

**ADMINISTRATIVE PROCEEDING  
BEFORE THE  
SECURITIES COMMISSIONER OF SOUTH CAROLINA**

<b>IN THE MATTER OF:</b>	)	
	)	
<b>Raymond James &amp; Associates, Inc. and</b>	)	<b>CONSENT ORDER</b>
<b>Raymond James Financial Services, Inc.,</b>	)	<b>Matter No. 20232794</b>
	)	
<b>Respondents.</b>	)	
	)	

**I. PRELIMINARY STATEMENT**

Pursuant to the authority granted to the Securities Commissioner of South Carolina (the “Securities Commissioner”) under the South Carolina Uniform Securities Act of 2005, S.C. Code Ann. §§ 35-1-101, *et seq.*, and the regulations and rules promulgated thereunder (collectively, the “Act”), and delegated to the Securities Division of the Office of the Attorney General of the State of South Carolina (the “Division”) by the Securities Commissioner, and after the Division conducted an investigation into the securities-related activities of Raymond James & Associates, Inc. (“RJA”) and Raymond James Financial Services, Inc. (“RJFS”) (collectively, the “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 the Respondents engaged in acts or practices that violated the Act, the Division and the Respondents enter into this Consent Order.

As the result of the investigation, the Multi-state Group concluded that the Respondents charged unreasonable commissions on approximately 270,000 low-principal equity transactions nationwide, totaling over \$8,250,000 over the past 5-years. On June 30, 2023, the Respondents submitted an Offer of Settlement to the Massachusetts Securities Division and executed a term sheet with Alabama, California, Illinois, Montana, and Washington.

Without admitting or denying the Findings of Fact and Conclusions of Law set forth below, except as to the jurisdiction of the Securities Commissioner over the Respondents and the subject matter of this proceeding, which are admitted, the Respondents, having been advised of their right to counsel, expressly consent to the entry of this Consent Order, which resolves the allegations against them set forth herein. The Respondents elect to waive permanently any right to a hearing and appeal under S.C. Code Ann. § 35-1-609, with respect to this Consent Order.

## **II. JURISDICTION**

1. The Securities Commissioner has jurisdiction over this matter pursuant to S.C. Code Ann. § 35-1-601(a).

## **III. RELEVANT PERIOD**

2. Except as otherwise expressly stated, the conduct described herein occurred between approximately July 1, 2018, to July 17, 2023 (the “Relevant Period”).

## **IV. RESPONDENTS**

3. RJA is a broker-dealer registered in South Carolina 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 twenty-five (25) branch offices in South Carolina.

4. RJFS is a broker-dealer registered in South Carolina with a main address of 880 Carillon Parkway, St. Petersburg, Florida 33716. RJFS is identified by FINRA CRD No. 6694. RJFS maintains fifty-five (55) branch offices in South Carolina.

## V. FINDINGS OF FACT

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

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

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

7. 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 of \$50,000 and above.

8. The 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 the Respondents’ affiliated investment bank.

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

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

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

12. The Act prohibits the Respondents from charging unreasonable commissions for services performed.

13. During the Relevant Period, the 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.

14. During the Relevant 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.

15. During the Relevant 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.

16. In South Carolina, the Respondents executed at least 5,093 transactions which included an unreasonable commission for services performed (i.e., in excess of 5% of the principal trade amount) totaling \$156,331.28.

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

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

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

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

20. Broker-dealers, including the Respondents, use exception reports to surveil commissions.

21. The 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%.

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

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

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

24. The AWCs provide that from January 1, 2006, through at least October 31, 2010, the 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).

25. The AWCs required the Respondents, collectively, to pay over \$1.7 million in restitution to customers for conduct similar to the Respondents' conduct detailed in the preceding Findings of Fact paragraphs.

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

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

**VI. CONCLUSIONS OF LAW**

28. Paragraphs 1 through 27 are incorporated by reference as though fully set forth herein.

29. The Respondents failed to reasonably supervise their agents, investment adviser representatives, or other individuals, as summarized in the preceding paragraphs, in violation of S.C. Code Ann. § 35-1-412(d)(9).

30. The Respondents' acts and practices, as described above, constitute a violation of 35-1-412(d)(9) and authorize the Securities Commissioner to issue an order to censure, impose a bar, and/or impose a civil penalty in an amount not to exceed \$10,000 for each violation, pursuant to S.C. Code Ann. § 35-1-412(c).

