UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 81611 / September 14, 2017

INVESTMENT ADVISERS ACT OF 1940
Release No. 4769 / September 14, 2017

ADMINISTRATIVE PROCEEDING
File No. 3-18178

In the Matter of **SUNTRUST INVESTMENT SERVICES, INC.** **Respondent.**	**ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 15(b) OF THE SECURITIES EXCHANGE ACT OF 1934 AND SECTIONS 203(e) AND 203(k) OF THE INVESTMENT ADVISERS ACT OF 1940, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 ("Advisers Act") against SunTrust Investment Services, Inc. ("STIS" or "Respondent").

II.

In anticipation of the institution of these proceedings, STIS has submitted an Offer of Settlement (the "Offer") 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 and Cease-and-Desist Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934 and Sections 203(e) and 203(k) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order ("Order"), as set forth below.

III.

On the basis of this Order and STIS's Offer, the Commission finds[1] that:

Summary

1. Between at least December 27, 2011 and approximately June 30, 2015 (the "Relevant Period"), STIS breached its fiduciary duty to its advisory clients, made inadequate disclosures that failed to explain certain conflicts of interest, and had deficiencies in compliance policies and procedures in connection with its mutual fund share class selection processes. Specifically, during the Relevant Period, STIS investment adviser representatives ("IARs") purchased, recommended, or held "Investor class" or "Class A" mutual fund shares for advisory clients when less-expensive "Institutional class" or "Class I" shares of the same mutual funds were available. More than 4,500 client accounts of STIS were affected. A significant difference between Class A shares and Class I shares is that Class A shares often carry ongoing marketing and distribution fees imposed pursuant to Section 12(b) of the Investment Company Act of 1940 and Rule 12b-1 thereunder ("12b-1 fees"). The 12b-1 fees are paid by a mutual fund out of fund assets and passed back through as compensation to STIS by the fund's distributor. STIS then shares a portion of the 12b-1 fees with its IARs who are also registered representatives of the firm. For Class A shares, these 12b-1 fees are typically as much as 25 basis points per year for an advisory client. The affected STIS clients held either discretionary or non-discretionary wrap fee investment accounts offered through certain STIS advisory programs. These programs offered clients varying investment options, including numerous mutual funds with both Class A shares and lower-cost Class I shares. During the Relevant Period, STIS and its IARs received at least $1,148,071.77 in avoidable 12b-1 fees paid by the funds in which the advisory clients were invested. These 12b-1 fees (also known as "trailing" fees or "trailers") decreased the value of the advisory clients' investments in the mutual funds and increased the compensation paid to STIS and its IARs.

2. STIS did not adequately inform its advisory clients of the conflicts of interest presented by its IARs' share class selections and the receipt by STIS and the IARs of 12b-1 fees. STIS disclosed in its Form ADV Part 2A brochures for its investment advisory programs that STIS "may" receive 12b-1 fees as a result of investments in certain mutual funds and – for several STIS programs – that such fees presented a "conflict of interest." However, STIS did not disclose in its Form ADV Part 2A brochures or otherwise that many mutual funds offered a variety of share classes, including some that did not charge 12b-1 fees and were, accordingly, less expensive for

[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.

eligible investors. Moreover, STIS failed to disclose to affected clients that an IAR could purchase, hold, or recommend—and in certain instances did purchase, hold or recommend—mutual fund investments in share classes that paid 12b-1 fees to STIS, which STIS ultimately shared with its IARs as compensation, even though such clients also were eligible to invest in share classes of the same mutual funds that did not charge such fees and were less expensive.

3. The failure by STIS to make adequate disclosures concerning its IARs' share class selections was misleading to investors in light of STIS's investing its clients in more expensive mutual fund share classes when lower-cost options of the same funds were available. Additionally, STIS's practice of investing clients in mutual fund share classes with 12b-1 fees rather than lower-fee share classes was also inconsistent with STIS's duty to seek best execution for its clients.

4. Over time, as Class I shares became increasingly available to non-institutional investors, STIS did not update its compliance policies and procedures to require IARs specifically to identify or evaluate available institutional share classes. Moreover, STIS did not update or enhance its policies or procedures to address instances in which IARs were recommending, purchasing, or holding Class A shares when less costly Class I shares were available. Therefore, STIS failed to adopt and implement written policies and procedures reasonably designed to prevent violations of the federal securities laws in connection with the share class selections of its IARs.

