

RECEIVED
200 JAN 20 P 2:54
FINRA/SEC/REG & ENFORCE

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20070084293-01**

TO: Department of Market Regulation
Financial Industry Regulatory Authority ("FINRA")

RE: **Raymond James & Associates, Inc.**, Respondent
Broker-Dealer
CRD No. 705

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Raymond James & Associates, Inc. (the "firm") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against the firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. The firm hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

The firm has been a member of FINRA since August 21, 1964, and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

The firm understands that its disciplinary history may be a factor that will be considered in deciding whether to accept this AWC.

On November 23, 2005, an AWC was accepted pursuant to which the firm was censured and fined a total of \$37,500 for various rule violations, including, among others, violations of NASD Rule 6955 concerning Order Audit Trail System ("OATS") reporting, violations of NASD Rule 6130 concerning the trade reporting of equity securities transactions and violations of SEC Rule 10b-10 concerning customer trade confirmations.

FACTS AND VIOLATIVE CONDUCT

In Market Regulation Review No. 20070084293, FINRA staff (the "staff") conducted a review of the firm's compliance with OATS reporting requirements during the review period of October 1, 2006 through December 31, 2006 (the "4Q2006 review period").

In Market Regulation Review No. 20070099185, the staff conducted the firm's Trading and Market Making Surveillance ("TMMS") Examination for 2007, evaluating its compliance with various NASD rules relating to its trading of equity orders and its market-making activities, and specifically reviewing the items listed in Appendix 1 for trade dates July 18 through July 19, 2007 (the "2007 TMMS Exam review period").

In Market Regulation Review No. 20080136219, the staff conducted a review of the firm's compliance with best execution requirements during the review period of October 1, 2007 through December 31, 2007 (the "4Q2007 review period").

In connection with Review No. 20070084293,

1. The firm transmitted to OATS 7,110 Reportable Order Events ("ROEs") that were rejected by OATS for context or syntax errors. The firm failed to repair 1,181 of the rejected ROEs, representing 17 percent of all rejected ROEs during the 4Q2006 review period. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6955(a).

In connection with Review No. 20070099185,

2. The firm incorrectly reported the second leg of 65 "riskless" principal transactions as "agent" to the NASD/Nasdaq Trade Reporting Facility. In addition, the firm failed to report the contra MPID to the OTC Reporting Facility in one last sale report of a transaction in an OTC Equity security. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6130.
3. The firm, on 73 occasions when it acted as principal for its own account, failed to provide written notification disclosing to its customer that it was a market maker in each such security. In addition, the firm failed on one occasion to provide written notification disclosing to its customer its correct capacity in the transaction and the fact that the firm's remuneration was a commission equivalent. Finally, the firm failed on seven occasions to provide written notification disclosing to its customer its correct capacity for each execution and the firm's corresponding remuneration as either a commission or commission equivalent. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 10b-10.

In connection with Review No. 20080136219,

4. In 86 instances, the firm failed to execute orders fully and promptly. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rules 2110 and 2320.
5. In 25 of the transactions described in paragraph 4 above for or with a customer, the firm failed to use reasonable diligence to ascertain the best inter-dealer market and failed to buy or sell in such market so that the resultant price to its customer was as favorable as possible under prevailing market conditions, as reflected on Exhibit A, which is attached. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rules 2110 and 2320.

B. The firm also consents to the imposition of the following sanctions:

A censure; fines totaling \$32,500 (consisting of \$10,000 for the firm's OATS violations during the 4Q2006 review period, \$10,000 for the firm's trade-reporting violations during the 2007 TMMS Exam review period, \$2,500 for the firm's SEC Rule 10b-10 violations during the 2007 TMMS Exam review period and \$10,000 for the firm's market order timeliness/best execution violations during the 4Q2007 review period), and restitution by Respondent to the 25 investors listed on Exhibit A, which is attached, in the total amount of \$317.73, plus interest at the rate set forth in Section 6621(a) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2), from the date of the violative conduct until the date this AWC is accepted by the National Adjudicatory Council ("NAC"). A registered principal of the firm shall submit satisfactory proof of payment of the restitution, or of reasonable and documented efforts undertaken to effect restitution, to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850 or in an e-mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, no later than 120 days after acceptance of this AWC. If for any reason, Respondent cannot locate any customer after reasonable and documented efforts within such period, or such additional period agreed to by the staff, Respondent shall forward any undistributed restitution and interest to the appropriate escheat, unclaimed-property or abandoned-property fund for the state in which the customer is known to have last resided.

