



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:)
)
RAYMOND JAMES & ASSOCIATES,)
INC., CRD No. 705; and) Case No.: AP-23-16
RAYMOND JAMES FINANCIAL)
SERVICES, INC., CRD No. 6694,)
)
Respondents.)

CONSENT ORDER

1. This Consent Order (the “**Order**”) is entered into by the Missouri Securities Division of the Office of Secretary of State (“**Securities Division**”), through the Securities Division’s Enforcement Section (“**Enforcement Section**”), with Raymond James & Associates, Inc. (“**RJA**”) and Raymond James Financial Services, Inc. (“**RJFS**”) (RJA and RJFS collectively “**Respondents**”) with respect to a coordinated investigation led by six jurisdictions, including Alabama, California, Illinois, Massachusetts, Montana, and Washington (the “**Multi-State Group**”) into whether Respondents engaged in acts or practices that violated 15 CSR 30-51.171(2)(A-C) (the “**Regulations**”) and constitute sufficient grounds to sanction Respondents in accordance with Sections 409.4-412(c) and 409.4-412(d)(9).¹
2. As the result of the investigation, the Multi-State Group concluded that Respondents charged unreasonable commissions on approximately 270,000 low-principal equity transactions nationwide, including such transactions in the accounts of Missouri customers, over the past 5 years totaling over \$8,250,000. Except as otherwise expressly stated, the conduct described herein occurred during the approximate time period of July 1, 2018, to July 17, 2023 (the “**Relevant Period**”). On June 30, 2023, Respondents submitted an Offer of Settlement to the Massachusetts Securities Division and executed a term sheet with the Multi-State Group.

¹ Unless otherwise indicated, statutory citations refer to the 2016 edition of the Revised Statutes of Missouri, updated by the 2023 Cumulative Supplement.

CONSENT TO JURISDICTION

3. Respondents and the Enforcement Section stipulate and agree that the Missouri Commissioner of Securities (“**Commissioner**”) has jurisdiction over Respondents and this matter pursuant to the Missouri Securities Act of 2003 (the “**Act**”), Chapter 409, *et seq.*
4. Respondents and the Enforcement Section stipulate and agree that the Commissioner has authority to enter this order pursuant to Section 409.6-604(h) of the Act, which provides:

“The commissioner is authorized to issue administrative consent orders in the settlement of any proceeding in the public interest under this act.”
5. The acts and practices that are the subject of this investigation occurred while Respondents were registered as broker-dealers in Missouri.

WAIVER AND EXCEPTION

6. Respondents waive any right to a hearing with respect to this matter.
7. Respondents waive any right they may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Order. Respondents specifically forever release and hold harmless the Missouri Office of the Secretary of State, Secretary of State, the Commissioner, and their respective representatives and agents from any and all liability and claims arising out of, pertaining to, or relating to this matter.
8. Respondents stipulate and agree with the Enforcement Section that, should the facts contained herein prove to be false or incomplete, the Enforcement Section reserves the right to pursue any and all legal remedies at its disposal.
9. Respondents specifically and voluntarily waive any right to claim that Respondents are unable to pay, now or at any time hereafter, any debt for any penalty or other amount imposed in this Order.

CONSENT TO COMMISSIONER’S ORDER

10. Respondents and the Enforcement Section stipulate and agree to the issuance of this Consent Order without further proceedings in this matter, agreeing to be fully bound by the terms and conditions specified herein.
11. Respondents agree not to take any action or to make or permit to be made any public statement creating the impression that this Order is without factual basis. Nothing in this paragraph affects Respondents’ (a) testimonial obligations; (b) right to take legal or factual positions in defense of litigation or in defense of other legal proceedings in which the Commissioner is not a party; or (c) right to make public statements that are factual.

12. Respondents agree that they are not the prevailing parties in this action since the parties have reached a good faith settlement.
13. Respondents neither admit nor deny the allegations made by the Enforcement Section, but consent to the Commissioner's Findings of Fact, Conclusions of Law, and Order as set forth herein solely for the purpose of resolving this proceeding, and any proceeding that may be brought to enforce this Order, and no other purpose.

THE COMMISSIONER'S FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER

I. FINDINGS OF FACT

A. Respondents

14. RJA is a broker-dealer ("BD") and investment adviser ("IA") headquartered in St. Petersburg, Florida. The firm has been a Missouri-registered BD since 1983 and has operated as a federal covered investment adviser in Missouri since October 1987. RJA is a wholly-owned subsidiary of Raymond James Financial, Inc., a publicly held corporation traded on the New York Stock Exchange. RJA maintains a branch office in St. Louis, Missouri.
15. RJFS is a BD headquartered in St. Petersburg, Florida. The firm also has been a Missouri-registered BD since 1983 and is a wholly-owned subsidiary of Raymond James Financial, Inc. RFJS maintains 34 branch offices in Missouri.

