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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

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IN THE MATTER OF DETERMINING
Whether there has been a violation of the
Securities Act of Washington by:

Order No. S-23-3590-23-CO01

CONSENT ORDER

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RAYMOND JAMES & ASSOCIATES, INC.;
and RAYMOND JAMES FINANCIAL
SERVICES, INC.;

Respondents.

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INTRODUCTION

Pursuant to the Securities Act of Washington, RCW 21.20 (the “Act”) and the regulations promulgated thereunder (the “Regulations”), the Securities Division of the Department of Financial Institutions (“Securities Division”) and Respondents Raymond James & Associates, Inc. (“RJA”) and Raymond James Financial Services, Inc. (“RJFS”) (RJA and RJFS collectively “Respondents”) do hereby enter into this Consent Order in settlement of the matters alleged herein. Respondents RJA and RJFS neither admit(s) nor deny the Findings of Fact and Conclusions of Law as stated below.

As the result of a coordinated investigation, with the Securities Division serving as a lead state, the Securities Division concluded that Respondents charged unreasonable commissions on approximately 270,000 low-principal equity transactions nationwide over the past 5-years totaling over \$8,250,000. On June 30, 2023, Respondents submitted an Offer of Settlement to the Massachusetts Securities Division and executed a term sheet with Alabama, California, Illinois, Montana, and Washington.

Respondents consent to the entry of this Order by the Securities Division, consistent with the Offer, thereby settling the above-captioned matter with prejudice

NOW, THEREFORE, the Securities Administrator, as administrator of the Securities Act, hereby enters this Order:

CONSENT ORDER

DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
PO Box 9033
Olympia, WA 98507-9033
360-902-8760

1 **FINDINGS OF FACT**

2 **Respondents**

3 1. Respondent RJA is a broker-dealer registered in Washington with a main address of 880
4 Carillon Parkway, St. Petersburg, Florida 33716. RJA is identified by Financial Industry Regulatory
5 Authority (“FINRA”) CRD No. 705 and has been registered in the state of Washington since October 31,
6 1983. RJA maintains seven branch offices in Washington.

7 2. Respondent RJFS is a broker-dealer registered in Washington with a main address of 880
8 Carillon Parkway, St. Petersburg, Florida 33716. RJFS is identified by FINRA CRD No. 6694 and has been
9 registered in the state of Washington since April 20, 1983. RJFS maintains eighty branch offices in
10 Washington.

11 **Nature of the Conduct**

12 **Relevant Time Period**

13 3. Except as otherwise expressly stated, the conduct described herein occurred during the
14 approximate time period of July 1, 2018, to July 17, 2023 (the “Relevant Time Period”).

15 **A. Respondents’ Minimum Commission Practices for Equity Transactions Failed to Ensure**
16 **Transactions Were Executed at a Fair and Reasonable Price**

17 4. During the Relevant Time Period, Respondents charged unreasonable commissions to many
18 retail brokerage customers on certain equity transactions.

19 5. For all equity transactions executed during the Relevant Time Period, Respondents generally
20 charged retail brokerage customers according to a tiered commission schedule—calculated based on the
21 principal amount of the trade.

22 6. The commission schedule ranged from 3% of principal plus \$5 for equity buy and sell
23 transactions between \$0-\$4,999.99 to 0.8% of principal plus \$355 for equity trades \$50,000 and above.

1 7. Respondents charged a minimum commission of \$75 for certain equity buy and sell
2 transactions (the “Minimum Equity Commission”), excluding, among other transactions, those involving
3 equities underwritten by Respondents’ affiliated investment bank.

4 8. Respondents had an alternative small transaction commission schedule, available for equity
5 sell transactions with a principal amount of \$300 or less.

6 9. This schedule allowed agents to charge between \$0 and \$35 per transaction versus the \$75
7 Minimum Equity Commission.

8 10. Despite the small stock transaction schedule, even for positions valued at \$300 or less,
9 Respondents’ order entry systems defaulted to the Minimum Equity Commission, where applicable.

10 11. During the Relevant Time Period, Respondents executed over 270,000 transactions
11 nationwide which included a commission in excess of 5% of the principal value, totaling over \$8,250,000
12 in excess commissions.

