

**ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF SOUTH CAROLINA**

IN THE MATTER OF:)
)
Ameriprise Financial Services, Inc.,)
)
)
Respondent.)
_____)

CONSENT ORDER
Matter Nos. 2015793 and 20167368

I. PRELIMINARY STATEMENT

This Consent Order is entered into between the Securities Division of the Office of the Attorney General of South Carolina (the "Division") and Ameriprise Financial Services, Inc., CRD No. 6363 ("Ameriprise" or the "Respondent"), in order to resolve the Division's investigations under Matter No. 2015793 and Matter No. 20167368 into whether certain Ameriprise conduct violated the provisions of S.C. Code Ann. § 35-1-101, *et seq.*, the South Carolina Uniform Securities Act of 2005 (the "Act") and the regulations promulgated thereunder.

Without admitting to or denying the findings of fact and conclusions of law set forth in this Consent Order, except as to the jurisdiction of the Securities Commissioner of South Carolina (the "Securities Commissioner") over it and the subject matter of this proceeding, which are admitted, the Respondent expressly consents to the entry of this Consent Order.

II. JURISDICTION

1. The Securities Commissioner has jurisdiction over this matter pursuant to S.C. Code Ann. § 35-1-601(a).

III. FINDINGS OF FACT

2. Ameriprise is registered with the Division as a broker-dealer with a home office address of 707 2nd Avenue South, Minneapolis, Minnesota 55402.

3. Beginning in 2015, the Division conducted an investigation into sales practices in certain Ameriprise branch offices in South Carolina.

4. The Division focused its inquiries on the time period between 2009 and 2015 (the “Relevant Period”).

Respondent’s North, South Carolina Branch Office

5. The Division’s investigation of Ameriprise’s North, South Carolina branch office (the “North Branch”) revealed several violations of the Act during the Relevant Period.

6. The North Branch was operated by Ameriprise registered representatives J.N. and M.L.N. for the entirety of the Relevant Period.

7. J.N.’s and M.L.N.’s book of business was comprised largely of recent retirees (the “Retirees”).

8. J.N. and M.L.N. largely recommended the same investment strategy to many of the Retirees, as well as to many of their other customers.

9. Specifically, this investment strategy involved mostly complex and illiquid products, including variable annuities; non-traded real estate investment trusts (“Non-Traded REITs”); and non-traded business development companies (“Non-Traded BDCs”).

10. J.N.’s and M.L.N.’s investment strategy was not suitable for many of the Retirees and J.N.’s and M.L.N.’s other customers. To make this strategy appear suitable, it appears that J.N. and M.L.N. altered customer suitability information, including risk tolerance, investment objective, and net worth information they provided to Ameriprise.

11. By altering customer suitability information, J.N. and M.L.N. were able to evade Ameriprise’s guidelines on suitability for Non-Traded REITs and Non-Traded BDCs.

12. As a result, a number of J.N.’s and M.L.N.’s customers purchased securities that were unsuitable for them.

13. In 2015, J.N. and M.L.N. terminated their registrations with Ameriprise and with the Division and moved out of South Carolina.

Respondent's West Columbia, South Carolina Branch Office

14. The Division's investigation of Ameriprise's West Columbia, South Carolina branch office (the "West Columbia Branch") revealed several violations of the Act during the Relevant Period.

15. Between January 2000 and December 2014, J.S. was a registered representative of Ameriprise.

16. During most of the Relevant Period, J.S. operated from the West Columbia Branch.

17. J.S. did not appear to tailor her recommendations to the needs of her individual customers. Rather, J.S. based her investment recommendations around aggressive and speculative negative views about the global economy.

18. As a result, J.S. recommended an unsuitable strategy and investments to many of her customers.

19. Further, J.S. recommended the purchase of certain securities that Ameriprise prohibited its advisors from soliciting. J.S. mismarked the trades as "unsolicited" to avoid detection by Ameriprise.

20. J.S. resigned as a registered representative of Ameriprise Financial in 2015 and thereafter moved out of the country. J.S. is no longer associated with any broker dealer.

Ameriprise's Supervision of J.N., M.L.N., and J.S.

21. During the Relevant Period, Ameriprise employed a hybrid system of supervision, utilizing both a Central Supervision Unit (the "CSU") in which registered principals reviewed individual transactions by registered representatives and a field supervisor whose job duties included, among other things, reviewing certain correspondence and conducting at least annual reviews of assigned registered representatives.

22. The duties of the CSU also included a secondary sample-based review of correspondence generated by Ameriprise registered representatives.

23. During most of the Relevant Period, J.N., M.L.N., and J.S. shared the same field supervisor (the “Field Supervisor”).

24. As part of his supervision, the Field Supervisor conducted reviews of the investment strategies employed by J.N., M.L.N., and J.S., as well as reviewed certain customer accounts and various communications between J.N., M.L.N., J.S., and their customers.

Missed Flags in the North Branch

25. The Field Supervisor, in reviewing the North Branch, repeatedly referred to J.N.’s and M.L.N.’s customer base as “mostly the same.”

