Prudential fined $950,000 for failures in elderly customer's variable annuity account

Finra says the firm failed to detect and prevent theft of approximately $1.3 million from an 89-year-old man's account

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Finra has fined Prudential Annuities Distributors Inc., a unit of **Prudential Financial** Inc., $950,000 for supervisory lapses in an elderly customer's variable annuity account in which a rogue broker stole more than $1 million.

The Financial Industry Regulatory Authority Inc. handed down the fine because Prudential failed to detect and prevent the theft of approximately $1.3 million from an 89-year-old man's VA account, according to an announcement Tuesday.

Prudential Annuities neither admitted nor denied the charges.

“There were numerous red flags raised over the course of this scheme, and Prudential Annuities Distributors' failure to adequately respond to them allowed an unscrupulous actor to prey on an elderly customer,” said Brad Bennett, Finra's executive vice president and chief of enforcement.

Variable annuities **represent a “sweet spot” of scrutiny** for Finra, because the products exist at a nexus of what the regulator looks for: complex products marketed to seniors.

MetLife Inc. was **slapped with a $25 million fine** to settle abuses tied to variable annuities. It was Finra's highest-ever penalty levied in relation to such products.

In the case of Prudential, the firm repeatedly failed to adequately investigate warning signs when Travis A. Wetzel — a former registered sales assistant at **LPL Financial** who was barred from the industry in 2013 and is now a convicted felon — transferred money from the customer's account to a third-party bank account in his wife's maiden name, according to Finra.

Prudential Annuities and LPL reimbursed the customer in 2013.

“We are pleased to have resolved this matter. When we learned of the fraud committed by the unaffiliated third-party broker, we immediately initiated our own investigation and subsequently restored all missing funds to the annuity contract owner,” said Prudential spokeswoman Lisa Bennett. “We believe that the settlement is in the best interests of all concerned.”

From July 2010 through September 2012, Mr. Wetzel submitted four to five forged annuity withdrawal requests per month, representing 114 total requests, and Prudential Annuities repeatedly followed Mr. Wetzel's instructions without adequate review, Finra said.

For example, when alerted repeated payments were being made to the same third-party payee, Prudential concluded the withdrawals were legitimate “without sufficiently investigating or determining the relationship between the customer and the person receiving funds from the customer's account,” Finra said.

Last year, Finra ordered LPL to **pay nearly $12 million in fines and restitution** for widespread supervisory failures related to variable annuities and other products such as nontraded real estate investment trusts and certain exchange-traded funds