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2 STATE OF OREGON
3 DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
4 DIVISION OF FINANCIAL REGULATION

5 In the Matter of:

Case No. S-19-0019

6 GARY DODDS AND RAYMOND
7 JAMES FINANCIAL SERVICES,
8 INC., A FOREIGN BUSINESS
9 CORPORATION,

ORDER TO CEASE AND DESIST,
PROPOSED ORDER ASSESSING
CIVIL PENALTIES, AND CONSENT
TO ENTRY OF ORDER AS TO
**RESPONDENT RAYMOND JAMES
FINANCIAL SERVICES, INC.**

Respondents.

10 The Division of Financial Regulation (the “Division”), acting on behalf of the
11 Director of the Department of Consumer and Business Services for the State of Oregon
12 (the “Director”), conducted an investigation of Gary B. Dodds (“Dodds”) and Raymond
13 James Financial Services, Inc. (“RJFS”). The Division determined that RJFS violated
14 provisions of Oregon Revised Statutes (“ORS”) 59.005 to 59.505, 59.991 and 59.995 (the
15 “Oregon Securities Law”) and the Oregon Administrative Rules (“OAR”) promulgated
16 under those laws.

17 RJFS, without admitting or denying the information contained in the Background,
18 the Findings of Fact, or the Conclusions of Law, wishes to resolve and settle this matter
19 with the Director.

20 Now, therefore, as evidenced by the signature(s) subscribed herein, RJFS hereby
21 consents to entry of this Order.

22 **BACKGROUND**

23 The Division received information from Oregon Adult Protective Services (“APS”)
24 regarding the potential financial exploitation of an elderly Oregon consumer, identified
25 herein as “CL.” The information indicated that CL owned accounts with RJFS and that
26 Dodds was her financial advisor. APS informed the Division that Dodds had been

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1 generating large commissions for himself on CL’s account due to what appeared to be
2 excessive trading. The Division conducted an investigation into these activities and found
3 that Dodds engaged in excessive trading or churning of several of his clients’ accounts,
4 particularly with respect to his elderly clients. The Division also found that Dodds made
5 unsuitable recommendations and sales of securities and that he failed to maintain proper
6 documentation of his securities trading activities.

7 The Division learned that RJFS, including Dodds’s former branch office
8 managers,¹ had been aware of Dodds’s excessive trading and poor notetaking since at least
9 2016 but failed to take adequate or effective corrective action. In October 2017, RJFS
10 conducted an internal branch examination which raised concerns that there was no
11 evidence that Dodds maintained proper documentation for his clients’ accounts and raised
12 further concerns about the trading activity in his clients’ accounts. In January 2018, RJFS
13 placed Dodds on heightened supervision, and in February 2018, Dodds was given a
14 heightened supervision plan (“HSP”). Six (6) months later, in July 2018, RJFS removed
15 Dodds from that plan despite Dodds’s failure to make sufficient changes to his trading
16 activity or recordkeeping.

17 As demonstrated in more detail below, the Division concluded that RJFS violated
18 the Oregon Securities Law by failing to reasonably supervise Dodds.

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25 ¹ Dodds had co-branch managers at RJFS’s Bend, Oregon branch office (the “Bend Branch Office”) during
26 the period of time relevant to this Consent Order. Branch Manager 1 was the official designated branch
supervisor from April 21, 2011, until May 10, 2019, per CRD filings. However, Branch Manager 2 became
a co-branch manager pursuant to an Independent Branch Owner Agreement with RJFS on January 9, 2015.
Branch Manager 2 left the Bend Branch Office in November 2017.

1 **FINDINGS OF FACT**

2 The Director FINDS that:

3 1. On October 20, 2011, Dodds (Individual CRD number 840109) first became
4 associated with RJFS (Firm Central Registration Depository (“CRD”) number 6694). On
5 that same date, Dodds also became licensed with the Division as a salesperson associated
6 with RJFS.

7 2. On November 18, 2013, a former client of Dodds filed a complaint against him
8 with the Financial Industry Regulatory Authority (“FINRA”). The claimant in that matter
9 alleged damages of at least \$1,500,000 as a result of unsuitable investments beginning in
10 1996 while Dodds was working for another firm. On or about May 26, 2015, after Dodds
11 began working for RJFS, Dodds’s previous firm resolved that matter for \$385,000.² RJFS
12 did not receive any complaints from Dodds’s clients while he was associated with the firm.

13 3. At all relevant times, all accounts Dodds managed during his tenure at RJFS
14 were commission-based accounts; none were fee-based. Accordingly, Dodds earned the
15 vast majority of his money by trading his clients’ equity securities. He was able to generate
16 income for himself with each trade.

17 4. One of Dodds’s longstanding clients including while associated with RJFS was
18 an Oregon investor identified herein as CL. CL was born in 1945.

19 5. On June 23, 2006, CL executed a Power of Attorney, appointing her longtime
20 friend, identified herein as KD, and another individual as attorneys-in-fact. That Power of
21 Attorney authorized the attorneys-in-fact, among other things, to sell or transfer any
22 securities owned by CL. CL executed the Power of Attorney at least in part due to her
23 history of medical issues, which became more pronounced as she aged.

24 6. On or about October 31, 2011, CL opened an account with RJFS through
25 Dodds. CL maintained three separate accounts with RJFS. Dodds was the adviser for all of

26 ² See FINRA case number 13-03286.

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1 her accounts.

2 7. In or about August 2014, CL retired from work.

3 8. For the five-year period from 2013 through 2017, Dodds earned \$114,250 in
4 commissions by executing 362 trades on CL's account. CL's average return on assets over
5 that entire five-year period was 3.40% per year, while the average annual cost to equity
6 ("C/E") ratio on her account was 3.48% over the same period. In other words, Dodds earned
7 more in commissions on CL's account than CL earned in returns.

8 9. The reason that Dodds earned more commissions than CL earned returns is due
9 at least in part to (a) the number of trades Dodds executed and (b) the way he balanced
10 CL's portfolio.