5. By virtue of the conduct described above, Respondent willfully violated Sections 206(2), 206(4) and 207 of the Advisers Act and Rule 206(4)-7 thereunder.

Respondent

6. **SunTrust Investment Services, Inc**., headquartered in Atlanta, Georgia, was dually registered with the Commission as a broker-dealer and investment adviser during the Relevant Period. At all relevant times, it has been a wholly-owned nonbanking indirect subsidiary of SunTrust Banks, Inc. ("SunTrust"), a Georgia-based bank holding company. In January 2017, STIS assigned its fee-based advisory agreements and relationships to **SunTrust Advisory Services, Inc.** ("STAS"), a newly-formed registered investment adviser, and also an indirect nonbanking subsidiary of SunTrust, created as a result of a corporate re-organization. STIS continues to be a registered broker-dealer. STAS advisory clients now hold their securities in brokerage accounts at STIS.

Background

7. During the Relevant Period, STIS offered products and services to clients in its capacities as a broker-dealer and investment adviser. This included offering investment advisory programs to advisory clients for a single asset-based fee ("wrap fee"). This fee was an annual, inclusive fee paid by the advisory client to STIS based on the type and size of account and range of services provided. It covered ongoing client

advice and service, as well as the execution and custodial services of STIS's carrying broker-dealer.

8. From at least as early as 2011, STIS offered its advisory clients the option of investing through various wrap fee advisory programs, collectively known within STIS as the Asset Management Consulting ("AMC") programs. These programs included, among others over time, AMC Pinnacle, AMC Fund Select Advisor, AMC Advantage, AMC Advise, AMC Allocation Plus, and AMC Premier. While two of these programs, namely, AMC Pinnacle and AMC Fund Select Advisor, offered only investment choices – including mutual funds – that had been vetted in advance by STIS leadership, the other programs offered clients the option of investing in any funds on the platform of STIS's carrying broker-dealer. This meant that clients in these programs could invest in a broad selection of mutual funds across numerous mutual fund families. In all of the AMC programs, clients were eligible to invest in mutual funds that offered Class A shares, as well as less expensive Class I shares. Of the various programs, nearly all were discretionary, while AMC Allocation Plus was non-discretionary.

9. Mutual fund share classes represent an interest in the same portfolio of underlying securities with the same investment objective. Most mutual funds offer different share classes with varying fee structures, including Class A and Class I shares. Class A shares are available to everyone and generally are sold with sales charges or front-end sales "loads" that are often waived when Class A shares are purchased through fee-based accounts. Class A shares also often include what are known as "12b-1" fees to cover fund distribution and shareholder services. These fees are deducted from the mutual fund assets on an ongoing basis and paid to the fund's distributor. In turn, these fees are passed on as compensation to the broker-dealers and registered representatives, whose customers own the shares. STIS, as a broker, was paid 12b-1 fees tied to Class A shares its advisory clients held, and then passed a portion of that compensation on to its IARs who were registered representatives.

10. While Class I shares were originally intended for institutional investors, many mutual funds, over time, began making Class I shares available to non-institutional investors, including retail investors purchasing shares through wrap fee investment advisory programs. Class I shares usually have no up-front or deferred sales charges and rarely have 12b-1 fees. As a result, an individual who invests in Class I shares of a given mutual fund will pay lower fees over time—and keep more of his or her investment returns—than an individual who holds Class A shares of the same fund. Therefore, if an investor meets a mutual fund's criteria for purchasing Class I shares, it is almost always in the investor's best interest to select that share class over the same fund's more expensive Class A shares.

11. Moreover, as mutual funds made Class I shares more widely available, they also began allowing clients holding Class A shares to convert those shares to Class I shares at the request of investment advisers, such as STIS. These so-called "share class conversions" were allowed to occur on a tax-free basis and without any charge or fee to the client or the investment adviser. This meant that over the Relevant Period, due to

these changes, STIS clients holding existing, or “legacy,” Class A shares in certain mutual funds could have converted those shares to Class I shares at the request of STIS to the mutual fund and the carrying broker-dealer.