26. The Field Supervisor did so in reliance on the representations of J.N. and M.L.N., despite evidence to the contrary.

27. The Field Supervisor further reviewed letters to J.N.’s customers referring to Non-Traded REITs and Non-Traded BDCs as having three to seven-year investment time frames, which was generally inconsistent with Ameriprise’s policies and procedures.

28. The CSU in connection with its secondary sample-based review, did not identify J.N.’s mischaracterization of Non-Traded REITs and Non-Traded BDCs as investments having three to seven-year investment time frames as opposed to investments having a seven-year investment time frame.

29. If the Field Supervisor had reasonably followed up on these red flags, J.N.’s and M.L.N.’s violations of the Act may have been detected.

Missed Flags in the West Columbia Branch

30. During at least two in-person reviews of the West Columbia Branch, J.S.’s use of unreasonable and inconsistent language in her communications with customers was cited, once by the Field Supervisor and once by another Ameriprise employee. This correspondence often contained unreasonable and inconsistent assertions about global markets and, on at least one occasion, enclosed unreliable market research.

31. However, beyond cautioning J.S. to use only Ameriprise’s approved research, no further investigation was conducted by the Field Supervisor.

32. The Field Supervisor's reviews of the West Columbia Branch also included reviews of J.S.'s customer portfolios and her unconventional investment strategy.

33. The Field Supervisor, rather than investigating further, merely referred to the customer portfolios and strategy as "bearish."

34. The CSU, in connection with its secondary sample-based review, did not identify J.S.'s unreasonable and inconsistent communications.

35. If the Field Supervisor had reasonably followed up on these red flags, J.S.'s violations of the Act may have been detected.

Ameriprise's Cooperation

36. Ameriprise cooperated fully with the Division's investigation.

37. During and after the Relevant Period, Ameriprise made enhancements to its policies and procedures designed to address the conduct set forth above and to prevent similar problems from occurring in the future.

38. In 2017, Ameriprise disciplined the Field Supervisor for his deficient supervision of J.S. and placed him on heightened supervision related to his remaining supervisory responsibilities. Ameriprise later removed the Field Supervisor from his supervisory role such that he is no longer conducting any supervisory activities in South Carolina.

IV. CONCLUSIONS OF LAW

39. During the Relevant Period, the Respondent, through its agent, failed to reasonably supervise J.N., M.L.N., and J.S., each of whom violated the Act and the regulations promulgated thereunder by engaging in dishonest and unethical practices in violation of S.C. Code Ann. § 35-1-412(d)(13)—in particular, S.C. Code of Regulations § 13-501(B)(6)—through the recommendation of unsuitable securities and strategies to their customers.

40. During the Relevant Period, the Respondent, through its agent, failed to reasonably supervise J.N. and M.L.N, each of whom violated the Act and the regulations promulgated thereunder by engaging in dishonest and unethical practices in violation of S.C. Code Ann. § 35-

1-412(d)(13)—in particular, S.C. Code of Regulations § 13-501(B)(3)—through the use of fictitious account information in order to execute transactions which would otherwise be prohibited.

41. The Respondent's failure to reasonably supervise its agents who violated the Act provides the basis for discipline of the Respondent pursuant to S.C. Code Ann. §§ 35-1-412(c) and 35-1-412(d)(9).

42. This Consent Order is in the public interest.

V. ORDER

It is hereby ORDERED that:

- a. Ameriprise is CENSURED; and
- b. Ameriprise will, contemporaneously with the execution of this Consent Order, pay a total of Six Hundred Fifty Thousand Dollars (\$650,000) to the State of South Carolina, of which Four Hundred Ninety-Five Thousand Dollars (\$495,000) is designated as an administrative fine and One Hundred and Fifty-Five Thousand Dollars (\$155,000) is designated as the reimbursement of costs incurred by the Division in its investigation of the matters detailed above.


Upon execution by the Securities Commissioner, this Consent Order resolves Administrative Proceeding Nos. 2015793 and 20167368 as to the Respondent.

This Order should not be interpreted to waive any (i) criminal cause of action, (ii) private cause of action that may have accrued to investors as a result of the activities described above, or (iii) other causes of action that may result from activities of the Respondent not detailed herein or which may hereafter arise.


IT IS SO ORDERED this 28 day of June, 2018.

By: Alan Wilson
The Honorable Alan Wilson
Securities Commissioner
State of South Carolina

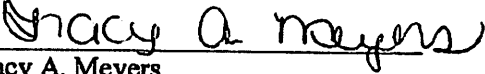
Respondent Ameriprise Financial Services, Inc.



Name Christopher R. Long Date: 6-26-18
Title Vice President & Chief Counsel, Regulatory Affairs

Reviewed By:


Niels P. Murphy, Esq.
Lawton R. Graves, Esq.
Murphy & Anderson, P.A.
Counsel for Respondent
Date: 6/27/18

Approved as to Form:


Tracy A. Meyers
Deputy Securities Commissioner
Date: 6/27/2018


Ian P. Weschler
Assistant Attorney General
Securities Division
Date: 6/27/2018