
IN THE MATTER OF:

RAYMOND JAMES & ASSOCIATES, INC.
(CRD No. 705)

RAYMOND JAMES FINANCIAL
SERVICES, INC.
(CRD No. 6694)

(“Respondents”)

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CONSENT ORDER

No. CO-24-202326-S

I. PRELIMINARY STATEMENT

WHEREAS, the Banking Commissioner (“Commissioner”) is charged with the administration of Chapter 672a of the General Statutes of Connecticut, the Connecticut Uniform Securities Act (“Act”), and Sections 36b-31-2 to 36b-31-33, inclusive, of the Regulations of Connecticut State Agencies promulgated under the Act (“Regulations”);

WHEREAS, both Raymond James & Associates, Inc. (“RJA”) and Raymond James Financial Services, Inc. (“RJFS”) are registered as broker-dealers in the State of Connecticut;

WHEREAS, the Commissioner, through the Securities and Business Investments Division (the “Division”) of the Department of Banking and pursuant to Sections 36b-26(a) and 36b-31(c) of the Act, participated in a coordinated multistate investigation led by six jurisdictions (the “Multistate Group”) into whether Respondents engaged in acts or practices that violated the Act and the Regulations thereunder in connection with the charging of unreasonable commissions to retail customers on low principal equity transactions;

WHEREAS, in an effort to resolve the matters described herein on a global basis, Respondents and the Multistate Group agreed that Respondents, jointly and severally, would pay an administrative fine, further costs of investigation incurred by the lead states, and \$75,000 to the North American Securities Administrators Association, Inc. (“NASAA”), totaling \$4,200,000. Amounts in excess of the investigative costs to be paid to the lead states and the allocation to NASAA would be distributed to individual jurisdictions participating in the global settlement, with Connecticut receiving seventy five thousand dollars (\$75,000) as an administrative fine.

WHEREAS, as part of the multi-state resolution, Respondents agreed to provide affected customers with restitution totaling no less than \$8,250,000 plus six percent (6%) interest, reflecting the portion of commissions and markups over 5% paid by all customers for whom the Minimum Equity Commission, as defined herein, applied from July 1, 2018 to July 17, 2023 (“Multistate Restitution Plan”). Notice of Restitution would be provided to affected customers in a form not unacceptable to the Multistate Group and prior to the entry of this Consent Order.

WHEREAS, Respondents acknowledge that they have had the opportunity to consult with and be represented by independent counsel in negotiating and reviewing this Consent Order and that they execute this Consent Order freely.

II. JURISDICTION

1. Section 36b-27(a) of the Act authorizes the Commissioner to order any person who has violated, is violating or is about to violate any provision of the Act or any regulation, rule or order adopted or issued under the Act to cease and desist from such violation; Section 36b-27(d) of the Act authorizes the Commissioner to impose a fine against any person who has violated any provision of the Act or any regulation, rule or order adopted or issued under the Act; Section 36b-27(b) of the Act authorizes the Commissioner to order restitution of any sums shown to have been obtained in violation of the Act or any regulation, rule or order thereunder; and Section 36b-15 of the Act authorizes the Commissioner to initiate suspension or revocation proceedings against a registrant upon a finding that one or more of the grounds specified in Section 36b-15 of the Act have been established.

2. The acts and practices that are the subject of the Division's investigation occurred while Respondents were registered as broker-dealers in Connecticut.

III. RELEVANT TIME PERIOD

3. Except as otherwise expressly stated herein, the conduct described herein occurred from approximately July 1, 2018 to July 17, 2023 (the "Relevant Time Period").

IV. RESPONDENTS

4. RJA is a broker-dealer registered in Connecticut with a main address at 880 Carillon Parkway, St. Petersburg, Florida 33716. RJA maintains nine branch offices in Connecticut.

5. RJFS is a broker-dealer registered in Connecticut with a main address at 880 Carillon Parkway, St. Petersburg, Florida 33716. RJFS maintains seventy-six branch offices in Connecticut.

V. STATEMENT OF FACTS

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

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

7. 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.

8. 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.