Share Class Selections at STIS

12. At STIS, during the Relevant Period, the responsibility for proposing and adopting policies and procedures necessary to ensure that STIS’s investment advisory products and services met all applicable regulatory requirements was assigned to an Investment Policy Committee (“IPC” or “Committee”) consisting of senior STIS officers and managers. Voting members of this committee included, among others, STIS’s Chief Executive Officer, STIS’s Chief Compliance Officer, STIS’s Chief Operating Officer, and the Director of STIS’s Investment Consulting Group, who also served as the Committee’s Chair during most of the Relevant Period. As early as 2011, the members of the IPC were aware that: (i) Class I shares were gradually becoming more available for STIS clients to invest in; (ii) some IARs of STIS were nonetheless continuing to purchase for, or recommend to, their advisory clients certain Class A shares even though those clients were eligible to invest in the less expensive Class I shares of the same funds; and (iii) many STIS advisory clients continued to hold in their advisory accounts Class A shares (which carried 12b-1 fees) when those clients were eligible for the conversion of their shares to Class I shares on a tax-free basis and without charge.

13. In late 2011, the IPC adopted policies and procedures to prevent STIS advisory clients with tax-deferred or tax-exempt qualified retirement accounts, as identified under the Employee Retirement Income Security Act of 1974 (“qualified accounts”), from incurring 12b-1 fees due to holding Class A shares. This occurred in response to new U.S. Department of Labor (“DOL”) regulations, effective December 27, 2011, that required a “fiduciary investment adviser” such as STIS to be compensated on a “level-fee” basis, meaning that STIS’s compensation from such qualified accounts could not vary based on the investments selected.[2] To comply with this regulation, the IPC adopted a policy of and a procedure for rebating to qualified advisory accounts all 12b-1 fees incurred by the client – on or after the DOL rule’s effective date in December 2011 – and paid to STIS as a result of Class A shares held in those accounts. An STIS “Investment Advisory Compliance Policies and Procedures” update, emailed to IARs on December 21, 2011, also explained that IARs “should recommend institutional mutual fund shares” for qualified accounts going forward. The update did not provide any guidance as to non-qualified advisory accounts (*i.e.*, non-retirement, non-ERISA). At about the time that the IPC adopted and implemented these new policies and procedures, members of the IPC, by email, discussed whether comparable policies and procedures, applicable to certain STIS clients who had non-qualified accounts, should also be adopted and implemented so that such clients would be invested in the lowest-cost mutual fund share classes available.

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[2] Investment Advice – Participants and Beneficiaries, 76 Fed. Reg. 66,136 (Oct. 25, 2011) (codified at 29 C.F.R. § 2550.408g-1).

14. However, despite knowing that STIS advisory clients with non-qualified accounts were continuing to incur 12b-1 fees that could be avoided, the IPC did not at that point adopt policies or procedures that prohibited IARs of STIS from recommending Class A shares to, or purchasing Class A shares for, advisory clients with non-qualified accounts, or investing or holding such clients in Class A shares, when less expensive Class I shares of the same mutual funds were available. Similarly, the IPC did not then adopt policies and procedures to convert the legacy Class A shares already held by advisory clients with non-qualified accounts to less expensive Class I shares when such shares were available. Nor did STIS, at that point, adopt a policy of and a procedure for rebating avoidable 12b-1 fees to clients with non-qualified accounts.

15. In fact, it was not until early June 2012 that the IPC adopted policies and procedures to halt the recommending or purchasing of Class A shares for advisory clients with newly opened non-qualified accounts when less expensive Class I shares were available.[3] As a result, IARs continued to purchase, hold, and recommend Class A shares for established or "legacy" non-qualified client accounts, while also being required to buy Class I shares for newly opened similar accounts. No policies and procedures then mandated the same treatment for newly-opened non-qualified accounts and existing accounts. Further, not until a year later, in July 2013, did the IPC adopt any policies and procedures to begin the conversion of Class A shares held in STIS advisory clients' non-qualified accounts to less expensive Class I shares. Conversions required various steps on the part of STIS staff, including contacting specific funds and confirming a date and time for the conversions to process, and working with STIS's technology staff to ensure the firm's software was accurately updated. Notably, the legacy-account Class A shares that STIS began converting in 2013 included the same Class A shares of the same funds that STIS prohibited newly opened non-qualified advisory accounts from purchasing beginning in 2012.