31. The Respondents' conduct set forth above provides the basis for this Consent Order, pursuant to S.C. Code Ann. §§ 35-1-604(a)(1) and 35-1-412(c).

32. This Consent Order is appropriate and in the public interest, pursuant to the Act.

## **VII. ORDER**

**NOW THEREFORE**, pursuant to S.C. Code Ann. § 35-1-412(c), it is hereby **ORDERED** that:

- A. Each Respondent and every successor, affiliate, control person, agent, servant, and employee of each of the Respondents, and every entity owned, operated, or indirectly or directly controlled by or on behalf of each of the Respondents **CEASE AND DESIST** from transacting business in this State in violation of S.C. Code Ann. § 35-1-412(d)(9) as described herein;
- B. The Respondents are censured by the Division;
- C. Since the Respondents have consented to provide restitution nationwide 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, the

Respondents shall provide restitution plus interest to the affected South Carolina customers in an amount of \$178,212.19.

- i. Any notice of restitution made pursuant to Section VII, subsection C above, shall be sent by the Respondents to the last known address of record for such customers within 60 days after the Multi-state Group finds said notice not unacceptable (the “Notice Letter”). All South Carolina residents for whom the Respondents received a Notice Letter returned to sender and for whom Respondents, after reasonable efforts, were unable to deliver the Notice Letter shall be provided in a list titled “Undeliverable South Carolina Residents” to the Department within 90 days of the date on which the Notice Letter was mailed. Restitution shall be in the form of a bank check, or for existing customers shall be a dollar credit to the customer’s account, unless requested otherwise by the South Carolina customer.<sup>1</sup>
- ii. Within forty-five (45) days of the expiration of the Notice Letter, the Respondents shall prepare and submit to the Division, a report detailing the restitution paid pursuant to the Order, which shall include:
  - a. Identification of all accepted and verified offers;
  - b. Dates, amounts, and methods of the transfer of funds for all restitution payments; and
  - c. Identification and detailed descriptions of any objections received by the Respondents.

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<sup>1</sup> 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.

D. The Respondents, jointly and severally, shall pay an administrative fine, further costs of investigation incurred by the lead states, and \$75,000 to the North American Securities Administrators Association (“NASAA”), totaling \$4,200,000. This amount, exclusive of any investigative costs paid to the lead states and the allocation to NASAA, shall be distributed individually to those jurisdictions who agree to the terms set forth herein. The Respondents shall pay \$75,000.00 to South Carolina within thirty calendar days following the date of entry of this Order. The payment must be made in one of the following ways:

- i. The Respondents may transmit payment electronically to the Division, which will provide detailed ACH transfer instructions upon request; or
- ii. The Respondents may pay by certified check or bank cashier’s check made payable to the Securities Division of the South Carolina Attorney General’s Office and hand delivered or mailed to:

South Carolina Attorney General’s Office  
Securities Division  
1000 Assembly Street, 5<sup>th</sup> Floor  
P.O. Box 11549 (29211-1549)  
Columbia, SC 29201

Payments must be accompanied by a cover letter identifying the Respondents (with relevant tax identification numbers) and the file number of these proceedings. A copy of the cover letter must be sent to the address referenced above.

E. The Chief Compliance Officer (“CCO”) of each of the Respondents shall certify in writing to the Division 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, the Respondents shall certify that its policies and procedures include the following:

- i. compliance systems to prevent the imposition of unreasonable or unfair commissions;
- ii. 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;
- iii. incorporation of all transactions, regardless of the principal amount of the transaction, into any systems used to identify and review potentially excessive commissions; and
- iv. 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), the 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 the Respondents' practices, policies, and procedures. At the conclusion of this review, which in no case shall take more than sixty (60) days, the Respondents shall issue a report of its findings (the "Report") and recommendations concerning the Respondents' adherence to and the efficacy of changes. The Report shall be promptly delivered to the Division within ten (10) days of its completion. No later than thirty (30) days after receipt of the Report, the Respondents shall provide a detailed, written response to any and all findings and recommendations in the Report to the Division, 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.

