

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 66206 / January 20, 2012

ADMINISTRATIVE PROCEEDING
File No. 3-14708

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| In the Matter of |) | ORDER INSTITUTING ADMINISTRATIVE PROCEEDINGS PURSUANT TO SECTION 15(b)(4) OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS |
| AXA ADVISORS, LLC, |) | |
| Respondent. |) | |
| |) | |
| |) | |
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I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b)(4) of the Securities Exchange Act of 1934 (“Exchange Act”) against AXA Advisors, LLC (“AXA Advisors” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over Respondent and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Administrative Proceedings, Making Findings, and Imposing Remedial Sanctions Pursuant to Section 15(b)(4) of the Securities Exchange Act of 1934 (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds that¹:

¹ The findings herein are made pursuant to Respondent’s Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

Summary

1. Respondent failed reasonably to supervise Leo T. Buggy (“Buggy”) with a view to preventing and detecting his violations of the federal securities laws during the period December 2005 through December 2008. During this time period, Buggy fraudulently induced customers to redeem securities held at AXA Advisors, including variable annuities and mutual funds, under the false representation that the proceeds from such redemptions would be invested in other securities through AXA Advisors. Instead, Buggy caused customers to place those funds in a bank account controlled by Buggy, from which he misappropriated the funds.

Respondent

2. Respondent is a Delaware limited liability company, with its principal place of business in New York, NY and has been registered with the Commission as a broker-dealer since 1974 and as an investment adviser since 1978.

Other Relevant Person

3. Buggy was a registered representative with Respondent from 1982 through January 2009, when he was terminated in connection with the matters discussed herein. From 2005 forward, Buggy operated out of an AXA Advisors’ office in Rock Springs, Wyoming, where he was the sole registered representative, or from his home in Green River, Wyoming, and was supervised by an AXA Advisors’ branch office in Salt Lake City, Utah.

Criminal Action Against Buggy

4. On July 10, 2009, in the United States District Court for the District of Wyoming, Buggy was charged with three counts of mail fraud, wire fraud, and money laundering. Buggy entered a plea of guilty, and on October 16, 2009, Buggy was sentenced to forty-six months in prison to be followed by three years supervised probation upon his release.

Buggy’s Misconduct

5. Buggy fraudulently induced investors, who were customers for whom he acted as registered representative, to redeem securities, including variable annuities and, to a much lesser extent, mutual funds, under the false representation that he would invest the proceeds for them in other securities products. Based on these representations, customers authorized the redemptions of variable annuity and the proceeds were sent to them at their home address or wired directly into their personal bank accounts. Buggy then misappropriated the proceeds by causing the customers either to write checks payable to “Equitable Life” that Buggy deposited into an account at a local bank that Buggy controlled for his personal benefit, or to wire funds directly into that account. Buggy gave his personal account the name “Leo T. Buggy - Equitable Life Agency,” a name similar to an AXA Advisors affiliate, which enabled him to deposit checks that appeared to be made out to legitimate AXA Advisors entities and further misled customers into

believing that their funds were being invested in AXA Advisors securities. Altogether, Buggy fraudulently misappropriated approximately \$1.2 million from seven customers (three individuals and two couples) in approximately 32 transactions. By virtue of such conduct, Buggy violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. During much of the time that Buggy defrauded his customers, he was either certified as disabled by Respondent's disability insurance carrier or was appealing denial of disability certification.

Respondent's Failure to Supervise

6. Respondent failed to implement adequate procedures regarding the review of redemptions by customers of variable annuities. During the relevant period, Respondent had procedures in place requiring supervisory review of securities transactions but did not have in place adequate procedures for the review of redemptions of variable annuities which occurred in the accounts of Buggy's customers. Buggy had customers partially redeem their variable annuities and then reinvest the funds in his "Leo T. Buggy - Equitable Life Agency" personal account. Had Respondent implemented adequate procedures for supervisory review of redemptions from the variable annuities of Buggy's customers, Buggy's conduct likely would have been detected and prevented.

7. Respondent failed to establish reasonable procedures to supervise registered representatives who were on leave for an extended period of time, including absences due to disability, with respect to the registered representatives' servicing of customer accounts. From approximately November 2006 through January 2007 and February 2007 through June 2007, Buggy was certified as disabled by Respondent's disability insurance carrier and was receiving benefits under Respondent's short term disability program. Although Buggy was considered by the disability carrier as no longer eligible to receive benefits as of June 2007, Buggy continued to advise Respondent that he was not well and continued to take extended periods of leave. Buggy appealed the disability carrier's determination and continually sought to have his benefits reinstated from the summer of 2007 until he was terminated from Respondent in January 2009. The disability carrier retroactively certified Buggy as disabled and eligible for benefits for the period of approximately February 2008 through February 2010. During the time period that Buggy was certified as disabled and while he was appealing, Respondent assigned for servicing some of Buggy's customer accounts to other registered representatives who were subject to the firm's supervision. However, these measures were not sufficient to adequately supervise Buggy with respect to his servicing of the remainder of his customer accounts. Buggy perpetrated his fraud, in part, during this time period. Had Respondent implemented adequate procedures for the supervision of registered representatives on extended leave, as Buggy was for his disability, then it is likely that AXA Advisors would have prevented and detected Buggy's violative conduct.

Conclusions

8. Under Section 15(b)(4)(E) of the Exchange Act, broker-dealers are responsible for reasonably supervising, with a view to preventing violations of the federal securities laws, persons subject to their supervision. Respondent was responsible for supervising Buggy.

9. Because Buggy violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder and Respondent failed to establish adequate procedures that would reasonably be expected to prevent and detect such violations, Respondent failed reasonably to supervise Buggy for purposes of Section 15(b)(4)(E) of the Exchange Act.

