

STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT

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IN THE MATTER OF: METLIFE SECURITIES, INC.

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) File No. 0500696  
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CONSENT ORDER

TO THE RESPONDENT: MetLife Securities, Inc.  
CRD Number 14251

C/o Mark Alpert  
Associate General Counsel  
Metropolitan Life Insurance Company  
One Met Plaza  
27-01 Queens Plaza North  
Long Island, NY 11101

WHEREAS, MetLife Securities, Inc., (the "Respondent") on July 20, 2010, executed a certain Stipulation to Enter Consent Order (the "Stipulation"), which hereby is incorporated by reference herein.

WHEREAS, by means of the Stipulation, the Respondent has admitted to the jurisdiction of the Secretary of State and service of the Notice of Hearing in this matter and the Respondent has consented to the entry of this Consent Order of Prohibition and Fine.

WHEREAS, the Secretary of State, by and through his designated representative, the Securities Director, has determined that the matter related to the aforesaid formal hearing may be dismissed without further proceeding.

WHEREAS, the Respondent, without admitting or denying any of the allegations or findings herein and for the purpose of obviating the need for further administrative proceedings on the matters described herein, acknowledges the allegations of the Secretary of State in paragraph seven (7) of the Stipulation which the Secretary of State is adopting as the Secretary of State's Findings of Fact as follows:

1. Fabian Seyller ("Seyller") was registered as a salesperson with the Secretary of State, Securities Department ("the Department") from January of 1985 to July 9, 2007.
2. Fabian Seyller, from January 1985 to June 21, 2007 was employed by and registered as a salesperson through MetLife Securities (hereinafter "MetLife").
3. At all relevant times MetLife was responsible for supervising the activities of Fabian Seyller while MetLife employed him.
4. Respondent Seyller's office was located at 4053 N. Perryville Rd. Loves Park, IL.
5. Between the time period of March of 2003 and September of 2005 Seyller sold to 32 Illinois Investors (hereinafter "Illinois Investors") MetLife variable annuity products.
6. That MetLife Securities, Inc. is registered as a dealer in the State of Illinois.
7. That the sale of Deferred Variable Annuities are subject to various Federal, State and Self-Regulatory Organization (SRO) rules that require that any recommendation for the purchase of a Deferred Variable Annuity is suitable. These rules include FINRA rule 2310 and Illinois Securities Department Rule 130.850.
8. In May of 2008, a new FINRA Rule (2330 and formerly known as Rule 2821) imposed new additional requirements on salespersons and dealers for the sale of Deferred Variable Annuities when recommending the purchase or exchange of such products.
9. For salespersons, it required, amongst other things, that the salesperson have a reasonable basis to believe that the customer has been informed of the material terms of a Deferred Variable Annuity, a reasonable basis that the customer/client would benefit from certain features of a Deferred Variable Annuity, to make reasonable efforts to obtain information from the customer/client in order to make a suitable recommendation, and finally, the salesperson must document and sign the determinations above.
10. Rule 2330 also imposed requirements upon the dealer employing the salesperson. It required, amongst other things, that a principal of the dealer review and approve each Deferred Variable Annuity transaction to ensure compliance with Rule 2330, establish and maintain written supervisory procedures in order to ensure compliance with Rule 2330, and if the dealer implements an automated supervisory system to ensure compliance with rule 2330, it must also approve the criteria the system uses, audit and

update the system ensure compliance, and review exception reports generated by the system.

11. That for purposes of its compliance with Rule 2330, MetLife Securities enhanced an electronic system known as the SmartApp system, which includes supervisory elements. The SmartApp system is used on a national basis and not solely for Illinois.
12. Currently, and as far back as 2002, MetLife Securities maintained records relating to Deferred Variable Annuity transactions including those of Seyllar in an electronic format as required under SEC and Illinois record-keeping requirements.
13. Under these requirements, MetLife Securities must maintain records, if in an electronic format, exclusively in a non-rewriteable, non-erasable format and verify automatically the quality and accuracy of the storage media recording process.
14. On October 15, 2008 and November 26, 2008 the Illinois Secretary of State Securities Department requested information from the respondent pursuant to section 11.C of the Illinois Securities Act, relating to sales of Deferred Variable Annuities by Seyller to his clients during the time period of 2003 to 2005. In response to this request the Respondent sent several hundred pages of documents including documentation of the salesperson's suitability determination and principal review form for each client.
15. The documents provided were printed forms maintained by MetLife Securities in an electronic format as part of its recordkeeping requirements pursuant to SEC and Illinois Securities Departments regulations.
16. MetLife Securities sent its response to the 11.C and each and every Principal Review form for each variable annuity purchase stated in identical language that:

"the customer would benefit from certain features of an annuity, such as tax-deferred growth, annuitization, or a death or living benefit..."
17. That the above-referenced language was included on the forms sent in response to the 11.C even though the original form did not include this language. Rather, the electronic form was changed after it had been recorded. The change took place as part of enhancements of the SmartApp System. MetLife Securities brought this change to the attention of the Secretary of State shortly after the filing of the Matter of MetLife Securities, Inc. file No. 0500696.

