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STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCIAL REGULATION

In the Matter of:

DFR Case No. S-23-0045

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

FINAL ORDER TO CEASE AND
DESIST, FINAL ORDER
ASSESSING CIVIL PENALTIES,
AND CONSENT TO ENTRY OF
ORDER

Respondents.

I. PRELIMINARY STATEMENT

This Consent Order (the “Order”) is entered into by the Director of the Oregon Department of Consumer and Business Services, Division of Financial Regulation (“the Director”), 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 Massachusetts, Washington, Montana, Alabama, Illinois, and California (the “Multi-state Group”) into whether Respondents engaged in acts or practices that violated the Oregon Securities Law, Oregon Revised Statutes (“ORS”) chapter 59, and the regulations promulgated thereunder, Oregon Administrative Rules “OAR” chapter 441.

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 over the past 5-years totaling over \$8,250,000. On June 30, 2023, Respondents submitted an Offer of Settlement to the Massachusetts Securities

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1 Division and executed a term sheet with Alabama, California, Illinois, Montana, and
2 Washington. Respondents neither admit nor deny the facts set forth in Sections II through
3 V and the violations of law set forth in Section VI below, and consent to the entry of this
4 Order by the Director, consistent with the Offer, thereby settling the above-captioned
5 matter with prejudice.

6 **II. JURISDICTION**

7 1. The Director has jurisdiction over matters relating to securities pursuant to ORS
8 59.245.

9 2. This Order is entered in accordance with ORS 59.245(4) and ORS 59.995.

10 3. The acts and practices that are the subject of the Oregon Department of
11 Consumer and Business Services, Division of Financial Regulation (“the Division”)
12 investigations occurred while Respondents were registered as broker-dealers in Oregon.

13 **III. RELEVANT TIME PERIOD**

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

17 **IV. RESPONDENTS**

18 5. RJA is a broker-dealer licensed in Oregon with a main address of 880 Carillon
19 Parkway, St. Petersburg, Florida 33716. RJA is identified by Financial Industry
20 Regulatory Authority (“FINRA”) CRD No. 705. RJA maintains 4 branch offices in
21 Oregon.

22 6. RJFS is a broker-dealer licensed in Oregon with a main address of 880 Carillon
23 Parkway, St. Petersburg, Florida 33716. RJFS is identified by FINRA CRD No. 6694.
24 RJFS maintains 78 branch offices in Oregon.

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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 Oregon Securities Law prohibits Respondents from charging unreasonable commissions for services performed.

15. During the Relevant Time Period, Respondents executed over 270,000

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1 transactions nationwide which included a commission in excess of 5% of the principal
2 value, totaling over \$8,250,000 in excess commissions.

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

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

9 18. In Oregon, Respondents executed 2,740 transactions which included an
10 unreasonable commission for services performed (i.e. in excess of 5% of the principal
11 trade amount) totaling \$96,550.83.

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

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

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

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

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

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

25 24. As a result, Respondents' surveillance policies excluded transactions which
26 applied the Minimum Equity Commission from review and thus failed to detect and

1 correct unreasonable commission charges.

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

4 25. In 2011, Respondents submitted Letters of Acceptance, Waiver and Consent to
5 FINRA pursuant to FINRA Rule 9216 of FINRA’s Code of Procedure (“AWCs”).

6 26. The AWCs provide that from January 1, 2006 through at least October 31,
7 2010, Respondents’ application of automated commission schedules to certain low-priced
8 securities transactions did not consider whether such commissions were fair and
9 reasonable as contemplated under NASD Conduct Rule 2440 and IM-2440-1(b) (both
10 superseded by FINRA Rule 2121) .

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

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

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

17 **VI. VIOLATIONS OF LAW**

18 **Count I – Failure to Supervise**

19 30. Broker-dealers are required to exercise diligent supervision over the securities
20 activities of all of their associated persons. As part of this responsibility, broker-dealers
21 are required to establish, maintain, and enforce written procedures adopted by the broker-
22 dealers to comply with their supervisory duties. OAR 441-205-0210(1).

23 31. Respondents’ acts and practices, as described above, constitute violations of
24 ORS 59.205(13) and OAR 441-205-0210(1).

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1 **VII. ORDER**

2 IT IS HEREBY ORDERED:

3 32. Respondents shall permanently cease and desist from conduct in violation of
4 ORS 59.205(13), and OAR 441-205-0210(1) as described herein.

5 33. Respondents are censured by the Director.

6 34. Respondents shall provide restitution in an amount of no less than
7 \$8,383,167.46 plus interest in the amount of 6% to customers, providing the portion of
8 commissions and markups over 5% paid by all customers for whom the Minimum Equity
9 Commission applied from July 1, 2018 to July 17, 2023. Respondents shall provide
10 restitution plus interest to affected Oregon customers in an amount of \$109,349.94.

