

DENISE VOIGT CRAWFORD  
SECURITIES COMMISSIONER



NICHOLAS C. TAYLOR  
CHAIRMAN

JOHN R. MORGAN  
DEPUTY SECURITIES COMMISSIONER

JOSE ADAN TREVINO  
MEMBER

## State Securities Board

MAIL: P.O. BOX 13167  
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KENNETH W. ANDERSON, JR.  
MEMBER

SSB DOCKET NO. 00-021

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IN THE MATTER OF THE DEALER	§	
REGISTRATION OF AMERICAN	§	Order No. CAF-1402
EXPRESS FINANCIAL ADVISORS, INC.	§	

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TO: Mr. Paul Connolly  
American Express Financial Advisors, Inc. (BD# 6363)  
80 South 8th Street  
Minneapolis, MN 55440-0010

### DISCIPLINARY ORDER REPRIMANDING A DEALER

Be it remembered that American Express Financial Advisors, Inc. ("Respondent AMEX"), by and through its Vice President of Retail Distribution, Paul A. Connolly ("Respondent Connolly"), appeared before the Securities Commissioner of the State of Texas ("Securities Commissioner") and consented to the entry of this Order and Undertaking and, without admitting or denying them, the Findings of Fact and Conclusions of Law contained herein, except the first Finding of Fact which is admitted.

### FINDINGS OF FACT

1. Respondents have waived (a) Respondents' right to notice and hearing in this matter; (b) Respondents' right to appear and present evidence in this matter; (c) Respondents' right to appeal this Order; and (d) all other procedural rights granted to Respondents by The Securities Act, TEX. REV. CIV. STAT. ANN. art. 581-1 et seq. (Vernon 1964 & Supp. 2000) ("Texas Securities Act"), and the Administrative Procedure Act, TEX. GOV'T. CODE ANN. § 2001.001 et seq. (Vernon Supp. 2000) ("Administrative Procedure Act").
2. Respondent is currently registered with the Securities Commissioner as a general dealer and notice filing investment advisor.
3. Respondent has operated nine multiple locations in this state which were not properly registered as branch offices with the Securities Commissioner as required by Section 115.1(a)(5) of the Rules and Regulations of the Texas State Securities Board ("Board Rules"). Upon discovery of this fact, Respondent properly registered these locations.

4. Respondent permitted agents to send out correspondence claiming they were “registered representatives” or “financial advisors” to clients at a time when said agents were not registered with the Securities Commissioner. This constitutes an inequitable business practice and is a violation of Section 14(A)(3) of the Texas Securities Act.
5. Respondent permitted agents to send out correspondence approved by supervisors of Respondent American Express which contained statements relating to the experience in financial planning of the agent sending the letter, that were misleading in light of the circumstances under which they were made. This constitutes an inequitable business practice and is a violation of Section 14(A)(3) of the Texas Securities Act.
6. Respondent permitted agents to engage in the offer and sale of securities at a time when said agents were not registered with the Securities Commissioner as required by Section 12 of the Texas Securities Act.
7. Respondent allowed agents to solicit the sale of securities in violation of its own internal procedures.
8. Respondent has cooperated with the investigation of the Staff and has voluntarily implemented corrective actions in several areas noted by the Staff throughout the investigation.

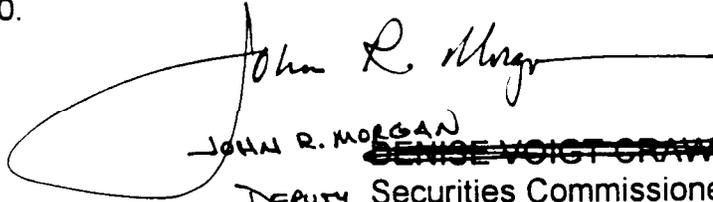
#### CONCLUSIONS OF LAW

1. Pursuant to Section 14A(3) and (6) of the Texas Securities Act, the foregoing violations constitute a basis for the issuance of an order reprimanding a dealer.
2. Pursuant to Section 23-1 of the Texas Securities Act, the foregoing violations constitute a basis for the issuance of an order assessing an administrative fine against a dealer.

#### ORDER

1. It is therefore ORDERED that American Express Financial Advisors, Inc., shall pay AN ADMINISTRATIVE FINE in the amount of Nine Thousand dollars (\$ 9,000.00). Payment shall be made by delivery of a cashier's check to the Securities Commissioner in the amount of Nine Thousand dollars (\$9,000.00), payable to the State of Texas, contemporaneously with the delivery of this Order.
2. It is further ORDERED that American Express Financial Advisors, Inc., is hereby REPRIMANDED and required to comply with the terms of an UNDERTAKING which is incorporated by reference herein.

SIGNED AND ENTERED BY THE <sup>Deputy</sup> SECURITIES COMMISSIONER this 24<sup>th</sup> day of August, 2000.

  
~~JOHN R. MORGAN~~  
~~GENISE VOIGT CRAWFORD~~  
DEPUTY Securities Commissioner

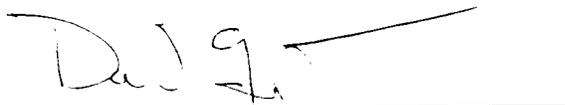
Respondent:

  
American Express Financial Advisors, Inc.