16. Although STIS began the conversion of the Class A shares held by legacy advisory clients in non-qualified accounts to Class I shares in 2013, the project – known within STIS as the "A to I share conversion" – was not pursued in a timely and reasonable manner.

17. Additionally, the scope of the A to I share conversion was unreasonably limited to only two of the AMC investment programs, namely, the AMC Fund Select Advisor and the AMC Pinnacle programs. No efforts were made during the Relevant Period to convert the Class A shares with avoidable 12b-1 fees held by legacy advisory clients in the other AMC programs despite the fact that many of the client accounts in those programs held Class A shares in the same funds which were the subject of the conversions in the Fund Select Advisor and Pinnacle programs beginning in 2013. The A to I share conversion did not begin in other AMC programs (*i.e.*, Advantage, Advise,

[3] The policies and procedures adopted in June 2012 by the IPC were not uniformly implemented. After June 2012, hundreds of new client accounts were opened and those clients' accounts acquired Class A shares when less expensive Class I shares were available.

Allocation Plus, and Premier) until mid-2015, during a compliance review by the Commission's examination staff.

18. From December 27, 2011 through June 30, 2015, STIS and its IARs received at least $1,148,071.77 in avoidable 12b-1 fees that would not have been collected had STIS placed its advisory clients with non-qualified accounts in lower-cost share classes, or converted legacy clients holding Class A shares to lower–cost Class I shares that were available and known to STIS. More than 4,500 client accounts of STIS were affected in more than 40 states, including more than 1,400 accounts in Florida, 900 accounts in Georgia, 600 accounts in Virginia, and 300 accounts – each – in Maryland, North Carolina, and Tennessee. Of the more than 4,500 affected accounts, more than 575 accounts had avoidable 12b-1 fees totaling more than $500. Among these accounts exceeding $500 in avoidable fees, more than 200 accounts had avoidable 12b-1 fees of greater than $1,000, including more than 65 accounts with avoidable fees exceeding $2,000.

Failure to Seek Best Execution for STIS Clients' Mutual Fund Transactions

19. Section 206 of the Advisers Act imposes on investment advisers a fiduciary duty to act for the benefit of their clients. That duty includes, among other things, an obligation to seek best execution for client transactions – *i.e.*, "to seek the most favorable terms reasonably available under the circumstances." *In the Matter of Fidelity Management Research Company*, Investment Advisers Act Rel. No. 2713 (Mar. 5, 2008) (settled order). The Commission has brought several settled enforcement proceedings against investment advisers for failing to seek best execution when the advisers caused clients to purchase a more expensive share class when a less expensive share class was available.[4] By causing certain clients to invest in Class A shares when such clients were eligible for lower-cost Class I shares, and by failing to disclose to its clients that best execution might not be sought for purchases of mutual funds with multiple available share classes, STIS breached its duty to seek best execution on behalf of its advisory clients.

Inadequate and Misleading Form ADV Disclosures and Related Compliance Deficiencies

20. From at least December 27, 2011 through approximately June 30, 2015, STIS made material omissions in its Forms ADV filed with the Commission. STIS disclosed in its Form ADV Part 2A brochures for the AMC programs that STIS "may" receive 12b-1 fees as a result of investments in certain mutual funds. Additionally, STIS

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4 *See In the Matter of Credit Suisse Securities (USA) LLC*, Investment Advisers Act Rel. No. 4678 (April 4, 2017) (settled matter); *In the Matter of Everhart Financial Group, Inc.*, Investment Advisers Act Rel. No. 4314 (Jan. 14, 2016) (settled matter); *In the Matter of Pekin Singer Strauss Asset Management Inc.*, Investment Advisers Act Rel. No. 4126 (June 23, 2015) (settled matter); and *In the Matter of Manarin Investment Counsel, Ltd.*, Investment Advisers Act Rel. No. 3686 (Oct. 2, 2013) (settled matter).

disclosed in its Forms ADV for certain of the programs that such fees presented a "conflict of interest." However, STIS did not disclose that the firm was actually receiving 12b-1 fees throughout its advisory programs. STIS also failed to disclose to clients that the mutual funds its IARs could purchase or recommend offered a variety of share classes, including some that did not charge 12b-1 fees and were, therefore, less expensive. STIS further failed to disclose that the IARs sometimes did select or recommend a fund's share class that paid 12b-1 fees to STIS when the clients were eligible to invest in the same mutual fund's less expensive share classes that did not charge those fees.

