

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF BUSINESS REGULATION
1511 PONTIAC AVENUE
JOHN PASTORE COMPLEX – BUILDING 69-1
CRANSTON, RHODE ISLAND 02920**

IN THE MATTER OF: :
 :
MML INVESTORS SERVICES, LLC, : DBR NO. 11-S-0114
 :
RESPONDENT. :

CONSENT ORDER MAKING FINDINGS AND IMPOSING REMEDIAL SANCTIONS

I.

The Director of the Rhode Island Department of Business Regulation (“Director”) enters into this Consent Order Making Findings and Imposing Remedial Sanctions (“Order”) under Section 602 of the Rhode Island Uniform Securities Act of 1990 (“RIUSA”), Section 7-11-101 *et seq.* of the Rhode Island General Laws, 1989, as amended, with regard to the above-referenced Respondent. The Director has determined to resolve this matter, without instituting administrative proceedings, and prior to any hearing or adjudication, by accepting Respondent’s Offer of Settlement, attached hereto as Exhibit A, which is made without admitting or denying any findings or violations (the “Offer”), and entering this Order, making the findings and imposing the remedial sanctions set forth below.

II.

1. This matter arises out of the conduct of one of MML Investors Services, LLC’s (“MMLISI”) former licensed persons, Martin B. Feibish (“Feibish”), who was licensed as an MMLISI Sales Representative and Investment Adviser Representative until June 20, 2011 at which time the Rhode Island Department of Business Regulation (“Department”) revoked his licenses and permanently barred him from engaging in any securities business in the State of Rhode Island due to Feibish’s violations of: R.I. Gen. Laws § 7-11-212(b)(8) and corresponding

Rule 212(a)-1 subsections (A), (B), and (C) of the Securities Division Regulation; R.I. Gen. Laws § 7-11-501; and, R.I. Gen. Laws § 7-11-503. (See Decision and Final Order, *In the Matter of Martin Benjamin Feibish*, DBR No. 11-S-0019, June 20, 2011).

On or about June 27, 2012 Feibish pled guilty to mail fraud and filing a false tax return in the Federal District Court for the District of Rhode Island and was sentenced to home confinement and ordered to pay approximately \$10.1 million dollars in restitution.

Feibish worked with Laurie Turchetti (“Turchetti”) (also licensed with MMLISI) throughout the time that he admits misappropriating client funds. On November 1, 2011, Turchetti entered into a Consent Order with the Department agreeing to be permanently barred from association with a licensed broker-dealer or investment adviser in the State of Rhode Island.

After a review of MMLISI’s supervisory protocols, supervision records, inspection reports, documents related to Feibish and others, and producer interview records, the Department has evidence that MMLISI failed to comply with certain of its supervision protocols and failed reasonably to supervise Feibish and Turchetti. It is the Department’s position that this failure to reasonably supervise was a reason why the Firm did not detect Feibish’s and Turchetti’s actions.

This failure reasonably to supervise constitutes violations under R.I. Gen. Laws § 7-11-212(b)(11) and warrants the imposition of a cease and desist order and the imposition of a civil penalty against MMLISI pursuant to R.I. Gen. Laws § 7-11-602.

III.

2. MMLISI is a broker-dealer with a principal place of business at 1295 State Street, Springfield, Massachusetts.

3. MMLISI has been licensed with the Department pursuant to R.I. Gen. Laws § 7-11-101, *et. seq.* since February 1, 1983.

4. Respondent MMLISI is currently notice filed as an investment adviser in this State and has maintained that status since September 7, 1993.

5. Until March 2011, Respondent MMLISI maintained a Branch Office at 300 Centerville Road, Suite 400, Warwick, RI 02886 (the "Detached Branch Office").

6. The operations and employees of the Detached Branch Office located at 300 Centerville Road, Warwick, RI, were under the supervision of a General Agent located in an Office of Supervisory Jurisdiction ("OSJ") located at 10 Charles Street, Providence, Rhode Island. For most of the relevant period, an Agency Vice President supervised the General Agents.

7. The Detached Branch Office's compliance protocols are set forth in the MMLISI Producer Compliance Manual and the OSJ's and MMLISI's compliance protocols are set forth in the General Agent's Supervisory Manual.

8. Respondent MMLISI conducted securities business at the Detached Branch Office under the name MBF, Inc.

9. MBF, Inc. is a Domestic Profit Corporation that incorporated in this State on April 1, 1985. The president of MBF is listed as Feibish.

10. On September 1, 1987, MBF registered the fictitious name of Mega Brokerage Family with the Rhode Island Secretary of State.

11. On September 13, 2011, a Revocation Notice for failing to file an Annual Report was issued to MBF by the Rhode Island Secretary of State.

12. The registered representatives licensed with MMLISI at the Detached Branch Office were Feibish, CRD 205556, and Turchetti, CRD 1771342.

