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REGISTRATION & DISCLOSURE

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20080157569**

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

RE: Raymond James & Associates, Inc. (the "Firm")
CRD No. 705

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, 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, which was established in 1962 and is headquartered in St. Petersburg, Florida, has been a member of the NASD (n/k/a) FINRA) since about 1964. The Firm is also a wholly owned subsidiary of Raymond James Financial, Inc. The Firm is a full service carry and clearing broker-dealer, as well as a registered investment advisor.

OVERVIEW

Since at least January 31, 2005, the Firm has not been in full compliance with the regulatory requirement that an exercise of time and price discretion must be reflected on the order ticket. In March 2007, the Firm implemented a change to an order management system ("OMS") that satisfied the regulatory requirement with respect to orders below a certain size that the Firm did not require its

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Financial Advisors ("FAs") to submit to a trading desk for execution. However, the Firm did not then also implement a similar change for other orders of a larger size in the same type of securities that the Firm required its FAs to submit to a trading desk for execution. Thus, the Firm was out of compliance with the regulatory requirement for approximately two years with respect to such smaller orders, and out of compliance well in excess of four years with respect to such larger orders. After March 2007, the Firm could generate a report that for certain orders contained order entry data concerning the exercise of time and price discretion. The Firm considered such data to be part of the order ticket. However, the Firm did not use the report as a supervisory tool, nor did the Firm seek to determine if data contained in the report was responsive to regulatory requests for order tickets. Moreover, no comprehensive review by the Firm was undertaken to ensure that the Firm was in compliance with the order ticket designation requirement for all applicable security types.

FACTS AND VIOLATIVE CONDUCT

Applicable Rule Requirement

NASD Rule 2510 addresses account acceptance, review and suitability with respect to discretionary accounts. NASD Rule 2510(d)(1) sets forth certain exceptions to the broader Rule requirements, and states that the Rule shall not apply to discretion as to the price at which or the time when an order given by a customer for the purchase or sale of a definite amount of a specified security shall be executed. On January 31, 2005 (the "Effective Date") certain amendments to Rule 2510(d)(1) became effective, which included a requirement that "[a]ny exercise of time and price discretion must be reflected on the order ticket."

Effective July 2005, the Firm updated an internal written policy and procedure concerning use of intraday time and price discretion (the "Policy and Procedure"). The Policy and Procedure was included within the Firm's Compliance Manual, and made reference to NASD Rule 2510 and to applicable regulatory notices. Among other things, the Policy and Procedure specifically stated that "[a]ny exercise of time and price discretion must be reflected on the customer order ticket," and that Firm Branch/Supervisory managers should attempt to identify and ensure compliance with orders subject to time and price discretion, as part of the daily review of correspondence, customer complaints, e-mail, and a trade blotter.

As set forth below, however, the Firm did not have adequate systems or procedures in place to cause the exercise by Firm FAs of time and price discretion to be reflected on an order ticket, nor did the Firm make available to Branch/Supervisory managers a trade blotter or other report that was adequate to conduct the supervisory review that was required of them by the Policy and Procedure.

Failures to Comply with NASD Rule 2510(d)(1) Before and After a March 2007 System Change -- Inconsistent Treatment Given to Smaller and Larger Orders

During relevant times the Firm required its FAs to use an electronic OMS known as Advisor's Resource Order Entry ("AROE") for the entry of equity orders of 15,000 shares or less and the entry of option orders of 99 contracts or less. The AROE order entry screen included during relevant times, an order "Date Received" field and an order "Time Received" field which are required to be completed by the FA. The time when the FA affirmatively confirms the terms of the order on the AROE order entry screen, by electronically clicking an "OK" tab, is recorded in AROE as the "order entry" time.

During relevant times, the Firm's order ticket information for orders entered by FAs in AROE, was the data normally producible on an "FA Book Compliance Tab Trade Blotter" report (the "Trade Blotter"). Among other things, the Trade Blotter reflected the order received time and the order entry time recorded by the AROE system.

