

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20150465830-01

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

RE: Ameriprise Financial Services, Inc., Respondent
Broker-Dealer
CRD No. 6363

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Ameriprise Financial Services, Inc. (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 November 17, 1972, and its registration remains in effect. The firm has no relevant disciplinary history.

SUMMARY

In 20150465830, the Department of Market Regulation's Municipal Securities Bonds Team and the Department of Member Regulation (collectively, the "staff") reviewed the firm's municipal securities trading for compliance with Municipal Securities Rulemaking Board ("MSRB") requirements from December 1, 2013 through December 31, 2014 (the "review period").

During the review period, the firm effected 23 municipal bond transactions in amounts below the minimum denomination set for the bonds. The firm also indicated it was unaware that the Official Statements for two of the securities it recommended involving eight of the above transactions limited the sale/resale of such securities to Qualified Institutional Buyers ("QIBs"), as defined in Rule 144A of the Securities Act of 1933, which resulted in the sale of such securities to customers who were not QIBS.

Additionally, the firm failed to disclose to customers at or prior to the time of the trade that the transaction was being effected in an amount below the minimum denomination and of the above sales restriction. The firm also had an insufficient supervisory system reasonably designed to achieve compliance with the MSRB's rules regarding minimum denomination and the suitability of recommendations to customers. Accordingly, the firm violated MSRB Rules G-15(f) and G-19, related disclosure requirements under MSRB Rules G-17 and G-47, and related supervisory requirements under MSRB Rule G-27, as detailed below.

FACTS AND VIOLATIVE CONDUCT

1. 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.
2. 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.
3. 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.
4. 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.
5. 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.” MSRB Rule G-17’s time of trade disclosure requirements were codified in MSRB Rule G-47 on July 5, 2014.

6. During the applicable period, MSRB Rule G-19 specified that a broker, dealer, or municipal securities dealer must have a reasonable basis to believe that a recommended transaction is suitable for the customer, based on reasonable diligence.
7. Finally, MSRB Rule G-27 codifies the requirements imposed upon a broker, dealer or municipal securities dealer of municipal securities to supervise its activities in a manner that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable Board rules, including those concerning municipal securities transactions effected on behalf of customers.
8. During the review period, the firm effected 23 customer purchase transactions in a municipal security in an amount lower than the minimum denomination required for the issue. For 22 of the above purchases, no potential exception to Rule G-15’s minimum denomination requirements applied. For the remaining one purchase above, the firm failed to qualify for an exception for doing so under Rule G-15(f)(iii), because the firm did not disclose to a customer who purchased bonds as a result of another customer liquidating a position that the quantity of securities being sold was below the minimum denomination, which may adversely affect the liquidity of the customer’s position unless the customer had additional securities from the issue that could be combined to meet the minimum denomination. These 23 transactions are set forth in Exhibit A attached to this AWC. The conduct described in this paragraph constitutes 23 separate and distinct violations of MSRB Rule G-15(f).
9. In eight of the abovementioned transactions concerning two securities (identified as Items 16-23 on Exhibit A), the firm also recommended and sold securities to customers who were not QIBS, even though the Official Statements for such securities explicitly limited their sale/resale to QIBS, because the firm was unaware of such sales restrictions in the Official Statements. By lacking awareness of such a material fact about such securities due to its failure to review such Official Statements, the firm failed to exercise reasonable diligence to form a reasonable basis to believe that the recommended transactions were suitable under the “reasonable-basis” obligations of MSRB’s suitability requirements. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-19.
10. The firm also did not disclose certain material facts concerning 23 municipal securities purchase transactions referenced above in paragraph 8 at or prior to the time of trade. Specifically, the firm failed to inform its customers that the municipal securities transactions were in amounts below the minimum denomination of the issue and the potential adverse effect on liquidity of a customer position below the minimum denomination. In Notice 2002-05, the MSRB stated that a dealer should consider a transaction below an issue’s minimum denomination to be a material fact that generally requires disclosure to the customer, as well as its potential effect on liquidity of the customer’s position. In eight of the above transactions detailed in paragraph 9 above, the

firm additionally failed to inform the customers that the Official Statements for the securities limited their sale to QIBS. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-17 (for conduct prior to July 5, 2014) and MSRB Rule G-47 (for conduct on or after July 5, 2014).

