

**BEFORE THE COMMISSIONER OF SECURITIES AND INSURANCE,
OFFICE OF THE MONTANA STATE AUDITOR**

IN THE MATTER OF

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

Respondents.

Case No. SEC-2023-00197

CONSENT ORDER

I. PRELIMINARY STATEMENT

This Consent Order (the “Order”) is entered into by the Office of the Montana State Auditor, Commissioner of Securities and Insurance (“CSI” or “Commissioner”) 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 Securities Act of Montana, Mont. Code Ann. §§ 30-010-101, *et seq.* (the “Act”).

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

II. JURISDICTION

1. CSI has jurisdiction over matters relating to securities pursuant to the Securities Act of Montana and Mont. Code Ann. § 30-10-101, *et seq.*

2. This Order is entered in accordance with Mont. Code Ann. § 30-10-305.

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

III. RELEVANT TIME PERIOD

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

IV. RESPONDENTS

5. RJA is a broker-dealer registered in Montana with a main address of 880 Carillon Parkway, St. Petersburg, Florida 33716. RJA is identified by Financial Industry Regulatory Authority ("FINRA") CRD No. 705. RJA maintains two (2) branch offices in Montana.

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

V. STATEMENT OF FACTS

A. Respondents' Minimum Commission Practices For Equity Transactions Failed To Ensure Transactions Were Executed At A Fair And Reasonable Price

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

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

9. The commission schedule ranged from 3% of principal plus \$5 for equity buy and sell transactions between \$0-\$4,999.99 to 0.8% of principal plus \$355 for equity trades \$50,000 and above.

10. Respondents charged a minimum commission of \$75 for certain equity buy and sell transactions (the “Minimum Equity Commission”), excluding, among other transactions, those involving equities underwritten by Respondents’ affiliated investment bank.

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

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

13. Despite the small stock transaction schedule, even for positions valued at \$300 or less, Respondents’ order entry systems defaulted to the Minimum Equity Commission, where applicable.

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

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

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

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

18. In Montana, Respondents executed over 1,150 transactions which included an unreasonable commission for services performed (i.e. in excess of 5% of the principal trade amount) totaling \$37,027.99.

19. 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

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

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

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

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

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

C. Respondents Previously Failed To Engage Systems To Reasonably Monitor Equity Commissions

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

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

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

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

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

VI. VIOLATIONS OF LAW

Count I – Mont. Code Ann. § 30-10-201(13)(k)

30. Pursuant to Mont. Code Ann. § 30-10-201(13)(k), the commissioner may take action against a broker-dealer when any partner, officer, director, person occupying a similar status or performing similar functions, or person directly or indirectly controlling the broker-dealer has failed to reasonably supervise its salespersons or employees to ensure their compliance with the Act.

31. Respondents' acts and practices, as described above, constitute a violation of Mont. Code Ann. § 30-10-201(13)(k) of the Act.

VII. ORDER

IT IS HEREBY ORDERED:

A. Respondents shall permanently cease and desist from conduct in violation of Mont. Code Ann. § 30-10-201(13)(k);

B. Respondents specifically and affirmatively waive any hearing and all rights to appeal under the Montana Administrative Procedures Act, § 2-4-101 *et seq.*, and the Montana Securities Act, § 30-10-101 *et seq.*, and elect to resolve this matter on the terms and conditions set forth herein;

C. Respondents shall provide restitution in an amount of no less than \$37,027.99 plus interest in the amount of 6% to Montana customers, providing the portion of commissions and markups over 5% paid by all Montana customers for whom the Minimum Equity Commission applied from July 1, 2018 to July 17, 2023. Respondents shall provide restitution plus interest to affected Montana customers in an amount of \$42,077.03. For purposes of this multi-state settlement, the restitution shall be in the form of a bank check, or for existing customers, and customers whose accounts closed within 180 days, shall be

a dollar credit to the customer account, unless requested otherwise by the Montana customer.