21. During the Relevant Period, STIS also failed to adopt and implement written policies or procedures – covering all advisory accounts in all programs across the firm – reasonably designed to prevent violations of the federal securities laws in connection with the share class selections of its IARs. For instance, the STIS "IA Account Trading Policy" was silent on the topic of requiring IARs to select Class I shares for eligible clients so that they would not incur avoidable 12b-1 fees that were passed on to IARs as additional compensation. In addition, until July 2015, that particular written policy only addressed the automatic rebating of 12b-1 fees for clients in qualified retirement accounts. Further, STIS's policy of and procedure for converting Class A shares to Class I shares for legacy non-qualified accounts, adopted in 2013, was not reasonably designed to prevent violations of the Advisers Act because it applied the policy of conversion to lower-cost share classes to only two of STIS's wrap advisory programs (Pinnacle and Fund Select Adviser), while systematically disadvantaging certain clients in the other AMC programs who held Class A shares, eligible for conversion to Class I shares, in the same mutual funds. These other clients did not have their Class A shares converted until 2015.

VIOLATIONS

22. As a result of the conduct described above, STIS willfully[5] violated Section 206(2) of the Advisers Act, which prohibits an investment adviser, directly or indirectly, from engaging "in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or prospective client." A violation of Section 206(2) may rest on a finding of simple negligence. *SEC v. Steadman*, 967 F.2d 636, 643 n.5 (D.C. Cir. 1992) (citing *SEC v. Capital Gains Research Bureau, Inc.*, 375 U.S. 180, 195 (1963)). Proof of scienter is not required to establish a violation of Section 206(2) of the Advisers Act. *Id.*

[5] A willful violation of the securities laws means merely "'that the person charged with the duty knows what he is doing.'" *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor "'also be aware that he is violating one of the Rules or Acts.'" *Id*. (quoting *Gearhart & Otis, Inc. v. SEC*, 348 F.2d 798, 803 (D.C. Cir. 1965)).

23. As a result of the conduct described above, STIS willfully violated Section 206(4) of the Advisers Act, which makes it "unlawful for any investment adviser … to engage in any act, practice, or course of business which is fraudulent, deceptive, or manipulative," and Rule 206(4)-7 thereunder, which requires a registered investment adviser to adopt and implement written compliance policies and procedures reasonably designed to prevent violations of the Advisers Act and the rules thereunder.

24. As a result of the conduct described above, STIS willfully violated Section 207 of the Advisers Act, which makes it "unlawful for any person willfully to make any untrue statement of a material fact in any registration application or report filed with the Commission . . . or willfully to omit to state in any such application or report any material fact which is required to be stated therein."

REMEDIAL EFFORTS

25. In determining to accept the Offer of STIS, the Commission considered remedial acts taken by STIS. Effective July 1, 2015, STIS began crediting any newly incurred 12b-1 fees back to clients in all AMC advisory accounts while the firm worked to convert existing investments in Class A shares to Class I shares, where available. As a result, STIS and its IARs can no longer receive any 12b-1 fees as additional compensation. Further, the STIS IPC required all non-qualified AMC accounts opened prior to July 1, 2015 to be reviewed, and – if any such account had not already been converted through the A to I share conversion project – the STIS IARs were "responsible for converting all current mutual fund positions held within the account to the most cost effective share class available to the client by December 31, 2015." To prevent IARs from seeking any 12b-1 fees as compensation, STIS also set up an automated alert process with its carrying broker-dealer so that STIS managers would know of any automatically rebated 12b-1 fees and can follow up as to why the investment choice was made and whether a lower-cost fund share class was available. Finally, STIS issued new compliance guidance in July 2015 stating that advisers are responsible for recommending or purchasing the most cost effective mutual fund share class available for all clients on a going-forward basis.

26. After the Commission's Division of Enforcement began its investigation in this matter, STIS voluntarily began rebating affected non-qualified client investment accounts for the avoidable 12b-1 fees incurred during the Relevant Period by those accounts holding Class A shares, including interest. Rebates have been sent either to current STAS clients' brokerage accounts at STIS or to former clients through bank account deposits or checks. The rebates identified for processing totaled $1,298,310.51, consisting of $1,148,071.77 in avoidable 12b-1 fees paid by clients, and $150,238.74 in interest. STIS has confirmed to the Commission staff that it has rebated a total of $918,343.93, including interest, to 2,720 existing client accounts. Further, STIS confirmed that $340,454.99 in rebates, including interest, have been provided to former clients in the form of rebate checks.

