

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20150465784-01

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

RE: Wells Fargo Advisors, LLC, Respondent
Broker-Dealer
CRD No. 19616

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Wells Fargo Advisors, LLC (the "firm" 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

The firm became a member of FINRA on July 9, 1987, and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

On December 23, 2013, the firm finalized an AWC in which it was censured, fined \$20,000 (of which \$10,000 was for violating MSRB Rules G-17 and G-30), and required to pay \$8,660 of restitution, plus interest, for conduct which occurred during the periods of January 1, 2009 through March 31, 2009 and January 1, 2011 through March 31, 2011.

SUMMARY

In 20150465784, the Department of Market Regulation's Municipal Securities Bonds Team and the Department of Member Regulation (collectively, the "staff") reviewed the firm's compliance with Municipal Securities Rulemaking Board ("MSRB") Rule G-15(f) during the period December 1, 2013 through December 31, 2015 (the "review period").

MSRB Rule G-15(f)(i) prohibits a broker, dealer, or municipal securities dealer from effecting a customer transaction in municipal securities issued after June 1, 2002 in an amount lower than the minimum denomination of the issue.

Issuers set minimum denominations for the purchase or sale of municipal securities and disclose those minimum denominations in Official Statements, which are documents prepared by or on behalf of the issuer of municipal securities in connection with a primary offering. Minimum denominations generally range from \$5,000 to \$100,000. An issuer may set a minimum denomination at \$100,000 or higher to qualify for one of several exemptions from Securities Exchange Act Rule 15c2-12, which is designed to ensure production of certain disclosure documents in the primary and secondary markets. In addition, an issuer may set high minimum denominations because of a concern that the offered securities may not be appropriate for retail investors who are likely to purchase securities in relatively small amounts.

There are two limited exceptions to executing transactions below the minimum denomination. First, under MSRB Rule G-15(f)(ii), a dealer may purchase municipal securities from a customer in an amount below the minimum denomination of the issue if the dealer determines that the customer's position in the issue is already below the minimum denomination and the customer's entire position in the issue would be liquidated by the transaction.

Second, under MSRB Rule G-15(f)(iii), a dealer may sell municipal securities to a customer in an amount below the minimum denomination of the issue if the dealer determines that the position being sold resulted from the liquidation of another customer's entire position in the issue which was below the minimum denomination of the issue. Additionally, a dealer selling under MSRB Rule G-15(f)(iii) must, at or before the completion of the transaction, notify the customer that the amount of the transaction is below the minimum denomination of the issue and that this may adversely affect the liquidity of the customer's position.

Under MSRB Rule G-15(f), brokers, dealers, and municipal securities dealers may not sell (or buy) municipal securities in amounts below the minimum denomination of an issue to a customer regardless of whether the customer holds or would hold a position in the issue which is equal to or exceeds the minimum denomination of the issue.

MSRB Rule G-17 requires a broker, dealer or municipal securities dealer effecting a municipal securities transaction to disclose to its customer all material information about the transaction known by the broker, dealer or municipal securities dealer, as well as material information about the security that is reasonably accessible to the market. Such disclosure must be made at or prior to the sale of the municipal securities to the investor (*i.e.*, when the investor and the dealer agree to make the trade), also referred to as the "time of trade."¹

¹ MSRB Rule G-17's time of trade disclosure requirements were codified in MSRB Rule G-47 on July 5, 2014.

The staff reviewed the firm's compliance with MSRB Rules G-15(f) and G-17 during the review period. The firm violated those rules as described below.

FACTS AND VIOLATIVE CONDUCT

During the review period:

1. The firm effected 39 customer transactions in a municipal security in an amount lower than the minimum denomination of the issue which were not subject to an exception under the rule. These transactions are detailed in Exhibit A, attached. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-15(f); and
2. The firm failed to disclose all material facts concerning 39 municipal securities transactions at or prior to the time of trade. Specifically, the firm failed to inform its customer: (i) that the municipal securities transaction was in an amount below the minimum denomination of the issue, or (ii) that the municipal securities contained a resale restriction which could affect the liquidity of the customer's position. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-17 (for conduct occurring before July 5, 2014) and MSRB Rule G-47 (for conduct occurring on or after July 5, 2014).

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

- A censure;
- A fine of \$42,500 (consisting of a fine of \$32,500 for violating MSRB Rule G-15(f) and a fine of \$10,000 for violating MSRB Rule G-17/G-47); and
- Rescission must be offered to the customers who purchased securities listed on Exhibit A hereto at either the original purchase price or the current fair market value, whichever is higher. The offer of rescission shall remain open with the affected customer for a period of 60 days. A registered principal on behalf of the firm shall submit satisfactory proof of offer of the rescission, or of reasonable and documented efforts undertaken to effect rescission, including the offered price and a description of how the offered price was determined. Such proof shall be submitted to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, either by letter that identifies the Respondent and case number, or by email from a work-related account of the registered principal of the firm to MarketRegulationComp@finra.org. This proof shall be provided to FINRA no later than 90 days after acceptance of this AWC.