B. Respondents' Minimum Commission Practices for Equity Transactions Failed to Ensure Transactions Were Executed at a Fair and Reasonable Price

16. During the Relevant Period, Respondents charged unreasonable commissions to many retail brokerage customers on certain equity transactions.
17. For all equity transactions executed during the Relevant Period, Respondents generally charged retail brokerage customers according to a tiered commission schedule—calculated based on the principal amount of the trade.
18. The commission schedule ranged from 3% of principal plus \$5 for equity buy and sell transactions between \$0-\$4,999.99 to 0.8% of principal plus \$355 for equity trades \$50,000 and above.
19. Respondents charged a minimum commission of \$75 for certain equity buy and sell transactions (the "**Minimum Equity Commission**"), excluding, among other transactions, those involving equities underwritten by Respondents' affiliated investment bank.
20. Respondents had an alternative small transaction commission schedule, available for equity buy and sell transactions with a principal amount of \$300 or less.

21. This schedule allowed agents to charge between \$0 and \$35 per transaction versus the \$75 Minimum Equity Commission.
22. Despite the small stock transaction schedule, even for positions valued at \$300 or less, Respondents' order entry systems defaulted to the Minimum Equity Commission, where applicable.
23. During the Relevant Period, Respondents executed over 270,000 transactions nationwide, including transactions in the accounts of Missouri customers, that included a commission in excess of 5% of the principal value, totaling over \$8,250,000 in excess commissions.
24. During the Relevant Period, RJA executed approximately 33,638 equity buy transactions and approximately 99,415 equity sell transactions nationwide which included commissions in excess of 5% of the principal value.
25. During the Relevant Period, RJFS executed approximately 41,515 equity buy transactions and approximately 97,120 equity sell transactions nationwide which included commissions in excess of 5% of the principal value.
26. In the accounts of Missouri customers, Respondents charged an unreasonable commission (i.e., a commission in excess of 5% of the principal amount of the trade) for facilitating the execution of more than 3,952 transactions, totaling \$121,524.24 in excess commissions.
27. Numerous equity transactions executed by Respondents included a commission in excess of 90% of the principal value of the transaction.

C. Respondents Did Not Reasonably Surveil Transactions Which Applied the Minimum Equity Commission

28. Respondents did not reasonably surveil transactions which included a Minimum Equity Commission charge to ensure that Respondents charged its customers a reasonable commission and fee.
29. Respondents only systematically surveilled commissions in instances where the gross commission was greater than the Minimum Equity Commission.
30. It is standard and customary for all BDs across the United States, including Respondents, to use exception reports to surveil for potential issues involving commissions.
31. Respondents did not have in place exception reports sufficient to supervise low principal transactions where the Minimum Equity Commission or mark-up was in excess of 5%.
32. As a result, Respondents' surveillance policies excluded transactions which applied the Minimum Equity Commission from review and thus failed to detect and correct unreasonable commission charges.

D. Respondents Previously Failed to Engage Systems to Reasonably Monitor Equity Commissions

33. In 2011, Respondents submitted Letters of Acceptance, Waiver and Consent to FINRA pursuant to FINRA Rule 9216 of FINRA's Code of Procedure ("AWCs").
34. The AWCs provide that from January 1, 2006 through at least October 31, 2010, Respondents' application of automated commission schedules to certain low-priced securities transactions did not consider whether such commissions were fair and reasonable as contemplated under NASD Conduct Rule 2440 and IM-2440-1(b) (both superseded by FINRA Rule 2121).
35. The AWCs required Respondents, collectively, to pay over \$1.7 million in restitution to customers for conduct similar to the Respondents' conduct detailed herein.
36. The AWCs imposed additional sanctions, including fines totaling \$425,000.
37. Despite these sanctions, Respondents did not implement or maintain adequate compliance and supervisory systems to monitor Minimum Equity Commissions.