13 12. During the Relevant Time Period, RJA executed approximately 33,638 equity buy
14 transactions and approximately 99,415 equity sell transactions nationwide which included commissions in
15 excess of 5% of the principal value.

16 13. During the Relevant Time Period, RJFS executed approximately 41,515 equity buy
17 transactions and approximately 97,120 equity sell transactions nationwide which included commissions in
18 excess of 5% of the principal value.

19 14. In Washington, Respondents executed about 3,521 transactions which included an
20 unreasonable commission for services performed (i.e. in excess of 5% of the principal trade amount) totaling
21 approximately \$107,329.76.

22 15. Numerous equity transactions executed by Respondents included a commission in excess of
23 90% of the principal value of the transaction.

1 **B. Respondents Did Not Reasonably Surveil Transactions Which Applied the Minimum Equity**
2 **Commission**

3 16. Respondents did not reasonably surveil transactions which included a Minimum Equity
4 Commission charge to ensure that Respondents charged its customers a reasonable commission and fee.

5 17. Respondents only systematically surveilled commissions in instances where the gross
6 commission was greater than Minimum Equity Commission.

7 18. Firms, including Respondents, use exception reports to surveil commissions.

8 19. Respondents did not have in place exception reports sufficient to supervise low principal
9 transactions where the Minimum Equity Commission or mark-up was in excess of 5%.

10 20. As a result, Respondents' surveillance policies excluded transactions which applied the
11 Minimum Equity Commission from review and thus failed to detect and correct unreasonable commission
12 charges.

13 **C. Respondents Previously Failed to Engage Systems to Reasonably Monitor Equity Commissions**

14 21. In 2011, Respondents submitted Letters of Acceptance, Waiver and Consent to FINRA
15 pursuant to FINRA Rule 9216 of FINRA's Code of Procedure ("AWCs").

16 22. The AWCs provide that from January 1, 2006 through at least October 31, 2010, Respondents'
17 application of automated commission schedules to certain low-priced securities transactions did not
18 consider whether such commissions were fair and reasonable as contemplated under NASD Conduct Rule
19 2440 and IM-2440-1(b) (both superseded by FINRA Rule 2121) .

20 23. The AWCs required Respondents, collectively, to pay over \$1.7 million in restitution to
21 customers for conduct similar to the Respondents' conduct detailed above.

22 24. The AWCs imposed additional sanctions including fines totaling \$425,000.
23

1 25. Despite these sanctions, Respondents did not implement or maintain adequate compliance and
2 supervisory systems to monitor Minimum Equity Commissions.

3 Based upon the above Findings of Fact, the following Conclusions of Law are made:

4 **CONCLUSIONS OF LAW**

5 26. RJA is a broker-dealer as defined in RCW 21.20.005(1).

6 27. RJFS is a broker-dealer as defined in RCW 21.20.005(1).

7 28. Respondents failed to supervise their agents and failed to establish supervisory policies or
8 procedures to prevent the imposition of unreasonable or unfair commissions. Such a failure constitutes a
9 violation of RCW 21.20.110(1)(j).

10 Based upon the foregoing and finding it in the public interest:

11 **CONSENT ORDER**

12 On the basis of the Findings of Fact, Conclusions of Law, and Respondents' consent to entry of this
13 Order,

14 **IT IS HEREBY ORDERED:**

15 A. Respondents shall permanently cease and desist from conduct in violation of RCW
16 21.20.110(1)(j);

17 B. Respondents are censured by the Securities Division;

18 C. Respondents shall provide restitution in an amount of no less than \$8,383,167.46 plus interest
19 in the amount of 6% to customers, providing the portion of commissions and markups over 5% paid by all
20 customers for whom the Minimum Equity Commission applied from July 1, 2018 to July 17, 2023.
21 Respondents shall provide restitution plus interest to affected Washington customers in an amount no less
22 than \$122,506.29.

