

**OFFICE OF THE MISSISSIPPI SECRETARY OF STATE
BUSINESS REGULATION AND ENFORCEMENT DIVISION**

IN THE MATTER OF:)
)
AMERIPRISE FINANCIAL)
SERVICES, INC.,)
)
Respondent.)
)

**Administrative Proceeding
Number: S-06-0337**

CONSENT ORDER

I. JURISDICTION

The Business Regulation and Enforcement Division of the Mississippi Secretary of State's Office (the "Division"), having the authority to administer and to provide for the enforcement of the Mississippi Securities Act (the "Act") and Mississippi Securities Act Rules (the "Rules"), and Ameriprise Financial Services, Inc. ("Ameriprise" or "Respondent") enter into this Consent Order in resolution of the following allegations by the Division of violations of certain provisions of the Act and Rules.

II. ALLEGATIONS

A. REGISTERED AND REGULATED PARTIES

1. Ameriprise (CRD #6363), is a registered Broker-Dealer and an Investment Advisor, pursuant to the Securities Exchange Act of 1934 and the Investment Advisors Act of 1940. At all relevant times Ameriprise was registered with the Division pursuant to the terms of the Act.
2. J. R. Jones, ("Jones") (CRD #2160627), at all relevant times was a registered person and investment advisor of Ameriprise, and registered with the Division.

B. ALLEGATIONS OF VIOLATIONS OF THE ACT OF RULES

The Division received a complaint from an Ameriprise customer whose account was managed by Jones. Based on this complaint, the Division performed an examination of the Ameriprise office located at 460 Briarwood Drive, Jackson, Mississippi. Jones was then interviewed at the offices of Nemesis Group located on Gallatin Street, Jackson, Mississippi.

The examination disclosed that:

a. Jones had outside business activities of which Ameriprise was not aware. Ameriprise's policies and procedures require advisors to disclose all outside business activities and the extent of any client involvement in those activities. Jones failed to fully disclose to Ameriprise both his outside business activities and his clients' involvement in those activities.

b. Jones received mail relating to his outside business activities at his Ameriprise office location. Ameriprise's policies and procedures prohibit advisors from receiving mail related to outside business activities at their Ameriprise office location. Jones falsified internal mail logs to conceal from his supervisor his receipt of mail related to his outside business activities.

c. Jones used his position with Ameriprise to further his outside business activities in violation of Ameriprise's policies and procedures by soliciting and accepting loans and investments from Ameriprise customers.

Examination Results

Customer A maintained securities accounts at Ameriprise, and Jones was the registered representative who serviced Customer A's accounts.

- (1) Jones induced Customer A to pledge a fixed annuity as security for a line of credit taken out by Tchula Investments (“Tchula”). Jones had an ownership interest in Tchula. Ameriprise received copies of the pledge documents from the lending institution, disclosing Tchula as borrower, and Jones as the owner of Tchula.
- (2) Customer A changed the beneficiary on three of his Ameriprise accounts to Tchula. Ameriprise received notice of these changes.
- (3) Customer A invested money from his Ameriprise accounts in two of Jones’ outside business activities.
- (4) Customer A purchased a fixed annuity in the amount of \$1,100,000.00. The commission on this product was Forty-four Thousand Dollars (\$44,000.00). The fixed annuity was liquidated less than one (1) year from the date of purchase. With funds received from the liquidation, Customer A then purchased a Three Hundred Thousand Dollar (\$300,000.00) certificate of deposit which was used to secure a line of credit for Tchula. Additionally, Five Hundred Thousand Dollars (\$500,000.00) was used to purchase another variable annuity. The commission on this variable annuity was Twenty-Five Thousand Dollars (\$25,000.00).
- (5) Ameriprise examined the suitability of these transactions, and processed them without adequate investigation of the relationship between its registered person and Tchula.

Customer B maintained securities accounts at Ameriprise and Jones was the registered representative that serviced Customer B's accounts.

- (1) Customer B signed blank documents which Jones retained in violation of Ameriprise's policies and procedures.
- (2) Jones is listed as the manager on the Customer B's Family Investment Trust and also is authorized by a power-of-attorney to act on behalf of the Trust.

Customer C maintained securities accounts at Ameriprise, and Jones was the registered representative that serviced Customer C's accounts.

- (1) Customer C signed blank documents which Jones retained in violation of Ameriprise's policies and procedures.
- (2) Jones induced Customer C to pledge his Ameriprise account as collateral to secure a loan to one of Jones' outside businesses.