1. Respondents shall provide notice of the restitution made pursuant to Section VII.C (“Notice Letter”) to all Montana customers at the last known address of record.^{1,2}
2. Within forty-five (45) days of the expiration of the Notice Letter, Respondents shall prepare, and submit to CSI, a report detailing the restitution paid pursuant to the Order, which shall include:
 - i. Identification of all accepted and verified offers;
 - ii. Dates, amounts, and methods of the transfer of funds for all restitution payments;
 - iii. Identification and detailed descriptions of any objections received by Respondents.

D. Respondents shall pay an administrative fine of \$100,000.00 to Montana within fifteen calendar days following the date of entry of this Order. Payment shall be: (1) made by United States postal money order, certified check, bank cashier’s check, bank money order, or wire; (2) made payable to the “Commissioner of Securities and Insurance, Office of the Montana State Auditor”; (3) either hand-delivered, mailed to CSI, “Attn: Brandy Morrison, 840 Helena Ave., Helena, MT 59601”, or wired per CSI’s instructions; and (4) submitted under cover letter or other documentation—sent to Brett Olin, Deputy Securities Commissioner, and Legal Counsel Kirsten Madsen by either electronic mail to brett.olin@mt.gov and kirsten.madsen@mt.gov or regular mail to 840 Helena Ave.,

¹ This timeline may be modified for certain Raymond James employees on the employee fee schedule, and the modification for these employees shall not be unacceptable to the Division.

² For any Montana residents for whom Respondents receive a returned to sender notification (“Undeliverable Montana Residents”), Respondents shall have 45 days from the original date of mailing to attempt delivery at an alternate address. If Respondent receives a second returned to sender notification, Respondents shall provide CSI with a list of Undeliverable Montana Residents within a reasonable time of that notification. If CSI is able to provide different mailing address information for Undeliverable Montana Residents, Respondents shall mail another Notice Letter to Montana residents within a reasonable time of CSI providing such different address.

Helena, MT 59601—that identifies payment by Respondents and the docket number of the above-captioned proceeding (Case No. SEC-2023-00197);

E. The Chief Compliance Officer ("CCO") of each of the Respondents shall certify in writing to CSI within sixty (60) days of the date of entry of this Order that the Respondents' policies and procedures have been changed and enhanced to ensure that all commissions are fair and reasonable. At a minimum, Respondents shall certify that its policies and procedures include the following:

1. Compliance systems to prevent the imposition of unreasonable or unfair commissions;
2. Operational changes designed to ensure that, regardless of the principal amount of a transaction, commissions will not exceed 5%, in the absence of a documented exception;
3. Incorporation of all transactions, regardless of the principal amount of the transaction, into any systems used to identify and review potentially excessive commissions;
4. Implementation of revised commission payout not unacceptable to the Multi-state Working Group.

F. One year after the termination of the process set forth above in Section VII, paragraph (E), Respondents shall undergo, at their own expense, a review by an internal unit not unacceptable to the Multi-state Group to confirm the implementation of the changes set forth above and to assess the efficacy of such changes to Respondents' practices, policies, and procedures. At the conclusion of this review, which in no case shall take more than sixty (60) days, Respondents shall issue a report of its findings and recommendations concerning Respondents' adherence to and the efficacy of changes. The report shall be promptly delivered to CSI within ten (10) days of its completion. No later than thirty (30) days after receipt of the report, Respondents shall provide a detailed, written response to any and all findings and recommendations in the report to CSI, 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.

1. Respondents shall retain copies of any and all report(s) as set forth in paragraphs (A) through (F) above in an easily accessible place for a period of five (5) years from the date of the reports.

G. Respondents shall not claim, assert, or apply for a tax deduction or tax credit with regard to any state, federal or local tax for any penalty that Respondents shall pay pursuant to this Order;

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

I. If either Respondent is the subject of a voluntary or involuntary bankruptcy petition under Title 11 of the United States Code within three hundred sixty-five (365) days of the entry of this Order, Respondent shall provide written notice to CSI within five (5) days of the date of the petition.