11 10. The number of trades Dodds executed on CL's account, and therefore the
12 amount of commissions Dodds earned, increased significantly starting in 2014. From 2014
13 through 2017, Dodds executed at least 72 trades per year, generating more than \$24,000
14 per year in commissions for himself. This reflects an annual C/E ratio – which represents
15 the costs of trades (including commissions) Dodds earned divided by the year-end account
16 value minus total yearly withdrawals – during that same period of an average of 3.75% per
17 year.³

18 11. Between 2015 and 2017, Dodds changed the balance of CL's portfolio from a
19 relatively even split between fixed-income investments and equity securities to a majority
20 of equity securities. Initially in 2015, CL's accounts comprised approximately 53% equities
21 and 47% fixed-income investments. By 2017, Dodds had moved more of CL's investments
22 into equities, resulting in holdings of approximately 67% equities and 33% fixed-income
23 investments. This allowed Dodds to continue and increase his trading activities on those
24 equities in order to generate greater commissions for himself.

25 _____
26 ³ In 2013, when CL's portfolio contained fewer equities for Dodds to trade, Dodds performed 56 trades, which generated \$16,248.92 in commissions, reflecting a C/E ratio of approximately 2.45%.



1 12. In the view of the Division, this change in CL’s portfolio mix away from fixed-
2 income investments and toward equities is the opposite direction in which most accounts
3 change over time. In fact, firm policy acknowledges that it is more typical to transition
4 from equity to more fixed-income investments as clients age. For example, an RJFS
5 training module pertaining to senior and at-risk investors – in which Dodds participated –
6 states, “Remember, as clients age their time horizons, goals, risk tolerances, and tax status
7 may change” such that “Goals may adjust from growth to income or capital preservation.”

8 13. At no time since opening her accounts with RJFS did Dodds document any
9 changes to CL’s investment objectives or risk tolerance. CL had retired before Dodds
10 rebalanced her portfolio mix to favor equities over fixed-income securities. Not only did
11 Dodds rebalance CL’s portfolio in such an atypical way for a retiree, he did so in the
12 absence of any documented direction from CL to do so.

13 14. On April 6, 2016, an RJFS Senior Compliance Advisor sent an email to Dodds
14 and copied his former branch managers to indicate that the Senior Compliance Advisor had
15 reviewed some of Dodds’s account activity. The Senior Compliance Advisor stated that
16 the “key aspects of this account review” included the following: Number of trades and total
17 dollar commissions for current quarter and year to date; Total account value; Margin
18 utilization; Commissions compared to net equity (cost to equity ratio); Asset turnover;
19 Account profile (objectives, client age, net worth, annual income, registration); Number of
20 accounts in the active trading range by the same financial advisor or branch office; and
21 Profit/loss generated in account. These are the factors that RJFS Compliance must consider
22 when evaluating an account for active trading under its internal Active Trading Policy. The
23 Senior Compliance Advisor concluded that his findings necessitated sending CL a letter.
24 Such a letter, known as an “Active Trade Letter,” informs clients that the firm reviewed
25 the activity in their accounts and provides information about the account activity, including
26 the number of trades executed in a given time period and the amount of commissions paid



1 to their advisor. If the client does not represent that they understand and acknowledge the
2 trade activity, then the account may be frozen.

3 15. On April 6, 2016, Branch Manager 2 replied to the email to ask, “Is there
4 anything at the branch management level you suggest we do when letters like this [Active
5 Trade Letter] are generated?” That same day, the Senior Compliance Advisor responded,
6 “Short answer: not really. We include the branch managers to ensure they have an idea of
7 what is going on at the branch. . . . In a more broad sense, if you feel the activity in the
8 account is inappropriate, you are certainly welcome and expected to discuss it with the
9 FA.”⁴

10 16. On April 29, 2016, RJFS issued an Active Trade Letter to CL. That letter
11 informed CL that between January 1, 2015, and December 31, 2015, Dodds performed 77
12 transactions on her account, which generated \$24,371.68 in commissions for Dodds.⁵ At
13 the request of RJFS, CL signed that letter on May 10, 2016, in which CL represented that
14 “I understand and acknowledge the following information:

- 15 • I am fully aware of the potential risks involved in trading securities.
- 16 • I confirm that the transactions in my account agree with my investment
17 objectives.
- 18 • My financial advisor discusses each transaction with me prior to
19 execution.
- 20 • I review all trade confirmations and each account statement received.
- 21 • I am aware of my investments, commissions paid, interest charges (if

22 _____
23 ⁴ On October 10, 2016, Branch Manager 2 sent a similar email to the Regional Compliance Officer, asking
24 if there was anything Branch Manager 2 could do regarding a different Bend Branch financial advisor whose
25 client received an Active Trade Letter. The Regional Compliance Officer replied: “Thanks, [Branch
26 Manager 2]. I’ll be in touch to either gather additional info, or share what was learned.” It does not appear
that the Regional Compliance Officer or any other RJFS compliance personnel provided direction to Branch
Manager 1 or 2 regarding their obligations as branch managers of financial advisors whose clients received
Active Trade Letters.

⁵ In 2014, Dodds performed 72 trades, which generated \$24,300 in commissions, but RJFS did not issue an
Active Trade Letter that year.



1 any), and profits and losses incurred.

- 2 • I acknowledge that there have been 77 transactions in my account that
3 have generated commissions totaling \$24,371.68 between January 1,
4 2015 and December 31, 2015.”

5 17. Dodds was required to speak to his clients whose funds were in non-
6 discretionary accounts, including CL, prior to trading their securities. In fact, all of Dodds’s
7 accounts were non-discretionary and required such prior authorization.

8 18. In 2016, Dodds executed 80 trades in CL’s account. In that same year, Dodds
9 used his office phone to speak to CL only seven (7) times⁶ and there is no record of a
10 meeting with CL in person.