Between the Effective Date and on or about March 2, 2007, Firm order tickets (the Trade Blotter) for AROE entered orders did not reflect when time and price discretion was exercised by the Firm's FAs. Instead, the Trade Blotter only permitted the Firm to make an inference about whether time and price discretion had been exercised. The Firm reported that it could make that determination for an order by manually computing the time difference between the order received time and the order entry time recorded on the Trade Blotter and assume that discretion was exercised based on a lapse of time in these entries. This methodology was not in compliance with NASD Rule 2510(d)(1). The Rule requires the designation of time and price discretion to be self-evident from the order ticket, and not be based upon subjective interpretation.

Effective on or about March 2, 2007, the Firm implemented a change to the AROE system. As a result of the change, a "check box" was included on the AROE order entry screen, next to which appeared the description: "Same day time/price discretion used by the FA" (the "Check Box"). Beginning on or about March 2, 2007, the Firm required its FAs to signify by electronically marking the Check Box if their client granted to them same day time and price discretion. The Check Box satisfied the specificity requirements of the order ticket designation requirement. The implementation by the Firm of the Check Box did not change the Firm requirement that Firm FAs also accurately record in AROE the date of receipt and the time of receipt of the order, in the respective "Date Received" and "Time Received" fields.

During relevant times, the Firm required that equity orders in excess of 15,000 shares and options orders in excess of 99 contracts, be submitted by the FA to a Firm trading desk for execution, instead of permitting the FA to directly enter these larger size orders into AROE. Trading desk personnel were permitted by

the Firm to enter such larger orders in AROE, or through another Firm OMS known as Rumba. When the Firm implemented the Check Box in AROE in March 2007, it did not then make a similar change in Rumba. Thus, after the Effective Date, the only system in place at the Firm to reflect the exercise of time and price discretion on the Firm's order ticket for a Rumba entered order, was to still manually compute the time difference between the order received time and the order entry time, and make a subjective determination.¹ As set forth above, this system was not in compliance with the order ticket designation requirement of NASD Rule 2510(d)(1).

Inaccurate Books and Records and Additional Failures
Of Supervision Relating to the Exercise of Time and Price Discretion

In connection with its implementation in AROE of the Check Box, the Firm did not make any change to the Trade Blotter, to cause it to reflect those instances when the Check Box was marked by an FA during the AROE order entry process. The Firm has represented that after implementation of the Check Box, the Firm's order ticket for a transaction where the Check Box was electronically marked in AROE included (in addition to the Trade Blotter) a report that could be generated on an "ad hoc" basis (the "Report") which identified the transactions for which the Check Box had been marked. The Firm has represented that it considers the data producible in the Report to be part of its order ticket for orders where the Check Box has been marked. However, it was not the practice of the Firm during relevant times to generate the Report in connection with regulatory requests for order tickets made by SROs and by State and Federal securities regulators, to determine if data in the Report should be produced as part of the order ticket request. It further was not the Firm's practice to internally generate the Report for purposes of conducting Compliance or other supervisory reviews, including the review required of Branch/Supervisory managers that is set forth in the Policy and Procedure.

For instance, for June 2008, the Report identified in excess of 700 purchase or sale transactions. It is thus estimated that in the 25 months between the Effective Date and March 2, 2007 (the Check Box implementation date) there had been thousands of instances where time and price discretion had been exercised by Firm FAs, but where this exercise of discretion had not been reflected on the order ticket in a manner that was in compliance with Rule 2510(d)(1). The same June 2008 Report (which provided the order received and order entry times) demonstrated the inadequacy of the Firm's system to subjectively compare the time lapse between these times, because for many of the transactions in the Report the time lapse was so small (many under 30 seconds) that a Trade Blotter review alone would not lead a supervisor to believe that time and price discretion had been exercised. Since the Firm did not during relevant times use the Report as a

¹ An order received time was not required to be recorded in Rumba as part of the order entry process. If an order received time was not so recorded, the only other source of that information available to the Firm, would have been if the FA who took the order documented the information.

supervisory tool, it did not investigate the accuracy of order received times reported by Firm FAs when the FAs marked the Check Box.

In addition, during relevant times, no comprehensive review by the Firm was undertaken concerning whether there were any other security types in which Firm FAs were permitted to exercise time and price discretion, so that the Firm could determine if it was in compliance as to such security type with the order ticket designation requirement of NASD Rule 2510(d)(1).