27. During the two hundred and ten (210) day period following the entry of this Order, STIS will continue its efforts to rebate avoidable 12b-1 fees incurred during the Relevant Period, with interest, to affected clients who were not already reimbursed as described above in Paragraph 26 ("Outstanding Rebates"). Checks, valid for one hundred and eighty days (180), have been sent to the last-known addresses for clients who no longer have brokerage accounts or advisory relationships with STIS. Should any checks be returned, STIS will use available resources to search for valid contact information for such former clients and, as appropriate, reissue or resend payments to the new address. Further, for individuals who have not deposited or cashed a received check within ninety (90) of the check's issuance, STIS will follow up with such individuals and remind them of the check's pending expiration. Outstanding Rebates owed to clients for whom STIS has been unable, as of 210 days following the entry of this Order, to process a rebate will be paid by STIS to the Commission pursuant to the terms of Section IV.C. of this Order.

IV.

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

Accordingly, pursuant to Section 15(b)(4) of the Exchange Act and Sections 203(e) and 203(k) of the Advisers Act, it is hereby ORDERED that:

A. STIS shall cease and desist from committing or causing any violations and any future violations of Sections 206(2), 206(4) and 207 of the Advisers Act and Rule 206(4)-7 thereunder.

B. STIS is censured.

C. Subject to the offset provisions of Section IV.D., below, STIS shall, within two hundred and ten (210) days after entry of this Order, disgorge $34,560.93 and pay prejudgment interest of $4,950.66 to the United States Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). This payment represents the Outstanding Rebates owed to clients for whom STIS has been unable, as of 210 days following the entry of the Commission's Order in this matter, to process a rebate. If timely payment of disgorgement and prejudgment interest is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600. Payment must be made in one of the following ways:

(1) STIS may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

(2) STIS may make direct payment from a bank account via Pay.gov through the SEC website at http://www.sec.gov/about/offices/ofm.htm; or

(3) STIS may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying SunTrust Investment Services, Inc. as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Mr. Aaron W. Lipson, Associate Regional Director, Atlanta Regional Office, Securities and Exchange Commission, 950 East Paces Ferry Road N.E., Suite 900, Atlanta, Georgia 30326, or such other address as the Commission staff may provide.

D. No later than two hundred (200) days following the date of this Order, STIS will provide to the Commission staff an accounting of reimbursements of Outstanding Rebates to affected clients, the accuracy of which must be certified by the appropriate officer at STIS (the "Accounting"). The Accounting must include: (i) the amount paid to each affected client; (ii) the date of each payment; (iii) the check number or other identifier of money paid or transferred; (iv) the date and amount of any returned payment; and (v) the amount of Outstanding Rebates claimed by Respondent to have been reimbursed to affected clients, net any returned or unnegotiated payments, prior to the lapse of two hundred (200) days following the date of this Order. If Outstanding Rebates are processed subsequent to two hundred (200) days following the date of this Order, STIS shall provide to the Commission staff a verified supplement to the Accounting. The amount of Outstanding Rebates reimbursed to affected clients, net any returned or unnegotiated payments, prior to the lapse of two hundred and ten (210) days following the date of this Order, as accepted by the Commission staff in writing, will dollar for dollar offset the disgorgement and prejudgment interest payable to the Commission pursuant to paragraph IV.C.

E. STIS shall, within ten (10) days after entry of this Order, pay a civil monetary penalty in the amount of $1,148,071.77 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury in accordance with Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717. Payment must be made in one of the following ways:

(1) STIS may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

(2) STIS may make direct payment from a bank account via Pay.gov through the SEC website at http://www.sec.gov/about/offices/ofm.htm; or

(3) STIS may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying SunTrust Investment Services, Inc. as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Mr. Aaron W. Lipson, Associate Regional Director, Atlanta Regional Office, Securities and Exchange Commission, 950 East Paces Ferry Road N.E., Suite 900, Atlanta, Georgia 30326, or such other address as the Commission staff may provide.

F. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. 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 Securities and Exchange Commission. 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.

By the Commission.

Brent J. Fields
Secretary