9. 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.

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

11. This schedule allowed agents to charge between \$0 and \$35 per transaction versus the \$75 Minimum Equity Commission.
12. 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.
13. The Act and Regulations prohibit Respondents from charging unreasonable commissions for services performed.
14. 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.
15. 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.
16. 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.
17. In Connecticut, Respondents executed 3,806 transactions which included an unreasonable commission for services performed (i.e. in excess of 5% of the principal trade amount) totaling \$112,915.78.
18. Numerous equity transactions executed by Respondents included a commission in excess of 90% of the principal value of the transaction.

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

19. 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.
20. Respondents only systematically surveilled commissions in instances where the gross commission was greater than Minimum Equity Commission.

21. Firms, including Respondents, use exception reports to surveil commissions.
22. 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%.
23. 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. Respondents Previously Failed to Engage Systems
to Reasonably Monitor Equity Commissions**

24. In 2011, Respondents submitted Letters of Acceptance, Waiver and Consent to the Financial Industry Regulatory Authority ("FINRA") pursuant to FINRA Rule 9216 of FINRA's Code of Procedure ("AWCs").
25. The AWCs provided 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).
26. 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 of this Consent Order.
27. The AWCs imposed additional sanctions including fines totaling \$425,000.
28. Despite these sanctions, Respondents did not implement or maintain adequate compliance and supervisory systems to monitor Minimum Equity Commissions.

VI. CONCLUSIONS OF LAW

29. Section 36b-31-6f(b) of the Regulations requires each Connecticut-registered broker-dealer to establish, enforce and maintain a system for supervising the activities of its agents and Connecticut office operations that is reasonably designed to achieve compliance with applicable securities laws and regulations. Section 36b-15(a)(2)(K) of the Act authorizes the Commissioner to take action against a broker-dealer's registration upon a finding that the broker-dealer "has failed reasonably to supervise: (i) The agents . . . of such . . . registrant, if the . . . registrant is a broker-dealer . . . or (ii) the agents of a

broker-dealer . . . if such . . . registrant or other person is or was an agent, investment adviser agent or other person charged with exercising supervisory authority on behalf of a broker-dealer”

30. Respondents’ acts and practices, as described herein, constitute a violation of Section 36b-31-6f(b) of the Regulations and a basis for proceeding under Sections 36b-27 and Section 36b-15(a)(2)(K) of the Act.

31. An administrative proceeding initiated under Sections 36b-27 and 36b-15 of the Act would constitute a “contested case” within the meaning of Section 4-166(4) of the General Statutes of Connecticut.

32. Section 4-177(c) of the General Statutes of Connecticut and Section 36a-1-55(a) of the Regulations of Connecticut State Agencies provide that a contested case may be resolved by consent order, unless precluded by law.

VII. CONSENT TO WAIVER OF PROCEDURAL RIGHTS

WHEREAS, Respondents, through their execution of this Consent Order and without admitting or denying the statements of fact or conclusions of law herein contained, voluntarily waive the following rights:

1. To be afforded notice and an opportunity for a hearing within the meaning of Sections 36b-15(f) and 36b-27(a) of the Act and Section 36b-27(d)(2) of the Act and Section 4-177(a) of the General Statutes of Connecticut;
2. To present evidence and argument and to otherwise avail themselves of Sections 36b-15(f) and 36b-27(a) of the Act and Section 36b-27(d)(2) of the Act and Section 4-177c(a) of the General Statutes of Connecticut;
3. To present their respective positions in a hearing in which each is represented by counsel;
4. To have a written record of the hearing made and a written decision issued by a hearing officer;
and
5. To seek judicial review of, or otherwise challenge or contest the matters described herein, including the validity of this Consent Order;

NOW THEREFORE, the Commissioner, as administrator of the Act, hereby enters this Consent Order.

