STATE OF NEVADA
OFFICE OF THE SECRETARY OF STATE
SECURITIES DIVISION

2250 LAS VEGAS BOULEVARD NORTH, SUITE 400
NORTH LAS VEGAS, NEVADA 89030

In the Matter of: **RAYMOND JAMES & ASSOCIATES, INC., and RAYMOND JAMES FINANCIAL SERVICES, INC.,** **Respondents.**	**ADMINISTRATIVE CONSENT ORDER** **File No. INV23-174**

NEVADA SECRETARY OF STATE
SECURITIES DIVISION
DATE FILED: 2-28-2024
By: Elisa. Ru

I.

PRELIMINARY STATEMENT

This Administrative Consent Order (the "Order") is entered into by the Securities Division of the Office of the Nevada Secretary of State (the "Division") with Raymond James & Associates, Inc. ("RJA") and Raymond James Financial Services, Inc. ("RJFS") (RJA and RJFS collectively "Respondents") with respect to a coordinated investigation by North American Securities Administrators Association ("NASAA") multistate group (the "Multi-state Group") and the Division's investigation into whether Respondents engaged in acts or practices that violated the Nevada Uniform Securities Act, codified in Chapter 90 of the NRS (the "Act"), and the regulations promulgated thereunder at Nevada Administrative Code Chapter 90 (the "Regulations").

As the result of the coordinated investigation, the Multi-state Group 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 neither admit nor deny the facts set forth in Sections II through V and the violations of law set forth in

Section VI below, and consent to the entry of this Order by the Division, consistent with the Offer, thereby settling the above-captioned matter with prejudice.

II.

JURISDICTION

1. The Division has jurisdiction over this matter pursuant to the Act, codified in Chapter 90 of the NRS.

2. This Order is entered in accordance with the Act. Specifically, NRS 90.630 allows the Division, through its Administrator, to take actions against Respondents if they violate any provision of Chapter 90 of the Nevada Revised Statutes or Chapter 90 of the Nevada Administrative Code or a regulation adopted or issued under said chapter.

3. The acts and practices that are the subject of the Division's investigations occurred while Respondents were registered as broker-dealers in Nevada.

III.

RELEVANT TIME PERIOD

4. 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 Time Period").

IV.

RESPONDENTS

5. RJA is a broker-dealer registered in Nevada with a main address of 880 Carillon Parkway, St. Petersburg, Florida 33716. RJA is identified by Financial Industry Regulatory Authority ("FINRA") CRD No. 705. RJA maintains 6 branch offices in Nevada.

6. RJFS is a broker-dealer registered in Nevada with a main address of 880 Carillon Parkway, St. Petersburg, Florida 33716. RJFS is identified by FINRA CRD No. 6694. RFJS maintains 11 branch offices in Nevada.

///

///

///

V.

STATEMENT OF FACTS

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

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

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

9. 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.

10. 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.

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

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

13. 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.

14. The Act and Regulations prohibit Respondents from charging unreasonable commissions for services performed.

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

16. During the Relevant Time 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.

17. During the Relevant Time 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.

18. In Nevada, Respondents executed over 1,293 transactions which included an unreasonable commission for services performed (i.e., in excess of 5% of the principal trade amount) totaling $41,120.94.

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

B. <u>Respondents Did Not Reasonably Surveil Transactions Which Applied the Minimum Equity Commission</u>

20. 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.

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

22. Firms, including Respondents, use exception reports to surveil commissions.

23. 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%.

24. 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.

C. <u>Respondents Previously Failed to Engage Systems to Reasonably Monitor Equity Commissions</u>

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

26. 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).

27. The AWCs required Respondents, collectively, to pay over $1.7 million in restitution to customers for conduct similar to the Respondents' conduct detailed in Section V.

28. The AWCs imposed additional sanctions including fines totaling $425,000.

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

VI.

VIOLATIONS OF LAW

Count I – NRS 90.420(1)(l)

30. Pursuant to NRS 90.420(1)(l), the Administrator may limit the activities and fine a licensed person or broker dealer that fails to establish and maintain a supervisory system that is reasonably designed to achieve compliance with securities laws and regulations.

31. Respondents' acts and practices, as described above, provide a basis for the Administrator to issue an order under NRS 90.420(1)(l).

VII.

ORDER

IT IS HEREBY ORDERED:

A. Respondents shall permanently cease and desist from conduct in violation of NRS 90.420(1)(l), as described herein;

B. Respondents are censured by the Administrator pursuant to NRS 90.630(2)(b);

C. Respondents shall provide restitution in an amount of no less than $8,383,167.46 plus interest in the amount of 6% to customers, providing the portion of commissions and markups over 5% paid by all customers for whom the Minimum Equity Commission applied from July 1, 2018 to July 17, 2023. Respondents shall provide restitution plus interest to affected Nevada customers in an amount of $45,996.79.

i. Any notice of restitution made pursuant to Section VII, subsection C, 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").[1] Respondents shall provide the Securities Division with a list of all Nevada residents for whom Respondents receive a Notice Letter as returned to sender upon entry of this Order. 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 Nevada customer.

ii. Upon entry of this Order, Respondents shall prepare, and submit to the Division, a report detailing the restitution paid pursuant to the Order, which shall include:

   i. Identification of all accepted and verified offers;

   ii. Dates, amounts, and methods of the transfer of funds for all restitution payments;

   iii. Identification and detailed descriptions of any objections received by Respondents.

