AXA will follow the standard escheatment process, adhering with each state's required time frames based on the state in which the customer is last known to have resided. AXA shall provide satisfactory proof of such action to the FINRA staff member identified above and in the manner described above, within 14 days of moving the undistributed restitution and interest to the appropriate escheat account.

- c. Upon written request showing good cause, FINRA staff may extend any of the procedural dates set forth above; and
- 4. With respect to any Eligible Customer that purchased Class B or C shares and still holds such shares in an account at the Firm, AXA shall offer such

Customer the option of converting such Class B or C shares to Class A shares within 60 days from the date that the Firm submits its Written Report to FINRA staff. If an Eligible Fund does not permit conversion of Class B or C shares to Class A shares, the Eligible Customer shall be provided the option of replacing Class B or C shares with an equivalent value of Class A shares offered by another Eligible Fund. Upon the election of an Eligible Customer to convert the Eligible Customer's Class B or C shares to Class A shares, AXA shall cause such conversion to occur at no expense to the Eligible Customer. For purposes of calculating restitution described in part B.3.b. above, the date on which such conversion occurs shall be the "Conversion Date." With respect to any Eligible Customer that purchased American Funds or Hartford Funds shares and still holds such shares in an account at the Firm, AXA shall offer such Customer the option of converting such shares to Class R shares within 60 days from the date that the Firm submits its Written Report to FINRA staff. Upon the election of an Eligible Customer to convert the Eligible Customer's American Funds or Hartford Funds shares to Class R shares, AXA shall cause such conversion to occur at no expense to the Eligible Customer.

The Firm has specifically and voluntarily waived any right to claim an inability to pay at any time hereafter the restitution and any monetary sanctions imposed in this matter.

The imposition of a restitution order or any other monetary sanction herein, and the timing of such ordered payments, does not preclude customers from pursuing their own actions to obtain restitution or other remedies.

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

II.

WAIVER OF PROCEDURAL RIGHTS

The Firm 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, the Firm 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.

The Firm 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

The Firm 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;
- 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;
 - 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. The Firm 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; and

- D. The Firm 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 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 the Firm to submit it.

8/12/2015
Date (mm/dd/yyyy)

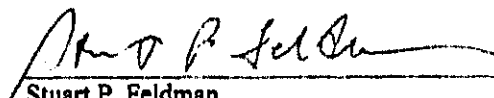
AXA Advisors, LLC
Respondent

By: 
Frank A. Massa
Executive Representative
AXA Advisors, LLC
1290 Avenue of the Americas
16th Floor
New York, N.Y. 10104

Accepted by FINRA:

October 26, 2015
Date

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


Stuart P. Feldman
Senior Regional Counsel
99 High Street, Suite 900
Boston, MA 02110
FINRA Department of Enforcement

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