18. That the Secretary of State alleges that the Respondent made or caused to be made a false or misleading statement in response to the Illinois Secretary of State Securities Department, failed to maintain supervisory procedures in order to ensure compliance with State, Federal and SRO rules and regulations, failed to audit and update its automated supervisory system in order to ensure compliance with State, Federal and SRO Rules and regulations
19. Section 8.E.1.e(iv) states, *inter alia*, that the registration of a dealer may be revoked or suspended if the Secretary of State finds that the Dealer has failed to maintain and enforce written procedures to supervise the types of business in which it engages and to supervise the activities of its salespersons that are reasonably designed to achieve compliance with the applicable securities laws and regulations.
20. Section 12.E of the Act provides, *inter alia*, that it shall be a violation for any person "to make or cause to be made, (1) in application, report or document filed under this Act or any rule or regulation made by the Secretary of State pursuant to this Act, any statement which was false or misleading with respect to any material fact, ..."
21. That the Secretary of State alleges that by virtue of the foregoing, Respondent violated Section 12.E of the Act.
22. That Section 11.E(2) of the Act provides, *inter alia*, that if the Secretary of State finds that any person has violated any subsection of sub-section C-K, the Secretary of State may by written order temporarily or permanently prohibit or suspend the person from offering or selling securities in the State of Illinois.
23. That Section 11.E(4) of the Act provides, *inter alia*, that in addition to any other sanction or remedy contained in this subsection E, the Secretary of State, after finding that any provision of this Act has been violated, may impose a fine as provided by rule, regulation or order not to exceed \$10,000, for each violation of this Act, may issue an order of public censure against the violator, and may charge as costs of investigation all reasonable expenses, including attorney's fees and witness fees.
24. That by virtue of the foregoing, Respondent is subject to an Order of Prohibition fine, censure and costs of investigation pursuant to Sections 11.E (2) and (4) of the Act.
25. That by virtue of the foregoing, Respondent is subject to an order which suspends or revokes its Dealer registration in the State of Illinois.

MetLife Securities, Inc. without admitting or denying the Secretary of State's Conclusion of Law, and for the purpose of obviating the need for further administrative proceedings on the matters described herein, acknowledges the following State's Conclusions of Law have been adapted by the Secretary of State:

- a. That by virtue of the foregoing, MetLife Securities, Inc has violated Sections 12.E of the Act;
- b. By virtue of the foregoing, MetLife Securities, Inc may be subject to the entry of an Order which revokes its Dealer registration in the State of Illinois pursuant to the authority provided under Sections 8.E.1(e) (iv) of the Act.
- c. By virtue of the foregoing, MetLife Securities, Inc. may be subject to an order of censure, a fine of up to \$10,000 per violation and an Order of Prohibition.


This Consent Order concludes the matter and investigation by the Secretary of State concerning the matter alleged herein and any related civil or administrative action that could be commenced on behalf of the Secretary of State against MetLife Securities, Inc., its current and former affiliates and all of their directors, officers, and employees based on the conduct described herein.

NOW THEREFORE IT IS HEREBY ORDERED THAT:

1. The allegations contained in paragraphs seven (7) and eight (8) of the Stipulation shall be and are hereby adopted as the Secretary of State's Findings of Fact and Conclusions of Law;
2. MetLife Securities, Inc. shall pay a fine of \$135,000 to the Securities Audit and Enforcement Fund by check made payable to the Secretary of State within ten (10) days from the entry of the Consent Order;
3. The formal hearing scheduled on this matter is hereby dismissed without further proceeding.

ENTERED: This ~~26<sup>th</sup>~~ day of July, 2010.

27<sup>th</sup>

  
JESSE WHITE  
Secretary of State

NOTICE: Failure to comply with the terms of this Order shall be a violation of Section 12.D of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act"). Any person or entity who fails to comply with the terms of this Order of the Secretary

of State, having knowledge of the existence of this Order, shall be guilty of a Class 4 felony.

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