11. The firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and the MSRB rules, concerning minimum denomination requirements and the satisfaction of the firm's obligations under MSRB's suitability requirements. In particular, the firm lacked written supervisory procedures concerning compliance with the minimum denomination requirements of MSRB Rule G-15(f) and failed to have sufficient supervisory procedures reasonably designed to achieve compliance with MSRB suitability requirements. Specifically, the firm's procedures failed to provide for sufficient reviews that applicable firm personnel obtained and reviewed all material information about municipal securities before making recommendations about such securities, including retrieval and review of any Official Statements and other reasonably accessible issuer and other industry information concerning material information as to minimum denomination amounts and sales restrictions of municipal securities. More specifically, the firm's supervisory system did not include written supervisory procedures in the above areas respectively providing, or sufficiently providing for: (1) the identification of the person(s) responsible for supervision with respect to the applicable rules; (2) a statement of the supervisory step(s) to be taken by the identified person(s); (3) a statement as to how often such person(s) should take such step(s); and (4) a statement as to how the completion of the step(s) included in the written supervisory procedures should be documented. The conduct described in this paragraph constitutes a violation of MSRB Rule G-27.

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

- A censure; and,
- A fine of \$45,000 (consisting of \$30,000 for the combined violations of MSRB Rules G-15(f) and G-19, \$7,500 for violating MSRB Rule G-17/G-47, and \$7,500 for violating MSRB Rule G-27).

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 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.

9/22/17
Date

Respondent

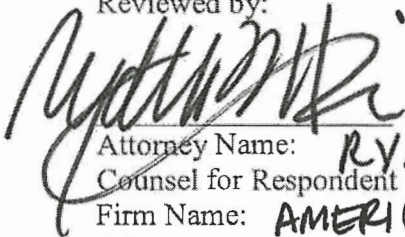
Ameriprise Financial Services, Inc.

By: Elizabeth Hansen

Name: Elizabeth Hansen

Title: Vice President &
Chief Compliance Officer

Reviewed by:



Attorney Name:

Counsel for Respondent

Firm Name:

Address:

City/State/Zip:

Phone Number:

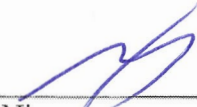
RYDER M.B. HILL
AMERIPRISE FINANCIAL
5221 AMERIPRISE FINANCIAL CENTER, H27/S221
MINNEAPOLIS, MN 55474
612-671-0577

Accepted by FINRA:

October 13, 2017
Date

Signed on behalf of the

Director of ODA, by delegated authority


James J. Nixon

Chief Litigation Counsel

FINRA Department of Market Regulation

AMERIPRISE FINANCIAL SERVICES, INC. ("AEFA")
Review Period: December 1, 2013 through December 31, 2014
Review Number: 20150465830

Exhibit A

Item	Firm	Execution Date	Execution Time	CUSIP	Volume	Price	Buy/Sell	Buyer
1	AEFA	12/18/2013	10:49:18	644614QC6	25,000	96.838	Sell	C
2	AEFA	12/18/2013	10:49:34	644614QC6	10,000	96.838	Sell	C
3	AEFA	01/02/2014	10:50:45	644614QC6	20,000	95.849	Sell	C
4	AEFA	01/02/2014	10:50:46	644614QC6	5,000	95.849	Sell	C
5	AEFA	01/15/2014	12:20:55	644614QC6	25,000	97.560	Sell	C
6	AEFA	02/21/2014	17:01:00	696499CG5	2,000	100.950	Sell	C
7	AEFA	07/22/2014	10:35:49	79854SBB4	15,000	102.500	Sell	C
8	AEFA	07/22/2014	10:37:19	79854SBB4	10,000	102.500	Sell	C
9	AEFA	07/22/2014	10:43:48	79854SBB4	10,000	102.500	Sell	C
10	AEFA	07/22/2014	11:06:28	79854SBB4	10,000	102.500	Sell	C
11	AEFA	07/22/2014	11:44:54	79854SBB4	10,000	102.500	Sell	C
12	AEFA	07/22/2014	13:12:25	79854SBB4	20,000	102.500	Sell	C
13	AEFA	07/22/2014	14:00:20	79854SBB4	5,000	102.515	Sell	C
14	AEFA	07/22/2014	14:00:34	79854SBB4	5,000	102.200	Sell	C
15	AEFA	07/23/2014	09:59:33	79854SBB4	20,000	103.250	Sell	C
16	AEFA	08/01/2014	12:52:14	79307RAB0	25,000	94.680	Sell	C
17	AEFA	08/01/2014	12:52:26	79307RAB0	50,000	94.680	Sell	C
18	AEFA	08/04/2014	11:51:09	79307RAB0	25,000	94.680	Sell	C
19	AEFA	08/06/2014	14:08:18	79307RAB0	20,000	93.937	Sell	C
20	AEFA	08/06/2014	14:17:50	79307RAB0	20,000	93.937	Sell	C
21	AEFA	08/06/2014	14:28:29	79307RAB0	30,000	93.937	Sell	C
22	AEFA	08/06/2014	14:55:41	79307RAB0	30,000	93.937	Sell	C
23	AEFA	08/12/2014	13:49:44	295095BF9	25,000	92.302	Sell	C