VIII. CONSENT ORDER

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

IT IS HEREBY ORDERED THAT:

1. This Consent Order concludes the investigation by the Commissioner, and any other action that the Commissioner could commence under the Act and the Regulations as it relates to Respondents and the specific violations described herein.
2. Respondents shall permanently **CEASE AND DESIST** from directly or indirectly violating the provisions of the Act or any regulation or order under the Act, including, without limitation, Section 36b-31-6f(b) of the Regulations.
3. In accordance with the Multistate Restitution Plan which covered the Minimum Equity Commission applied from July 1, 2018 to July 17, 2023 and the portion of commissions and markups over 5 percent, Respondents shall provide restitution plus six percent (6%) interest to affected Connecticut customers in an amount of no less than \$129,145.74. Restitution shall be in the form of a bank check, or, for existing customers, shall be a dollar credit to the customer's account, unless requested otherwise by the Connecticut customer.¹ Notices of restitution ("Notice Letter") shall be sent by Respondents on or prior to the date the Commissioner enters this Consent Order and shall be sent to the last known address of record for such Connecticut customers. Within ninety days after the Notice Letters are mailed, Respondents shall provide the Commissioner with a list of those Connecticut customers whose Notice Letter mailings were returned to sender as undeliverable, despite Respondents' reasonable efforts, including re mailing to an alternative address if applicable; provided that, in exercising reasonable efforts, Respondents may consult with

¹ There is also a population of Raymond James employees who are eligible for remediation, and the Commissioner acknowledges that remediation to these employees may follow a different timetable from that outlined herein.

the Division to ascertain whether the Division has an alternative investor address on file.

4. A written report detailing the restitution paid to affected Connecticut customers was sent by Respondents to the Commissioner on November 22, 2023. The report 1) identified all accepted and verified offers; 2) provided the dates, amounts and methods of the transfer of funds for all restitution payments; and 3) identified and provided detailed descriptions of any objections received by Respondents.
5. Within thirty (30) calendar days following the entry of this Consent Order by the Commissioner, Respondents jointly and severally shall pay to the "Treasurer, State of Connecticut" by certified bank check or by Automated Clearing House (ACH) electronic funds transfer the sum of seventy five thousand dollars (\$75,000) as an administrative fine.
6. The Chief Compliance Officer ("CCO") of each Respondent certified in writing to the Commissioner that the Respondents' policies and procedures have been changed and enhanced to ensure that all commissions are fair and reasonable. Respondents certified that their policies and procedures include the following: (a) compliance systems to prevent the imposition of unreasonable or unfair commissions; (b) operational changes designed to ensure that, regardless of the principal amount of a transaction, commissions will not exceed five percent (5%), in the absence of a documented exception; (c) incorporation of all transactions, regardless of the principal amount of the transaction, into any systems used to identify and review potentially excessive commissions; and (d) implementation of revised commission payout not unacceptable to the Commissioner. Respondents provided the certifications to the Commissioner on November 22, 2023.
7. One year following completion of the compliance certification described in paragraph 6 of this section, Respondents shall undergo, at their own expense, a review by an internal unit to confirm that the changes described above have been implemented and to assess the efficacy of such changes to Respondents' practices, policies, and procedures. Upon completion of the internal unit review, which in no case shall take more than sixty (60) days, Respondents shall issue a report of their findings and recommendations concerning their adherence to, and the efficacy of, the changes. The

report shall be promptly delivered to the Commissioner within ten (10) days after it is completed. No later than thirty (30) days after receiving the report, Respondents shall provide the Commissioner with a detailed, follow-up written response to any and all findings and recommendations in the report, 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. The Commissioner may, for good cause shown in writing by Respondents, extend any of the foregoing procedural dates.

8. Respondents shall retain copies of any and all report(s) as set forth in paragraphs three, four, six and seven of Section VIII of this Consent Order in an easily accessible place for a period of five (5) years from the date of the reports.
9. 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 Consent Order and as governed under Regulations enacted under Internal Revenue Code Section 162(f).
10. 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 Consent Order.
11. 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 Consent Order, Respondent shall provide written notice to the Commissioner within five (5) days of the date of the petition. Any fine, penalty, and/or money that Respondents shall pay in accordance with this Consent Order is intended to be a contemporaneous exchange for new value given to Respondents pursuant to the Bankruptcy Code, 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).
12. This Consent Order is not intended to disqualify Respondents from any business that they otherwise are qualified or licensed to perform under applicable state law, and this Consent Order is not intended to form the basis for any disqualification.