Approved as to Form:

  
Michael S. Gunst  
Director  
Dealer Registration Division

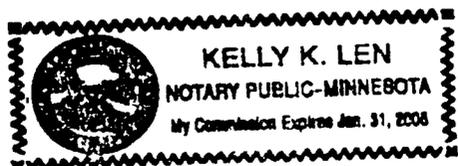
  
Susan Wold  
Attorney for Respondent

  
David Grauer  
Director  
Enforcement Division

**ACKNOWLEDGMENT**

On the 14 day of AUGUST, 2000, American Express Financial Advisors, Inc. ("Respondent American Express"), by and through, its \_\_\_\_\_, personally appeared before me, executed the foregoing Order, and acknowledged that:

1. PAUL A. CONNOLLY is duly authorized to enter into the foregoing Order on behalf of Respondent American Express;
2. PAUL A. CONNOLLY has read the foregoing Order;
3. Respondent American Express has been fully advised of its rights under the Texas Securities Act and the Administrative Procedure Act;
4. Respondent American Express knowingly and voluntarily consents to the entry of the foregoing Order and the Findings of Fact, Conclusions of Law, and Undertaking contained therein; and,
5. Respondent American Express, by consenting to the entry of the foregoing Order, has knowingly and voluntarily waived its rights as set forth therein.



[affix notary seal here]

  
\_\_\_\_\_  
Notary Public in and for  
the State of Minnesota

My commission expires on: 01/31/2005

DENISE VOIGT CRAWFORD  
SECURITIES COMMISSIONER



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KENNETH W. ANDERSON, JR.  
MEMBER

**IN THE MATTER OF DEALER  
REGISTRATION OF  
AMERICAN EXPRESS  
FINANCIAL ADVISORS, INC.**

**UNDERTAKING FILED WITH  
THE SECURITIES COMMISSIONER OF TEXAS**

Comes Now, American Express Financial Advisors, Inc. ("American Express"), who, enters into the following Undertaking with the Securities Commissioner of Texas in connection with a pending Enforcement matter and hereby agrees without admitting any prior violations to comply with the following:

1. American Express will register all locations in this State which fall within the definition of branch office in Rule 115.1(a)(5) of the Board Rules prior to opening such location
2. American Express agrees that agents shall not send out correspondence to clients claiming they are "registered representatives" or "financial advisors" at a time when the agents are not registered with the Securities Commissioner.
3. American Express agrees that in all future communications with clients or potential clients, agents shall not send out correspondence making claims relating to an agent's experience that are misleading.
4. American Express agrees to register all agents with the Securities Commissioner before they will be permitted to engage in the offer and sale of securities or as investment representatives who have a place a business in Texas prior to the solicitation of advisory services.
5. American Express agrees to conduct training meetings for all existing agents who have a place of business in Texas that will cover at least the following areas:

- a) Handling of correspondence;
  - b) Registration requirements of agents;
  - c) American Express' policy on solicitation of corporate securities;
  - d) A discussion of the difference between solicited and unsolicited trades;
  - e) A review of American Express' internal compliance procedures;
  - f) A discussion of the NASD policies and ethical requirements of fair dealings in both securities transactions and outside business activities;
  - g) An overview of the requirements of registration to conduct securities and advisory activities.
6. American Express agrees to review its procedures to ensure that they are tailored to its business and address the activities of all its registered representatives and associated persons. American Express will ensure that compliance procedures describe the rules and policies applicable to the firm and clearly delineate required and prohibited practices that are fundamental to the firm's responsibility for fair dealing with clients.
  7. American Express agrees to as part of its branch office or OSJ exams, to review all outside business activities of its agents to ensure compliance with NASD Rules and the Texas Securities Act.
  8. American Express agrees to amend its compliance manual to clearly indicate that no agent is permitted to offer for sale, sell or solicits advisory services on behalf of the American Express prior to being notified in writing that they are approved by the NASD, SEC or individual state whichever is applicable prior to conducting activity.
  9. American Express agrees to establish a formal procedure whereby agents and/or employees may anonymously report any regulatory or ethical violations directly someone outside of the branch office or OSJ in which that agent or employee is located.
  10. American Express agrees to conduct an internal review of its branch office and OSJ supervisory structure and procedures. Such review should include a detailed outline of the supervisory responsibilities of each position identified in the report as engaging in any supervisory functions. Within 90 days of when this Order is signed by the Securities Commissioner, American Express agrees to submit a detailed written report to the Director of Dealer Registration outlining what procedures if any, have been changed

American Express Financial Advisors, Inc.

By: Paul A Connolly, V.P. RETAIL DIST.  
Name Title

PAUL A CONNOLLY  
PRINTED NAME

On the 14 day of AUGUST, 2000, PAUL A CONNOLLY  
personally appeared and voluntarily executed the foregoing  
undertaking before me for the purposes stated therein and did  
duly acknowledge to me that he/she was authorized to execute the  
same on behalf of American Express Financial Advisors, Inc.

State of Minnesota  
County of Hennepin

Sworn to me this  
14th day of August, 2000

Kelly K. Len