11 19. On August 17, 2017, another RJFS Senior Compliance Advisor sent an email
12 to Dodds. In that email, the Senior Compliance Advisor noted that the RJFS Compliance
13 Department identified CL’s account having a C/E ratio of 3.9%. In other words, Dodds was
14 generating commissions for himself in an amount equal to 3.9% of the value of CL’s
15 account. After indicating that this C/E ratio was too high, the Senior Compliance Advisor
16 posed the following six numbered questions to Dodds:

- 17 1. How are the investment decisions made for this account?
18 2. How do the number and frequency of trades in this account fit in to the client’s
19 overall investment strategy?
20 3. What discussions have you had with the client regarding a fee based account?
21 4. Have you considered discounting commissions to bring the cost to equity ratio
22 below 3%?
23 5. What other information do you have regarding this client that might assist us
24

25 ⁶ Dodds likely spoke to CL fewer than seven (7) times in 2016. Phone records from the Bend Branch reflect
26 seven (7) phone calls in that year, but only four (4) of those calls exceeded two minutes in length. It is likely
that those phone calls lasting fewer than two (2) minutes did not result in conversations authorizing the
purchase or sale of securities (e.g., the calls were unanswered or resulted in voicemails).



1 with understanding this client's situation? (i.e. exact net worth, other
2 investments/assets, relationship history with the client, etc.)

3 6. How are notes being taken to adhere to the FINRA Suitability Rule? Would you
4 be able to produce them if requested? (Advisor Access - FINRA-Know-Your-Client-
5 and-Suitability-Rule⁷)

6 20. On August 21, 2017, Dodds responded to the email as follows:

7 1. Decisions are made with the client and broker.

8 2. The trading has been more frequent in the trust to capture gains to help offset the
9 2016 loss from LNCO in the IRA. LNCO loss = \$29,911.52. Trust 2017 year to
10 date gains = \$17,088.00.

11 3. Client prefers commission to fee based.

12 4. No

13 5. [CL] has considerable retirement assets with a former employer
14 (hospital). Parents were clients since mid 1980's. Long term relationship.

15 6. Yes.

16 21. There are no documented subsequent conversations between RJFS and Dodds
17 to clarify or support any of the responses Dodds offered in the foregoing email exchange.

18 22. On August 22, 2017, the Senior Compliance Advisor sent an email to Dodds
19 and wrote, "After discussion with your Regional Compliance Officer [], we have decided
20 that another letter will need to be sent to the client. I see that there was an Active Trade
21 Letter sent to this client [CL] in 2016, but our policy states that any account with a CE [cost
22 to equity ratio] above 3% receive a letter every year to minimize liability for yourself. All
23 the client will need to do is sign and return it to the home office in the return envelope that
24 I will include." The Senior Compliance Advisor also asked Dodds if he would ever

25 ⁷ This was a hyperlink to a RJFS website regarding FINRA rules
26 (<https://rjnetpilot.rjf.com/ResourcesandSupport/CorporateServices/Compliance/RJFS/Pages/FINRA-Know-Your-Client-and-Suitability-Rule.aspx>).



1 consider discounting commissions in order to bring the C/E ratio below three (3) percent.
2 There are no documents showing whether Dodds ever addressed the question about
3 discounting commissions. The Senior Compliance Advisor did not ask Dodds why the C/E
4 ratio was high for at least the third year in a row nor did he inquire about the number or
5 types of trades Dodds was conducting for this account, whether Dodds was acting at the
6 direction of CL, or any other questions to uncover the nature of his trading activities.

7 23. The foregoing RJFS policy that the Senior Compliance Advisor described
8 recognizes that C/E ratios exceeding 3% may indicate a financial advisor is engaged in
9 excessive trading or churning. As the Senior Compliance Advisor explained, a C/E ratio
10 exceeding that amount necessitates sending an Active Trade Letter to a client in order “to
11 minimize liability for” the financial advisor rather than to protect the client.

12 24. On August 25, 2017, the Senior Compliance Advisor sent another Active Trade
13 Letter to CL, informing her that between July 1, 2016, and June 30, 2017, Dodds performed
14 88 transactions on that single account of CL, which generated \$27,416.16 in commissions
15 for Dodds. Dodds represented that CL signed and attempted to return the letter, but RJFS
16 did not receive the letter.

17 25. In 2017, Dodds called CL eleven (11) times from his office phone and did not
18 meet with CL in person despite making 76 trades that calendar year.⁸

19 26. CL has a history of significant medical issues, including problems with
20 mobility, loss of sight, and memory/cognitive impairments. Starting in or about
21 October 2017, these medical conditions were becoming more problematic such that CL’s
22 longtime friend KD began exercising the authority granted to her by documents CL
23 executed, including a Trust and Power of Attorney, to help manage CL’s financial and
24 other affairs.

25 _____
26 ⁸ As with 2016 telephone calls, if calls two (2) minutes or under are excluded, phone records indicate that Dodds spoke to CL on his office phone only five (5) times in 2017.



1 27. Around that same time in or about October 2017, CL moved into an assisted
2 living facility, where she receives assistance due to her poor mobility, worsening vision,
3 and memory/cognitive impairments. She remains in that facility as of the date of this Notice
4 Order.

5 28. On October 6, 2017, Branch Manager 2 emailed Dodds and copied Branch
6 Manager 1 with the subject line “Account Notes.” Branch Manager 2 informed Dodds that
7 one of Dodds’s clients, identified in the chart below as 92-year-old “RB,” was a long-time
8 acquaintance of Branch Manager 2 and that RB “clearly didn’t recognize me a couple
9 weeks ago while he was here at the office and seemed a little disheveled. This occurrence
10 stood out as odd considering we’ve had dinner together almost every month for the past
11 two and half [sic] years. Please keep up to date notes (preferably in client center) on all
12 clients; particularly the older less healthy clients.”