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- 1 a. Any notice of restitution made pursuant to subsection C, shall be sent by Respondents to
2 the last known address of record for such customers, a draft of which shall be provided to
3 the Securities Division within 30 days of entry of this Order, and a finalized version not
4 unacceptable to the Multi-state Working Group shall be mailed within 60 days after
5 approval by the Multi-state Working Group ("Notice Letter").¹ All Washington residents
6 for whom the Respondents received a Notice Letter returned to sender ("Undeliverable
7 Washington Residents") and for whom Respondents, after reasonable efforts, were unable
8 to deliver the Notice Letter shall be provided in a list to the Division within 90 days of the
9 date on which the Notice Letter was mailed. To the extent the Securities Division has
10 access to different mailing address information for Undeliverable Washington Residents,
11 Respondents shall mail a second Notice Letter to Undeliverable Washington Residents
12 within 30 days of the Securities Division providing such different address. Restitution
13 shall be in the form of a bank check, or for existing customers shall be a dollar credit to
14 the customer account, unless requested otherwise by the Washington customer.
- 15 b. Within forty-five (45) days of the expiration of the Notice Letter, Respondents shall
16 prepare, and submit to the Securities Division, a report detailing the restitution paid
17 pursuant to the Order, which shall include:
- 18 i. Identification of all accepted and verified offers;
 - 19 ii. Dates, amounts, and methods of the transfer of funds for all restitution payments;
 - 20 iii. Identification and detailed descriptions of any objections received by Respondents.
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23 ¹ This timeline may be modified for certain Firm employees and said timeline shall not be unacceptable to the Division.

1 D. Respondents, jointly and severally, shall pay an administrative fine, further costs of
2 investigation incurred by the lead states, and \$75,000 to the North American Securities Administrators
3 Association (“NASAA”), totaling \$4,200,000. This amount, exclusive of any investigative costs paid to the
4 lead states and the allocation to NASAA, shall be distributed individually to those jurisdictions who agree
5 to the terms set forth herein. Payment shall be: (1) made by United States postal money order, certified
6 check, bank cashier’s check, bank money order, or wire; (2) made payable to the Washington; (3) either
7 hand-delivered, mailed to Washington, or wired per Securities Division instructions; and (4) submitted under
8 cover letter or other documentation that identifies payment by Respondents and the docket number of the
9 proceeding. Payment of costs and fines shall be made to Washington within fifteen calendar days following
10 the date of entry of this Order and shall be made in the following amounts:

- 11 a. Respondents shall be jointly and severally liable to pay a fine of \$75,000.00;
- 12 b. Respondents shall be jointly and severally liable for and shall pay the costs, fees, and other
13 expenses incurred in the administrative investigation of this matter, in the amount of
14 \$25,000.

15 E. The Chief Compliance Officer ("CCO") of each of the Respondents shall certify in writing to
16 the Securities Division within sixty (60) days of the date of entry of this Order that the Respondents’ policies
17 and procedures have been changed and enhanced to ensure that all commissions are fair and reasonable. At
18 a minimum, Respondents shall certify that its policies and procedures include the following:

- 19 a. Compliance systems to prevent the imposition of unreasonable or unfair commissions;
- 20 b. Operational changes designed to ensure that, regardless of the principal amount of a
21 transaction, commissions will not exceed 5%, in the absence of a documented exception;
- 22 c. Incorporation of all transactions, regardless of the principal amount of the transaction, into
23 any systems used to identify and review potentially excessive commissions;

1 d. Implementation of revised commission payout not unacceptable to the Multi-state
2 Working Group.

3 F. One year after the termination of the process set forth above in subsection E, Respondents
4 shall undergo, at their own expense, a review by an internal unit not unacceptable to the Multi-state Working
5 Group to confirm the implementation of the changes set forth above and to assess the efficacy of such
6 changes to Respondents' practices, policies, and procedures. At the conclusion of this review, which in no
7 case shall take more than sixty (60) days, Respondents shall issue a report of its findings and
8 recommendations concerning Respondents' adherence to and the efficacy of changes. The report shall be
9 promptly delivered to the Securities Division within ten (10) days of its completion. No later than thirty (30)
10 days after receipt of the report, Respondents shall provide a detailed, written response to any and all findings
11 and recommendations in the report to the Securities Division, including, but not limited to, the reason(s) for
12 any deficiencies identified, and a process and procedure to address deficiencies, recommendations, or other
13 issues identified in the Report.

14 a. Respondents shall retain copies of any and all report(s) as set forth in paragraphs (A)
15 through (F) above in an easily accessible place for a period of five (5) years from the date
16 of the reports.