13. The registration records maintained by the Financial Industry Regulatory Authority (“FINRA”) Central Registration Depository (“CRD”) indicate the following:

- a. Feibish obtained an NASD (now FINRA) Series 1 License on December 6, 1968, a Series 63 License on February 22, 1983 and a Series 65 License on April 2, 1992.
- b. At various times, Feibish was licensed as a registered representative with various broker-dealers in this State, including MMLISI.
- c. From January 24, 2000, through July 26, 2004, and from June 27, 2007, until his termination on March 9, 2011¹, Feibish was licensed as a registered representative with MMLISI.
- d. From April 17, 2002, through July 26, 2004, and then from June 27, 2007, until his termination on March 9, 2011, he was licensed as an investment adviser representative with MMLISI. (The CRD records do not show Feibish being licensed as an investment adviser representative with any other firms besides MMLISI.)
- e. Turchetti was licensed as a registered representative with various broker-dealers in this State from November 1987 to March 2011.
- f. Turchetti obtained the following FINRA licenses on the dates indicated: Series 7 on March 19, 1988, Series 63 on January 28, 1988, Series 24 on December 18, 1998 and Series 66 on October 15, 2002.
- g. From December 10, 2001, until her termination on March 9, 2011², Turchetti was licensed as a registered representative with MMLISI.

¹Form U-5 - Full Termination filed March 14, 2011, reads: “Discharged. Terminated in connection with an internal review into undisclosed private securities transactions and/or outside business activities.”

²Form U-5 - Full Termination filed March 14, 2011, reads: “Discharged. Terminated in connection with an internal review into undisclosed private securities transactions and/or outside business activities.”

- h. From October 31, 2002 until her termination on March 9, 2011, she was an investment adviser representative with MMLISI.

IV.

14. On March 28, 2011, Respondent MMLISI advised the Securities Division (the “Division”) and other regulators that Feibish had embezzled millions of dollars from one of his clients’ (“the Client”) investment accounts over the course of ten years by inducing the Client to invest her money in fraudulent and non-existent promissory notes. Feibish sold the promissory notes through his outside business activity, MBF.³

15. The Department’s investigation indicated that Respondent MMLISI reasonably failed to:

- a. Review the books and records of Feibish’s approved outside business activity;
- b. Complete information in certain inspection reports, including responses and explanations to questions;
- c. Provide documentation or evidence that certain identified deficiencies had been corrected or reviewed for follow-up inspections;
- d. Review files related to outside business activity even though MMLISI was provided notice that Feibish and Turchetti were using MMLISI email to correspond with the Client in this matter about the outside business activity;
- e. Follow-up on correspondence from Feibish and Turchetti to Client at a post office box address;
- f. Maintain complete records of inspection reports;

³The client’s name is not being used to protect her identity.

- g. Document and/or follow-up on responses related to “Yes” disclosures on outside business activity forms; and
- h. Conduct meaningful inspections of the Detached Branch Office because the unannounced and announced inspections did not confirm compliance by the Detached Branch Office with a number of sections of the Producers Supervisory Manual and did not document any review of the Client’s account, even though she was one of the larger accounts being handled by Feibish.

16. The management and supervisory systems MMLISI had in place failed to uncover Feibish’s actions as described above and did not identify the supervisory violations described above.

17. Respondent MMLISI failed reasonably to enforce policies, procedures and systems reasonably designed to prevent, detect and address the above-described noted violations by Feibish. Respondent MMLISI’s failure reasonably to supervise the activities at the OSJ and the Detached Branch Office, including the activities of Feibish and Turchetti, constitutes a violation of R.I. Gen. Laws § 7-11-212(b)(11). (failure reasonably to supervise a sales representative.)

V.

Based on the foregoing and pursuant to R.I. Gen. Laws § 7-11-602, the Director finds that the above-described violation has occurred.

Accordingly, it is hereby Ordered:

1. Respondent MMLISI shall immediately cease and desist from any further violations of RIUSA and the rules promulgated thereunder.

2. Respondent MMLISI shall pay a civil penalty in the amount of \$250,000 to the Department as follows: \$150,000 for the costs of the Department's investigation and a \$100,000 civil penalty.

3. Respondent MMLISI shall immediately confirm in writing that it has reimbursed the client for losses according to the terms of a settlement negotiated amongst and agreed to by the parties

4. Respondent MMLISI shall retain, within thirty (30) days of the date of this Order, at Respondent MMLISI's expense, an Independent Consultant ("Consultant"), acceptable to the Division sufficiently experienced in securities regulatory and compliance issues to:

- i.) Conduct a comprehensive review of the Rhode Island Detached Branch Offices⁴ and Respondent MMLISI's current internal supervisory and compliance procedures to ensure compliance with RIUSA and the regulations promulgated thereunder;
- ii.) Conduct a comprehensive review of the current business practices of Respondent MMLISI's Registered Representatives working within the Detached Branch Offices in the State of Rhode Island to ensure compliance with RIUSA and the regulations promulgated thereunder; and
- iii.) Issue written reports to Respondent MMLISI of its findings and recommendations within six (6) months of the date of this Order. A copy of such written reports shall be filed by MMLISI with the Director within ten (10) days following the receipt of such reports by Respondent and MMLISI. Respondent and MMLISI shall take all necessary and appropriate steps to adopt and implement all recommendations contained in the final reports issued by the Consultant within ninety (90) days of issuance of said reports and file within ten (10) days of said ninety (90)

