

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 2012033733801**

**TO:** Department of Enforcement  
Financial Industry Regulatory Authority ("FINRA")

**RE:** Thrivent Investment Management Inc., Respondent  
FINRA Member Firm  
CRD No. 18387

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Thrivent Investment Management Inc. ("Thrivent") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Thrivent alleging violations based on the same factual findings described herein.

**I. ACCEPTANCE AND CONSENT**

- A. Thrivent hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

**BACKGROUND**

Thrivent became a FINRA member on June 9, 1987 and is headquartered in Minneapolis, Minnesota. Thrivent engages in a general securities business. Thrivent employs approximately 3,689 registered individuals at 1,450 branch offices.

Thrivent does not have a relevant disciplinary history.

**OVERVIEW**

From January 1, 2004 through March 21, 2013, Thrivent failed to deliver thousands of trade confirmations of certain categories of mutual fund transactions to customers due to coding errors in the computerized system that Thrivent had established through an outside vendor to generate and send customer confirmations. Through this conduct, Thrivent violated SEC Rule 10b-10, NASD Conduct Rules 2230 and 2110, and FINRA Rules 2232 and 2010.

## **FACTS AND VIOLATIVE CONDUCT**

### **Thrivent's Discovery and Reporting of Failure to Send Confirmations**

Since January 2004, Thrivent has contracted with a third-party vendor for the delivery of confirmations of mutual fund transactions to Thrivent customers. The delivery of the customer confirmations is accomplished through a fully-automated, computerized system that generates and sends the necessary confirmations. This computerized system has been developed and maintained by Thrivent and the vendor.

On May 8, 2012, a customer called the Thrivent call center to report that she had not been receiving certain confirmations relating to redemptions of mutual funds. Thrivent raised this issue with the vendor and discovered that the transaction codes for certain categories of one-time mutual fund redemptions were incorrectly set. Thus, the computerized system was not generating confirmations for these particular types of redemptions.

After further investigation by Thrivent and the vendor, it was discovered that thousands of customer confirmations for various types of one-time redemptions had not been generated due to system coding errors. These coding errors had been present since the computerized system was developed back in January 2004.

On August 17, 2012, Thrivent reported to FINRA that thousands of customers had not received confirmations for their mutual fund transactions due to coding errors in the computerized system that generated the confirmations. Thrivent reported, based in part on certain information provided by the vendor, that certain transaction codes in the computerized system had been improperly set to suppress confirmations since January 2004.

### **Thrivent's Investigation and Final Assessment**

After further investigation, Thrivent found two additional categories of mutual fund transactions for which it should have sent written confirmations to customers, but failed to do so because of system coding errors, as further described below. Thrivent also reported these additional failures to FINRA.

First, on January 16, 2013, a customer called the Thrivent call center to report that a confirmation had not been sent for an "expedited" mutual fund redemption. Thrivent conducted further investigation and determined that seven additional codes had been improperly suppressing confirmations, again since January 2004. These additional codes had not been previously identified by Thrivent and the vendor.

Second, on February 22, 2013, the vendor informed Thrivent that a confirmation suppression incident had occurred as the result of a program enhancement that the

vendor completed on behalf of another client. The result of this incident was that 1,020 Thrivent customers did not receive confirmations for transactions executed on February 11 and 12, 2013.

Following the discovery of these coding errors and further suppression of confirmations, Thrivent retained an independent consultant to perform a third-party assessment of all of the confirmation delivery failures. The consultant determined that the coding errors in the computerized system affected certain categories of Thrivent mutual fund transactions during the approximate nine-year time period, and that Thrivent failed to deliver customer confirmations for 454,426 transactions, with an aggregate value of \$3,324,753,206, in 207,468 mutual fund positions held by 131,194 unique customers.

Through this conduct, Thrivent violated SEC Rule 10b-10, NASD Conduct Rule 2230 (for conduct before June 17, 2011), FINRA Rule 2232 (for conduct on or after June 17, 2011), NASD Conduct Rule 2110 (for conduct before December 15, 2008), and FINRA Rule 2010 (for conduct on or after December 15, 2008).

#### **OTHER FACTORS**

In determining the appropriate sanctions, FINRA considered that Thrivent internally investigated the causes and scope of the violations and reported these violations to FINRA. Thrivent also retained an independent consultant to determine the full magnitude of these violations. Finally Thrivent took remedial action to correct its systems and procedures for delivering customer confirmations, including hiring the same independent consultant to review and test its confirmation delivery system.

**B. Thrivent also consents to the imposition of the following sanctions:**

1. A censure; and
2. A fine of \$375,000.

Thrivent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Thrivent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Thrivent specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction imposed on this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

## **II. WAIVER OF PROCEDURAL RIGHTS**

Thrivent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against Thrivent;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Thrivent specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

Thrivent further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

## **III. OTHER MATTERS**

Thrivent understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Thrivent; and
- C. If accepted:
  - 1. this AWC will become part of Thrivent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Thrivent;

2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Thrivent's disciplinary record;
3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
4. Thrivent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Thrivent may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Thrivent's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

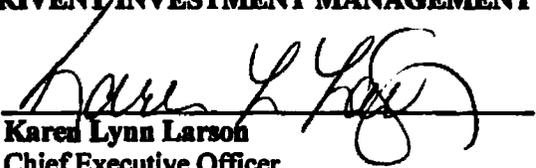
D. Thrivent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Thrivent understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

The undersigned, on behalf of Thrivent, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Thrivent has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce Thrivent to submit it.

11-24-2014  
Date

**THRIVENT INVESTMENT MANAGEMENT INC.**

By:

  
Karen Lynn Larson  
Chief Executive Officer

Reviewed by:

  
Jeffrey A. Ziesman, Esq.  
Bryan Cave LLP  
One Kansas City Place  
1200 Main Street, Suite 3500  
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816-374-3225

**Accepted by FINRA:**

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**Date**

Signed on behalf of the Director of ODA,  
by delegated authority



*Adam B. Walker,  
Department of Enforcement  
on behalf of  
James M. Stephens*

\_\_\_\_\_  
**James M. Stephens**  
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