Respondent's Remedial Efforts

10. In determining to accept Respondent's Offer, the Commission considered the remedial acts undertaken by Respondent to make improvements to its supervisory system, including, among other things, the creation of a Variable Product Withdrawal Report, which provides for supervisory review of customer redemptions of variable annuities and other variable products, and the creation and implementation of an automated system for reviewing redemptions. The Commission also considered the cooperation afforded the Commission staff in its investigation of this matter, the cooperation afforded the criminal authorities who investigated Buggy's scheme, and Respondent's prompt reimbursement of all losses experienced by its customers. Shortly after Buggy's termination, Respondent conducted an outreach to all the clients assigned to Buggy and no further substantive concerns were identified.

Undertakings

11. Respondent has represented to the staff of the Denver Regional Office that it has engaged an Independent Compliance Consultant having substantial regulatory and industry experience to evaluate, and if appropriate, recommend enhancements to, its supervisory and compliance practices for circumstances where registered representatives are on extended leave, and in particular situations where registered representatives are receiving or seeking disability benefits, giving due regard to applicable employment and disability law considerations. The Independent Compliance Consultant's compensation and expenses shall be borne exclusively by Respondent. Respondent shall cooperate fully with the Independent Compliance Consultant and shall provide the Independent Compliance Consultant with access to files, books, records, and personnel as reasonably requested for the development of recommendations.

12. Respondent shall require that, at the conclusion of the review, which in no event shall be more than 120 days after the date of entry of this Order, the Independent Compliance Consultant shall submit a Report to Respondent. The Report shall address the issues described in paragraph 11 above, and shall include a description of the review performed, the conclusions reached, the Independent Compliance Consultant's recommendations for changes in or improvements to Respondent's policies and procedures with respect to such issues, and a procedure for implementing the recommended changes in or improvements to those policies and procedures.

13. Respondent shall adopt all recommendations contained in the Report of the Independent Compliance Consultant; provided, however, that, within 150 days after the date of entry of this Order, Respondent shall, in writing, advise the Independent Compliance Consultant and the staff of the Commission of any recommendations that it considers to be unnecessary or inappropriate or contrary to applicable employment or disability laws or regulations. With

respect to any such recommendation, Respondent need not adopt that recommendation at that time but shall propose, in writing, an alternative policy, procedure or system designed to achieve the same objective or purpose.

14. As to any recommendation with respect to the policies and procedures of Respondent on which Respondent and the Independent Compliance Consultant do not agree, such parties shall attempt in good faith to reach an agreement within 180 days of the date of entry of this Order. In the event Respondent and the Independent Compliance Consultant are unable to agree on an alternative proposal, Respondent shall abide by the determinations of the Independent Compliance Consultant to the extent that they are consistent with applicable employment or disability laws or regulations.

15. Respondent shall not terminate the Independent Compliance Consultant without the prior written approval of the staff of the Commission. Respondent shall compensate the Independent Compliance Consultant for services rendered pursuant to this Order at its reasonable and customary rates. Neither Respondent nor any of its affiliates shall be in or have an attorney-client relationship with the Independent Compliance Consultant and neither Respondent nor its affiliates shall seek to invoke the attorney client or any other doctrine or privilege to prevent the Independent Compliance Consultant from transmitting any information, reports, or documents to the staff of the Commission.

16. Respondent shall require that the Independent Compliance Consultant, for the period of the engagement and for a period of two years from completion of the engagement, shall not enter into any employment, consultant, attorney-client, auditing or other professional relationship with Respondent or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such. Respondent shall require that any firm with which the Independent Compliance Consultant is affiliated in the performance of his, her or its duties under this Order shall not, without prior written consent of the staff of the Commission enter into any employment, consultant, attorney-client, auditing or other professional relationship with Respondent or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement.

17. Respondent shall certify, in writing, compliance with the undertakings set forth above. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance, and Respondent agrees to provide such evidence. The certification and supporting material shall be submitted to Julie K. Lutz, Associate Regional Director, Securities and Exchange Commission, 1801 California Street, Suite 1500, Denver, CO, 80202, with a copy to the Office of Chief Counsel of the Enforcement Division, 100 F St., NE, Stop 6553, Washington, DC, 20549 no later than 60 days from the date of the completion of the undertakings.

18. Respondent shall preserve for a period of not less than six years from the end of the fiscal year last used, the first two years in an easily accessible place, any record of Respondent's compliance with the undertakings set forth in this section.

19. The staff of the Commission may extend any of the procedural dates set forth above for good cause shown.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent's Offer.

Accordingly, it is hereby ORDERED that:

- A. Pursuant to Section 15(b)(4) of the Exchange Act, Respondent is hereby censured;
- B. Respondent shall, within ten days of the entry of this Order, pay a civil money penalty in the amount of \$100,000 to the United States Treasury. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. 3717. Such payment shall be: (A) made by United States postal money order, certified check, bank cashier's check, or bank money order; (B) made payable to the Securities and Exchange Commission, (C) hand-delivered or mailed to the Securities and Exchange Commission, Office of Financial Management, 100 F St., NE, Stop 6042, Washington, DC 20549, and (D) submitted under cover letter that identifies AXA Advisors as a Respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Donald Hoerl, Regional Director, Securities and Exchange Commission, 1801 California Street, Suite 1500, Denver, CO 80202.
- C. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the United States Treasury or to a Fair Fund, as the Commission directs. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.
- D. Respondent shall comply with the undertakings enumerated in paragraphs 11 through 19 above.

By the Commission.

Elizabeth M. Murphy
Secretary