13. Nothing in this Consent Order shall be construed as a finding or admission of fraud by Respondents.
14. This Consent Order shall not, (a) form the basis for any disqualifications from registration as a broker-dealer, investment adviser, or issuer under the laws, rules, and regulations of any state, or for any disqualification from relying upon the securities registration exemptions or safe harbor provisions to which Respondents or their affiliates may be subject under the laws, rules, and regulations of the affected states, (b) form the basis for any disqualifications under the laws of any state, the District of Columbia, Puerto Rico, or the U.S. Virgin Islands; under the rules or regulations of any securities or commodities regulator or self-regulatory organizations; or under the federal securities laws, including but not limited to, § 3(a)(39) of the Securities Exchange Act of 1934, Rule 262 of Regulation A and Rules 504 and 506 of Regulation D under the Securities Act of 1933 and Rule 503 of Regulation CF, (c) form the basis for 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 of FINRA or to trigger any disqualification under other SRO rules prohibiting continuance in membership. As applicable to states that have adopted the Uniform Securities Act of 1956 or Uniform Securities Act of 2002, 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.
15. Except in an action by the Commissioner to enforce the obligations of Respondents set forth in this Consent Order, this Consent Order may neither be deemed nor used as an admission of or evidence of any alleged fault, omission or liability of Respondents in any civil, criminal, arbitration or administrative proceeding in any court, administrative agency or tribunal. For any person or entity not a party to this Consent Order, this Consent Order does not limit or create any private right against Respondents, limit or create liability of Respondents, or limit or create defenses of Respondents to any claims.
16. This Consent Order and any dispute related thereto shall be construed and enforced in accordance

with, and governed by, the laws of the State of Connecticut without regard to any choice of law principles.

17. This Consent Order shall be binding upon Respondents and their successors and assigns, as well as upon the successors and assigns of relevant affiliates with respect to all conduct subject to the provisions herein and all future obligations, responsibilities, undertakings, commitments, limitations, restrictions, events, and conditions.

NOW THEREFORE, the Commissioner enters the following:

1. The Findings of Fact, Conclusions of Law and Consent Order set forth above, be and are hereby entered;
2. Entry of this Consent Order by the Commissioner is without prejudice to the right of the Commissioner to take enforcement action against Respondents based upon a violation of this Consent Order or the matters underlying its entry if the Commissioner determines that compliance with the terms herein is not being observed or if any representations made by Respondents and reflected herein are subsequently discovered to be untrue; and
3. This Consent Order shall become final when entered.

So ordered at Hartford, Connecticut,
this 31st day of January 2024.

_____/s/_____
Jorge L. Perez
Banking Commissioner

CONSENT TO ENTRY OF ORDER

I, Scott Curtis, state on behalf of Raymond James & Associates, Inc. and Raymond James Financial Services, Inc., that I have read the foregoing Consent Order; that I know and fully understand its contents; that I am authorized to execute this Consent Order on behalf of Raymond James & Associates, Inc. and Raymond James Financial Services, Inc., that Raymond James & Associates, Inc. and Raymond James Financial Services, Inc. each agrees freely and without threat or coercion of any kind to comply with the terms and conditions stated herein; and that Raymond James & Associates, Inc. and Raymond James Financial Services, Inc., voluntarily consent to the entry of this Consent Order, expressly waiving any right to a hearing on the matters described herein.

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

By _____/s/_____
Name: Scott Curtis
Title: President, Private Client Group

On this 29th day of January 2024, personally appeared Scott Curtis, signer of the foregoing Consent Order, who, being duly sworn, did acknowledge to me that he/she was authorized to execute the same on behalf of Raymond James & Associates, Inc. and Raymond James Financial Services, Inc., both corporations, and acknowledged the same to be his/her free act and deed,

_____/s/_____
Notary Public
My Commission Expires: June 26, 2025