11 A. Any notice of restitution made pursuant to paragraph 34, shall be sent by
12 Respondents to the last known address of record for such customers within 60 days after
13 the Multi-state Group finds said notice not unacceptable ("Notice Letter").¹ Restitution
14 shall be in the form of a bank check, or for existing customers shall be a dollar credit to
15 the customer account, unless requested otherwise by the Oregon customer.

16 B. Within forty-five (45) days of the expiration of the Notice Letter, Respondents
17 shall prepare, and submit to the Division, a report detailing the restitution paid pursuant
18 to the Order, which shall include:

- 19 (a) Identification of all accepted and verified offers;
20 (b) Dates, amounts, and methods of the transfer of funds for all restitution
21 payments;
22 (c) Identification and detailed descriptions of any objections received by
23 Respondents.

24 35. Respondents, jointly and severally, shall pay an administrative fine, further
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26 ¹ This timeline will be modified for certain Firm employees and said timeline shall not be unacceptable to the Division.





1 costs of investigation incurred by the lead states, and \$75,000 to the North American
2 Securities Administrators Association ("NASAA"), totaling \$4,200,000. This amount,
3 exclusive of any investigative costs paid to the lead states and the allocation to NASAA,
4 shall be distributed individually to those jurisdictions who agree to the terms set forth
5 herein. Respondents shall pay \$75,000.00 to the Department of Consumer and Business
6 Services, including civil penalties totaling \$67,500 to be allocated for the General Fund
7 of the State Treasury and \$7,500 to be allocated for the DCBS Consumer Financial
8 Education Fund. Payment shall be made within fifteen calendar days following the date
9 of entry of this Order. Payment shall be: (A) made by check payable to the Department of
10 Consumer and Business Services; (B) either hand-delivered or mailed to the Department
11 of Consumer and Business Services, 350 Winter Street NE, Salem OR 97301; (C)
12 Respondents shall include with the payment a cover letter and a payment coupon
13 identifying the payment by Respondents and the docket number of this proceeding; and
14 (D) Respondents shall send a copy of the cover letter, the payment, and the payment
15 coupon, by email to DFR.ReportEnforcement@oregon.gov and by email to Caroline
16 Smith at Caroline.L.Smith@dcbs.oregon.gov.

17 36. The Chief Compliance Officer ("CCO") of each of the Respondents shall certify
18 in writing to the Division within sixty (60) days of the date of entry of this Order that the
19 Respondents' policies and procedures have been changed and enhanced to ensure that all
20 commissions are fair and reasonable. Respondents shall send a copy of the above-
21 described certification by email to DFR.ReportEnforcement@oregon.gov and by email to
22 Caroline Smith at Caroline.L.Smith@dcbs.oregon.gov. At a minimum, Respondents shall
23 certify that its policies and procedures include the following:

- 24 A. Compliance systems to prevent the imposition of unreasonable or unfair
25 commissions;
- 26 B. Operational changes designed to ensure that, regardless of the principal amount of



1 a transaction, commissions will not exceed 5%, in the absence of a documented
2 exception;

3 C. Incorporation of all transactions, regardless of the principal amount of the
4 transaction, into any systems used to identify and review potentially excessive
5 commissions;

6 D. Implementation of revised commission payout not unacceptable to the Multi-state
7 Working Group.

8 37. One year after the termination of the process set forth above in paragraph 36,
9 Respondents shall undergo, at their own expense, a review by an internal unit not
10 unacceptable to the Multi-state Group to confirm the implementation of the changes set
11 forth above and to assess the efficacy of such changes to Respondents' practices, policies,
12 and procedures. At the conclusion of this review, which in no case shall take more than
13 sixty (60) days, Respondents shall issue a report of its findings and recommendations
14 concerning Respondents' adherence to and the efficacy of changes. The report shall be
15 promptly delivered to the Division, by email to DFR.ReportEnforcement@oregon.gov
16 and by email to Caroline Smith at Caroline.L.Smith@dcbs.oregon.gov, within ten (10)
17 days of its completion. No later than thirty (30) days after receipt of the report,
18 Respondents shall provide a detailed, written response to any and all findings and
19 recommendations in the report to the Division by email to
20 DFR.ReportEnforcement@oregon.gov and by email to Caroline Smith at
21 Caroline.L.Smith@dcbs.oregon.gov, including, but not limited to, the reason(s) for any
22 deficiencies identified, and a process and procedure to address deficiencies,
23 recommendations, or other issues identified in the Report.

24 38. Respondents shall retain copies of any and all report(s) as set forth in
25 paragraphs 32 through 37 above in an easily accessible place for a period of five (5) years
26 from the date of the reports.