Violative Conduct by the Firm

In light of the above, in violation of NASD Rules 2510(d)(1) and NASD Rule 2110,² the Firm did not cause the exercise of time and price discretion to be reflected on an order ticket: (i) for applicable orders entered in AROE between the Effective Date of January 31, 2005 and on or about March 2, 2007, and (ii) for applicable orders entered in Rumba between the Effective Date and the present.

As a result, the Firm also violated the recordkeeping provisions of NASD Rule 3110 and violated NASD Rule 2110, in that during the above time periods applicable order tickets did not reflect when time and price discretion was exercised, as required by NASD Rule 2510(d)(1).

The Firm also failed to exercise reasonable supervision in violation of NASD Rule 3010 and NASD Rule 2110, by not having adequate systems or procedures in place to cause the Firm to be in compliance with the order ticket designation requirement of NASD Rule 2510(d)(1); by not conducting adequate supervisory reviews of data relating to the exercise of time and price discretion; and by not having a system or procedure in place to produce certain order ticket data in connection with regulatory requests for order tickets.

- B. The Firm also consents to the imposition of the following sanctions:
- a. Censure;
 - b. Fine in the amount of \$100,000, and
 - c. Upon the date of approval of this AWC (the "Approval Date") the Firm will commence a thorough review of the Firm's practices and procedures concerning its compliance with the provisions of NASD Rule 2510(d)(1) (the "Review"). The Review shall include a determination whether any order entry system in use by the Firm permits a registered representative or other associated person to exercise discretion as to the price at which or the time when an order given by a customer for the purchase or sale of a

² Due to a Rule conversion change, conduct by the Firm after December 15, 2008, instead of being a violation of NASD Rule 2110, was a violation of FINRA Rule 2010.

definite amount of a specified security shall be executed. With respect to any security for which any such exercise of discretion is permitted by any order entry system, a determination will be made by the Firm whether it has systems and procedures in place that are reasonably designed to cause an exercise of time and price discretion in that security to be reflected on the order ticket. As part of the Review, the Firm (as necessary) will develop written policies and procedures, and cause changes to be made to its (or its agents) operational systems, that are reasonably designed to cause the Firm to be in compliance with the provisions of NASD Rule 2510(d)(1). The Firm shall also prepare a report of the Review (the "Report") that shall describe the Review, and any applicable changes to policies, procedures or systems that are completed or anticipated. The Review shall be completed and the Report delivered to Enforcement within 120 days of the Approval Date.

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. The Firm 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 National Adjudicatory Council ("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 prejudice 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 the Firm has agreed to its 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.

12/23/09

Date

Raymond James & Associates, Inc.

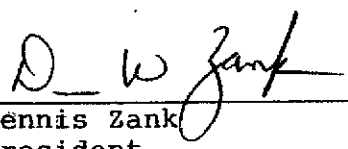
BY:


Kip Carevic

Chief Compliance Officer

Raymond James & Associates, Inc.

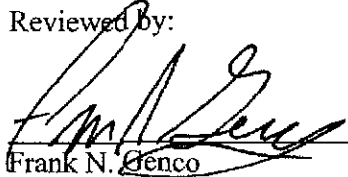
BY:


Dennis Zank

President

RAYMOND JAMES & ASSOCIATES, INC.

Reviewed by:



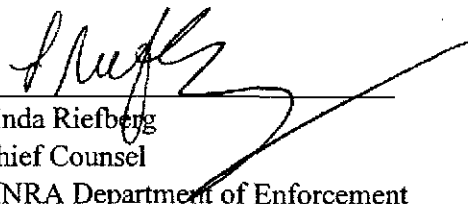
Frank N. Genco

Associate Corporate Counsel
Raymond James & Associates, Inc.

Accepted by FINRA:

DATE: Jan. 11, 2010
Date

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



Linda Riefberg
Chief Counsel
FINRA Department of Enforcement
14 Wall Street - 14th Floor
New York, New York 10005
(646) 315-7395 (Telephone)
(646) 315-7442 (Facsimile)