

STATE OF ALASKA
DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT
DIVISION OF BANKING AND SECURITIES

ORDER NO. 23-111-S

IN THE MATTER OF:)
)
RAYMOND JAMES & ASSOCIATES,)
INC.)
and RAYMOND JAMES FINANCIAL)
SERVICES INC.)
)
)
Respondents.)
_____)

CONSENT ORDER

I. PRELIMINARY STATEMENT

This Consent Order (the “Order”) is entered into by the Department of Commerce, Community, and Economic Development, Division of Banking and Securities (“Administrator”) 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 certain provisions of the Alaska Securities Act, Alaska Statute (“AS”) 45.55 *et seq.*¹ and AS 45.56 *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

¹ On January 1, 2019, AS 45.56 became effective as the Alaska Securities Act. Before January 1, 2019, the Alaska Securities Act was codified at AS 45.55. Citations to AS 45.55 in this Order refer to AS 45.55 as codified before enactment of AS 45.56.

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

5 **II. JURISDICTION**

6 1. The Administrator has jurisdiction over matters relating to securities pursuant to the
7 Act.

8 2. This Order is entered in accordance with the Act.

9 3. The acts and practices that are the subject of the Administrator’s investigations
10 occurred while Respondents were registered as broker-dealers in Alaska.

11 **III. RELEVANT TIME PERIOD**

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

14 **IV. RESPONDENTS**

15 5. RJA is a broker-dealer registered in Alaska with a main address of 880 Carillon
16 Parkway, St. Petersburg, Florida 33716. RJA is identified by Financial Industry Regulatory
17 Authority (“FINRA”) CRD No. 705. RJA maintains no branch offices in Alaska.

18 6. RJFS is a broker-dealer registered in Alaska with a main address of 880 Carillon
19 Parkway, St. Petersburg, Florida 33716. RJFS is identified by FINRA CRD No. 6694. RJFS
20 maintains 10 branch offices in Alaska.

21 **V. STATEMENT OF FACTS**

22 **A. Respondents’ Minimum Commission Practices for Equity Transactions Failed to** 23 **Ensure Transactions Were Executed at a Fair and Reasonable Price**

24 7. During the Relevant Time Period, Respondents charged unreasonable commissions

1 to many retail brokerage customers on certain equity transactions.

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

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

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

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

13 12. This schedule allowed agents to charge between \$0 and \$35 per transaction versus the
14 \$75 Minimum Equity Commission.

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

18 14. The Act and associated regulations prohibit Respondents from charging unreasonable
19 commissions for services performed.

20 15. During the Relevant Time Period, Respondents executed over 270,000 transactions
21 nationwide which included a commission in excess of 5% of the principal value, totaling over
22 \$8,250,000 in excess commissions.

23 16. During the Relevant Time Period, RJA executed approximately 33,638 equity buy
24 transactions and approximately 99,415 equity sell transactions nationwide which included

1 commissions in excess of 5% of the principal value.

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

5 18. Between July 1, 2018 and December 31, 2018, Respondents executed 52 transactions
6 in Alaska which included an unreasonable commission for services performed (i.e., in excess of
7 5% of the principal trade amount) totaling \$1,754.36. Between January 1, 2019 and July 17,
8 2023, Respondents executed 637 transactions in Alaska which included an unreasonable
9 commission for services performed (i.e. in excess of 5% of the principal trade amount) totaling
10 \$20,140.08.

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

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

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

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

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

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

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

1 commission charges.

2 **C. Respondents Previously Failed to Engage Systems to Reasonably Monitor Equity**
3 **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, 2010,
7 Respondents’ application of automated commission schedules to certain low-priced securities
8 transactions did not consider whether such commissions were fair and reasonable as
9 contemplated under NASD Conduct Rule 2440 and IM-2440-1(b) (both superseded by FINRA
10 Rule 2121).

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

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

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

16 **VI. VIOLATIONS OF LAW**

17 **Count I – AS 45.55.060(b)(1) and AS 45.56.440(d)(9)**

18 **For the period of July 1, 2018 through December 31, 2018**

19 30. Pursuant to AS 45.55.060(b)(1), the Administrator may by order deny, suspend, or
20 revoke any registration if the administrator finds that the order is in the public interest and that
21 the registrant has failed reasonably to supervise agents if the registrant is a broker-dealer.

22 31. Respondents’ acts and practices, as described above, constitute a violation of
23 AS 45.55.060(b)(1) of the Act.