- i. The Respondents shall retain copies of any and all reports 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. The 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 amounts that the Respondents shall pay pursuant to this Consent Order and as governed under enacted regulations under Internal Revenue Code Section 162(f);
- H. The 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 the Respondents shall pay pursuant to this Consent Order;
- I. If either of the Respondents is the subject of a voluntary or involuntary bankruptcy petition under Title 11 of the United States Code within three hundred sixty-five (365) days of the entry of this Consent Order, the Respondents shall provide written notice to the Division within five (5) days of the date of the petition.
- J. Any fine, penalty, and/or money that the Respondents shall pay in accordance with this Consent Order is intended by the Respondents and the Division to be a contemporaneous exchange for new value given to the 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 the Respondents fail to comply with the terms set forth in this Consent Order, the Division may institute an action to have this Consent Order declared null and void.<sup>2</sup> Additionally, after a fair hearing and the issuance of an order finding that the Respondents have not complied with the Consent Order, the Division may move to have the Consent Order declared null and void, in whole or in part, and re-institute the associated proceeding that had been brought against the Respondents;
- L. For good cause shown, the Division may extend any of the procedural dates set forth above. The Respondents shall make any requests for extensions of the procedural dates set forth above in writing to the Division;
- M. As part of this Consent Order, the Respondents agree that they: (i) will not take any action or make or permit to be made any public statement denying, directly or indirectly, any allegation in this Consent Order or creating the impression that this Consent Order is without factual basis; and (ii) will not make or permit to be made any public statement to the effect that the Respondents do not admit the allegations of this Consent Order, or that this Consent Order contains no admission of the allegations, without stating that the Respondents do not deny the allegations. If the Respondents breach this agreement set forth in this subparagraph, the Securities Commissioner may vacate this Consent Order. Nothing in this subparagraph affects the Respondents': (i) testimonial obligations or (ii) right to take differing legal or factual positions in litigation or other legal proceedings; and
- N. This Consent order should not be interpreted to waive any (i) criminal cause of action, (ii) private cause of action that may have accrued to investors as a result of the

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<sup>2</sup> However, the failure to comply will not apply to minor deviations with the deadlines set forth in this Order.

activities detailed herein, or (iii) other causes of action that may result from activities of the Respondents not detailed in this Consent Order.

### **VIII. NO DISQUALIFICATION**

This Consent Order waives any disqualification in the Act, including any disqualification from relying upon the registration exemptions or safe harbor provisions to which the Respondents may be subject. This Consent Order is not intended to be a final order based upon violations of the Act that prohibit fraudulent, manipulative, or deceptive conduct. This Consent 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 Consent Order is not intended to form the basis of disqualification under the FINRA rules prohibiting continuance in membership and is not intended to trigger any requirement that the Respondents must file a MC-400A application to remain a member in good standing or to trigger any disqualification under SRO rules prohibiting continuance in membership. This Consent 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 the Division to enforce the obligations of this Consent Order, any acts performed or documents executed in furtherance of this Consent 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 the Respondents in any civil, criminal, arbitration, or administrative proceeding in any court, administrative agency, or tribunal.

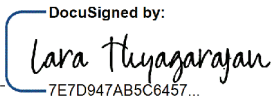
ENTERED, this the \_\_\_\_ day of \_\_\_\_\_, 2023.

By: \_\_\_\_\_  
ALAN WILSON  
Securities Commissioner  
State of South Carolina

Respondent Raymond James & Associates, Inc. and Raymond James Financial Services, Inc. consents to the terms of the above Consent Order.

By:  \_\_\_\_\_ Date: 10/16/2023  
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(name) Scott Curtis


Reviewed by Counsel for Raymond James & Associates, Inc. and Raymond James Financial Services, Inc.:

By:  \_\_\_\_\_ Date: 10/16/2023  
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(name) Lara Thyagarajan, Partner, Sidley Austin LLP

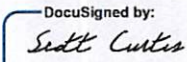
The Securities Division of the Office of the Attorney General consents to the terms of the above Consent Order.

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Jonathan B. Williams  
Assistant Deputy Attorney General

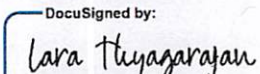
ENTERED, this the 17 day of October, 2023.

By:   
ALAN WILSON  
Securities Commissioner  
State of South Carolina


Respondent Raymond James & Associates, Inc. and Raymond James Financial Services, Inc. consents to the terms of the above Consent Order.

By:  Date: 10/16/2023  
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(name) Scott Curtis

Reviewed by Counsel for Raymond James & Associates, Inc. and Raymond James Financial Services, Inc.:

By:  Date: 10/16/2023  
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(name) Lara Thyagarajan, Partner, Sidley Austin LLP

The Securities Division of the Office of the Attorney General consents to the terms of the above Consent Order.

By:  Date: 10/16/2023  
Jonathan B. Williams  
Assistant Deputy Attorney General