17 G. Respondents shall not claim, assert, or apply for a tax deduction or tax credit with regard to
18 any state, federal or local tax for any penalty that Respondents shall pay pursuant to this Order and as
19 governed under enacted Regulations under Internal Revenue Code Section 162(f);

20 H. Respondents shall not seek or accept, directly or indirectly, reimbursement or indemnification,
21 including, but not limited to, any payments made pursuant to any insurance policy, with regard to any
22 amount that Respondents shall pay pursuant to this Order;

1 I. If either Respondent is the subject of a voluntary or involuntary bankruptcy petition under
2 Title 11 of the United States Code within three hundred sixty-five (365) days of the entry of this Order,
3 Respondent shall provide written notice to the Securities Division within five (5) days of the date of the
4 petition.

5 J. Any fine, penalty, and/or money that Respondents shall pay in accordance with this Order is
6 intended by Respondents and the Securities Division to be a contemporaneous exchange for new value given
7 to Respondents pursuant to 11 U.S.C. § 547(c)(1)(A) and is, in fact, a substantially contemporaneous
8 exchange pursuant to 11 U.S.C. § 547(c)(1)(B).

9 K. If Respondents materially fail to comply with any of the terms set forth in this Order, the
10 Securities Division may institute an action to have this Order declared null and void. Additionally, after a
11 fair hearing and the issuance of an order finding that Respondents have not complied with the Order, the
12 Securities Division may move to have the Order declared null and void, in whole or in part, and re-institute
13 the associated proceeding that had been brought against Respondents; and

14 L. For good cause shown, the Securities Division may extend any of the procedural dates set
15 forth above. Respondents shall make any requests for extensions of the procedural dates set forth above in
16 writing to the Securities Division.

17 **NO DISQUALIFICATION**

18 M. This Order waives any disqualification in the Washington laws, or rules or regulations
19 thereunder, including any disqualification from relying upon the registration exemptions or safe harbor
20 provisions to which Respondents may be subject. This Order is not intended to be a final order based upon
21 violations of the Act that prohibit fraudulent, manipulative, or deceptive conduct. This Order is not intended
22 to form the basis of any disqualifications under Section 3(a)(39) of the Securities Exchange Act of 1934; or
23 Rules 504(b)(3) and 506(d)(1) of Regulation D, Rule 262(a) of Regulation A and Rule 503(a) of Regulation

1 CF under the Securities Act of 1933. This Order is not intended to form the basis of disqualification under
2 the FINRA rules prohibiting continuance in membership and is not intended to trigger any requirement that
3 Raymond James must file a MC-400A application to remain a member in good standing or to trigger any
4 disqualification under SRO rules prohibiting continuance in membership. This Order is not intended to form
5 a basis of a disqualification under 204(a)(2) of the Uniform Securities Act of 1956 or Section 412(d) of the
6 Uniform Securities Act of 2002. Except in an action by the Securities Division to enforce the obligations of
7 this Order, any acts performed or documents executed in furtherance of this Order: (a) may not be deemed
8 or used as an admission of, or evidence of, the validity of any alleged wrongdoing, liability, or lack of any
9 wrongdoing or liability; or (b) may not be deemed or used as an admission of; or evidence of, any such
10 alleged fault or omission of Respondents in any civil, criminal, arbitration, or administrative proceeding in
11 any court, administrative agency, or tribunal.

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14 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

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16 Signed this 18 day of December 2023.

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18 Signed by:
Raymond James & Associates, Inc.

19 By: /s/ Scott Curtis

20 Title: President, Raymond James Private Client Group

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22 Signed by:
Raymond James Financial Services, Inc.

1 By: /s/ Scott Curtis

2 Title: President, Raymond James Private Client Group

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4 Approved as to form by:

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6 /s/ Lara Thyagarajan
Lara Thyagarajan, New York Bar No. 4543955
Sidley Austin LLP
7 Attorney for Respondents

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SIGNED and ENTERED this 2nd day of January, 2024

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/s/ Willaim Beatty
William M. Beatty
Securities Administrator

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Approved by:

Presented by:
Keenan Osborne

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/s/ Brian Guerard
Brian Guerard
Chief of Enforcement

/s/ Keenan Osborne
Financial Legal Examiner

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Reviewed by:

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/s/Holly Mack-Kretzler
Holly Mack-Kretzler

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1 Financial Legal Examiner Supervisor

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CONSENT ORDER

DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
PO Box 9033
Olympia, WA 98507-9033
360-902-8760