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For the period of January 1, 2019 through July 17, 2023

32. Pursuant to AS 45.56.440(d)(9) the Administrator may by order revoke, suspend, condition, or limit the registration of a registrant if the administrator finds that the order is in the public interest and that the registrant has failed to reasonably supervise an agent, if the agent was subject to the person’s supervision and committed a violation of this chapter or former AS 45.55.

33. Respondents’ acts and practices, as described above, constitute a violation of AS 45.56.440(d)(9) of the Act.

VII. ORDER

IT IS HEREBY ORDERED:

1. Respondents shall permanently cease and desist from conduct in violation of AS 45.55.060(b)(1) and AS 45.56.440(d)(9) as described herein;
2. Respondents are censured by the Administrator;
3. Respondents shall provide restitution in an amount of no less than \$8,383,167.46 plus interest in the amount of 6% to customers, providing the portion of commissions and markups over 5% paid by all customers for whom the Minimum Equity Commission applied from July 1, 2018 to July 17, 2023. Respondents shall provide restitution plus interest to affected Alaska customers in an amount of \$25,223.09;
 - i. Any notice of restitution made pursuant to Section VII, subsection C, shall be sent by Respondents to the last known address of record for such customers within 60 days after the Multi-state Group finds said notice not unacceptable ("Notice Letter").² In the event that an Alaska resident’s Notice Letter is ‘returned to sender’ and Respondents are unable to locate a new address, Respondents shall notify the

² This timeline will be modified for certain Firm employees and said timeline shall not be unacceptable to the Division.

1 Administrator. Restitution shall be in the form of a bank check, or for existing
2 customers shall be a dollar credit to the customer account, unless requested otherwise
3 by the Alaska customer.

4 ii. Within forty-five (45) days of the expiration of the Notice Letter, Respondents shall
5 prepare, and submit to the Administrator, a report detailing the restitution paid
6 pursuant to the Order, which shall include:

- 7 i. Identification of all accepted and verified offers;
- 8 ii. Dates, amounts, and methods of the transfer of funds for all
9 restitution payments;
- 10 iii. Identification and detailed descriptions of any objections received
11 by Respondents.

12 4. Respondents, jointly and severally, shall pay an administrative fine, further costs
13 of investigation incurred by the lead states, and \$75,000 to the North American Securities
14 Administrators Association ("NASAA"), totaling \$4,200,000. This amount, exclusive of any
15 investigative costs paid to the lead states and the allocation to NASAA, shall be distributed
16 individually to those jurisdictions who agree to the terms set forth herein. Respondents shall pay
17 \$75,000.00 to Alaska within thirty calendar days following the date of entry of this Order.
18 Payment shall be: (1) made by United States postal money order, certified check, bank cashier's
19 check, bank money order, or wire; (2) made payable to the Alaska; (3) either hand-delivered,
20 mailed to Alaska; or wired per Administrator instructions; and (4) submitted under cover letter
21 or other documentation that identifies payment by Respondents and the docket number of the
22 proceeding;

23 5. The Chief Compliance Officer ("CCO") of each of the Respondents shall certify
24 in writing to the Administrator 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

1 commissions are fair and reasonable. At a minimum, Respondents shall certify that its policies
2 and procedures include the following:

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

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

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

4 7. Respondents shall not claim, assert, or apply for a tax deduction or tax credit with
5 regard to any state, federal or local tax for any penalty that Respondents shall pay pursuant to
6 this Order and as governed under enacted Regulations under Internal Revenue Code Section
7 162(f);

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

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

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

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

24 12. For good cause shown, the Administrator may extend any of the procedural dates

1 set forth above. Respondents shall make any requests for extensions of the procedural dates set
2 forth above in writing to the Administrator.

3 **VIII. NO DISQUALIFICATION**

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

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Julie Sande, Commissioner
Department of Commerce, Community and
Economic Development

DATED: 2/24/2024

/s/ Robert H. Schmidt
Robert H. Schmidt, Director
Division of Banking and Securities

Respondent understands that this Order is a publicly disclosable document.

DATED: 2/15/2024

/s/ Scott Curits
Raymond James & Associates, Inc.
Raymond James Financial Services, Inc.

Name: Scott Curtis
Title: President, Private Client Group

Approved as to form and content:

2/20/2024
Date

/s/ Lara C. Thyagarajan
Lara Thyagarajan
Attorney for Raymond James &
Associates, Inc.