D. Respondents, jointly and severally, 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 shall pay $75,000.00 to Nevada within thirty calendar days following the date of entry of this Order. Payment must be made in one of the following ways:

[1] Certain employees of Respondents are following a different timeline and began receiving Notice Letters on February 15, 2024.

i. Respondents may transmit payment electronically to the Division, which will provide detailed Wire transfer instructions upon execution of the Agreement; or

ii. Amounts submitted under this Order shall be remitted by company check to:
Nevada Secretary of State
c/o Stacey Roter
2250 Las Vegas Boulevard North, Suite 400
North Las Vegas, NV 89030

iii. The Division must be notified prior to the transmission of any electronic payment made by Respondents.

iv. Payments must be accompanied by a cover letter identifying Respondents (with relevant tax identification numbers) and the file number of these proceedings.

E. The Chief Compliance Officer ("CCO") of each of the Respondents shall certify in writing to the 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.

F. One year after the termination of the process set forth above in Section VII, paragraph (E), 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 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 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) as set forth in paragraphs (A) through (F) above in an easily accessible place for a period of five (5) years from the date of the reports.

G. 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 penalty that Respondents shall pay pursuant to this Order and as governed under enacted Regulations under Internal Revenue Code Section 162(f);

H. 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;

I. 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, Respondent shall provide written notice to the Division within five (5) days of the date of the petition.

J. Any fine, penalty, and/or money that Respondents shall pay in accordance with this Order is intended by Respondents and the 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).

K. If Respondents fail to comply with any of the terms set forth in this Order, the Division may institute an action to have this Order declared null and void.[2] Additionally, after a fair hearing and the issuance of an order finding that Respondents have not complied with the Order, the 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; and

L. For good cause shown, the 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 Division.

VIII.

NO DISQUALIFICATION

This Order waives any disqualification in the Nevada laws, or rules or regulations thereunder, including any disqualification from relying upon the registration exemptions or safe harbor provisions to which Respondents may be subject. This Order is not intended to be a final order based upon violations of the Act that prohibit fraudulent, manipulative, or deceptive conduct. This Order is not intended to form the basis of any disqualifications under Section 3(a)(39) of the Securities Exchange Act of 1934; or Rules 504(b)(3) and 506(d)(1) of Regulation D, Rule 262(a) of Regulation A and Rule 503(a) of Regulation CF under the Securities Act of 1933. This Order is not intended to form the basis of disqualification under the FINRA rules prohibiting continuance in membership and is not intended to trigger any requirement that Raymond James must file a MC-400A application to remain a member in good standing or to trigger any disqualification under SRO rules prohibiting continuance in membership. This Order is not intended to form a basis of a disqualification under 204(a)(2) of the Uniform Securities Act of 1956 or Section 412(d) of the Uniform Securities Act of 2002. Except in an action by the Division to enforce the obligations of this Order, any acts performed or documents

[2] However, the failure to comply will not apply to minor deviations with the deadlines set forth in this Order.

executed in furtherance of this Order: (a) may not be deemed or used as an admission of, or evidence of, the validity of any alleged wrongdoing, liability, or lack of any wrongdoing or liability; or (b) may not be deemed or used as an admission of; or evidence of, any such alleged fault or omission of Respondents in any civil, criminal, arbitration, or administrative proceeding in any court, administrative agency, or tribunal.

DATED this 28th day of February, 2024.

BY ORDER OF THE ADMINISTRATOR
Office of the Nevada Secretary of State, Securities Division

Erin M. Houston
ERIN M. HOUSTON

Deputy Secretary for Securities
Securities Administrator

CONSENT TO ENTRY OF ADMINISTRATIVE ORDER

Respondents Raymond James & Associates, Inc. and Raymond James Financial Services, Inc. hereby acknowledge being served with a copy of this Order, have read the foregoing Order, are aware of their rights to a hearing and appeal in this matter, and have waived the same.

Respondents specifically acknowledge that a violation of this Order may constitute a felony pursuant to NRS 90.650.

Respondents admit the jurisdiction of the Securities Division of the Nevada Office of the Secretary of State and consents to entry of this Order by the Administrator of the Division as settlement of the issues contained within this Order.

Respondents agree that it shall not claim, assert, or apply for a tax deduction or tax credit with regard to any state, federal or local tax for any administrative monetary penalty that Respondents shall pay pursuant to this Order. Respondents understand and acknowledge that these provisions are not intended to imply that any other amounts Respondents shall pay pursuant to this Order may be reimbursed or indemnified (whether pursuant to an insurance policy or otherwise) under applicable law or may be the basis for any tax deduction or tax credit with regard to any state, federal or local tax.

Respondents state that no promise of any kind or nature, other than the consideration set forth in the Order, was made to them to induce them to enter into this Order and that they have entered into this Order voluntarily.

Scott Curtis represents that **he** is President, Private Client Group of Raymond James & Associates, Inc. and Raymond James Financial Services, Inc. and that, as such, has been authorized by Respondents to enter into this Order for and on behalf of Raymond James & Associates, Inc. and Raymond James Financial Services, Inc.

Dated this 28th day of February, 2024.

Raymond James & Associates, Inc.
Raymond James Financial Services, Inc.

DocuSigned by:
By: Scott Curtis
D50E5AAD13DF446...
Title: President, Private Client Group