13 29. That same day, Dodds responded to Branch Manager 2 and wrote in total: “[RB]
14 was in today about 20 minutes ago.....seemed fine. Thanks Gary.” Dodds did not address
15 any potential cognitive decline in RB nor did he acknowledge Branch Manager 2’s
16 reminder to document activities on his clients’ accounts.⁹

17 30. In or about October 2017, an RJFS Senior Compliance Examiner commenced
18 an examination of the RJFS branch office where Dodds worked in Bend, Oregon.

19 31. On October 18, 2017, the Senior Compliance Examiner sent an email to the
20 Regional Compliance Officer and copied an RJFS Compliance Examination Supervisor.
21 In that email, the Senior Compliance Examiner requested to have a conversation about the
22 Bend Branch Office and then wrote, “Specifically I am extremely concerned about some
23 of Gary Dodd’s [sic] clients as well as his responses and notetaking in general.” He then
24 singled out the activity on four separate accounts that Dodds managed, indicating the

25 _____
26 ⁹ RB died on or about March 15, 2019.



1 clients' ages (72, 92, 87, and 89 years old); cost to equity ratios (4.14%, 5.55%, 4.19%,
2 and 2.6301% & 2.7916%¹⁰); and the number of annual trades on the accounts (90, 103, 80,
3 and 40 & 38). The first listed client was CL.

4 32. In that same email, the Senior Compliance Examiner wrote, "I have concerns
5 on not only the excessive commissions and trading in accounts but also regarding the
6 activity due to the Age of the clients as well. In addition to this his note taking is definitely
7 lacking. There are a bunch of other things I would like to discuss about this as well but I
8 believe that active trade letters need to go out for each one of these accounts again this
9 year. In addition to this, I would advise having a statement of caution sent out to Gary
10 Dodds as well."

11 33. On November 16, 2017, the Senior Compliance Examiner issued a branch
12 examination report of the Bend Branch Office (the "Branch Examination Report").

13 34. The Senior Compliance Examiner addressed the Branch Examination Report to
14 Branch Managers 1 and 2. He also copied ten (10) other RJFS personnel.

15 35. In section eight (8) of the Branch Examination Report, the Senior Compliance
16 Examiner wrote, "There was no evidence that proper documentation for Gary Dodds'
17 clients were being maintained for his non-fee based accounts." Because all of Dodds's
18 accounts were non-fee based, this meant there was no evidence that he maintained proper
19 documentation for any of his accounts. The Senior Compliance Examiner also noted that
20 in order to comply with FINRA Suitability and Know Your Customer regulations, RJFS
21 would need documentation of potential liquidity needs, the rationale for explicit hold
22 recommendations, and investment strategy recommendations.

23 36. In section nine (9) of the Branch Examination Report, the Senior Compliance
24 Examiner listed five client accounts on a chart that indicated the clients' names, account
25 numbers, ages, cost to equity (C/E) ratio, annual trades, account value, and annual

26 ¹⁰ The last listed clients had two accounts.

1 commissions, consistent with his email of October 18, 2017. The chart appeared as follows
2 (client names and account numbers redacted):

3 Client	Account#	Age	C/E Ratio	T12 Trades	Account Value	T12 Commissions
4 [RB]	*****479	92	5.55%	103	\$631,184	\$35,027
[CL]	*****562	72	4.14%	90	\$690,393	\$28,584
5 [DR]	*****927	87	4.19%	80	\$668,527	\$27,991
[P & VT]	*****246	89	2.63%	40	\$607,740	\$15,984
6 [P & VT]	*****294	89	2.79%	38	\$565,72 9	\$15,793

7 37. In light of the foregoing, the Senior Compliance Examiner requested, “For the
8 accounts referenced above, please have Gary Dodds provide a signed statement describing
9 the investment strategy with detailed evidence & thorough documentation and confirm that
10 the clients are spoken to prior to each trade. Also, please confirm your procedures as it
11 relates to elderly clients and communicating with authorized individuals about the
12 accounts.”

13 38. Then, in boldface type, the Senior Compliance Examiner wrote, “Due to the
14 nature of the above 2 deficiencies (8&9) we urge you to take corrective measures at the
15 earliest possible time. If the same deficiencies are noted on a future examination, penalties
16 could be assessed. Please address what steps the branch is taking to ensure that these types
17 of deficiencies will not be an issue for advisors in the branch going forward.”

18 39. On December 11, 2017, the Senior Compliance Advisor sent an email to Dodds.
19 The Senior Compliance Advisor stated, pursuant to “our conversation with [the Regional
20 Compliance Officer] earlier I have copied in some helpful resources.” The Senior
21 Compliance Advisor included links to electronic resources, including “Note Taking on the
22 Fly Guide” and “Best Practices for Documenting Client Contact.” The Senior Compliance
23 Advisor also provided a link to a software application to help take notes via voice dictation.

24 40. On December 21, 2017, Branch Manager 2 sent an email to the Senior
25 Compliance Examiner. Branch Manager 2 wrote that he and Branch Manager 1 “are less
26 than impressed with Gary’s account notes. We feel the quality of his notes do not identify



1 client strategy or offer supporting documentation (i.e. research reports).” A response
2 memorandum to the Branch Examination Report attached to that email, which appears
3 Branch Manager 1 and/or 2 authored, indicated that all issues regarding Dodds would be
4 handled outside of the exam process, that Dodds would be added to an HSP, and that “10+
5 Monthly active trade letters” would be sent to clients.

6 41. On January 12, 2018, the Senior Compliance Examiner emailed an RJFS
7 Compliance Specialist and copied others to share the copies of notes that Dodds provided,
8 which the Senior Compliance Examiner indicated “show the same issues that have been
9 previously discussed. More than anything it just covers what trades were placed more than
10 anything else. As previously stated I would definitely recommend an [sic] minimum
11 sending out a letter of caution to [Dodds] but I will defer to the weekly meeting for their
12 takeaway and opinion.”