The firm agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. It has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

The firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

The firm specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against the firm;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the firm specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

The firm further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

The firm understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the firm; and
- C. If accepted:
 - 1. this AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the firm;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the firm's disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. The firm may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. The firm may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the firm's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. The firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The firm understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the firm to submit it.

12/9/09
Date

Respondent
Raymond James & Associates, Inc.

By: [Signature]

Name: Louis A. Parks

Title: Senior Managing Director

Reviewed by:

[Signature]

Michael D. Wolf
Counsel for Respondent
Bingham McCutchen LLP
2020 K Street, NW
Washington, DC 20006-1806

Accepted by FINRA:

1/19/10
Date

Signed on behalf of the
Director of ODA, by delegated authority

[Signature]
Thomas R. Gira
Executive Vice President
Department of Market Regulation

Exhibit A

Raymond James & Associates, Inc.
Matter No. 20080136219

Item No.	Date	Issue	Quantity	Trade Time	Trade Price	Restitution
1	10/8/2007	PAET	450	11:00:14	\$12.50	\$3.00
2	10/24/2007	AUTH	1,000	11:20:18	\$13.84	\$35.36
3	11/5/2007	GLBL	48	9:31:01	\$26.53	\$7.20
4	11/8/2007	TEVA	90	9:36:35	\$44.16	\$1.80
5	11/13/2007	HOLX	318	10:40:59	\$62.09	\$31.80
6	11/13/2007	CERN	91	11:59:47	\$54.74	\$7.28
7	11/14/2007	CERN	47	14:08:12	\$54.82	\$2.82
8	11/14/2007	CERN	124	15:19:09	\$54.74	\$2.48
9	11/14/2007	TEVA	100	15:20:17	\$45.02	\$1.00
10	11/15/2007	AMED	31	12:34:42	\$43.34	\$1.24
11	11/15/2007	QSII	200	15:18:41	\$29.36	\$2.00
12	11/19/2007	ECLP	125	11:59:19	\$22.50	\$1.25
13	11/19/2007	TEVA	29	11:30:36	\$44.30	\$1.45
14	11/19/2007	AMSG	215	13:14:51	\$26.28	\$4.30
15	11/20/2007	CPSI	721	14:41:40	\$21.07	\$36.05
16	11/21/2007	AMSG	500	14:31:08	\$26.27	\$10.00
17	11/23/2007	CERN	34	12:09:18	\$57.44	\$1.70
18	11/23/2007	AMMD	250	12:42:49	\$12.97	\$12.50
19	11/26/2007	NOVN	200	11:46:48	\$13.90	\$2.00
20	11/27/2007	LCAV	1000	10:50:16	\$15.93	\$10.00
21	11/27/2007	CERN	20	14:56:44	\$58.08	\$3.40
22	12/3/2007	CPWM	2350	12:53:29	\$3.16	\$42.00
23	12/14/2007	ONNN	2255	10:08:14	\$8.04	\$45.10
24	12/19/2007	LGCY	300	15:40:53	\$20.90	\$45.00
25	12/27/2007	SPWR	50	9:56:25	\$142.43	\$7.00
Total:						\$317.73

