

As Ameriprise case shows, firms on hook when brokers go bad

The SEC will collect \$4.5 million from the brokerage firm for failing to supervise brokers who were ripping off clients.



August 16, 2018 [By Bruce Kelly](#)

Brokers forging client signatures and creating phony wire transfers were at the heart of the frauds revealed Wednesday when the Securities and Exchange Commission said that Ameriprise Financial Services will pay \$4.5 million [to settle charges](#) that it failed to safeguard retail investor assets from theft by its representatives.

Five former Ameriprise brokers were named in the SEC's order, and most were caught and fired in 2013, with one broker's theft discovered in 2016 after which he was fired. Three of the brokers went to prison, according to the SEC.

But brokers committing forgeries or acting under the guise of an outside business to rip off clients are offenses as old as the hills, noted Jeffrey Sonn, a plaintiff's attorney.

“This is not a new or surprising problem,” said Mr. Sonn. “It’s been going on since the beginning of the brokerage industry, with sales people forging checks or making address changes on client account forms. Brokerage firms absolutely know this can happen and need robust systems to check these signatures.”

“Unfortunately, we see this periodically,” Mr. Sonn said. “The brokerage industry can and should do better.”

One mother and daughter Ameriprise team in Minnesota “forged client signatures on dozens of Ameriprise forms, including those to change the address of a client, to disburse funds via check, and to transfer funds by wire,” according to the SEC’s order. The two stole \$1 million in client money.

For instance, on at least two occasions, the two brokers separately or together changed the addresses of two clients to the broker’s office address as well as the home address, according to the SEC. Both addresses were known to Ameriprise to be associated with and controlled by the brokers. The compliance and supervisory policies failed to detect the unauthorized address changes, according to the SEC.

Another Ameriprise broker from Virginia stole \$200,000, wiring money from a client account, according to the SEC, using an outside business known to the firm as the destination for the client’s money.

“Even though it should have been apparent that [the adviser] was attempting to wire money from a client account to an external party under his control, Ameriprise approved the transfer,” according to the SEC.

Another broker in Ohio stole \$373,000 from Ameriprise accounts. His fraud was discovered in 2013 “when an office employee found evidence in a trash can that [the broker] had been attempting to copy the signature of a family member from whom he was attempting to steal funds,” according to the SEC.

While the thefts happened several years ago, they must certainly be embarrassing to Ameriprise today. As the SEC’s order noted, the company had automated surveillance tools in place to prevent and detect such frauds committed by brokers. But, because of a technical error that went undetected until December 2013, the system did not function properly, [according to the order](#).

Ameriprise is not alone in facing such issues with its brokers and advisers. [In June](#), Morgan Stanley agreed to a settlement with the SEC in which it paid a \$3.6 million penalty for its failure to protect four advisory clients from the actions of one of its representatives, who misused or misappropriated approximately \$7 million from the clients’ accounts.

Still, how does a firm let such essential systems fail, as was the case here with Ameriprise?

“The actions of these five individuals – which happened years ago – were in clear violation of our policies and resulted in their immediate separation from the firm,” said Ameriprise

spokesman John Brine. “We fully reimbursed clients who were impacted after the activity was discovered. We continually review and enhance our compliance program to better detect this type of prohibited activity.”