13 42. In that same email, the Senior Compliance Examiner continued, “I am still also
14 still very concerned with the excessive trading and commissions (see below updated table)
15 that seems to be going on with some of his older clientele as well. In addition to this, Garry
16 [sic] has failed to address why he is trading in such a drastically different method and way
17 with these clients vs his other clients as well.” The Senior Compliance Examiner included
18 a table similar to the one included in his Branch Examination Report that was updated to
19 identify nine (9) clients by age and C/E ratio – ranging from 64 to 92 years and 2.33 and
20 4.72%, respectively. He then wrote: “As you can see from the updated chart above, we
21 have even more of Garry’s [sic] older clients now with C/E Ratio’s well above 2% now as
22 well (Accounts *****660, *****640, *****039 & *****164 are now above this level as
23 well sense it was pulled in December). I would seriously consider recommending that we
24 have the FA be forced to refund/rebate some of these commissions to illustrate that there
25 needs to be thoughtful need for trades in conjunction with the clients liquidity needs,
26 inflows of additional capital and stated objectives so that the advisor has a disincentive





1 knowing that he must follow these guidelines going forward.” The Senior Compliance
2 Examiner concluded the email by noting his concerns about possible churning.

3 43. On or about February 16, 2018, RJFS received the Power of Attorney that CL
4 had executed in 2006.

5 44. On February 20, 2018, the RJFS Account Transfers Department sent an email
6 to Dodds indicating that Dodds was to “cease all trading and activity on the account” of
7 CL because that account would be leaving RJFS. That same day, Dodds replied to that
8 email and stated, “Client is not aware of transfer, please stop per instructions of [CL]
9 Feb. 20 2018.” Other than Dodds’s assertion, there is no record that CL stated that she was
10 unaware of the transfer or that she instructed Dodds to remove the restriction on the
11 account.

12 45. Later on February 20, 2018, an investigator with the Senior & At-Risk Investors
13 section of the RJFS Compliance Department, emailed Dodds, apparently following a
14 telephone conversation, and told Dodds that he placed a restriction on CL’s accounts. The
15 investigator explained that the reason for the restriction originated with concerns that CL’s
16 accounts had been transferred out of the firm without her knowledge – per Dodds’s
17 representation – following RJFS’s receipt of the Power of Attorney. The investigator also
18 indicated he was making a referral to APS. The investigator suggested that Dodds speak
19 with CL to confirm that she did not initiate the account transfer or submit the Power of
20 Attorney, and requested that Dodds document all interactions related to CL’s account.

21 46. On February 21, 2018, Dodds responded to the above email from the
22 investigator and stated that CL’s “capacity is fine, but suffers from vision problems and
23 severe arthritis pain in her legs.” He admitted, “I have not met with the client in person for
24 several years.” He then again claimed, without support, that “Assets are being transferred
25 out [of RJFS] without client knowledge.”

26 47. On January 18, 2018, RJFS placed Dodds on heightened supervision. At that



1 time, the RJFS Compliance Department began reviewing Dodds’s electronic
2 communications. On February 22, 2018, RJFS sent a copy of the heightened supervision
3 plan (“HSP”) to Dodds. Dodds signed the HSP on March 5, 2018.

4 48. The HSP required, among other things: that Dodds would review the firm’s
5 Suitability policy; that Dodds would provide the Compliance Department with client notes
6 for 10 randomly selected solicited transactions documenting the rationale for the
7 recommendations made; that a “negative response letter” would be sent to a sample of five
8 clients to confirm that they spoke to Dodds the day of the transaction¹¹; and that Dodds
9 would be subject to electronic correspondence review by the Compliance Department.

10 49. On March 3, 2018, Dodds signed an acknowledgement that he reviewed the
11 RJFS policy regarding Suitability. That acknowledgement indicated, among other things,
12 that RJFS financial advisors must take notes for investment strategy recommendations to
13 document the rationale for their recommendations based on the facts and circumstances of
14 the client at the time they were made.

15 50. On or about April 3, 2018, RJFS received a Revocable Living Trust Agreement
16 for CL.

17 51. On April 5, 2018, the investigator removed the restrictions on CL’s accounts,
18 noting that APS found that concerns of exploitation of CL by her friend and trustee KD
19 were unsubstantiated.

20 52. On April 5, 2108, an RJFS Compliance Specialist sent an email to Dodds to
21 request trade notes on 10 transactions from March identified in the email. She requested
22 the “rationale for the recommendations made, including dates and time that you spoke to
23

24 ¹¹ RJFS used the term “negative response” to indicate that the firm would assume the clients spoke to Dodds
25 to authorize activity on their accounts unless the clients stated otherwise; a non-response was treated as an
26 affirmative approval from the clients. The letters provided clients with a list of transactions executed in the
client’s account during the preceding month and asked the client “to confirm that Mr. Dodds did in fact speak
with you on the date of the trades to confirm the transaction.” It appears no clients signed and returned these
letters.



1 the clients.” The Compliance Specialist indicated that she received the March 2018 trade
2 notes, but made no further notations about having reviewed them or her findings. The trade
3 notes included time entries, research on the securities, and relevant account information.

4 53. On April 30, 2018, the Circuit Court for the County of Jackson, Oregon
5 appointed a conservator and guardian for CL. The Court found that CL was incapacitated
6 and the appointment of a Guardian was necessary as a means of providing her continuing
7 care and supervision. The Court further found that CL was financially incapable and had
8 money or property that requires management or protection. The Court appointed as
9 guardian KD, who was CL’s attorney-in-fact from her Power of Attorney. The Court
10 appointed an entity as conservator.

11 54. On May 14, 2018, the Compliance Specialist requested from Dodds trade notes
12 on 10 (ten) transactions from April identified in an email. She again requested the
13 “rationale for the recommendations made, including dates and time that you spoke to the
14 clients.”

15 55. On May 16, 2018, the Compliance Specialist indicated that she reviewed
16 Dodds’s trade notes from the month of April 2018 in accordance with the HSP. The
17 Compliance Specialist stated that his handwritten notes “are a bit difficult to read but for
18 most of the buys, he is adding to the existing positions for growth and lowering the cost
19 basis.”