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

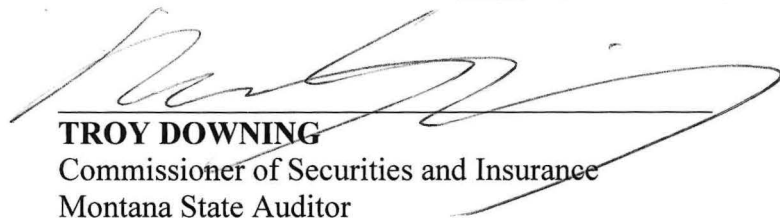
K. If either Respondent materially fails to comply with any of the terms set forth in this Order, CSI may institute an action to have this Order declared null and void as to that Respondent. Additionally, after a fair hearing and the issuance of an order finding that Respondent has not complied with the Order, the Commissioner may move to have the Order declared null and void as to that Respondent, in whole or in part, and re-institute the associated proceeding that had been brought against that Respondent; and

L. For good cause shown, CSI may extend any of the procedural dates set forth above. Respondents shall make any requests for extensions of the procedural dates set forth above in writing to CSI.

VIII. NO DISQUALIFICATION

This Order waives any disqualification in the Montana Securities Act, or rules or regulations thereunder, including any disqualification from relying upon the registration exemptions or safe harbor provisions to which Respondents may be subject. This Order is not intended to be a final order based upon violations of the Act that prohibit fraudulent, manipulative, or deceptive conduct. This Order is not intended to form the basis of any disqualifications under Section 3(a)(39) of the Securities Exchange Act of 1934; or Rules 504(b)(3) and 506(d)(1) of Regulation D, Rule 262(a) of Regulation A and Rule 503(a) of Regulation CF under the Securities Act of 1933. This Order is not intended to form the basis of disqualification under the FINRA rules prohibiting continuance in membership absent the filing of a MC-400A application or disqualification under SRO rules prohibiting continuance in membership. This Order is not intended to form a basis of a disqualification under 204(a)(2) of the Uniform Securities Act of 1956 or Section 412(d) of the Uniform Securities Act of 2002. Except in an action by CSI to enforce the obligations of this Order, any acts performed or documents executed in furtherance of this Order: (a) may not be deemed or used as an admission of, or evidence of, the validity of any alleged wrongdoing, liability, or lack of any wrongdoing or liability; or (b) may not be deemed or used as an admission of; or evidence of, any such alleged fault or omission of Respondents in any civil, criminal, arbitration, or administrative proceeding in any court, administrative agency, or tribunal.

SIGNED AND ENTERED BY THE COMMISSIONER this 16th day of ~~October~~ ^{November}, 2023.


TROY DOWNING
Commissioner of Securities and Insurance
Montana State Auditor

**CONSENT TO ENTRY OF ADMINISTRATIVE 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 to the jurisdiction of the Commissioner of Securities and Insurance, Office of the Montana State Auditor (Commissioner), neither admit nor deny the Statement of Facts and Violations of Law contained in this Order, and consent to entry of this Order by the Commissioner as settlement of the issues contained in this Order.

RJA and RJFS unconditionally guarantee payment of the fine and restitution in the amount of one hundred forty-two thousand seventy-seven dollars and three cents (\$142,077.03) as agreed 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 penalty that RJA and RJFS shall pay pursuant to this Order.

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RJA and RJFS state that no promise of any kind or nature whatsoever was made to them to induce them to consent to this Order and that they have consented to this Order voluntarily.

Scott Curtis represents that he is President of 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 1st day of November, 2023.

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

DocuSigned by:
Scott Curtis
By: _____
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Title: President, Raymond James Private Client Group

Approved as to form by:

DocuSigned by:
Lara Thyagarajan

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Lara C. Thyagarajan, Partner, Sidley Austin LLP