Respondent agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. It 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 it is 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.

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 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, 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; 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. 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 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. Respondent 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 it has agreed to the AWC's 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.

September 28, 2016
Date

Respondent
Wells Fargo Advisors, LLC

By: [Signature]

Name: DAN KILICK

Title: MD Municipal Fixed Income

Reviewed by:

[Signature]

Attorney Name:

Counsel for Respondent

Firm Name: Wells Fargo & Co. Law Dept.

Address: One N. Jefferson

City/State/Zip: St. Louis, MO 63103

Phone Number: 314-875-9566

Accepted by FINRA:

10/20/16
Date

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

[Signature]

Tina Salehi Gubb

Chief Counsel

FINRA Department of Market Regulation

Wells Fargo Advisors, LLC ("WRET")
December 1, 2013 through December 31, 2015
Review No. 20150465784
Exhibit A

#	Trade Date	Execution Time	CUSIP	Seller	Volume	Price	Buyer
1	11/13/2014	12:44:17	110142CL8	WRET	15,000	106.019	CUST
2	5/29/2014	15:47:18	573479EK4	WRET	85,000	100.55	CUST
3	7/2/2014	13:52:33	64971PED3	WRET	20,000	88.144	CUST
4	7/2/2014	14:59:34	64971PED3	WRET	10,000	88.144	CUST
5	11/20/2014	12:59:46	726136AE4	WRET	15,000	100	CUST
6	11/20/2014	13:04:15	726136AE4	WRET	70,000	100	CUST
7	04/08/2014	13:30:16	79854SAS8	WRET	20,000	100	CUST
8	04/08/2014	13:44:42	79854SAS8	WRET	20,000	99.846	CUST
9	04/08/2014	14:00:39	79854SAS8	WRET	10,000	100	CUST
10	04/08/2014	14:08:27	79854SAS8	WRET	20,000	100	CUST
11	04/08/2014	14:18:49	79854SAS8	WRET	15,000	100	CUST
12	04/08/2014	14:24:51	79854SAS8	WRET	15,000	100	CUST
13	04/08/2014	14:28:23	79854SAS8	WRET	20,000	100	CUST
14	04/08/2014	14:27:35	79854SAS8	WRET	10,000	100	CUST
15	04/08/2014	14:50:33	79854SAS8	WRET	10,000	100	CUST
16	04/09/2014	12:38:26	79854SAS8	WRET	15,000	100	CUST
17	04/09/2014	12:38:47	79854SAS8	WRET	20,000	100	CUST
18	04/09/2014	12:38:21	79854SAS8	WRET	20,000	100	CUST
19	04/09/2014	12:38:50	79854SAS8	WRET	15,000	100	CUST
20	04/09/2014	13:05:13	79854SAS8	WRET	10,000	100	CUST
21	04/09/2014	13:31:59	79854SAS8	WRET	20,000	100	CUST
22	11/07/2014	07:16:04	79854SAS8	WRET	10,000	102.4	CUST
23	12/12/2013	14:48:56	927676RK4	WRET	10,000	97.761	CUST
24	12/12/2013	14:49:08	927676RK4	WRET	10,000	97.761	CUST
25	12/12/2013	14:52:45	927676RK4	WRET	10,000	97.761	CUST
26	12/12/2013	15:05:17	927676RK4	WRET	15,000	97.761	CUST
27	12/12/2013	15:16:03	927676RK4	WRET	5,000	97.761	CUST
28	12/12/2013	15:16:11	927676RK4	WRET	30,000	97.761	CUST
29	12/12/2013	15:24:43	927676RK4	WRET	20,000	97.761	CUST
30	12/12/2013	15:48:21	927676RK4	WRET	25,000	97.761	CUST
31	12/02/2013	15:48:34	796826BF1	WRET	45,000	100.000	CUST
32	12/05/2013	15:29:19	13017HAA4	WRET	85,000	102.045	CUST
33	12/16/2013	10:26:01	199098BT0	WRET	75,000	109.038	CUST
34	12/18/2013	09:50:06	649903DA6	WRET	30,000	102.873	CUST
35	12/18/2013	10:03:45	649903DA6	WRET	45,000	101.873	CUST
36	12/18/2013	11:20:13	64983QY88	WRET	25,000	104.177	CUST
37	12/19/2013	14:15:32	13048TBP7	WRET	25,000	95.611	CUST
38	12/19/2013	14:27:14	13048TBP7	WRET	10,000	95.611	CUST
39	01/09/2015	11:55:47	64578EHJ9	WRET	20,000	104.125	CUST