20 56. On June 6, 2018, the Compliance Specialist requested from Dodds trade notes
21 on 10 transactions from May identified in an email. She again requested the “rationale for
22 the recommendations made, including dates and time that you spoke to the clients.”

23 57. On June 8, 2018, the Compliance Specialist indicated that she had reviewed
24 additional trade notes Dodds submitted. She stated that the notes are “still difficult to read”
25 although she indicated that Dodds “is documenting notes on all trades.”

26 58. On June 28, 2018, the Compliance Specialist requested from Dodds trade notes



1 on 10 (ten) transactions from June identified in an email. She again requested the “rationale
2 for the recommendations made, including dates and time that you spoke to the clients.”
3 The Compliance Specialist entered a notation that she had reviewed the June trade notes
4 but made no further notations about that review or her findings.

5 59. These four (4) months of trade note reviews identified above appear to be the
6 only trade note reviews that RJFS performed pursuant to the HSP.

7 60. At all relevant times, all notes Dodds made regarding his trading activities were
8 handwritten. Dodds never used RJFS’s electronic note taking system. RJFS never required
9 Dodds to use that system, including during or after placing Dodds on the HSP. During the
10 HSP period, there is no written evidence that RJFS personnel contacted Dodds to request
11 that he write more legibly, type his notes, clarify the notes he made, or include in his notes
12 the information required by the firm’s Suitability policy or the HSP. Dodds never accepted
13 the Senior Compliance Advisor’s December 2017 invitation to use the voice dictation
14 software to take notes.

15 61. Despite the Senior Compliance Examiner’s Branch Examination Report finding
16 that there “was no evidence that proper documentation for Gary Dodds’ clients were being
17 maintained,” Dodds did not make sufficient changes to his notetaking during the HSP.
18 Moreover, Dodds’s notes were all handwritten and difficult to read.

19 62. On July 26, 2018, the Compliance Specialist sent an email to Dodds to inform
20 him that he had officially completed the HSP. The HSP had been in place for six (6) months
21 and RJFS reviewed four months of Dodds’s trade notes. During the course of Dodds’s
22 HSP, RJFS did not receive any customer complaints.

23 63. On September 18, 2018, a Division examiner conducted a for-cause
24 examination at the Bend Branch Office.

25 64. As of October 2018, in addition to CL, Dodds had more than 30 clients who
26 were 70 years of age or older (between 71 to 92 years old) for whom the primary investment



1 objective was growth rather than income. Growth objectives generally comprise more
2 equities, which Dodds could trade to generate commissions for himself, and are higher risk
3 as compared to income objectives, which comprise more bond or fixed-income securities,
4 are lower risk, and prioritize current income through interest or dividends. Of those 30
5 elderly clients' accounts with growth objectives, five (5) accounts were identified in the
6 Branch Examination Report as accounts of concern due to high levels of trading activity,
7 as noted above.

8 65. On January 24, 2019, an RJFS branch examiner, issued a report following an
9 examination of the Bend Branch Office. That report concluded, among other things, that
10 two of Dodds's accounts, including one belonging to CL, "did not match the stated client
11 objectives and/or profile information." The report requested that Dodds "review the noted
12 accounts with your clients and determine if anything should be changed and, if necessary,
13 adjust accordingly." There is no evidence that Dodds or RJFS performed any such review
14 or made any changes.

15 66. On or about March 29, 2019, Dodds retired from RJFS.

16 67. On or about May 13, 2019, Branch Manager 1 retired from RJFS.

17 68. The HSP reflects concerns that Dodds did not comply with FINRA Know Your
18 Customer and Suitability rules.¹² Moreover, Dodds did not follow RJFS's requirements for
19 documentation of potential liquidity needs, the rationale for explicit hold
20 recommendations, and investment strategy recommendations.

21 69. RJFS has created and maintains various policies and procedures.

22 70. The RJFS Suitability Policy¹³ states: "Financial advisors must have a
23 reasonable basis for recommending transactions involving securities, investment strategies,
24 or explicit hold recommendations to a client of particular investor." It states the following

25 _____
¹² FINRA rules 2090 and 2111, respectively.

26 ¹³ Unless otherwise noted, all referenced policies and procedures were in effect at the time the events stated herein took place.

1 factors to consider may include but are not limited to: the client’s age, other investments,
2 financial situation and needs, investment objectives, investment experience, investment
3 time horizon, liquidity needs, risk tolerance, account type, the client’s domicile, and any
4 other relevant information. The Suitability Policy also states: “Documentation regarding
5 the circumstances for recommended transactions involving securities, investment
6 strategies, or explicit hold recommendations to a client or potential investor should be
7 maintained by the advisor.” Finally, the Suitability Policy requires the Branch/Supervisory
8 Manager to review and approve trades for advisors under their supervision and to identify
9 and address suitability concerns, and Regional Supervisors review the Branch Manager’s
10 activity.

11 71. The RJFS Branch Manager Responsibilities Policy states: “The ultimate
12 responsibility of each branch rests with the OSJ branch manager.” That Policy further
13 states: “It is the branch manager’s responsibility to ensure any advisory services conducted
14 within the branch are in compliance with all applicable rules and guidelines.” That Policy
15 makes clear the branch manager is responsible for ensuring suitability requirements are
16 followed: “It is the branch manager’s responsibility to ensure every trade made in his/her
17 branch is suitable for the client based on their stated risk objectives, financial situation, and
18 investment experience.”