III. APPLICABLE LAW

1. Miss. Code Ann. § 75-71-321(b)(A) provides as follows:

(b) The Secretary of State may by order deny, suspend or revoke any registration if the Secretary of State finds (1) that the order is in the public interest and (2) that the applicant or registrant:

(A) Has failed reasonably to supervise his agents if he is a broker-dealer or his investment adviser representatives if he is an investment adviser;

2. Mississippi Securities Act Rule 521 provides as follows:

Supervision: All broker/dealers shall establish and keep current a set of written supervisory procedures and a system for implementing such procedures which may be reasonable expected to prevent and detect any violation of the Act and rule promulgated thereunder. The procedures shall include the designation by name or title of those persons delegated

supervisory responsibility in at least the areas of sales, financial operations, and compliance. A complete set of such procedures and systems shall be kept in all offices located in this state.

3. Mississippi Securities Act Rule 621 provides in pertinent part as follows:

Supervision:

A. All investment advisers shall establish and keep current a set of written supervisory procedures, and a system for implementing such procedures, which may be reasonably expected to prevent and detect any violations of the Act and rules promulgated thereunder. A complete set of such procedures and systems shall be kept in all offices located in this state.

4. NASD Rule 3010 provides in pertinent part as follows:

(a) Supervisory System

Each member shall establish and maintain a system to supervise the activities of each registered representative, registered principal, and other associated person that is reasonably designated to achieve compliance with applicable securities laws and regulations, and with applicable NASD Rules. Final responsibility for proper supervision shall rest with the member. A member's supervisory system shall provide, at a minimum, for the following:

- (1) The establishment and maintenance of written procedures as required by paragraphs (b) and (c) of this Rule.*
- (2) The designation, where applicable, of an appropriately registered principal(s) with authority to carry out the supervisory responsibilities of the member for each type of business in which it engages for which registration as a broker/dealer is required.*

(c) Internal Inspections

(1) Each member shall conduct a review, at least annually, of the businesses in which it engages, which review shall be reasonably designed to assist in detecting and preventing violations of, and achieving compliance with, applicable securities laws and regulations, and with applicable NASD rules. Each member shall review the activities of each office, which shall include the periodic examination of customer accounts to detect and prevent irregularities or abuses.

(2) An office inspection and review by a member pursuant to paragraph (c)(1) must be reduced to a written report and kept on file by the member for a minimum of three years, unless the inspection is being conducted pursuant to paragraph (c)(1) and the regular periodic schedule is longer than a three-year cycle, in which case the report must be kept on file as least until the next inspection report has been written. The written inspection report must also include, without limitation, the testing and verification of the member's policies and procedures, including supervisory policies and procedures in the following areas:

(A) Safeguarding of customer funds and securities;

(B) Maintaining books and records;

(C) Supervision of customer accounts serviced by branch office managers;

(D) Transmittal of funds between customers and registered representatives and between customers and third parties;

(E) Validation of customer address changes; and

(F) Validation of changes in customer account information.

(d) Review of Transactions and Correspondence

(1) Supervision of Registered Representatives

Each member shall establish procedures for the review and endorsement by a registered principal in writing, on an internal record, of all transactions and for the review by a registered principal of incoming and outgoing written and electronic correspondence of its registered representatives with the public relating to the investment banking or securities business of such member. Such procedures should be in writing and be designated to reasonably supervise each registered representative. Evidence that these supervisory procedures have been implemented and carried out must be maintained and made available to the Association upon request.

(2) Review of Correspondence

Each member shall develop written procedures that are appropriate to its business, size, structure, and customers for the review of incoming and outgoing written (i.e., non-electronic) and electronic correspondence with the public relating to its investment banking or securities business, including procedures to review incoming, written, correspondence directed to registered representatives and related to the member's investment banking or securities business to properly identify and handle customer complaints and to ensure that customer funds and securities are handled in accordance with firm procedures. Where such procedures for the review of correspondence do not require review

of all correspondence prior to use of distribution, they must include provision for the education and training of associated persons as to the firm's procedures governing correspondence; documentation of such education and training; and surveillance and follow-up to ensure that such procedures are implemented and adhered to.

(3) Retention of Correspondence

Each member shall retain correspondence of registered representatives relating to its investment banking or securities business in accordance with Rule 3110. The names of the persons who prepared outgoing correspondence and who reviewed the correspondence shall be ascertainable from the retained records shall be readily available to the Association, upon request.

3. Violation of an NASD Rule is a violation of Mississippi law. Mississippi

Securities Act Rule 523(A)(23) provides as follows:

Standards of Conduct: Each broker/dealer and agent shall observe high standards of commercial honor and just and equitable principles of trade in the conduct of their business. Acts and practices, including, but not limited to, the following, are considered contrary to such standards and may constitute grounds for denial, suspension, or revocation of registration, imposition of fines, or such other action authorized by statute.

A. Broker/Dealers.

23. Violating any laws or rules of the SEC or a national securities exchange or national securities association of which it is a member, or violating any federal or state securities law or any rule or regulation promulgated thereunder.