E. Applicable Regulations

38. 15 CSR 30-51.171(2)(A) provides that Missouri-registered BDs must
establish[] current procedures and systems for supervising the activities of agents, employees, and Missouri office operations that are reasonably designed to achieve compliance with applicable state and federal securities laws and regulations and, if applicable, the rules of the Financial Industry Regulatory Authority (FINRA)[.]
39. 15 CSR 30-51.171(2)(B) provides that Missouri-registered BDs must
establish[] current procedures and systems that could reasonably be expected to allow a supervisor reasonably discharging his/her supervisory duties under such established procedures to prevent and detect violations of the Act, and the firm regularly reviews these procedures and systems[.]
40. 15 CSR 30-51.171(2)(C) provides that Missouri-registered BDs must
[r]easonably implement[] the procedures and systems referred to in subsections (A) and (B) above[.]

II. CONCLUSIONS OF LAW

Count I – Violations of 15 CSR 30-51.171(2)(A-C)

41. **THE COMMISSIONER CONCLUDES** that, during the Relevant Period, Respondents failed to reasonably supervise for unreasonable commissions, in contravention of 15 CSR 30-51.170(1)(R) and FINRA Rule 2121, charged on securities transactions in the accounts of Missouri customers, in violation of 15 CSR 30-51.171(2)(A-C).
42. **THE COMMISSIONER CONCLUDES** that Respondents' violations of 15 CSR 30-51.171(2)(A-C), as described above, constitute sufficient grounds to sanction Respondents in accordance with Sections 409.4-412(c) and 409.4-412(d)(9).
43. **THE COMMISSIONER CONCLUDES** that the violations described above constitute sufficient grounds upon which the Commissioner may issue an order under Section 409.6-604.
44. The Commissioner, after consideration of the stipulations set forth above and on consent of the Respondents and the Enforcement Section, finds and concludes that the Commissioner has jurisdiction over Respondents in this matter and that the following Order is in the public interest, necessary for the protection of public investors, and consistent with the purposes intended by Chapter 409.

III. ORDER

NOW THEREFORE, it is hereby Ordered that:

- A. Respondents, their respective agents and employees, and all other persons participating in the above-described alleged violations with knowledge of this Order, shall cease and desist from engaging in violations of 15 CSR 30-51.171(2)(A-C) and conduct and activities subject to discipline under Sections 409.4-412(c) and 409.4-412(d)(9);
- B. Respondents shall provide restitution in an amount of no less than \$8,383,167.46 plus interest in the amount of 6% to customers, representing the portion of commissions and markups over 5% paid by all customers for whom the Minimum Equity Commission applied during the Relevant Period. Respondents shall provide restitution plus interest to affected Missouri customers in an amount of \$138,887.37;
 - i. Any notice of restitution made pursuant to this Section III, subsection B, shall be sent by Respondents to the last known address of record for such customers within 60 days after the Multi-State Group finds said notice not unacceptable ("**Notice Letter**"). For any undelivered Notice Letters for Missouri residents returned or known to Respondents, Respondents shall promptly provide the Securities Division with the names of such residents ("**Undeliverable Missouri Residents**"). To the extent the Securities Division has access to different mailing address information for

Undeliverable Missouri Residents, Respondents shall mail a second Notice Letter to Missouri residents on or before April 26, 2024. Restitution shall be in the form of a bank check, or for existing customers shall be a dollar credit to the customer account, unless requested otherwise by the Missouri customer;

- ii. Within forty-five (45) days of the expiration of the Notice Letter, Respondents shall prepare, and submit to the Securities Division, a report detailing the restitution paid pursuant to the Order, which shall include:
 - 1. Identification of all accepted and verified offers;
 - 2. Dates, amounts, and methods of the transfer of funds for all restitution payments; and
 - 3. Identification and detailed descriptions of any objections received by Respondents;
- iii. The restitution timeline established in Paragraph (B)(i) may be modified regarding the payment of restitution to Firm employees who are among the Missouri Residents owed restitution under this Order and who are on the employee fee schedule;

- C. Respondents, joint and several, shall pay an administrative fine, further costs of investigation incurred by the lead states, and \$75,000 to the North American Securities Administrators Association ("NASAA"), totaling \$4,200,000. This amount, exclusive of any investigative costs paid to the lead states and the allocation to NASAA, shall be distributed individually to those jurisdictions who agree to the terms set forth herein. Respondents, joint and several, shall pay \$75,000 to the Missouri Secretary of State's Investor Education and Protection Fund. **This amount is due upon execution of this Order by Respondents and shall be made payable to the Missouri Secretary of State's Investor Education and Protection Fund,** and either hand-delivered or mailed to the Missouri Securities Division at 600 W. Main Street, Jefferson City, Missouri 65101. Payment shall be made by United States postal money order, certified check, bank cashier's check, or bank money order and submitted under cover letter or other documentation that identifies payment by Respondents and the docket number of the proceeding;
- D. The Chief Compliance Officer ("CCO") of each Respondent shall certify in writing to the Securities Division within sixty (60) days of the date of entry of this Order that the Respondents' policies and procedures have been changed and enhanced to ensure that all commissions are fair and reasonable. At a minimum, Respondents shall certify that its policies and procedures include the following:
 - i. Compliance systems to prevent the imposition of unreasonable or unfair commissions;