19 72. The RJFS Active Trading Policy defines churning: “Churning is excessive
20 trading of a client’s account, typically for the sole purpose of generating commissions.”
21 Moreover, the “branch manager is responsible for reviewing Supervisory Workstation and
22 client monthly statements to detect any evidence of excessive trading. If ‘churning’ is
23 suspected in an account, the branch manager should immediately notify the Compliance
24 department.” Whenever there are accounts that “appear to be actively traded,” there must
25 be increased communications with the client, which “should be documented to ensure that
26 a written record exists that adequately explains the activity as it relates to the clients stated

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1 goals and objectives.” When such activity is detected, RJFS may send an activity disclosure
2 letter [Active Trade Letter]. Finally, this Policy states: “Accounts noted as actively traded
3 may have activity which appears to be inappropriate for a client’s objectives, experience
4 or financial situation. The manager should take immediate steps to review the account
5 activity.” There is no evidence that Branch Managers 1 or 2 attempted to detect any
6 excessive trading or notified the compliance department of any suspected churning
7 regarding Dodds. However, Branch Manager 2 did contact the compliance department on
8 multiple occasions to request direction as to what actions he should take when an Active
9 Trade Letter was sent to clients of financial advisors he was supervising. The Compliance
10 Department did not instruct Branch Manager 2 to take any particular action.

11 73. Since the inception of this matter, RJFS has made a number of substantive
12 changes to its operations as well as to its internal policies and procedures.

13 74. One such change is the firm’s replacement of its legacy supervisory software
14 with an updated system that will be available to its branch managers and its compliance
15 department. RJFS represents this new software will make it easier for branch managers to
16 monitor trade activity to identify when financial advisors, such as Dodds, are engaging in
17 problematic conduct, including excessive trading, charging excessive commissions, and
18 making unsuitable trades. The rollout of this new software will include live training
19 sessions with branch managers.

20 75. Other changes RJFS is implementing include updates to its policies and
21 procedures manual. Among these are implemented updates to the firm’s policies pertaining
22 to Heightened Supervision Plans, such as the HSP to which Dodds was subject. Such plans
23 are under the purview of a new team, the Heightened Supervision & Conduct Unit of the
24 firm’s Supervision Department, which is responsible for developing, implementing, and
25 overseeing all Heightened Supervision Plans. That Unit has developed templates to be used
26 in order to standardize the process to help ensure uniformity and efficacy in the scope,



1 duration, contents, and oversight of such plans. The Unit has also clarified the role of
2 branch managers in the oversight and implementation of these plans. Objectives of this
3 change include avoiding situations similar to that of Dodds in which an HSP is put into
4 place but its implementation and oversight fail to resolve the underlying issues. These
5 changes also help more effectively recruit branch managers to participate in the
6 development and administration of HSPs.

7 76. RJFS represents that the updates to its trade review processes will reasonably
8 serve to identify and prevent the problematic conduct presented by Dodds, such as
9 excessive trading, failure to properly document trade-related activities, and failure to
10 adhere to suitability requirements. Nevertheless, the firm acknowledges that it is ultimately
11 responsible for ensuring compliance with the Oregon Securities Law – as well as all
12 applicable federal securities laws – irrespective of any software or other tools designed to
13 assist in such compliance.

14 CONCLUSIONS OF LAW

15 The Director CONCLUDES that:

16 77. Under ORS 59.015(1), RJFS is a “broker-dealer.”

17 78. Under ORS 59.015(18)(a), Dodds is a “salesperson.”

18 79. Under OAR 441-175-0010(1), Dodds was an “associated person” of RJFS.

19 80. Under ORS 59.015(19)(a), “security” means a note, stock, treasury stock, bond,
20 or, in general, any interest or instrument commonly known as a “security.”

21 81. The investments contained in the accounts Dodds and RJFS managed, including
22 those belonging to CL, constitute “securities” under ORS 59.015(19)(a).

23 82. Under OAR 441-205-0210(1), every broker-dealer shall exercise diligent
24 supervision over the securities activities of all of his associated persons.

25 83. Under OAR 441-205-0210(3)(b), as part of its supervisory duties, every broker-
26 dealer shall establish, maintain, and enforce written procedures, which shall set forth the





1 procedures adopted by the broker-dealer to comply with specified duties, including the
2 frequent examination of all client accounts to detect and prevent irregularities or abuses,
3 including a review for churning and switching of securities in clients' accounts, as well as
4 unsuitable recommendations and sales of unregistered securities.

5 84. RJFS failed to reasonably supervise Dodds. This failure included: failing to
6 ensure that Dodds complied with the written procedures of RJFS, including its Suitability
7 and Active Trading policies; failing to adequately or timely detect, prevent, and address
8 Dodds's churning or excessive trading activities; failing to adequately or timely detect,
9 prevent, and address Dodds's failure to comply with suitability requirements; failing to
10 take meaningful corrective action despite issuing Active Trade Letters to Dodds's clients
11 for multiple years; and failing to adequately or timely detect, prevent, and address Dodds's
12 failure to properly document his securities trading activities. Therefore, RJFS violated
13 OAR 441-205-0210(1) and (3) as to Dodds.

14 85. Under OAR 441-205-0210(3)(c), as part of its supervisory duties, every broker-
15 dealer shall establish, maintain, and enforce written procedures, which shall set forth the
16 procedures adopted by the broker-dealer to comply with specified duties, including the
17 prompt review and written approval by the designated supervisor of all securities
18 transactions by associated persons and all correspondence pertaining to the solicitation or
19 execution of all securities transactions by associated persons.

20 86. Under ORS 59.995(1)(a), any person who violates or who procures, aids, or
21 abets the violation of ORS 59.005 to 59.505, 59.710 to 59.830, 59.991 and 59.995, or any
22 rule or order of the Director shall be subject to a penalty of not more than \$20,000 for every
23 violation, which shall be paid to the General Fund of the State Treasury.

24 87. Under ORS 59.995(2), every violation described in subsection (1)(a) of this
25 section is a separate offense and, in the case of a continuing violation, each day's
26 continuance is a separate violation, but the maximum penalty for any continuing violation

1 shall not exceed \$100,000.

2 88. RJFS failed to supervise Dodds’s activities, including his excessive trading or
3 churning, his failure to make recommendations and trades that were suitable, and his failure
4 to comply with the firm’s policies, from at least April 29, 2016, when it first issued an
5 Active Trade Letter to CL, until Dodds’s retirement on March 29, 2019. Therefore, RJFS
6 continuously violated OAR 441-205-0210(1) and (3) during that time by failing to
7 reasonably supervise Dodds.

