

MEMO# 23262

February 19, 2009

FINRA Fines Broker-Dealer Firms for Failures Relating to UIT and Mutual Fund Sales

[23262]

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TO: BROKER/DEALER ADVISORY COMMITTEE No. 7-09
COMPLIANCE MEMBERS No. 9-09
SEC RULES MEMBERS No. 18-09
SMALL FUNDS MEMBERS No. 13-09
UNIT INVESTMENT TRUST MEMBERS No. 1-09 RE: FINRA FINES BROKER-DEALER FIRMS
FOR FAILURES RELATING TO UIT AND MUTUAL FUND SALES

Earlier this month, the Financial Industry Regulatory Authority (FINRA) announced more than \$4.5 million in fines against two related member firms for violations in connection with the sales of mutual funds and unit investment trusts (UITs). [\[1\]](#) Each firm settled the matters without admitting or denying the allegations, but consented to the entry of FINRA's findings.

One firm was fined for suitability violations related to improper Class B share sales. The other firm was fined for: (1) the failure to provide investors with sales charge discounts in eligible UIT transactions, including both rollover discounts and breakpoint discounts; (2) the failure to ensure that investors received the benefit of net asset value transfer programs in applicable mutual fund purchases; and (3) suitability violations related to the sale of Class B and C mutual fund shares. FINRA also found that both firms had inadequate supervisory procedures relating to the conduct that was the subject of the violations.

As part of the settlement, the firms will also provide remediation to households that purchased Class B and C shares and to additional eligible NAV customers who did not receive the benefit of NAV transfer programs.

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endnotes

[1] See “FINRA Fines Wachovia Units More Than \$4.5 Million for Failures Relating to Trust and Mutual Fund Sales,” available at <http://www.finra.org/Newsroom/NewsReleases/2009/P117836>.

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