- ii. Operational changes designed to ensure that, regardless of the principal amount of a transaction, commissions will not exceed 5%, in the absence of a documented exception;
 - iii. Incorporation of all transactions, regardless of the principal amount of the transaction, into any systems used to identify and review potentially excessive commissions;
 - iv. Implementation of revised commission payout not unacceptable to the Multi-State Working Group;
- E. One year after the termination of the process set forth above in Section III, paragraph (D), Respondents shall undergo, at their own expense, a review by an internal unit not unacceptable to the Multi-State Group to confirm the implementation of the changes set forth above and to assess the efficacy of such changes to Respondents' practices, policies, and procedures. At the conclusion of this review, which in no case shall take more than sixty (60) days, Respondents shall issue a report of its findings and recommendations concerning Respondents' adherence to and the efficacy of changes. The report shall be promptly delivered to the Securities Division within ten (10) days of its completion. No later than thirty (30) days after receipt of the report, Respondents shall provide a detailed, written response to any and all findings and recommendations in the report to the Securities Division, including, but not limited to, the reason(s) for any deficiencies identified, and a process and procedure to address deficiencies, recommendations, or other issues identified in the report;
 - i. Respondents shall retain copies of any and all report(s) and certifications as set forth this Section III. in paragraphs (B) through (D) and (E) in an easily accessible place for a period of five (5) years from the date of such report(s) and certification(s);
- F. Respondents shall not claim, assert, or apply for a tax deduction or tax credit with regard to any state, federal or local tax for any amounts that Respondents shall pay pursuant to this Order;
- G. Respondents shall not seek or accept, directly or indirectly, reimbursement or indemnification, including, but not limited to, any payments made pursuant to any insurance policy, with regard to any amount that Respondents shall pay pursuant to this Order;
- H. If either Respondent is the subject of a voluntary or involuntary bankruptcy petition under Title 11 of the United States Code within three hundred sixty-five (365) days of the entry of this Order, Respondents shall provide written notice to the Securities Division within five (5) days of the date of the petition;
- I. Any fine, penalty, and/or money that Respondents shall pay in accordance with this Order is intended by Respondents and the Securities Division to be a contemporaneous exchange

for new value given to Respondents pursuant to 11 U.S.C. § 547(c)(1)(A) and is, in fact, a substantially contemporaneous exchange pursuant to 11 U.S.C. § 547(c)(1)(B);

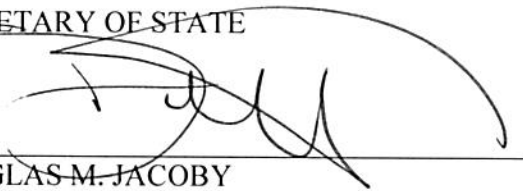
- J. If Respondents fail to comply with any of the terms set forth in this Order, the Enforcement Section of the Missouri Securities Division may institute an action to have this Order declared null and void. Additionally, after a fair hearing and the issuance of an order finding that Respondents have not complied with the Order, the Securities Division may move to have the Order declared null and void, in whole or in part, and re-institute the associated proceeding that had been brought against Respondents;
- K. For good cause shown, the Securities Division may extend any of the procedural dates set forth above. Respondents shall make any requests for extensions of the procedural dates set forth above in writing to the Securities Division; and
- L. Respondents shall pay their own costs and attorneys' fees with respect to this matter.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY,
MISSOURI THIS 31st DAY OF May, 2024.



JOHN R. ASHCROFT
SECRETARY OF STATE

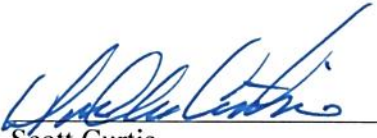

DOUGLAS M. JACOBY
COMMISSIONER OF SECURITIES

Consented to by:

THE MISSOURI SECURITIES DIVISION


William F. H. Dunker
Enforcement Counsel

RESPONDENTS


Scott Curtis
President, Private Client Group
Raymond James Financial Services, Inc.


Scott Curtis
Director
Raymond James & Associates, Inc.