8 **ORDERS**

9 The Director ISSUES the following ORDERS:

10 Order to Cease and Desist

11 89. Pursuant to ORS 59.245(4), the Director hereby ORDERS RJFS, and all entities
12 owned or controlled by RJFS, its successors and assignees, to CEASE AND DESIST from
13 violating OAR 441-205-0210(1) and (3).

14 Order Assessing Civil Penalties

15 90. Pursuant to the authority of ORS 59.995(1), the Director hereby ORDERS the
16 assessment of one hundred twenty thousand dollars (\$120,000) of civil penalties against
17 RJFS for violating OAR 441-205-0210(1) and (3).

18 91. Within 30 days of the date that this Consent Order becomes a final order, RJFS
19 shall also submit to the Director a payment for the foregoing one hundred twenty thousand
20 dollars (\$120,000) of civil penalties. The civil penalties shall be allocated as follows: one
21 hundred eight thousand dollars (\$108,000) shall be paid as a civil penalty to the General
22 Fund of the Oregon State Treasury and twelve thousand dollars (\$12,000) shall be paid to
23 the Department of Consumer and Business Services Consumer Financial Education
24 Account. RJFS may issue a single check which shall be made payable to “Department of
25 Consumer and Business Services.”

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Consumer Restitution

92. In addition to the foregoing payment of civil penalties, within 30 days of the date that this Consent Order becomes a final order, RJFS agrees to provide documentation satisfactory to the Division that it has offered to reimburse Dodds's clients, or their heirs or estates, identified in the Branch Examination Report under the chart reproduced in Paragraph 36 above the amounts of commissions paid during the 12-month period as reflected in the branch examination report. Specifically, RJFS will offer to reimburse those clients (or their heirs or estates, as appropriate) one hundred twenty-three thousand three hundred seventy-nine thousand dollars (\$123,379) as follows:

Client	Account#	T12 Commissions
[RB]	*****479	\$35,027
[CL]	*****562	\$28,584
[DR]	*****927	\$27,991
[P & VT]	*****246	\$15,984
[P & VT]	*****294	\$15,793

93. If the reimbursement offer outlined in the previous paragraph is accepted, then RJFS shall provide documentation satisfactory to the Division that it has made such reimbursement payment. If the reimbursement offer is not accepted by any client or if RJFS is unable to locate any clients or their heirs or estates or is otherwise unable to make any reimbursement payment based on reasonable efforts, RJFS shall provide documentation satisfactory to the Division demonstrating the same. Any such funds that RJFS would reimburse but is unable to do so shall be paid to the Department of Consumer and Business Services Consumer Financial Education Account in the same manner as described in paragraph 91. All of the documentation under this paragraph shall be provided to the Division as soon as practicable, but in no event later than 90 days after this Consent Order becomes final unless agreed to in writing by the Division. Failure to comply with this provision shall constitute a separate violation under the Oregon Securities Law.

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1 **FINAL ORDER**

2 94. Nothing in this Order is intended to form the basis for any disqualification under
3 the laws of any state, the District of Columbia, Puerto Rico, or the U.S. Virgin Islands;
4 under the rules or regulations of any securities or commodities regulator or self-regulatory
5 organizations; or under the federal securities laws, including but not limited to,
6 Section 3(a)(39) of the Securities Exchange Act of 1934, Regulation A and Rules 504 and
7 506 of Regulation D under the Securities Act of 1933, and Rule 503 of Regulation CF.
8 Furthermore, nothing in this Order is intended to form the basis for disqualification of RJFS
9 under any FINRA rules prohibiting continuance in membership or disqualification under
10 other self-regulatory organization rules prohibiting continuance in membership.

11 95. The Division does not find that RJFS violated any Oregon statute, regulation,
12 or other rule that prohibits fraudulent, deceptive, or manipulative conduct.

13 96. Except in an action by the Director to enforce the obligations in this Consent
14 Order, this Consent Order is not intended to be deemed or used as (a) an admission of, or
15 evidence of, the validity of any alleged wrongdoing, liability, or lack of any wrongdoing
16 or liability; or (b) an admission of, or evidence of, any such alleged fault or omission of
17 RJFS in any civil, criminal, arbitration, or administrative proceeding in any court,
18 administrative agency, or other tribunal.

19 97. RJFS, through execution of this Order, voluntarily waives the right to a hearing
20 and to judicial review of this Order under ORS 59.295 and ORS 59.305.

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98. This is a “Final Order” under ORS 183.310(6)(b).

IT IS SO ORDERED.

Dated this 24th day of August, 2020.

ANDREW R. STOLFI, Director
Department of Consumer and Business Services

/s/Dorothy Bean
Dorothy Bean, Chief of Enforcement
Division of Financial Regulation

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CONSENT TO ENTRY OF ORDER

I, Jodi Perry, state that I hold the title of President, ICD and I am an authorized representative of Respondent Raymond James Financial Services, Inc. (“RJFS”) with the authority to sign this Consent Order on behalf of RJFS. Without admitting or denying the information contained in the Background, the Findings of Fact, or the Conclusions of Law contained in the foregoing Order, I have read the Order and I fully understand the contents hereof. RJFS has been advised of the right to a hearing and of the right to be represented by counsel in this matter, and RJFS has been represented by counsel in this matter. RJFS voluntarily consents to the entry of this Order without any force or duress, expressly waiving any right to a hearing in this matter, as well as any rights to administrative or judicial review of this order. RJFS understands that the Director reserves the right to take further action to enforce this Order or to take appropriate action upon discovery that RJFS has committed other violations of the Oregon Securities Law. RJFS will fully comply with the terms and conditions stated herein.

RJFS understands that this Order is a public document.

Signature: /s/ Jodi Perry

Title: President, ICD

State of Florida
County of Pinellas

Signed or attested before me on this 21st day of August, 2020

by Jodi Perry.

/s/ Cynthia A Crane

Notary Public

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