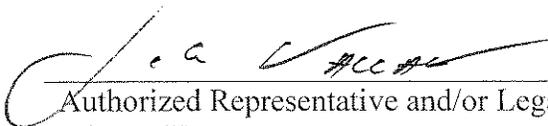
⁴"Detached Branch Offices" includes not only the Detached Branch Office at issue in this matter but all Detached Branch Offices located in the State of Rhode Island.

days file with the Department its report delineating the steps taken to adopt and implement said recommendations. The Director may extend the deadlines at Respondent MMLISI's written request with documented good cause.

MMLISI can suggest elimination of and/or changes to any recommendation by the Consultant as unnecessary or inappropriate. If MMLISI and the Consultant are unable to agree on an alternative proposal agreeable to the Division, MMLISI will abide by the determination of the Consultant.

5. If the Respondent fails to abide by any of the requirements of this Consent Order, the Department may initiate further administrative proceedings and impose penalties against the Respondent including such additional administrative penalties as deemed appropriate by the Department. Respondent shall be provided with notice and opportunity for hearing should the Department initiate further action.

Respondents by:

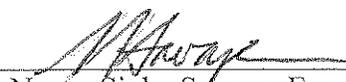


Authorized Representative and/or Legal Counsel
John A. Vaccaro

Date: 12/5/12

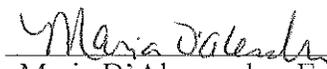
RECOMMENDED BY:

Department by:



Neena Sinha Savage, Esq.
Chief of Legal Services

Date: 12/6/12



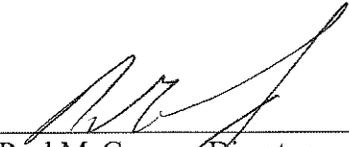
Maria D'Alessandro, Esq.
Deputy Director, Securities

Date: 12/6/12

ORDER

I hereby ✓ approve _____ reject the Consent Order as agreed to by and between the parties in the above entitled matter.

Order Number: 12-069



Paul McGreevy, Director

Date: 6 Dec 2012

THIS CONSENT ORDER CONSTITUTES A FINAL ORDER OF THE DEPARTMENT OF BUSINESS REGULATION PURSUANT TO RHODE ISLAND GENERAL LAWS TITLE 42, CHAPTER 35. AS SUCH, THIS ORDER MAY BE APPEALED TO THE SUPERIOR COURT SITTING IN THE COUNTY OF PROVIDENCE WITHIN THIRTY (30) DAYS OF THE DATE OF THIS DECISION. SUCH APPEAL, IF TAKEN, MAY BE COMPLETED BY FILING A PETITION FOR REVIEW OF SAID COURT. HOWEVER, RESPONDENT UNDERSTANDS THAT BY WAIVING ITS RIGHT TO A COMPLETE HEARING AND AGREEING TO THIS CONSENT ORDER, THE ABOVE RIGHTS ARE WAIVED AND IF ANY TERMS OF THIS CONSENT ORDER ARE VIOLATED, RESPONDENT'S LICENSE SHALL BE SUBJECT TO SUSPENSION OR REVOCATION.

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF BUSINESS REGULATION
DIVISION OF SECURITIES
JOHN O. PASTORE COMPLEX - BUILDING 69-1
1511 PONTIAC AVENUE
CRANSTON RI 02920**

IN THE MATTER OF: :
: **OFFER OF SETTLEMENT**
MML INVESTORS SERVICES, LLC, :
:
RESPONDENT. :

The above-named Respondent submits this Offer of Settlement ("Offer") consenting to entry of a Consent Order making certain findings and imposing remedial sanctions ("Order"), to the Director of the Rhode Island Department of Business Regulation ("Director") with respect to the matters set forth in the Order.

Respondent submits this Offer for the purposes of settlement only with the express understanding that this does not constitute an admission of guilt or wrongdoing or an admission of the facts as alleged in said Order.

Respondent hereby waives all rights to a hearing, further administrative proceedings and/or judicial review with respect to entry of the Order.

Respondent understands that a failure to comply with the terms of the Order is a violation of law and may cause the Director to take appropriate regulatory action.

Respondent represents that the undersigned is duly authorized to enter into this Offer of Settlement on behalf of Respondent.

Respectfully submitted this 5th day of December, 2012.

By: *J. G. Accor*
Its: President

County of Hampden
~~Commonwealth~~
State of Massachusetts

On this 5th day of December 2012 appeared before me John Vaccaro, President who executed the foregoing Offer of Settlement and who duly acknowledged to me that he was authorized to do so.

Christine M. Goun
NOTARY PUBLIC
My Commission Expires on 8/20/15