2007 Trading and Market Making Surveillance Exam Samples
Raymond James & Associates, Inc. ("RAJA")
Exam No. 20070099185

<u>Sample Size:</u>	<u>Review Area</u>	<u>Sample Source</u>
300	Customer and proprietary sales, reviewed for compliance with SEC Rule 200(g) long/short/exempt sale recording requirements.	From trade dates July 18-19, 2007
6	Customer and proprietary short sales, reviewed for compliance with SEC Rule 203(b) security location requirements.	From trade dates July 18-19, 2007
243	Customer and proprietary sales reported to a TRF or OTCRF, for compliance with NASD Rules 6130, 4632 and 6620 sale indicator reporting requirements.	From trade dates July 18-19, 2007
9	Customer and proprietary sales entered into the Nasdaq Exchange execution systems, for compliance with Nasdaq Rule 4755 long/short/exempt sale indicator entry requirements.	From trade dates July 18-19, 2007
15	Cancellations of trades reported to a TRF or OTCRF, for compliance with NASD Rules 4632(g), 6420(f), 6620(f) and 6130(f) trade report cancellation requirements.	From trade dates July 18-19, 2007
30	Trades reported to a TRF or OTCRF with a .RO or .RA modifier, for compliance with NASD Rules 6130.	From trade dates July 18-19, 2007
100	Limit and market orders executed as principal, for compliance with the order protection and best execution requirements of NASD Rules 2110, IM-2110-2, 2111, 6541 and 2320, and Nasdaq Rules 2110, IM-2110-2, 2111 and 2320	From trade dates July 18-19, 2007
234	Principal and riskless principal trade executions effected otherwise than on an exchange for <u>108</u> limit or market orders, for compliance with NASD Rules 4632, 6420, 6620 and 6130 requirements for TRF and OTCRF reporting.	From trade dates July 18-19, 2007
N/A	Principal and riskless principal trade executions effected otherwise than on an exchange for <u>50</u> limit or market orders, for compliance with NASD Rule 4632A requirements for ADF/TRACS reporting.	From trade dates July 18-19, 2007
4	Open limit orders to buy and/or open stop orders to sell securities that traded ex-dividend, for compliance with NASD Rule 3220 and Nasdaq Rule 4761.	For ex-dividend dates July 19-20, 2007.
25	Orders for NMS stocks in which the firm acts as a market center, for compliance with SEC Rule 605 order classification requirements.	From trade dates July 18-19, 2007

<u>Sample Size:</u>	<u>Review Area</u>	<u>Sample Source</u>
5	Datasets published for on the monthly order execution report, for compliance with SEC Rule 605 requirement to publish accurate data. (A "dataset" is all required statistical data for a single order category, with each category representing a single unique combination of a security, order type and order size, as described in Rule 605.)	June 2007
1	Quarterly order routing report, for compliance with SEC Rule 606 requirements.	2 nd Quarter 2007
10	Customer orders in OTC equity securities, for compliance with NASD Rules 2320(g) and 3110(b) requirements to ascertain and document the best interdealer market for transactions in such securities.	From trade dates July 18-19, 2007
50	Orders in securities required to be submitted to OATS, for compliance with NASD Rules 6954 and 6955, and Nasdaq Rules 6954 and 6955 requirement to submit OATS information.	From trade dates July 18-19, 2007
350	Order/Trade records prepared and maintained in connection with the above samples, for general compliance with requirements of NASD Rule 3110 and SEC Rules 17a-3 and 17a-4.	From trade dates July 18-19, 2007
544	Trades reported to a TRF, OTCRF or ADF/TRACS in connection with the above samples, for general compliance with requirements of NASD Trade Reporting and ADF rules.	From trade dates July 18-19, 2007
92	Customer confirmations prepared and maintained in connection with the above samples, for compliance with SEC Rule 10b-10 disclosure requirements.	From trade dates July 18-19, 2007
22	CRD registration records for persons conducting and/or supervising the member's trading and market making activities, for compliance with NASD Rule Series 1020, 1030 and 1040, and Nasdaq Rule Series 1020, 1030 and 1040.	List of trading personnel for May 2007, and supervisory personnel for May 2007
All, as provided by the member	The member's supervisory system, written supervisory procedures ("WSPs") and documents evidencing the implementation of the WSPs, for compliance with NASD Rule 3010 requirements to establish an implement a system that is reasonably designed to prevent and detect violations of applicable securities rules.	WSPs in effect during July 2007, and documentation of supervisory reviews conducted for July 2007
All, as provided by the member	The member's "Regular & Rigorous" review procedures (for assessing the execution quality of orders sent to other trading centers and/or internalized, for compliance with NASD Rules 2320 and 3010.	WSPs in effect during July 2007
N/A	Trading halts declared during the on-site portion of the examination, for which the staff observed the operation of the ATS.	From fieldwork dates September 10-14, 2007