IV. STIPULATIONS

Respondent, without admitting liability or any of the facts alleged and solely for the purpose of resolving the foregoing allegations, stipulates without a hearing to the matters set forth above in Paragraph II and hereby agrees to the issuance of this Consent Order (the "Order") and further consents to and agrees to the undertakings contained herein, with no formal administrative hearing and without any determination of

wrongdoing. Furthermore, the undersigned agent for the Respondent acknowledges that she/he has been lawfully vested with the authority to enter into this Order on behalf of the Respondent.

THEREFORE, in consideration of a final resolution of the matters set forth herein, the Division and Respondent hereby agree and stipulate as follows:

1. Respondent has fully cooperated with the Division's investigation into this matter.
2. Respondent has conducted a full and timely investigation of the activity in the accounts of Customers A, B, and C, the scope of which has been accepted by the Division.
3. Following Respondent's investigation of the activity in the account of Customer A, Customer A was offered and accepted restitution from Respondent.
4. Respondent has contacted all remaining Ameriprise customers serviced by Jones who may have invested in businesses owned and/or managed by Jones to determine if they invested in any of Jones' outside business activities.
5. Respondent agrees that with respect to any Ameriprise clients who Respondent determines invested in Jones' outside business activities, Respondent will conduct a full and timely investigation of the activity in these clients' Ameriprise accounts, take any appropriate action, and fully inform the Division of the results of its investigation.
6. Respondent has notified all Ameriprise customers serviced by Jones that Jones is no longer associated with Ameriprise.

This Order is in resolution of the matters contained herein and relating to Jones' activities while Jones was an investment advisor associated with Respondent. As a result of this Order, the allegations set out above cannot be used as a basis for any action by the Division except in determining any penalty that may be imposed by the Division for any future violations of the Act committed by the Respondent and as set forth below.

V. ORDER

IT IS HEREBY ORDERED:

- A. This Order concludes the examination/investigation by the Division and any other action that the Secretary of State of the State of Mississippi could commence under the Mississippi Securities Act on behalf of the State of Mississippi as it relates to the examination history set out in this Order and the violations alleged as a result of these examinations and the activities of Jones while he was an registered representative associated with Respondent.
- B. Respondent will **CEASE AND DESIST** from violating the Mississippi Securities Act and Rules and will comply with the provisions of the Mississippi Securities Act of Rules as currently in effect and as may be subsequently amended.
- C. If Respondent defaults in any of its obligations set forth in this Order, the Secretary of State of the State of Mississippi may vacate this Order, at its sole discretion, upon ten (10) days written notice to Ameriprise and without opportunity for administrative hearing. It may also institute any legal or administrative proceedings it deems appropriate including, but not limited to, proceedings to address the matters set forth herein.

D. This Order neither limits nor creates any private rights or remedies against Ameriprise for any person or entity not a party to this Order, nor does it limit or create any defenses Ameriprise may assert in response to any such claims.

VI. MONETARY SANCTIONS

IT IS FURTHER ORDERED, that, Ameriprise shall pay an administrative penalty in the amount of One Hundred Fifty Thousand Dollars (\$150,000.00).

VII. GENERAL PROVISIONS

This Order and any dispute related thereto shall be construed and enforced in accordance with and governed by, the laws of the State of Mississippi.

ISSUED, this the 9th day of January, 2008.

ERIC CLARK
SECRETARY OF STATE

BY: Patricia Melvin
PATRICIA MELVIN
Senior Attorney
Business Regulation and Enforcement

**CONSENT TO ENTRY OF ADMINISTRATIVE CONSENT ORDER BY
AMERIPRISE FINANCIAL, INC.**

1. Ameriprise Financial, Inc. (hereinafter "Ameriprise") represents, warrants, and agrees that it has received independent legal advice from its attorneys with respect to the advisability of executing this Order.
2. Ameriprise hereby acknowledges that it has been served with copy of this Administrative Consent Order, has read the foregoing Order, is aware of its right to a hearing and appeal in the matter, and has waived the same.
3. Ameriprise admits the jurisdiction of the Secretary of State of the State of Mississippi and consents to the entry of this Order while neither admitting nor denying the ALLEGATIONS contained in this Order.
4. Ameriprise states that no promise of any kind or nature whatsoever was made to it to induce it to enter into this Order and that it has entered into this Order voluntarily.
5. Ameriprise understands that the Secretary of State of the State of Mississippi may make such public announcement concerning this Order and the subject matter thereof as the Secretary of State of Mississippi may deem appropriate.
6. Eric S. Swanson represents that he/she is Chief Counsel of Ameriprise and that, as such has been authorized by Ameriprise to enter into this Order for and on behalf of Ameriprise.

Dated, this, the 10th day of January, 2008.

SWORN TO AND SUBSCRIBED before me, this, the 10th day of January, 2008.

AMERIPRISE FINANCIAL, INC.

BY: Eric S. Swanson

TITLE: Chief Counsel

Cynthia A. Willis
NOTARY PUBLIC

My Commission Expires:

1-31-10