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

5 40. Respondents shall not seek or accept, directly or indirectly, reimbursement or
6 indemnification, including, but not limited to, any payments made pursuant to any
7 insurance policy, with regard to any amount that Respondents shall pay pursuant to this
8 Order;

9 41. If either Respondent is the subject of a voluntary or involuntary bankruptcy
10 petition under Title 11 of the United States Code within three hundred sixty-five (365)
11 days of the entry of this Order, Respondent shall provide written notice to the Division,
12 by email to DFR.ReportEnforcement@oregon.gov and by email to Caroline Smith at
13 Caroline.L.Smith@dcbs.oregon.gov, within five (5) days of the date of the petition.

14 42. Any fine, penalty, and/or money that Respondents shall pay in accordance with
15 this Order is intended by Respondents and the Division to be a contemporaneous
16 exchange for new value given to Respondents pursuant to 11 U.S.C. § 547(c)(1)(A) and
17 is, in fact, a substantially contemporaneous exchange pursuant to 11 U.S.C. §
18 547(c)(1)(B).

19 43. If Respondents fail to comply materially with any of the terms set forth in this
20 Order, the Director may institute an action to have this Order declared null and void.
21 Additionally, after a fair hearing and the issuance of an order finding that Respondents
22 have not complied with the Order, the Director may move to have the Order declared null
23 and void, in whole or in part, and re-institute the associated proceeding that had been
24 brought against Respondents; and

25 44. For good cause shown, the Division may extend any of the procedural dates set
26 forth above. Respondents shall make any requests for extensions of the procedural dates

1 set forth above in writing to the Division, by email to
2 DFR.ReportEnforcement@oregon.gov, and by email to Caroline Smith at
3 Caroline.L.Smith@dcbs.oregon.gov.

4 **VIII. NO DISQUALIFICATION**

5 45. This Order waives any disqualification in the Oregon laws, or rules or
6 regulations thereunder, including any disqualification from relying upon the registration
7 exemptions or safe harbor provisions to which Respondents may be subject. This Order is
8 not intended to be a final order based upon violations of the Act that prohibit fraudulent,
9 manipulative, or deceptive conduct. This Order is not intended to form the basis of any
10 disqualifications under Section 3(a)(39) of the Securities Exchange Act of 1934; or Rules
11 504(b)(3) and 506(d)(1) of Regulation D, Rule 262(a) of Regulation A and Rule 503(a)
12 of Regulation CF under the Securities Act of 1933. This Order is not intended to form the
13 basis of disqualification under the FINRA rules prohibiting continuance in membership
14 and is not intended to trigger any requirement that Raymond James must file a MC-400A
15 application to remain a member in good standing or to trigger any disqualification under
16 SRO rules prohibiting continuance in membership. This Order is not intended to form a
17 basis of a disqualification under 204(a)(2) of the Uniform Securities Act of 1956 or
18 Section 412(d) of the Uniform Securities Act of 2002. Except in an action by the Director
19 to enforce the obligations of this Order, any acts performed or documents executed in
20 furtherance of this Order: (a) may not be deemed or used as an admission of, or evidence
21 of, the validity of any alleged wrongdoing, liability, or lack of any wrongdoing or

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1 liability; or (b) may not be deemed or used as an admission of; or evidence of, any such
2 alleged fault or omission of Respondents in any civil, criminal, arbitration, or
3 administrative proceeding in any court, administrative agency, or tribunal.

4 SIGNED AND ENTERED 16th this day of January, 2024.

5 Andrew R. Stolfi, Director
6 Department of Consumer and Business Services

7
8 /s/ Dorothy Bean
9 Dorothy Bean, Chief of Enforcement
10 Division of Financial Regulation

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**CONSENT TO ENTRY OF ORDER BY
RAYMOND JAMES & ASSOCIATES, INC. AND
RAYMOND JAMES FINANCIAL SERVICES, INC.**

Raymond James & Associates, Inc. (“RJA”) and Raymond James Financial Services, Inc. (“RJFS”) hereby acknowledge that they have been served with a copy of this Order, have read the foregoing Order, are aware of their right to a hearing and appeal in this matter, and have waived the same.

RJA and RJFS admit the jurisdiction of the Director, neither admit nor deny the Statement of Fact and Violations of Law contained in this Order, and consent to entry of this Order by the Director as settlement of the issues contained in this Order.

RJA and RJFS agree that they shall not claim, assert, or apply for a tax deduction or tax credit with regard to any state, federal, or local tax for any civil penalty that RJA and RJFS shall pay pursuant to this Order.

RJA and RJFS state that no promise of any kind or nature whatsoever was made to it to induce it to enter into this Order and that it has entered into this Order voluntarily.

Scott Curtis represents that he is President of the Raymond James Private Client Group and that, as such, has been authorized by RJA and RJFS to enter into this Order for and on behalf of RJA and RJFS.

Dated this 11th day of January, 2024.

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

By: /s/ Scott Curtis

Title: President, Raymond James Private Client Group

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